UC Berkeley
UC Berkeley Electronic Theses and Dissertations

Title

Labor and the Elderly in the Welfare Retrenchment Era: Institutions and Collective Action in the Public Pension Reforms of Affluent Democracies

Permalink
https://escholarship.org/uc/item/20k8009s

Author
Fernandez, Juan J.

Publication Date
2009

Peer reviewed|Thesis/dissertation

eScholarship.org Powered by the California Digital Library
University of California

Labor and the Elderly in the Welfare Retrenchment Era: Institutions and Collective Action in the Public Pension Reforms of Affluent Democracies

by

Juan J. Fernandez

Licenciado (Complutense University of Madrid) 1999

A dissertation submitted in partial satisfaction of the requirements for the degree

Doctor of Philosophy

in

Sociology

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Neil Fligstein
Professor John Lie
Professor Trond Petersen
Professor Dylan Riley
Professor Nicholas Ziegler

Fall 2009

Labor and the Elderly in the Welfare Retrenchment Era: Institutions and Collective Action in the Public Pension Reforms of Affluent Democracies

@ 2009

by Juan J. Fernandez

Abstract

Labor and the Elderly in the Welfare Retrenchment Era: Institutions and Collective Action in the Public Pension Reforms of Affluent Democracies

by

Juan J. Fernandez

Doctor of Philosophy in Sociology

University of California, Berkeley

Professor Neil Fligstein, Chair

This dissertation seeks to explain cross-national differences in the evolution of public pension programs in 21 affluent democracies between 1980 and 2002. Despite a burgeoning literature, critical aspects of pension policy variations such as generosity levels and the passage of retrenching reforms have been inadequately or insufficiently analyzed. The first part of the dissertation describes the type of structural and gradual reforms passed during this period. It shows that most reforms were gradual. Only five countries overhauled their pension policies, while all countries introduced retrenching recalibrations of benefit or coverage levels. Thus, although pension policy has not been dismantled, it has been substantially redesigned across affluent democracies.

The second part of the dissertation explains cross-national variations in three pension policy dimensions. First are examined the reasons for the extensive differences in the generosity of old-age pensions for just-retired individuals. Using cross-sectional time-series regression techniques and pension replacement rates for fixed individuals, I show

that the power of the elderly (and not class struggles) determined the level of pension generosity. Second, I conduct the first event history (EH) analysis of the passage of retrenching pension reforms. A synthetic review of the pension policy literature reveals that a total of 53 retrenching pension reforms were passed. Further, EH models demonstrate that high public deficits and the gap between the growth rates of social security outlays and revenues drove those retrenchments.

A third development during this period involved the enactment of structural pension reforms. To explain how one structural reform was possible, I compare the pension politics leading to the Italian 1995 transition to a notional-defined-contribution (NDC) system and the Spanish 1997 non-structural reform. Based on qualitative evidence, I argue that Italian union leaders sought and imposed the NDC model which eliminated regressiveness suffered by the unions' rank-and-file. By contrast, Spanish union leaders did not seek alternative policy models because public sector workers dominated their rank-and-file and benefited from pension regressiveness. The final study examines attitudinal cleavages on pension policy preferences. It shows that a larger tax wedge and lower elderly poverty rate moderate the higher likelihood of the elderly to demand more pension spending. Thus, the U.S. lacks an age cleavage on pension policy preferences due to a lower tax wedge and higher elderly poverty rate.

Professor Neil Fligstein
Dissertation Committee Chair

Table of Contents

Acknowledgements	i
Chapter 1: Introduction	1
Chapter 2: Parametric Divergence	17
Chapter 3: Paradigmatic Convergence	52
Chapter 4: The Age Basis of Welfare Politics: Public Pension Generosity in 21 OECD Countries, 1980-2002	99
Chapter 5: Organizational Opportunities and Institutional Entrepreneurship: Public Pension Reform in Italy and Spain during the 1990s	131
Chapter 6: Determinants of Pension Policy Reforms in Affluent Democracies: An Event History Analysis	179
Chapter 7: Age and Class Attitudinal Cleavages in their Contexts: Preferences regarding Old-Age Pension Programs in 21 OECD countries, 2006	223
Chapter 8: Conclusions	269
Appendix 1	284
Appendix 2	284
Appendix 3	286
References	312

Acknowledgements

This dissertation owes to the generous support and advice of many people. Their example of intellectual curiosity, hard work and entrepreneurship was critical for the conclusion of this project and its final shape. First, I am indebted to the members of my dissertation committee, particularly Neil Fligstein. Beyond the spur provided by his own work, Neil eased the at-first insurmountable task of completing a Ph.D. program by setting clear rules and goals, periodic milestones and providing realistic advice. His trustworthiness reduced much of the initial uncertainty involved in the process. Further, his commitment to the empirical evidence gave me an anchorage on which to assess my own and others' arguments. Dylan Riley invested countless hours in teaching me how to write complicated arguments in a clear way. He volunteered to read as many as six drafts of several chapters and provided me comments that improved my research design and helped me hone my claims. John Lie persuaded me of the sociologists' duty to study the ruling class and decision-makers and to conduct imaginative sociology. I will continue pursuing these goals for the rest of my career. Trond Petersen taught me practically everything I know about statistics in an approachable and affable manner. He always made his best to clarify my questions, no matter how imprecise they sometimes were. Finally, Nicholas Ziegler helped me identify nuanced differences between neoinstitutional theories and provided me a critical reality check on a dead-end research project which saved me months of lost time.

My committee members were not the only professors who compelled me to write and complete this project. Back in Madrid, and against his short-term interest, my first

mentor, Víctor Pérez-Díaz encouraged me to complete the Ph.D. in the U.S. His insightfulness and independence of judgment dazzled me in 1994 as much as they still do today. Víctor and Juan Carlos Rodríguez patiently introduced me to the mechanics of empirical sociological research.

Beyond intellectual and moral inputs, this dissertation has also progressed due to the generous funding of several sources. The foundations of two Spanish corporations granted me scholarships at the critical initial stage. With the support of Salustiano del Campo, Fundación Caja Madrid funded me through my first two years. Later on Fundación Ramón Areces funded me through another very productive year. At UC-Berkeley, officials of the Institute of European Studies did extra work to garner resources to fund my fieldwork in Italy and Spain. Finally, Dylan Riley repeatedly hired me as is R.A. even though he did not need my services for months.

Finally, I am thankful to my wife, Lourdes, who had not planned a life abroad from Spain, but came with me to fulfill my professional dream. In these six years she has provided the ideal support system. She always listened patiently to my intellectual puzzles and helped me make critical decisions. Lourdes was my personal incentive to finish this dissertation in a timely manner and start working on building up a sufficient income for our retirement.

Chapter 1

Introduction

Over the last three decades old-age public pension policy has been a central issue in the political agenda of all affluent democracies. During this time policy-makers, public officials and scholars working on the intersection of economics and politics have invested a degree of energy on pension reform which has been unparalleled in most other economic policy domains. This salience of pension policy in the public sphere and governmental decision agendas derives in part from the sheer volume of public pension programs in post-industrial societies. The expansion of welfare policies has characterized the postwar political economy and pension policy has been at the center of this expansion. Thus by now in almost all affluent countries pension programs are the public programs which mobilize the most resources and have the most beneficiaries. This condition is critical for the salience of pension policy over the last 30 years as well as for an understanding of recent reforms, for it creates a spillover effect over the treasury at large and stimulates the mobilization by affected actors.

However the structural characteristics of pension programs have gained initial salience in the reform agenda due to the confluence of their sheer with economic, demographic and political developments. First, to most analysts, the recognition of the dire implications of the process of population aging for pension programs acted as a catalyst for the wave of pension reforms (e.g. Bonoli and Shinkawa 2005). Affluent democracies are certainly undergoing a silent revolution due to the contraction of fertility rates and persistent increases in life expectancy. To this effect it suffices to say that the average proportion of elderly population in Organization for Economic Cooperation and Development (OECD) countries was 12.7% in 1980, 15.4% in 2002 and is projected to

reach 22.2% in 2025 (OECD 2007a; United Nations several years). The previously unforeseen speed of population aging has raised collective concerns among scholars and policy experts with regard to trends being taken by age-dependent welfare policy. However previous research on pension policy-making suggests that population aging has been neither the only, nor the most important factor driving recent restrictive pension reforms.

Other developments such as endogenous financial developments in the pension programs and the macroeconomic scenario have also affected public perceptions. In regard to the first aspect, pension policies proved to be particularly sensitive to maturation effects and expansionary measures affecting coverage and benefit calculation rules passed up until the late 1970s. The high activity and employment rates of the 1970s and the applicability of new rules only to new retirees cushioned the short term impact of these generosity increases. But as in the 1980s the new pension calculation and indexation rules affected more and more beneficiaries, these measures boosted annual pension spending growth rates and the historical surpluses of social security programs started to dwindle, which thus led some countries into their first deficits. Thus since the 1980s the programs have observed increasing financial difficulties.

Compounding this adverse development, in the long term the economic growth rates have tended to decline in most countries. This has meant that productivity increases or workforce increases could not compensate for the continuously expanding welfare outlays. Indeed it was in the 1980s when the problem of unemployment became a massive issue at least in Western European economies. In response to these economic

developments an increasing number of voices claimed that the post-oil-crisis economic structures were facing increasing difficulties in financing welfare commitments made during the postwar boom.

Further, in the early 1980s the previously wide consensus on the advantages of defined benefit-pay as you go (paygo) structures in the pension systems came under increasing ideological attack. An energetic group of neoliberal economists spurred a dormant debate about the best means to ensure retirement income and the functions of pension systems in the economy. These observers called for pension privatization as a means to increase national savings, or at least for pension benefit rollbacks to stimulate private savings and allow for payroll tax cuts.

In this context of "pressures" (Pierson 2001b) for changes in welfare policies, discussions regarding the need of additional expansionary pension reforms suddenly disappeared in the 1980s. More importantly, governments started passing reforms that in the short or long term tended to reduce generosity levels. A few of these restrictive reforms were enacted in the 1980s and in the 1990s a wave of these reforms swept across Western Europe. This change in the historical trend of pension programs meant that the long expansionary era started in 1898 (with the first mandatory retirement income program) had been substituted for a permanent retrenchment era. While the degree to which the changes introduced in the 1980-2002 period have substantially undermined the generosity gains of the postwar period remains a subject of controversy in the literature, scholars concur that all countries have downgraded their pension decommodification rights. Yet some countries have been more aggressive than others in this regard and

retrenching reforms present intense qualitative and quantitative diversity. Available cross-national reviews indicate that only a few countries have passed structural reforms that overhaul the traditional principles structuring pension policy (mandatory affiliations, pay as you go financing, defined benefit calculation formula, progressiveness), while most have passed gradual reforms that only affect the calibration of persistent instruments. Moreover, reviews suggest that the reforms have affected a variable number of provisions setting the eligibility conditions, pension calculation formulas and indexation mechanisms, with some being implemented faster than others (GAO 2005). In sum, countries have reacted very differently to the challenge of making the public pension systems more sustainable.

1. The persistent conundrum of pension reform

Over the last two decades a burgeoning body of research has examined the coalescence of economic, demographic and political processes in reforms of the public pension systems of affluent democracies. Hundred of case-studies of individual reforms or pension policy histories and several quantitative studies have been written to account for the changes or lack of them in particular countries, as part of a broad line of research regarding contemporary social policies. To be sure, social policies are one of the most analyzed dimensions of contemporary states and a dominant element in comparative political research (Amenta 2004), while pension policy has received the most attention of all. Particularly three main theoretical approaches have been developed and mobilized to analyze contemporary pension reforms. The political exchange approach focuses on how

governments engage in bargaining with collective actors to minimize opposition to the reform (Natali and Rhodes 2004; Rhodes 2001). The institutional approach focuses on how rules embedded in the legislative process or the regulatory structure of the pension system itself influences the patterns of reform (Bonoli 2000; Bonoli 2001; Myles and Pierson 2001). Finally a less developed ideational approach focuses on how constructed understandings of the problems with existing pension policy and alternative solutions affect the processes of reform (Ney 2000).

These approaches and the empirical research that accompany them have improved our understanding of the extent of the reforms and the conditions that made them possible. The research shows that most governments perceive pension reform as a treacherous political enterprise which they tend to avoid unless it is strictly necessary. Analysts concur that most reforms since roughly 1980 have mainly involved (phased-in or immediate) retrenchments in coverage or benefit levels, indicating a transition from the postwar expansive era of pension polity to the post-oil-crisis austerity or retrenching era. It is also clear that in most cases the utilization of a concertational strategy with the unions has been a necessary condition to defuse mobilization against the change. Finally, most comparative studies concur that incremental reforms have predominated over structural ones. These conclusions are relevant, but they do not elucidate how the economic context, demographic pressures and the elderly's mobilization have influenced the reform process. Thus contemporary pension policy reforms remain an important conundrum in comparative political analysis.

As Pierson notes (2001a: 42), the changes in the welfare state since the end of the post-war boom have not been responded to with a cohesive and cumulative body of knowledge, which has hampered the quality and number of confirmed generalizations. In relation to pension policy it is symptomatic of the lack of an analytical consensus that the two most important collective works of the last decade, the *Handbook of West European Pension Politics* (Immergut, Anderson and Schulze 2007) and *Pension Reform in Europe* (Arza and Kholi 2008) do not offer overall conclusions about the factors that have effectively contributed, conditioned and prevented the passage of reforms as well as the variations among them. In these most recent volumes persists the reference to economic and demographic “pressures” to change persists without a more concrete clarification of the extent to which they drove changes in pension policy preferences among key actors.

The non-cumulativeness in the literature has been attributed to the mobilization of heterogeneous conceptualizations of retrenchment and the reliance on defective quantitative measures such as aggregate spending data (Pierson 2001a: 419-422; Green-Pedersen 2004). But there is a third reason which is that the main theoretical approaches to welfare state and pension reform actually address distinct questions. The policy exchange approach tries to explain how the reforms were possible. In the institutionalist approach, the new politics theory tries to explain why there have not been more reforms. Finally, the ideational approach ties to explain why some reforms involved structural recasts. Given this variation, their findings can hardly contribute to an integrated discussion regarding the causes of pension reform.

In this context further analyses of contemporary pension policy are justified. This dissertation engages in the ongoing debate on welfare reform by addressing three questions. First, why are there cross-national variations in the generosity of contemporary public pension systems? Second, what factors facilitated or hindered the passage of pension retrenchment in affluent democracies? Finally, what explains the enactment of a structural pension reform?

Pension reforms as cases of institutional change

Alongside the welfare state development literature, more generally I seek to contribute to the theoretical literature on institutional change. Over the last decades social scientists have increasingly relied on the notion of institutions as rules and norms that constrain and facilitate social action to explain the evolution of limited social orders (North 1990: 3; Scott 1995: 33). Despite most scholarship in these line of research having relied on the notion that institutions account for continuities in limited orders (Pierson 2000; Thelen 2004: 208), there is an increasing interest in considering the causes of changes in the rules structuring interactions in a given local order.

So far the literature has produced three main approaches to institutional change. First, researchers have proposed that local institutional principles may change as a result of exogenous shocks (Collier and Collier 1991: 27; Krasner 1988: 77). Second, sociologists have claimed that semi-endogenous dynamics associated with institutional diffusion can also cause change (Meyer, et al. 1997: 157). Finally, an interdisciplinary group of scholars underlies the transformative potential of endogenous local dynamics

involving the mobilization of a challenging front of dominated actors proposing alternative rules (Bourdieu 1977; DiMaggio 1988; Fligstein 2001a; Kingdon 1984).

Pension policy domains constitute valuable sites to contribute to this debate by either assessing empirically the expectations of each of these three approaches or by expanding one of them. This is because pension policy, like other public policies (Pierson 2006: 116), should be understood as an institution. Pension policy represents an integrated set of rules that ensure an income flow to retirees. In doing so it generates a wealth of redistribution across personal life stages, age groups, income groups, occupations and genders, producing like any other limited order groups of dominant and dominated actors. Further, given the volume of resources pension policy mobilizes, it induces careful consideration and systematic strategizing by interest organizations. Under this perspective, the pension reforms passed in the last 30 years provide cases of institutional change.

2. The sample

This dissertation examines the patterns of pension policy reform in 21 OECD members between 1980 and 2002. The sample includes ten continental Western European states (Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Portugal, Spain and Switzerland), four Scandinavian states (Denmark, Finland, Norway and Sweden), six English-speaking countries (Australia, Canada, Ireland, New Zealand, United Kingdom and the United States) plus Japan.

A focus on the contemporary period is justified on empirical and theoretical grounds. The turning point between the long postwar era of welfare expansion and the new 'austerity' era is 1980. In this year the first pension retrenchment was passed in the U.K. This was soon followed by other restrictive reforms in the 1980s (e.g. Reagan's 1983 cuts) and the wave of pension reforms and retrenchments accelerated in the 1990s. Chapter 7 identifies 53 retrenching pension reforms between 1980 and 2002, while in this period practically no expansionary reforms have been enacted. Further, as I will discuss in the following chapters, there is an ongoing controversy over the extent to which the same theories explaining the postwar expansionary reforms also explain the contemporary retrenching pension reforms (Green-Pedersen 2002b; Korpi 2003), which justifies setting a sharp divide between the postwar and post-oil-crisis periods.

The sample was selected due to the similarities between these 21 countries during this period. For the period covered in the dissertation they were all affluent democracies with universalized public pension systems. With the earliest data available, in 1990 at least 75% of the total labor forces in the 21 countries contributed to "a public or publicly mandated old age or retirement scheme." (Palacios 1996: 31) And in the mid-1990s, for all these countries at least 50% of all the population over 60 received public pension entitlements (Table 1.1). The other nine OECD member states were excluded from the sample. Korea, Mexico and Turkey for in the 1980s and 1990s their public pension systems still had not matured and remained in the expansionary stage. Their coverage rates were still very low and their average public benefits tended to be meager. The four Eastern European OECD members were also excluded because, despite their socialist

states universalized retirement income provision, in the 1980s there were still not democracies. Therefore pension politics could not be potentially affected by partisan competition as in the democratic European nations. Finally, Iceland and Luxembourg were excluded too as their very small population and economies led them to have deeply idiosyncratic developments in social policy.

By opting for a sample of 21 OECD countries, this dissertation differs from the two dominant approaches in the literature on contemporary welfare state reform. Starting with Esping-Andersen (1990), one dominant approach in quantitative welfare state research has analyzed a limited sample of 18 highly industrialized countries (e.g. Hicks 1999; Huber and Stephens 2001; Korpi and Palme 2003; Scruggs 2006). Yet these studies have not satisfactorily justified the omission of Greece, Portugal and Spain. A second approach has involved extending the analysis to more than 60 countries including developed and developing ones (Brooks 2005). Yet the profound dissimilarity between the cases in terms of the pension programs maturity, partisan divides and age structure makes them incommensurable.

Table 1.1. Coverage of public pension schemes in 30 OECD countries: Contributors as a percentage of labor force and protected persons as a percent of population 60, early and mid-1990s

	Contributors/Labor force				Pensioners/ Pop. 60+	
	early 1990s		mid-1990s		mid-1990s	
	year	Value	Year	value	year	Value
Australia	1991	100.0	-	-	-	90.3
Canada	1990	100.0	1992	91.9	1992	109.5
Denmark	1990	100.0	1993	89.6	1993	108.3
Finland	1990	100.0	1993	90.3	1993	123.0
Germany	1990	100.0	1995	94.2	1995	116.8
Iceland	1990	100.0	1993	92.0	1993	94.1
Japan	1990	100.0	1994	97.5	1994	-
Netherlands	1990	100.0	1993	91.7	1993	-
New Zealand	1990	100.0	-	-	-	84.9
Norway	1990	100.0	1993	94.0	1993	107.2
Sweden	1990	100.0	1994	91.1	1994	106.8
Switzerland	1990	100.0	1994	98.1	1994	135.1
United Kingdom	1990	100.0	1994	89.7	1994	87.0
United States	1990	96.8	1993	94.0	1993	91.2
Czech Republic	1990	96.6	1995	85.0	1995	139.8
Slovak Republic	1990	96.6	1996	73.0	1996	146.8
Spain	1991	92.6	1994	85.3	1994	86.9
France	1993	88.4	-	-	-	92.3
Greece	1996	88.0	1996	88.0	1996	109.8
Italy	1997	87.0	1997	87.0	1997	131.1
Belgium	1995	86.2	1995	86.2	1995	101.6
Portugal	1990	85.5	1996	84.3	1996	114.6
Poland	1990	82.2	1996	68.0	1996	116.1
Austria	1990	81.1	1993	95.8	1993	104.9
Hungary	1996	79.9	1996	77.0	1996	142.2
Ireland	1991	76.2	1992	79.3	1992	54.3
Luxembourg	1990	-	-	-	-	-
Turkey	1990	34.6	-	-		53.7
Korea	1990	24.9	1996	58.0	1996	27.3
Mexico	1990	33.3/37.9	1997	30.0	1997	26.1

Source: (ILO 1993, 1994, 2000; Palacios 1996, 2000)

3. Plan of the dissertation

The dissertation is structured in two parts. Chapters 2 and 3 provide a descriptive analysis of the changes introduced in the public pension systems of the 21 countries included in the sample. Beyond its substantive arguments, these two chapters can also be read as a road map of key concepts for pension politics analysis, which help to categorize the goals of pension programs, the means mobilized to achieve those goals and the concrete policy instruments. This conceptual tool-kit serves as the basis for the rest of the dissertation. Comprising Chapter 4 through 8, the second part offers a causal analysis of the patterns of pension reform observed between 1980 and 2002.

Chapter 2 examines the structural evolution of these 21 public pension systems. It starts by reviewing the formative stage of the social solidarity and social insurance types of pension systems and the latter convergence occurred until the 1980s. Then it turns to the contemporary period to evaluate if these systems have kept converging or if they retook divergent patterns. It describes how, although between 1980 and 2002 most countries in the sample preserved the inner logic of their public pension programs, countries such as Australia, Italy, Sweden, Switzerland and the United Kingdom passed structural pension reforms and redesigned the logic of their retirement income programs. The divergence among previously equivalent systems provides the empirical puzzle for the case-studies in Chapter 5.

Chapter 3 instead explores gradual or incremental changes in the pension systems of these countries. It does so by contrasting the concrete provisions regarding nine defining dimensions of pension policy at the beginning and end of the period. In 1980

these 21 countries showed an intense diversity in aspects such as the minimum retirement age, minimum contributory period, reference period for calculation purposes and indexation mechanisms. The evidence brought into the analysis reveals that mature pension systems have undergone a large extent of non-structural or recalibration reforms. Indeed over the period we observe an overall pattern of convergence affecting most of the nine dimensions considered. These changes provide the basis for the causal analysis in Chapter 7.

Chapter 4 constitutes the first of the four causal studies of the dissertation. It responds to the intense cross-national variation in the parameters used to calculate pension entitlements (Chapter 3) and seeks to explain which forces explain cross-national variations in the generosity of pensions awarded to just-retired beneficiaries. The theoretical literature suggests that pension generosity depends on the political mobilization of either the working class or the elderly. But these accounts had not still been adequately tested by the empirical research, as prior studies relied on indicators derived from aggregate expenditure data. Instead I employ the synthetic replacement rate which gauges the average worker's salary substituted by his/her pension entitlements. The 21 countries in the sample reveal intense cross-national variation and within-country continuity in the generosity of their just-awarded pensions. A panel data analysis of the replacement rate then allows for an adjudication between the two main theoretical approaches to pension generosity variations.

Chapter 5 responds to the puzzle represented by the passage of structural pension reforms in some countries reported in Chapter 2. It specifically presents a historical-

comparative analysis of the process of pension reform in Italy and Spain during the mid-1990s. Despite the fact that in the early-1990s both countries had roughly similar earnings-related, regressive and hardly sustainable pension systems, Italy enacted in 1995 a structural reform with the introduction of notional defined contribution accounts while Spain only conducted an inconsequential, gradual reform in 1997. Drawing on qualitative interviews with policy-makers and a content analysis of newspaper articles, the Chapter examines whether the policy divergence relates to (a) the power of organized labor, (b) the presence of legislative veto points or (c) policy entrepreneurship conditioned by group interests. It traces the connections between key events in the process of reform. I particularly demonstrate how studying the stages of collective problem definition and alternative policies search are critical to understand the divergence.

Chapter 6 returns to the question of the causes of public pension reform in affluent democracies. Considering that the citizenry in these countries is overwhelmingly opposed to pension retrenchments and that politicians tend to have office-seeking goals, it is informative to consider under which conditions these reforms were enacted. Because previous research has used data that did not cover comprehensively the multifaceted nature of contemporary pension reform, it has tended to understate the degree of retrenchments and to provide flawed accounts. Instead I conducted a synthetic review of the case-studies on pension reform, which allowed to identify 53 legislative events of pension retrenchment in 16 countries. With these reforms identified, the chapter utilizes event history techniques to identify the determinants of pension retrenchment.

Chapter 7 represents the final substantive chapter. The empirical literature and the other chapters of the dissertation set supra-individual developments as the center of attention, leaving the pension policy attitudes and preferences of citizens unaccounted for. Indeed attitudinal research on pension policy had only documented that pension programs enjoy overwhelming support, particularly by working class members and the elderly. To gain a more nuance understanding on these attitudes, the chapter asks why the social class and generational cleavages present such intense cross-national differences. A 2006 cross-national survey with data on the demand for more pension spending allows a hierarchical non-linear analysis of the determinants of international variations in the class and generational attitudinal cleavages. The models assess if these variations are idiosyncratic or if they are related to structural socioeconomic conditions and institutional features of the pension system. Chapter 8, which concludes the dissertation, presents the main findings.

Chapter 2

Paradigmatic Divergence

In the early 1980s the pension systems of OECD countries became subjected to an increasing scrutiny due to the perception that some of their central programs included defective arrangements that required urgent reform. During the 1980s and particularly in the early 1990s the view that population ageing was endangering public pension programs, and that these were financially less efficient than other solutions to retirement income became increasingly common positions in national and international pension policy debates. Soon policy-makers responded to the growing criticism of deficiencies in current policies and the calls for changes to them, by launching a wave of reforms. Since then all OECD countries have witnessed a consequential reactivation of this policy-making area: some have passed recalibrations while preserving the preexisting logic of their programs, while others have passed overhauling reforms affecting the organizing principles of major programs. Chapters 2 and 3 focus on the mandatory programs destined to provide an income for the elderly population, and conducts a cross-sectional survey of the type of changes introduced in each country. In doing so, these chapters address a basic question in this research area: Which elements of the pension systems have been transformed by each of the OECD countries? Once this question is answered subsequent questions will be addressed. Can we identify common patterns among these reforms? Have these reforms led to a growing convergence in pension arrangements across mature pension systems?

Despite the analytic potential embedded in this task, the comparative literature on the welfare state has still not conducted a truly systematic review of pension reforms in OECD countries (for three complementary attempts, see Schwarz and Demirguc-Kunt

1999; Kalisch and Aman 1998; GAO 2005). The intrinsic features of pension systems are partly the cause of this absence. The complexity (if not arcane character) of the pension schemes developed during the first two thirds of the twentieth century, along with the remarkable cross-national diversity of arrangements during this period and the varied nature of recent reforms make meaningful comparisons a complicated enterprise. Given these conditions, it is not surprising that observers disagree over the extent of these reforms, or about the presence of convergence patterns. Regarding social security systems, Esping-Andersen wrote that "in most countries what we see is not radical change, but rather a 'frozen' welfare state landscape" (1996a: 24), while Myles and Pierson claim that "by 1998, almost all of the OECD countries had gone through at least one major reform" (2001: 305). Faced by two such contradictory conclusions, it may be asked which perspective is more accurate.

Inconsistency in the evaluation of the reforms arises predominantly from the fact that many researchers have reached conclusions without making a systematic contrast of potential changes and effective transformations. However, the existing research in this field nowadays provides a basis to conduct such systematic contrast of effective changes, which are the tasks of Chapters 2 and 3. They do so building on the extensive literature on welfare programs, pension systems and social security legislation which, in the form of case-studies on cross-national static reviews, permits establishing cross-national and diachronic comparisons of major features of retirement income policy. For space reasons, the presentation is broken in two chapters. Chapter 2 covers fundamental changes in the public pension systems, whereas Chapter 3 covers relevant but not fundamental changes

and presents the conclusions of both chapters. Therefore these chapters examine descriptively the principles and parameters that sustain pension systems and their schemes, and as a result they do not address the consequences of these provisions both at the national and individual level.

The survey is structured around a distinction between institutional *paradigms* (or fundaments) and institutional *parameters* (or factors), suggested by Holzman, MacKellar and Rutkowsky (2003: 8-9) to classify types of pension reforms.[1] Paradigmatic reforms are those involving "a deep change in the fundamentals of pension provision": the fundamentals refer to the predictability, redistribution, stability and sufficiency that underpin each pension systems and its effective programs. In contrast, parametric reforms are those involving changes into the mechanisms of benefit calculation, while the principles of the schemes are preserved intact. For instance, a transition from exclusive state management of pension funds to a nonpublic management by private firms is a paradigmatic reform, because it will likely affect the redistributive character of the system. In contrast, an expansion or contraction in the earning years considered in the calculation of public pensions should be considered as a parametric reform, because it does not alter the basic predictability, redistribution or stability of the benefit (see also Schwarz and Demirguc-Kant (1999)). With this distinction in mind, in combination Chapters 2 and 3 claim that the 1980-2004 period, OECD pension systems have

[1] This distinction draws on from the Hall's (1993: 279) distinction between first, second and third order policy change. To Hall first order change represent transformations of the policy goals, a second order change represents a reform in the policy instruments and a third order change a change in the calibration of those instruments. Paradigmatic reforms generally are first and second order changes, whereas parametric reforms are third order changes.

undergone a process of *paradigmatic divergence* and *parametric convergence*. In this way, Chapter 2 shows that the logic of the earnings-related programs in these countries has grown increasingly dissimilar in this period, while Chapter 3 shows that in the area of substantive parameters there are clear isomorphic tendencies.

Regarding the paradigms of pension programs, drawing on the conventional distinctions between defined-benefit (DB) and defined-contribution (DC) benefit-calculation mechanisms and the pay-as-you-go (paygo)-funded financing mechanisms (to be discussed below), this chapter demonstrates that since the early 1980s these earnings-related tiers have undergone a process of moderate divergence which has reinforced the diversity of income security provisions. In 2004 fewer states than in 1980 administered DB programs (14 instead of 19). Furthermore, in the last fifteen years a new hybrid scheme, the notional defined-contribution (NDC), was created and implemented in Italy and Sweden. Finally, the number of countries with mandatory funded tiers has expanded from three to five nations: Australia and Sweden followed the example of Denmark, France and Netherlands. Hence, while the DB-PAYG scheme is still the centerpiece of the pension system in most countries, it has been discarded from several countries that decided to diverge from the dominant structure. In sum, the increasing divergence of the logic of public pension programs has been the result of the creation of new models and the transition to uncommon models.

The pattern of paradigmatic divergence and parametric convergence is inconsistent with the expectations of the contemporary dominant line in welfare state research represented by historical institutionalism. At the paradigmatic level, this

approach expects to find paygo-DB programs locked-in and impossible to disband from national pension systems because of the "sunk costs" associated with a transition to another program (Esping-Andersen 1996a; Myles and Pierson 2001). However, the reforms undertaken in Italy and Sweden indicate that the regulatory foundations of DB programs can be overcome. Further, at the parametric level, historical institutionalists expect to find some degree of change, although this should be small and serve to reinforce the logic of a specific pension system. However, despite the process of parametric convergence observed across OECD nations, Chapter 3 documents that the recasts of retirement income systems clearly have not been determined by the principles behind the old age social security structures instituted in the postwar period. Thus this survey undertakes a historical critique and methodological review of dominant analyses of contemporary welfare state research so as to engage with the greater complexity of pension systems that has resulted from the recent wave of reforms.

The rest of this introduction addresses the methodological issues raised by this analysis in more detail to prepare for the empirical sections of Chapters 2 and 3. Chapter 2 addresses the principles of pension schemes by tracing the process of convergence affecting OECD pension systems up until the 1970s, and then focusing on the divergent evolution of the paradigms in pension policy from 1980 onwards. Chapter 3 then provides a detailed account of the changes in the parameters of these programs: it exclusively covers the provisions in public schemes since 1980.

Before embarking on this survey a brief comment on the types of programs examined in the chapters bears mentioning. Chapters 2 and 3 focus on the largest and

predominant structures of national pension systems. They do not consider the schemes specific for civil servants, pensioner survivors, handicapped persons or pensions financed through private and voluntary contributions.[2] In doing so, they examine the provisions regarding the public pension applicable to what the OECD calls an "average production worker" (APW), a hypothetical private-sector employee that contributes to mandatory retirement income programs. For this reason, only the characteristics and changes in the schemes applicable to private-sector employees, and not those of civil servants' schemes, will be surveyed. Both public and private schemes financed by compulsory contributions are considered, but the survey also leaves unconsidered a third group of private and voluntary set of old-age pension programs (the third pillar of the World's Bank (1994) pension system conception). This decision is justified on strict empirical grounds. Despite the dramatic expansion of voluntary pension funds particularly since the 1990s and the increasing reliance of high-income pensioners on this income source, mandatory public and private schemes remain the central sources of income in OECD countries. Even in the UK and US, where voluntary pension plans are most developed, public pensions still represent the largest source of disposable income for the APW (OECD 2001a:182). An additional motive for the selections made for this survey is that since public pension schemes (or a combination of public and private and compulsory schemes) have been

[2] The evolution of survivor and disability pensions will not be addressed either. Survivor pensions, commonly have a tight linkage to contributive pensions, so that changes in the latter should have a mechanical impact on the type of survivor pensions. In the last decades in some countries disability pensions have constituted a "window of opportunity" for implicit retirement that makes them functionally equivalent to old age retirement income programs, but their economic relevance has remained limited (Dang, Immervoll, Mantovani et al. 2006) and they are run on institutional structures different from the old age programs. Thus they are not considered either.

historically predominant as a source of retirement income, their fate has absorbed the lion's share of the political struggle around pension systems.

To encompass representatively the multidimensionality of the changes in the logic and provisions of the programs over the course of more than two decades and to make a fluent presentation of the evidence, the survey is conducted through a contrast of two snapshots of the pension policy, the first for 1980 and the second for 2004, which is in effect the phased-in measures legislated prior to 2004. The information gathered for this chapter supplements and supports the conclusion drawn in previous reviews of pension reforms that the era of expansion in public pension schemes came to halt in the early 1980s and since then this policy field has entered into a distinct austerity era (Myles and Quadagno 1997; Weaver 1998). The first major OECD non-expansionary reform occurred in 1983 in the US, and since then retirement income policy in OECD countries has followed a generally linear pattern. In this time, reforms have not involved a recursive cycle of expansive and contractive measures, but rather they have been linearly oriented towards a reduction of liabilities (Gern 2002: 445) and a reinforcement of the equivalence between benefits and contributions (Hinrichs 2000:361-2). This implies that a contrast of the pre-1983 international landscape with the contemporary (legislated or effective) institutional structure illustrates representatively the evolution of retirement income policy in these countries.

A final note regarding the sources studied is useful. A wide empirical cross-national and case-specific literature on pension schemes and reforms produced in recent years offers sufficient evidence to construct meaningful cross-national comparisons.

Chapters 2 and 3 therefore draw on a diverse set of these secondary sources. A major one is the OECD's (2005) *Pensions at a Glance*. With its wide array of reliable indicators based on information provided by national governments, this publication is the central source to delimit conditions *circa* 2004. It also offers a model for depicting the situation in 1980. The report is complemented by information from U.S. Social Security's (USSA) 2002/3 *Social Security Programs throughout the World* (SSPTW). For the early 1980's a diverse set of sources were employed. Together with the 1979 and 1981 issues of SSPTW, a few comparative studies on specific aspects were utilized. Additional sources of information for this year were individual case studies concerning the evolution of pension systems. Further, to ensure the accuracy of the data, whenever possible the information was triangulated through diverse sources.

1. OECD pension systems until the early 1970s

To frame the diversity and transformation of OECD pension schemes during the last 25 years, it is useful to start by outlining the evolution of systems up until the 1970s. In this regard, students of retirement income policy concur that two main stages can be identified since the inception of mandatory pension programs in the late nineteen century: one of convergence around two ideal-type models, and a second of convergence around one ideal-type (Gordon 1988; Overbye 1994; Myles and Quadagno 1997; Gern 2002; Ferrera 2005). In both stages a large extent of parametric diversity existed across the same-type programs, but within that diversity, common organizational principles cut across a number of countries.

The first stage spanned roughly until the 1950s, and was characterized by the crystallization of two general ideal-type models of retirement income provision that are still distinguishable today: the "social insurance" and "social solidarity" systems. Social solidarity systems are those structured around the principles of collective poverty-prevention and individual savings. Thus, for this group public pension provision was conceived as a means to reduce old age poverty. Between World War I and II, these principles materialized into means-tested programs financed by direct taxation and offering a low level of benefits, which were designed to minimize resource deprivation among the elderly. Further, low tax rates allowed the middle and upper classes to accrue private savings for their private retirement funds. Modeled on the pioneering Danish system, by the late 1930s this type of system was characteristic of Finland, Norway, Sweden, as well as the Netherlands, Switzerland, Australia, Great Britain, Ireland and New Zealand. Later on, in the 1950s, all these nations increased or eliminated the economic thresholds implicit in means-tested programs and transformed them into flat-pension plans. With this change, these countries reinforced the solidarity principle through the provision of equal benefits for all elderly citizens. As this change was aligned to the recommendations in the famed Beveridge report (1942), these cases are sometimes named "Beveridge countries". During this period public pension provision was justified mainly in terms of social cohesion, while entitlement rules for these programs were lax and based only on citizenship and residence criteria (Gillion, Turner, Bailey et al. 2000: 278). Finally, the programs did not provide particularly generous benefits to the APW

and consistently the contributions and benefits provided by the means-tested or flat pensions of these systems remained consistently low during this period.

Social insurance systems, in contradistinction, are those structured around the principles of employment-centeredness and income preservation. In this group pension provision was modeled on private savings arrangements in which benefits and contributions are closely adjusted, but they differed from private individual-account plans by the existence of a single collective fund for most occupations and the financing of benefits with current contributions. For instance, in Germany pensions were in general conceived as part of a "compensation package – a deferred wage the individual has earned through a lifetime of hard work." (Myles and Quadagno 1997: 253) Entitlements for these pensions were consistently stringent, conditional and earned exclusively through an extended participation in the domestic formal economy. The principles of the systems in this group materialized into income-related programs financed by large mandatory payroll contributions which provided generous benefits. Germany pioneered this pension system under Bismarck's initiative (1898), and it rapidly spread through continental Europe. Thus by the end of the Second World War, the "Bismarckian system" underpinned the retirement income policy of most nations in Western Europe as well as the U.S. Even most Eastern European communist countries adopted the income-preservation model. A complementary central feature of the history of Bismarckian systems has been the gradual expansion of the occupational groups that were insured. The program tended to be originally restricted to workers in manufacturing sectors, subsequently expanded to service sector employees, and finally incorporated agricultural

employees. Because of the Bismarckian programs' occupational foundation, they reached the condition of universal coverage later than Beveridge countries.

Despite substantial differences in elements such as coverage and generosity levels and factors relating to the pension calculation within each pension program model, in the early postwar period the landscape of statutory pension systems was clearly defined by two main groups with distinct logics and programs. However at this point the trend toward *convergent-divergence* was diverted, and from the early 1950s to the late 1970s OECD pension systems engaged in a process of convergence around a combination of social insurance and income preservation principles or the formation of a "dual system" (Gordon 1968: 332-337; ILO 1984: 17; Overbye 1994) (see Table 2.1). In this period, the Nordic countries introduced a second tier of mandatory public or private earnings-related programs, while they reduced the relative importance of basic pensions. A few years later Canada and the Switzerland also instituted earnings-related schemes. And by the 1970s Beveridge nations such as Denmark, New Zealand the Netherlands and the United Kingdom had established two-tier pension systems with means-tested or flat benefits to cover the middle and upper classes and earnings-related programs for all the population.

Table 2.1. Dates for the introduction of different pension programs: legal landmarks with (quasi)universal consequences for the development of public pension systems of OECD countries

Social Solidarity model	*Dual model*		*Social insurance model*
Means-tested programs			Earnings-related programs
Australia (1908); Canada (1927); Denmark; Finland (1957); Sweden; Ireland; New Zealand (1898); Netherlands; Norway; Switzerland			Austria (1956); Belgium (1956); Italy (1969); Frane (1945); Germany (1957); Portugal (1974); Greece (1951); Spain (1963); Japan (1961); United States (1935)
Universal programs			
Australia (1973 until 1984); Canada (1951); Denmark (1956); Finland (1957); New Zealand (1938); Netherlands (1951); Norway (1967); Sweden (1948); Switzerland (1948); United Kingdom (1946)			
	Aus. -1992	Aut	
	Can. -1965	Bel -1946	
	Den. - 1964	Fra- 1956	
	Fin. - 1962	Ger - 1972	
	UK - 1978	Gre - 1981	
	NeZ -1975	Jap - 1985	
	(until 1976)	Ita - 1968	
	Net - 1949	Por - 1974	
	Nor - 1969	Spa - 1990	
	Swe - 1959	US - 1972	
	Swi - 1985		

Sources: Asscher-Vonk, Pennings, Sparrius and Delsen 2000: 144-5; Béland 2005: 5-6; Blanchet 1999: 110; Blundell 1999: 418; Boldrin 1999: 318-9; Bonoli 2005: 142; Borowski 2005: 47-8; Bovenber 2001: 39; Brugiavini 1999: 194; Christiansen 2001: 192; Diamond 1999: 446; Emmerson 2001: 299; Ferrera 2005: 24; Herbertsson 2000: 99-100; Jousten 2001: 341; Kapteyn 1999: 276; Knudsen 1990: 613; Kolb 1989: 200; Mandin 2005: 76; Müller 1999: 60, 94, 129; Ney 2004: 3; O´Loughlin 1999: 225; Ólafsson 2001: 70-71; Olsson 1987: 363; Palme 1999: 366; Pereira 2001: 3; Pestieau 1999: 40, 51; Ploug 2003: 67; Queisser 2000: 63-4; Shinkawa 2005: 158; St. John 2001: 260-1; Stergiou 2000: 90; USSSA 1979: 92, 146; Yashiro 1999: 249.

Simultaneously, the inverse pattern was followed by social insurance systems, which developed into two ways. Firstly, during the 1970s many continental Western

European countries and the US adopted supplemental means-tested programs to provide a minimum income to individuals without contributory employment history. And a different route was pursued in Germany and Italy through their general social assistance plans which ultimately targeted the needs of the elderly poor.

After these changes, differences persist: the means-tested programs of Bismarckian countries still covered a much narrower population group than in the Beveridge countries, while the generosity of income-related plans remained larger in Bismarckian countries than in Beveridge ones, implying that these two types preserved part of their specificity (Gordon 1968). However, with the addition of a second and a first tier of programs to, respectively, Beveridge and Bismarckian systems, they initiated a process of partial convergence, which moved away poverty-prevention and contribution-based systems towards a dual model that combined an earnings-related scheme targeted towards the middle and upper-working classes with a means-tested or flat-benefit scheme responding to the needs of the underprivileged.

This review of the evolution of OECD public pension systems up to the 1980s indicates how during the postwar period most of these nations developed and stabilized a complex set of old-age income security programs. By this time, the cross-national landscape of pension systems was characterized by a combination of a moderate diversity in their structuring logics as well as the mandatory programs, with an extensive diversity in the parameters regulating everyday practice in these programs. But how did these general patterns operate at the national level? What types of programs were mandatory in each country? And what was the internal balance between them? The rest of this chapter

focuses on the evolution of the paradigmatic and programmatic diversity of pension systems, while chapter 3 examines the types of parametric changes affecting these systems. In line with the argument presented in the introduction, the following section shows that despite the multiplicity in types of programs and the differing balances between them, this diversity is not extensive enough to prevent meaningful international comparisons.

2. Interpretative framework for the evolution of paradigmatic diversity of pension systems

By discussing the main conceptual distinctions in social security policy, this section provides an interpretative framework for the analysis of technical aspects of pension reform. To illustrate the structure of national pension systems, the examination concentrates on the mandatory programs they contain. A focus on the types of programs offers a valuable middle ground between the system's logic and the effective parameters which sheds light both on the changes across logics as well as those internal to them. Based on the classification proposed by Gordon (1988) (and used by Whiteford and Whitehouse (2006) and the OECD's recent work (2005c)), two "tiers" of pension programs are identified here. The first tier corresponds to social solidarity schemes, which guarantee a minimum income level to all pensioners irrespective of their earnings or contributive history. As the solidarity principle predominates in these programs, they involve a high level of economic redistribution. The second tier corresponds to social insurance schemes, which ensure that retirees have an income status linked to the

earnings they had during their formal work history. This second tier entails limited economic redistribution but generally large intergenerational redistribution, while it indirectly preserves economic inequalities.

Furthermore, it is informative to consider whether it is the state or private companies who manage the funds. Thus, building on the "pillars" approach developed by the World Bank (1994), this section distinguishes between pubic and private management. Knowledge of the programs' type of management offers a proxy of the process of privatization in retirement income security provision together with an indirect sign over the type of financing in the scheme.

The first tier includes three main social solidarity schemes: *basic*, *targeted* and *minimum*. *Basic* schemes are those providing a benefit to pensioners depending only based on the years of work or residence in the country, and not based on her earnings-history. As most individuals meet basic schemes' conditions for the maximum benefit, which this is relatively low and homogeneous, the program is conventionally described as "flat". *Targeted* schemes are those offering a specific benefit to lower-income retirees as they are particularly oriented at poverty-prevention, instead of income-equalization. Thresholds used to determine the population covered by targeted schemes may refer to a pensioners' income, the full income or the total wealth (income plus assets) of individuals. *Minimum pension* schemes occupy in a liminal position between the first and second tiers. While similarly to other first-tier schemes, they are designed to provide a minimum income by offering benefits determined by earning-related pensions. This type of program generally grants a benefit to workers who contributed to their pension fund

for a minimum number of years. Its entitlements are proportionally higher than what they should be receiving given their working histories.[3]

The earnings-related programs that make up the second social insurance-tier can be classified according to benefit, financial and administrative perspectives. From a benefit perspective, earnings-related schemes have been historically classified as either *defined-benefit* or *defined-contribution*. *Defined-benefit* (DB) are those programs which give a fixed benefit determined *a priori* according to a generic formula applicable to the earnings-history of the worker. *Defined-contribution* (DC) are those programs in which benefits are not *a priori* fixed, but determined *a posteriori* depending on the volume of absolute individual contributions to an individual fund, plus contingent investment returns to these contributions. The DB/DC distinction is commonly stresses by students of pension systems as the major divide in the configuration of the earnings-related component of pension systems (e.g. OECD 1988a). Together with the DB and DC programs, in the last decades two hybrid structures have emerged. One is the *points system,* in which workers accumulate pension points based on their earnings, and at the time of retirement accumulated points are multiplied by the pension-point value. The other is *notional-DC-accounts* (NDC), in which contributions are complemented by an interest rate tied to a macroeconomic variable and at the time of retirement they are

[3] Whiteford and Whitehouse (2006) claim that social assistance programmes constitute a fourth type of schemes in the fist-tier. However, these are not specifically pension programmes. In terms of function in several countries they do constitute common sources of income for the elderly, but institutionally they are not strictly part of the pension system because they not oriented exclusively at reducing the risks related to old-age and they are not part of a national social security system.

transferred into a pension stream through a formula that may take into account the life expectancy of the population.

In terms of the method of financing, earnings-related programs can be either *pay-as-you-go* (paygo) or *fully funded*. Under a paygo mechanism, payroll tax contributions of current workers are immediately transferred to cover the benefits of current pensioners. Under *full funding*, workers make contributions to individual accounts and these contributions are invested in financial markets to generate returns to their accounts. Finally, the administrative apparatus of the system and the management of the funds can be *public* or *private*, made by governmental agencies or by competing private companies.

In part because these three factors of differentiation are ontologically different, in recent decades national pension programs have been defined by various combinations of these elements. Although there is not a single dichotomy that can absorb the range of variability in the logic of earnings-related programs,[4] as Schwarz and Demirguc-Kunt point out, in practice, "the three classifications generally coincide." (1999: 4). At the national level, DB schemes are now all financed mainly through paygo mechanisms, and they are administrated by public agencies. DC schemes are conventionally fully funded, and their administration is most commonly done by private companies. Yet the new hybrid models have added more complexity to the scenario, because they combine different financing and management mechanisms. For this reason, a categorical approach

[4] The divide between DB and DC programmes has recently been subject of considerable attention. However, against this vision, Diamond (2002) has compellingly argued that their ultimate difference is only their "focus of attention", with DB systems focused on benefits, and DC focused on contributions. Indeed, he claims that, conceptually DC and DB schemes can achieve the same levels of redistribution and funding, while historically some DC systems have had intense redistributive components and DB systems have had some funding.

to the program's logic is more illuminating than a simpler but inaccurate nominal approach.[5] In conclusion, to attain an accurate understanding of the nature of programmatic reforms in the earnings-related tier during the last 25 years it is necessary to use a categorical approach that distinguishes between the benefit-calculation mechanism, its financing and its management.

3. The programmatic evolution of first-tier programs

The two classification methods of pension programs, the first concerning the scheme's objective (poverty prevention or income maintenance) and the second concerning the scheme's internal logic (determination of benefits, financing and management) provide categories to apply to an analysis of the pension systems in OECD countries. Table 2.2 presents the distribution of mandatory programs for each country in 1980 and those either implemented or legislated for but still awaiting for implementation by 2004. Firstly the 1980 tier structure is examined, secondly the 2004 situation is addressed, following which the section concludes by highlighting the central trends of the last two decades.

[5] A non-categorical approach even fails to capture the diversity in the programmes instituted in the postwar period. In the Netherlands and Finland a large group of occupational, mandatory and privately-run pension schemes are financed on a PAYG basis and administered as DB.

Table 2.2. The mandatory pension schemes of 27 OECD countries, implemented in 1980 and legislated for 2004

		1980			Legislated by 2004		
		Pension scheme types			Pension scheme types		
			Second tier			Second tier	
	Historical orientation	First tier	First pillar	Second pillar	First tier	First pillar	Second pillar
Australia	Solidarity	Targeted	-	-	Tar.	-	Def. contribution
Austria	Insurance	Tar.	Def. benefit	-	Tar.	DB	-
Belgium	Insurance	Tar.	DB	-	Min. Cre. + Tar.	DB	-
Canada	Solidarity	Basic + Tar.	DB	-	Bas. + Tar.	DB	-
Denmark	Solidarity	Bas. + Tar.	DC	DC	Bas. + Tar.	DC	DC
Finland	Solidarity	Bas. + Tar.	-	DB	Tar.	-	DB
France	Insurance	Tar. + Min.	DB	Poi.	Tar. + Min.	DB	Poi.
Germany	Insurance	Soc. Assistance	DB	-	Soc. As.	Poi.	-
Greece	Insurance	Min.	DB	-	Min.	DB	-
Ireland	Solidarity	Bas. + Tar.	-	-	Bas. + Tar.	-	-
Italy	Insurance	Tar.	DB	-	Soc. Ass.	NDC	-
Japan	Solidarity	Bas.	DB	-	Bas.	DB	-
Netherlands	Solidarity	Bas.	-	DB	Bas.	-	DB
New Zealand	Solidarity	Bas.	-	-	Bas.	-	-
Norway	Solidarity	Bas. + Tar.	Poi.	-	Bas. + Tar.	Poi.	-
Portugal	Insurance	Min. + Tar.	DB	-	Min. + Tar.	DB	-
Spain	Insurance	Min.	DB	-	Min. + Tar.	DB	-
Sweden	Solidarity	Bas.	DB	-	Tar.	NDC	DB/ DC
Switzerland	Solidarity	Tar.	DB	-	Tar.	DB	DCr
U. Kingdom	Solidarity	Bas. + Tar.	DB	-	Bas. + Tar.	DB	-
United States	Insurance	Tar.	DB	-	Tar.	DB	-

Note: Tar.: Targeted. Min.: Minimum. Bas.: Basic. DB: Defined benefit. DC: Defined contribution. DNC: Defined notional accounts. DCr: Defined credits.
Sources: For 1980, USSSA 1979; King; Booekgard and Harding 2001: 49-51; Pestieau and Stijns 1999: 51; Hoffman and Dahlby 2001: 92-98; Gruber 1999: 84-89; Müller 1999 ; Mácha 1999: 248-249; OECD 2005: 110; Herbertsson; Orszag and Orszag 2000: 62-71; Lassila and Valkonen 2002: 268-269; Mandin and Palier 1999: 110-115; Börsch-Supan, Reil-Held and Schnabel 2001: 13-15 and 22-23; Czuc and Pintér 2002: 282-283; Müller 2000:; Olafsson 2001?: 1; Herbertsson; Orszag and Orszag 2000: 85; Peillon 2001: 116-119; Ferrera and Jessoula 2005: 24; Brugiavini 1999: 194; Takayama 1998: 19-27; Natali 2004: 2; Bovenber and Meijdam 2001: 39; St John 2001: 261-266; Antolin and Suyker 2001: 9-10; Czespulis-Rotkowska 1999: 144-151; Müller 2000:; Mota 2006; Palme and Svensson 1999: 366-367; Anderson 2005: 94-95; Brombacher Steiner 2001: 69-70; Bonoli 2005: 141-143; Emmerson and Johnson 2001: 299; Diamond and Gruber 1999: 446-448 and Weaver 2005: 231-233. For 2005, OECD 2005.

By 1980, all the 21 OECD countries had at least one program in the first tier of their pension systems. In this year, the targeted scheme was the most common type of first tier scheme as it was administered in 14 OECD states. Ten states had basic pension programs, while only four ran minimum pension programs. Considering this distribution, we can confirm that in the early 1980s poverty-prevention programs were widespread across OECD nations because various social insurance systems had already embraced social insurance principles. In addition to this, by 1980 income-maintenance programs became effective dual insurance and solidarity systems. But the process of convergence should not be overstated, and the divide between social insurance and social solidarity countries persisted. For in 1980 nine out of ten countries with basic programs (Canada, Denmark, Finland, Ireland, Netherlands, New Zealand, Norway, Sweden and UK) were those that had firstly emerged as social solidarity programs. The only social insurance systems which had adopted a basic program was Japan. Indeed the transition of social insurance systems towards a dual model occurred strictly through the creation of targeted

programs in six of the 15 possible countries (Austria, Belgium, Portugal, France, Italy and US) and without the participation of some representative cases (Germany or Spain).

Having surveyed the distribution of OECD mandatory pension programs in the early 1980s, it is now possible to contrast it to the scenario of effective or legislated programs in 2004. In order to do this, we have to consider legislated as well as already-active programs because many of the reforms passed in the last two decades were phased-in and so will only become effective in the forthcoming years.[6] Had the pension reforms of the last twenty years, which were generally focused on second tier programs, also involved the logic of first tier programs? The evidence of Table 2.3 indicates that while continuity has been the predominant trend across the sample of mature pension systems, a significant level of transformation has simultaneously occurred. In 2004 all states still administered first tier programs, and between 1980 and 2004 a majority (17) of them had not changed the structure of their first tier. But since 1980 three countries transformed the structure of their old age poverty-prevention programs. The most fundamental change affecting this tier was carried out in Denmark, Finland and Sweden, which eliminated their basic schemes and, in their place, they introduced targeted programs. By overhauling the structures of their first tiers, these three Nordic nations relinquished the universalist principle that had underpinned their pension systems during the postwar period.

As a consequence of this transformation, the prevalence of targeted programs in first tiers has been reinforced. While in 1980 14 states administered targeted schemes, by

---

[6] Ignoring these expected changes would produce an erroneous view of the pension systems in the short-term future.

2004 15 of them still ran this type of scheme. In contrast to the dominance of targeted programs, at the beginning of the twenty-first century, basic and minimum pension programs were run in, respectively, eight and five nations. Therefore, it is clear that in the last twenty years there has been a moderate convergence process toward targeted schemes in the most redistributive schemes of pension systems. Finally, it is worth noting that, in contrast to the countries with social solidarity schemes, those with social insurance systems introduced only minor programmatic changes to their first tiers. Italy eliminated its old-age targeted program, but for the rest targeted programs were still more uncommon than minimum pension ones.

4. The programmatic evolution of second-tier programs

Concerning the programmatic evolution of second tier of earnings-related schemes, similarities and differences can also be identified. In the case of this tier it is necessary to distinguish between public and private earnings-related programs because they differ on the principles that structure them. In the public earnings-related tier, by 1980 a large majority of the states (17) were administering a form of mandatory earnings-related program. Of them, 15 schemes were DB, making DB the most common public pension program across OECD countries. The only DC scheme existed in Denmark. And Norway was the only country with a hybrid points program. For social insurance countries, their public earnings-related schemes continued to be the backbone of their pension systems. Indeed, all the countries with a system created on the basis of employment-centered principles, as shown in Table 2.1, continued either a public DB

plan (Austria, Belgium, France, Greece, Italy, Japan, Portugal, Spain and US) or a hybrid earnings-related public plan (Norway). For the social solidarity countries the distribution was more clearly divided with only four countries having adopted public DB schemes (Canada, Sweden, Switzerland and the UK), while a majority (Australia, Denmark, Finland, Ireland, Netherlands, New Zealand and Norway) refrained from adopting one. Thus, in this case until 1980 we also observe a moderate convergence with some social solidarity countries establishing a dual poverty-prevention and income-maintenance system.

In regard to the private earnings-related programs of the early 1980s only four out of the 21 countries had privately-run programs based on mandatory contributions. Three of these four countries (Denmark, Finland and the Netherlands) were paradigmatic examples of social solidarity systems. This means that these Beveridge countries adopted a dual solidarity and insurance model through two possible paths: mandating compulsory contributions to preexisting private pension funds and so reinforcing them, or creating new public DB plans anew. A first path towards dual systems was taken by the social solidarity systems that introduced mandatory and public DB-paygo systems. This was the case of Norway, Sweden and the UK. And a second path was taken by Denmark, Finland and the Netherlands which added private mandatory plans to their first-tier programs. Denmark made membership to DC programs compulsory for all workers in 1964 (Lassila and Valkonen 2002: 264). Finland opted for making contributions for private DB plans mandatory in 1962 (Bovenber and Meijdam 2001: 39). And the Netherlands made the negotiated supplementary pensions provisions compulsory for all firms in 1949.

Two main questions arise regarding the developments affecting second-tier programs during the 1980s and 1990s. Firstly, how many OECD countries transformed the principles of their second tier programs? Secondly, if there were changes, did these induce a process of convergence as was observed among first-tier programs, or did they reinforce differences between countries? Regarding the first question, most countries maintained the structure of their second tiers. The principles structuring the second tiers during the early 1980s were preserved between until 2004 in 18 countries. This extensive continuity also affected the prevalence of each type of program in public second tiers, because at both time points the most common arrangement used among OECD countries to provide income security to pensioners with a long working history were public DB programs. In 2004 as many as 13 out of 21 countries had public paygo and DB programs. Hence, despite the somber financial prospects of DB programs for the forthcoming decades, the majority of OECD countries have not revamped the arrangements that were central for the success of old age income security provision during more than half a century. Further, noteworthily, none of the four countries (Denmark, Finland, France and the Netherlands) which had by 1980 mandatory prefunded and private programs changed them from compulsory to voluntary programs in the last 25 years.

While most countries witnessed an extensive programmatic inertia, it is still significant that during the 1980s and 1990s five countries overhauled the logic of their earnings-related old age programs. Australia, Italy, Sweden, Switzerland and United Kingdom decided to reconstruct the foundations of their pension systems through either an addition, a substitution of preexisting programs or allowing to opt-out from the public

program. The paths taken by these four pension systems have been widely divergent, and it is beyond the scope this current study to offer a detailed identification of their newly legislated systems. However, these five cases constitute the positive cases of paradigmatic pension reform in mature pension systems, and provide the main source of the variance analyzed in Chapter 5. For these reasons, the remainder of this section attention is focused on the analysis of the logic of the second tier program(s) after the reforms.

Taking into account the nature of preexisting arrangements as well as the types of newly-instituted programs, we may classify four of these five countries in two types. The first type comprises Australia and Switzerland, the countries which did not engage in a complete refurnishing of existing public pension programs but topped them up with privately-run, funded programs based on mandatory contributions. Switzerland followed a mandate of the 1972 Constitutional-amendment referendum that instituted the three-pillar system, and in 1985 made contributions to occupational pension plans compulsory for all workers earning at least twice the amount of the minimum salary. As the Swiss minimum salary is relatively low, coverage of these mandatory private plans is practically universal. Regarding this private second-tier there are no minimum contributions, and DC plans do not clearly prevail over DB ones (Bonoli 2005; Bovember and Meijdam 2000; Queisser and Vittas 2000). Australia legislated in 1992 that contributions to individual funds should become mandatory for all workers. Thus, by 2004 employers were mandated to pay a minimum of 9 percent of the employee's salary to an individual account of her choice (Borowski 2005; Edey and Simon 1998). Most of

these accounts are part of DC plans. In Australia and Switzerland, FF plans have been designed to be the primary source of income for workers retiring in the near future.

The second type of effective paradigmatic reform is constituted by those countries that transformed the logic of their earnings-related programs without creating a market of private funds financed through mandatory contributions. Among the sample of 21 OECD member states with mature pension systems this is the case of Italy and Sweden. In recent years, both countries have abandoned paygo-DB programs in favor of NDC plans. Following the path of hybridization, in 1995 Italy converted the DB scheme into a NDC one. With this transition, the Italian pension system tightened the relationship between benefits and contributions while it preserved the paygo financing mechanism (Anderson 2005; Schludi 2005). Current contributions still effectively finance current pensions, but unlike in the old DB system, workers have "virtual" accounts accumulating their contributions as well as an "investment return" provided by government in line with annual GDP growth. In 1999, Sweden also substituted the DB program for NDC accounts, so that now pension benefits in the dominant scheme are determined on an actuarial basis according to the worker's contributions and both the demographic and macroeconomic outlook . However Sweden has gone one step further than Italy, because in 1994 it instituted a complementary funded scheme based on part of the mandatory contributions. This scheme is financed with around 10 percent of all mandatory payroll tax contributions, and it has an active investment policy that produces annual financial returns, making the Swedish reform similar to the changes adopted in Poland. (Holzman, MacKella and Ruthowski 2003: 8).

Thus to sum up in the sample of 27 OECD member states with mature pension systems five countries have made a deep change to the fundamentals of pension provision of their earnings-related programs. Australia, Sweden and Switzerland have broken with the traditional monopoly of PAYG and the state's revenue financing mechanism to integrate a distinct funding mechanism into a newly-created set of DC plans. Furthermore, Italy and Sweden have opted for converting their DB programs, characterized by their intergenerational redistribution and *a priori* pension determination, into NDC individual (virtual) accounts that determine pensions only at the time of retirement. Finally the United Kingdom allowed to opt-out from the public pension program.

Table 2.3. Paradigmatic reforms of earnings-related pension programs of OECD countries, in 1980 and 2004

	PAYG		Funded public		Funded private	
	1980	2004	1980	2004	1980	2004
Defined Benefit	AT, BL, CA, FR, GE, GR, IT, JA, PT, SP, SE, SW, UK, US	AT, BL, CA, FR, GR, JA, PT, SP, SW, UK, US				
Notional Defined Contribution		IT		SE		
Points	NO	GE, NO				
Defined Contribution				AU, SW		

Source: see Table 2.2

In response to the question of what was the rationale for these major reforms, conventionally, a single explanation is conventionally provided for both departures from paygo-DB principles and the instauration of FF plans: mounting pressures on the revenue (i.e. shortened professional careers) and expenditure (i.e. population ageing) sides of the public pension programs made DB be perceived as unsustainable in the long term, and in

need of major reform. However, it is more accurate to distinguish two different rationales applicable to withdrawals from paygo-DB plans and constitution of mandatory FF plans. Concerning the withdrawal from paygo schemes, an emphasis on the negative financial impact of the ongoing demographic transition may provide a justification for the substitution of these plans with an NDC structure. The reason for this is that NDC plans provide a solution to the financial strains produced by population ageing into pension programs through the de-collectivization of its costs. With the NDC plan, ageing costs are re-individualized by adjusting the stream of individual pension benefits to cover as closely as possible the absolute contributions of the insured and the average life expectancy at the time of retirement.

In regard to the transition to funded schemes, the rationale behind them has been different. In this case, the justification for halting the financing of the central pension programs in national income systems according to paygo principles has not been grounded on the internal dynamics of paygo schemes, but conduced in relation to the assumed inherent advantages of funded mechanisms: the instauration of funded mechanisms (which ultimately involved five out of the six major reformers) became perceived as financially superior to paygo financing. Although, as Feldstein (1998: 300-302) claimed, ambitious payroll tax increases and/or benefit cuts could have sufficed to solve the actuarial difficulties of the programs, this is, substantial benefit retrenchments or rises in social security contributions could have ensured the financial viability of the schemes for the next decades, these forms of retrenching parametric reforms were dismissed and the transition made to funded systems was introduced.

The policymakers of these countries followed the line of argumentation set out in contemporary economic research on pension systems. Drawing on the neoclassical principle of the maximization of benefits, economists considered that the performance of public pension funds and private pension funds are comparable through their "rates of return" (Aaron 1966) delivered by private financial markets and public pension programs. By comparing these two rates since WWII, they concluded that the private market has largely outperformed effective public programs. Based on this (historically contingent) fact, a growing numbers of economists are endorsing the idea that funded systems are "superior in terms of efficiency" (Siebert 1998: 8) to PAYG plans, because they deliver more output per unit of contributions. It is this expected financial superiority of funded schemes which convinced the policymakers in Australia, Sweden and Switzerland to pass legislation that makes the contributions to funded schemes compulsory.

In conclusion, the survey of the programmatic structure of OECD pension systems during the 1980s and 1990s leads to three significant conclusions. First, an extensive degree of continuity is apparent in these countries. In most of the cases the programmatic structure of the first and second-tiers remained stable indicating that during these decades the foundations of the majority of pension systems have been resilient. The threats imposed by population ageing, transformations in working-life cycles' and the intellectual endorsement of previously marginal scheme types did not translate into a general overhaul of the pension policy established in the postwar period.

Secondly, despite this overall stability, relevant changes have affected the foundations of some countries' pension system, which indicates the degree of

convergence that has occurred across the different programs. In relation to this, a corollary may be drawn, which is that the programmatic structure of the first-tier has observed a process of moderate *convergence*. Between 1980 and 2004 three Nordic countries substituted their flat-rate programs by targeted ones, thus reinforcing the prevalence of targeted schemes. With this measure, these nations rejected the universalistic principles that had shaped their pension systems since the end of WWII.

Finally, the programmatic structure of the second-tier has shown that it was affected by a process of *divergence*. Given the distribution of countries relying on different benefit-calculation mechanisms and the extent of hybrid plans, it may be concluded that since the early 1980s the earnings-related tiers have become more heteromorphic. By 2004 just 12 states, instead of 14 as in 1980, administer paygo-DB programs. Furthermore, the number of countries with mandatory funded tiers has expanded from four nations (Denmark, Finland, France and Netherlands) to six by including five more (Australia and Sweden). In addition during the last fifteen years a new hybrid scheme, the NDC, was created and implemented in three countries (Italy and Sweden). The DB- paygo scheme remains the centerpiece of the pension system in most countries, but it has been disbanded from several countries that decided to diverge from the dominant structure. In all, through the creation of new models and the transition to minority models the logic of public pension second-tier programs has grown increasingly divergent.

While the conclusions of convergence in the first-tier and divergence in the second-tier do not indicate a consistent trend, there are reasons to consider the evolution

of second-tier programs as more relevant. As a rule, the earnings-related programs mobilize the largest part of public pension expenditure in each country. This is necessarily the case of "social insurance" systems, where historically earnings-related schemes have been the backbone of collective retirement income arrangements. In fact for a medium-income retiree of the mid 1990s living in France, Germany, Italy Japan or the US the earnings-related benefit was substantially larger than the means-tested benefit (Legendre 2001: 140; OECD 1998: 52; Takayama 1998: 23-25). But the higher financial relevance of earnings-related programs is also the case in several systems oriented towards "social solidarity". In Canada, Finland and Sweden the medium-income retiree's earnings-related benefit was also substantially larger than the means-tested benefit (Hoffman 2001: 101; OECD 1998a: 52).[7] Hence in macroeconomic and microeconomic, second-tier programs generally attain a higher relevance. That is why the lion's share of the political debate over the need of retrenchments has revolved around earnings-related schemes and not those aimed at poverty-prevention.

In addition, the foundational changes that occurred in the second tier involved more intense and widespread departures than the changes that occurred in the first tier. The transition from flat-rate programs to targeted programs only came to reinforce the redistribution embedded in those pension systems. But the transition from DB programs to either NDC or FF accounts indirectly hampers the level of intergenerational and

[7] For Australia, Denmark, Ireland, New Zealand and the UK the means-tested pension benefit was the main social transfer received by retirees (OECD 1998: 52; King, Baekgaard and Harding 2001: 69; St John 2001: 284). Regarding the Netherlands the evidence is contradictory with one study reporting a slightly higher earnings-related benefit for the medium-income retiree (OECD 1998: 52), and the other reporting a higher means-tested benefit (de Vos and Kapteyn 2001: 253).

income redistribution and transfers the burden of old age risks from the collectivity to the individual. Therefore, the pattern of divergence among earnings-related programs should be focused on before the convergence noted among first-tier programs. In other words, we may conclude that the paradigmatic evolution of OECD pension systems during the 1980s and 1990s has been marked by the divergence of mandatory programs.

5. Concluding remarks

Regarding the programmatic principles, OECD pension systems have undergone through an intense continuity during the last 25 years All countries have preserved their old age poverty-prevention programs, most governments that had PAYG-DB programs in the early 1980s still run them in 2004 and all nations where statutory pension schemes were managed by private actors had maintained them. But within this overall stability in the fundamentals of retirement income policy, there have been several paradigmatic departures from prior arrangements. In the sample of 21 countries with mature public pension programs where coverage was practically universal at the beginning of the period five countries came to redesign the old age social contract implicit in the retirement income policy developed during the postwar period.

Australia and Switzerland created a tier of FF-DC, privately-run programs financed through mandatory contributions. United Kingdom passed a reform that allows opting-out from the earnings-related public pension program. And in parallel, two other countries, Italy and Sweden undertook paradigmatic reforms through a hybridization method. For these countries, the principles of predictability and redistribution that were

the backbone of their pension systems have been eliminated through the substitution of a complementary FF-DC tier (Sweden), or the substitution of the paygo-DB program by a NDC plan (Italy and Sweden). The central claim from this chapter is that at the paradigmatic level, during the 1980s and 1990s, OECD pension systems have grown more divergent, what has reinforced the previous extensive diversity in the logic of the programs.

Chapter 3

Parametric Convergence

While only a minority of the mature OECD pension systems has had their foundational principles transformed, all 27 pension systems have witnessed changes to the relevant provisions of their central programs. During the last 25 years, and in some cases in the course of various waves of reforms, OECD states have modified both the multiple rules and mechanisms used to implement the general principles of the pension policies. This chapter examines the group of reforms that retained the principles of retirement income schemes but changed the eligibility criteria or benefit-calculation rules.

Although parametric reforms did not affect the foundations of the national pension systems, they have had substantial effects in the pension policy field both through the public debate they generated and their economic outcomes. For more than two decades, pension policy has remained at the top of national political agendas, and played an influential role in national election results.[8] Furthermore, from an economic perspective many changes made to pension systems, both in combination and isolation, have had a noticeable macro and microeconomic impact. At a macroeconomic level, pension programs are frequently the state programs involving the largest number of beneficiaries and financial flows, and so changes in their parameters affect the prospects of the public treasury and the overall economy. From a microeconomic perspective, recent reforms have reduced the purchasing power of pensioners in OECD-18 countries. For instance, it has been estimated that recent parametric reforms have led to reductions

[8] For instance, it has been compellingly claimed that one of the reasons for the electoral victory of the SPD in the 1998 German federal elections was its defense of the social security statu quo by the socialdemocrats in contrast to the unpopular call for cutbacks by the Christian democrats (Schludi 2005: 148).

in men's future individual pension debt: 14% in France, 7% in Germany, 15% in Japan and 25% in the US (McHale 1999). For these reasons, and since parametric changes have been the norm across OECD countries, taking them into consideration is crucial for an understanding of the recent evolution of pension systems.

This chapter addressees three main questions. Firstly, which types of parameters have been targeted by the reforms? There is no reason to believe that all elements were equally likely to be reformed. Secondly, what were the aims and the ultimate consequences of the transformations in each of the parameters? Thirdly, have these changes led to isomorphic pressures? It is worth considering whether or not these reforms have or not fostered the diversity in pension arrangements in OECD countries.

Public pension programs are essentially mechanisms to redistribute resources between individuals and time points. Therefore they are best described through an approach that distinguishes revenue from expenditure flows. Regarding the revenue side I examine social security contributions, state financing and the minimum pensionable ages. Regarding the expenditure side, the minimum contributory years, the reference period, the accrual rates, the valorization of past earnings and the indexation of continued pensions will be examined. Again, the situation in 1980 and 2004 is contrasted.

1. Parametric changes

Social security contributions

As was mentioned above, the foundation of the central programs in national pension systems has been their reliance on compulsory payroll taxes or social security

contributions. Since the inception of pension programs, these contributions paid by workers (employee's contribution) and on behalf of workers by employers (employer's contribution) in the formal economy have been a vital revenue stream that has sustained the schemes. Since a large majority of nations decided to give social security systems a semi-autonomous status from the rest of the state apparatus to enhance their self-sustainability, governments across the globe created special taxes (distinct from income taxes) to fund their social security systems, and these now constitute the most common means to fund pension programs. Today, all the 21 OECD states considered in this study except Denmark and New Zealand (which finance pension benefits directly from the state's treasury) rely on these special contributions to fund their social security programs. The most common scheme, the DB-paygo design, levies contributions from workers and automatically redirects them to the benefits of current pensioners. Similarly, DC and funded schemes also require of contributions. Hence, social security contributions are a critical element for all types of programs.

Table 3.1 shows the volume of social security contributions made by employees and employers on behalf of employees relative to the gross employee's income for 1980 and 2004. Although in some cases a single tax finances a group of programs apart from the old age retirement income (i.e. also health and unemployment schemes), pension programs are generally the largest social security programs and so changes in the payroll tax rate generally align to the evolution of old age pension costs. As shown by the table, between 1980 and 2004 overall contributions have increased in most countries: as many as 16 countries have raised their social security payroll taxes. Yet for most countries

except those cases where pension systems were still in an expansionary stage (Southern Europe, Japan or Ireland), the tax increases were limited, so that cross-national differences on the whole remained unchanged over the course of these two decades. Only two countries reduced their tax wedge: Sweden which engaged in systemic reorganizations, while Norway could take advantage of oil revenues to reduce payroll taxes. In addition, only three countries maintained the same level of contributions (Denmark, the Netherlands and New Zealand). Hence, the overall trend for OECD members has been expansive, and the average contribution increased 27% from 14.9 percent points to 18.9 percent points (see total average). This expansion has been noticed by employers' and employee's contributions, however most of the rise has concentrated in the latter.

Table 3.1. Mandatory contributions to public or private old age, invalidity and survivor social security programs calculated for the gross income of an APW, 1980 and 2004

	1980			2004		
	Employee	Employer	Total	Employee	Employer	Total
Australia	0.00	0.00	0.00	0.00	9.00	9.00
Austria	9.25	10.25	19.50	10.25	12.55	22.80
Belgium	6.00	8.00	14.00	7.50	8.86	16.36
Canada	5.40	1.80	7.20	4.95	4.95	9.90
Denmark	0.00	0.00	0.00	0.00	0.00	0.00
Finland	2.25	15.13	17.38	4.60	22.75	27.35
France	4.70	8.20	12.90	6.65	9.80	16.45
Germany	9.00	9.00	18.00	9.55	9.55	19.10
Greece	4.75	9.50	14.25	6.67	13.33	20.00
Ireland*	3.40	7.80	11.20	8.00	10.75	18.75
Italy	7.15	16.45	23.60	8.89	23.81	32.70
Japan	4.55	4.55	9.10	6.79	6.79	13.58
Netherlands	17.70	10.35	28.05	19.15	8.90	28.05
New Zealand	0.00	0.00	0.00	0.00	0.00	0.00
Norway*	9.40	16.50	25.90	7.80	14.10	21.90
Portugal*	7.50	19.00	26.50	11.00	23.75	34.75
Spain	2.56	14.45	17.01	4.70	23.60	28.30
Sweden	8.30	20.05	28.35	7.00	10.21	17.21
Switzerland	4.70	4.70	9.40	11.90	11.90	23.80
United Kingdom*	6.50	13.50	20.00	11.00	12.80	23.80
United States	5.08	5.08	10.16	6.20	6.20	12.40
Average	5.63	9.25	14.88	7.27	11.60	18.87
Standard deviation	4.02	6.23	8.90	4.40	6.98	9.32
Coefficient of variation	0.71	0.67	0.60	0.61	0.60	0.49

Note: For 2004, countries with an asterisk also include the contribution for other programs. The figures for Japan in 1980 refers solely to men.

Source: USSSA 1979, USSSA 2002/3, Gál 1999: 201

As noted by Gordon in her comparative study of national social security systems Gordon identified “a tendency to increase the employer tax more than the employee tax” (Gordon 1988: 82) at least until the early 1980s, the evidence presented in Table 3.1

shows that during the whole 1980s and 1990s the relative expansion of contribution was greater in the employers' component than in the employees' component. Thus in regard to contributions it may be argued that for at least the last fifty years their evolution has been a linear process in which the payroll tax contributions, which were originally balanced, shifted in the 1960s and 1970s towards imposing a larger burden on employers, a trend that has continued since then. Even if future events disrupt this trend, the expansion of employee's tax is consistent with the conclusions reached in Chapter 2 that pension reforms have become generally geared towards transferring the responsibility of old age income security from society onto individual beneficiaries. Furthermore, the data indicates an isomorphic trend because the cross-national differences of both employer's and employee's contributions (conventionally measured with the coefficient of variation) have declined over time. Since the variation for the two types of contributions were smaller in 2004 than in 1980, it is clear that the total variation of social security contributions across OECD countries has diminished.

Increases in social security contributions have taken place against a background of expanding concern about the negative impact of high taxation on labor markets and companies' efficiency. Despite the fact that employers and orthodox economists have called against increases in payroll taxes alleging that these increases boost industrial costs and harm the domestic and global competitiveness, in the last two decades governments have proven to be more concerned with the microeconomic consequences of population ageing. Pension experts and policymakers agree that "the most serious problem facing many countries is a continued rise in the percentage of the aged in the population"

(Weaver 1998: 208). Given the expected expansion of beneficiaries, payroll tax increases have thus been chose as the means to enhance the financial solvency of these programs (Weaver 2005: 240). Via preemptive measures aimed at cushioning foreseeable expenditures hikes as in the US in 1983 (Brugiavini 1999: 198) or via reactive measures to already noticeable consequences as in Italy in 1995 (Hinrichs 2000: 362), governments framed the expansion of their payroll taxes as a necessary step to guarantee the sustainability of the programs and the future of pension liabilities.

State financing

Together with mandatory payroll contributions, direct state transfers have been the second major source for financing social security programs. It has been common across social insurance pension systems to finance their earnings-related programs on a tripartite basis through payroll contributions from employers and employees and state transfers, while first-tier poverty prevention programs are regularly run solely by state transfers. Hence it is important to evaluate potential changes to the weight of each social security source. In relation to this, a recent cross-national review of pension reforms has pointed out that a major trend consisted of the expansion of "tax financing of the hitherto exclusively or predominantly contribution-financed public schemes" (Hinrichs 2000: 362). As Hinrichs does not provide supporting evidence, it is worthwhile assessing the accuracy of his claim.

Although comparable financial data of the sources public pension systems for these 21 OECD countries is lacking for the whole period, we can construct a proxy with

the information gathered by the ILO's *The Cost of Social Security* (2001), which offers data on the revenue distributions for overall social security systems for 22 OECD countries and up until 1993. As pension programs represent the largest part of most social security systems, it may be assumed that state contributions to their respective social security programs is representative of its financing of pension programs. The first two columns of Table 3.2 show the percentage represented by direct state contributions in all social security contributions. As the table shows, according to the ILO's data, at least for the 1980-1993 period and for 21 countries, state participation in the nation social security systems decreased in most countries. State financing decreased 11 nations, while it increased in five. It decreased in all the countries considered except in Finland, Portugal, Spain, Sweden, Switzerland and the UK.

Table 3.2. State contributions to public Social Security programs and surplus in 24 countries, 1980 and 1993

	State contributions		Percentage surplus	
	1980	1993	1980	1993
Australia	-	-	-	-
Austria	24.8	19.5	0.0	-1.0
Belgium	36.9	22.6	-2.0	4.6
Canada	-	-	-	-
Denmark	90.2	87.8	2.6	3.3
Finland	41.5	45.8	14.3	9.2
France	23.9	18.6	0.1	-5.9
Germany	31.0	28.3	0.7	1.1
Greece	20.7	19.9	14.2	3.2
Ireland	60.7	59.1	-0.5	0.0
Italy	27.8	9.9	6.3	-26.7
Japan	-	-	-	-
Netherlands	25.0	21.6	19.8	11.8
New Zealand	-	-	-	-
Norway	42.9	37.3	3.4	5.5
Portugal	23.8	39.7	3.9	0.9
Spain	18.1	34.1	1.9	2.6
Sweden	45.3	56.1	9.0	-4.9
Switzerland	32.5	11.9	7.7	27.2
United Kingdom	55.0	61.0	4.6	1.3
United States	-	-	-	-

Note: State contributions: "State participation", "Special taxes allocated to Social Security", "participation of other public authorities" plus "transfers from other schemes" divided by total Social Security Income. Perc. surplus: Total expenditure in all Social Security programs minus income of from payroll taxes, state contributions and voluntary contributions divided by the total income.

Source: Author's calculations with data from ILO/EURODATA (2001)

Minimum pensionable age

Due to their demarcating and liminal character, the provisions regarding the pensionable ages (more popularly known as retirement age) have been one of the parameters of public pension programs subjected to closer review. Universally, the

provisions regarding pensionable age establish a crucial condition for the transition from contributor of pension schemes to being a beneficiary of them, so its specification has been a contested matter in national pension debates. The minimum pensionable age affects simultaneously the revenue and expenditure sides of pension programs. When the minimum pensionable age is increased, the workers' contributions can be expected to increase, and the total individual pension debt is decreased. As a result this pension parameter has received intensive attention from both policymakers and welfare policy analysts.

As with all other major elements of pension systems, rules concerning pensionable ages have historically differed extensively across OECD member states. Countries have varied in their treatment of both genders, in the minimum ages applicable for each gender and with regard to early retirement. However, all these factors have not been invariant across the last 25 years, and during the 1980s and 1990s a number of governments decided to change the pensionable ages and related rules.

Recent evaluations of the pension reforms undertaken in OECD countries concur that, despite continued variations and some outliers (e.g. France and Italy), standard pensionable ages have tended to increase, and the criteria used for early retirement conditions have also been tightened. Studies based on impressionistic evidence claim that in the last decades the "general movement has been towards higher retirement ages." (Weaver 1998: 202; Hinrichs 2000: 362) In a more systematic study of the "standard pensionable age" covering 23 OECD nations over a larger period, Turner (2007) has identified a concave trend with the inflexion point in 1993. Turner shows that since the

end of World War II the standard retirement age tended to decline in all countries, but this trend changed in the late 1980s and early 1990s and, on average since 1993, it has kept increasing. The recent increasing trend is strong because as many as two out of every three countries have risen their pensionable age (2007: 88).

The trends noted by Turner can also be identified in a sample of 21 OECD countries. Table 3.3 documents the "standard" pensionable age and the minimum pensionable ages effective in 1980 and the phased-in or effective ages in 2004. For both genders, the standard age has tended to increase. For men, 13 countries maintained the standard age constant, and six increased it. And for women, a large majority of fifteen increased it and eight kept it constant. All increases affected countries that had standard pensionable ages below 65. This means that this aspect of pension policy was far from "frozen" during these decades, because most countries increased the retirement age either for men or women. On average, during the 1980s and the 1990s, the men's standard pensionable age increased by almost one year, while the women's standard pensionable age was delayed increased by more than two years. The women's age has increased more because the original discrimination against men has been superseded in many cases. In the instauration of national pension systems, the states justified the difference in the treatment of both genders on the grounds that in the average marriage men are a few years older than women, thus if they were going to retire in the same year the minimum pensionable age should be lower for women . However in the last decades that rationale has been overcome by the principle of gender equality and in this period the number of countries with gender age differentials dropped from fourteen to four cases. Along with

the expansion of standard ages, cross-nationally, these have also become more alike for both genders. In both cases, but particularly for women, the variance has fallen substantially. Thus this survey is consistent with Turner's study who concluded that "pensionable-age policies have converged across countries" (2007: 93). During the period, a pensionable age of 65 became increasingly common across the 21 countries.

Table 3.3. Effective and phased-in standard and minimum pensionable age in the largest public pension scheme of 27 contemporary OECD countries, 1980 and 2004

	Standard		Early		Standard		Early	
	1980 (effective)		1980 (effective)		2004 (phased-in)		2004 (phased-in)	
	Men	Female	Men	Female	Men	Female	Men	Female
Australia	65	60	-	-	65	65	55	55
Austria	65	60	55	50	65	60	65	60
Belgium	65	60	60	55	65	65	60	60
Canada	65	65	-	-	65	65	60	60
Denmark	67	67	60	60	65	65	60	60
Finland	65	65	60	60	65	65	60	60
France	65	65	60	60	60	60	-	-
Germany	63	63	60	60	65	65	63	63
Greece	62	57	58	-	65	65	60	55
Ireland	66	66	65	65	66	66	65	65
Italy	60	55	55	50	65	60	60	60
Japan	60	55	-	-	65	65	60	60
Netherlands	65	65	-	-	65	65	60	60
New Zealand	60	60	-	-	65	65	-	-
Norway	67	67	-	-	67	67	-	-
Portugal	65	62	60	60	65	65	55	55
Spain	65	65	64	64	65	65	60	60
Sweden	65	65	60	60	65	65	61	61
Switzerland	65	62	-	-	65	64	63	62
United Kingdom	65	60	-	-	65	65	-	-
United States	65	65	62	62	67	67	62	62
Average	64.3	62.3			65.0	64.5		
Variance	2.1	3.7			1.3	2.0		
Coefficient of variation	0.0	0.1			0.0	0.0		

Note: Data refers to the minimum pensionable age of a private-sector employee who is not unemployed and has a non-hazardous occupation. In most countries it refers to the earnings-related, defined-benefit scheme. -: No option of early retirement. The pensionable age is that at which a worker could receive social security benefits. The Czech Republic and Slovakia had the same pension system in 1980. For both countries, the women's age was between 53-57 according to the number of children raised. In 1980 for Denmark the standard age corresponds to married women. The minimum age for early retirement refers to a hypothetical employed or unemployed worker in an occupation without special conditions.

Sources: OECD 1988b: 88; Mirkin 1987: 21; Legrende and Pelé 2001: 136; Börsch-Supan 2001: 19; Müller 2000: 61; Herbertsson; Orszag and Orszag 2000: 85-87; O'Loughin 1999: 225; Yashiro and Oshio 1999: 250; Bovenberg and Meijdam 2001: 43; St John 2001: 261; Palme and

Svensson 1999: 367; Brombacher Steiner 2001: 73; Emmerson and Johnson 2001: 298 and Joustel 2001: 337.

The widespread increase in the standard pensionable ages has been motivated not by a transformation of the conventional definition of the elderly population, but by concerns about the actuarial prospects of public pension programs. With these increases, all countries attempted to ameliorate the financial difficulties imposed on these programs by population ageing. These measures are based on the consideration that the "standard" retirement age influences the worker's retirement decisions and overall pension liabilities. Thus, even if as diverse research has shown (Ebbinghaus 2006; Gendell 1998; Scherer 2002), this "standard" age no longer represents the average retirement age in OECD countries, it simultaneously affects the revenue and expenditure side of pension programs. On the one hand, other provisions remaining stable, increases in the standard retirement age extend the assessment period over which benefits are determined, ultimately pulling the pension downwards. For instance, in the United States, since the standard retirement age became 67, the worker retiring at 67 will receives 70 percent of the benefit formula, and not 80 percent which was the case when the standard age was 62 (Diamond 1999: 447). On the other hand, by rising the standard pension age, OECD governments tried to establish incentives for delaying retirement, which would strengthen the revenue base of the scheme while reducing the pool of beneficiaries. As Myles and Quadagno have stated, with the reforms "governments want people to work longer." (1997: 249) Moreover, several European countries with standard ages differing by gender

were obliged to match the standard ages of men and women due a 1978 ECC directive on gender equality (Gordon 1988: 74).

A second dimension of the age-related rules of pension programs is represented by the early retirement provisions, which ensure (sometimes reduced) benefits for workers who have either completed the maximum years of coverage prior to the standard retirement age or retired without having completed all years of coverage. Early retirement rules were created in the 1970s to address young workers' unemployment (Mirkin 1987) by creating incentives to retire from the active labor force between 5 to 10 years away from the standard retirement age. Generalized as inactive labor policy instruments, these provisions were meant to redistribute employment opportunities in societies where large unemployment became considered a structural condition of their economies (Esping-Andersen 1996c). Recent research has shown that these provisions soon became decisive for individual retirement decisions in OECD countries. The new rules generated a large "implicit tax" on those who continued working after the new minimum pensionable age (Blöndal and Scarpetta 1999), which made the decision to retire early the most rational one (Duval 2003). Hence in these countries the activity rates of workers aged 60 or over have dropped universally since the 1970s. Indeed, early retirement provisions have proven extremely successful in depressing the retirement age in industrialized societies as all OECD. According to recent estimates, between 1960 and 1995 the average retirement age in the OECD region dropped for men from 66 to 62, and for women from 65 to 59 (Visco 2000: 210; see also Ebbinghaus 2006).

Yet, ironically, in recent years this rapid and widespread decline in the average retirement age motivated by early retirement provisions has turned into a major concern among the political economists of industrialized nations. The reason is that as early retirement depresses the employment rates of the oldest workers, it also erodes the volume of contributions per worker and inflates the implicit pension debt. Thus, disregarding the potential positive impact of retirement income on boosting youth employment, many governments focused their attention on the internal dynamics of pension programs and considered reducing the incentives for early retirement. Yet hitherto only a few governments have succeeded at eliminating these provisions or reducing their differential with standard pensionable ages, and thus it cannot be considered a generalized tool in retrenching pension reforms. In the sample (Table 3.3), since the early 1980s five OECD countries (Australia, Canada, Japan, Netherlands and Switzerland) have introduced anew this type of provisions for early retirement while Portugal has even reduced it from age 60 to age 55. But Austria, Germany, Italy and Sweden tightened the provisions. For instance, Germany increased the early retirement pensionable age from 60 to 63. As the table further shows, France eliminated the special pathway for early retirement, although as France has the lowest standard retirement age, this measures should have no effect. Thus the table supports Weaver's view that, "early retirement provisions of pension programs have been expanded in some countries and contracted in others" (1998: 203). Nevertheless, the absolute minimum pensionable age (whether early retirement or standard age) of both men and women has become more similar for the OECD countries over the last 25 years (Table 3.2).

Other eligibility criteria unrelated to age

After considering the two crucial factors for the revenue of public pension schemes (total social security contributions and the minimum pensionable age), an assessment is made of the changes affecting these scheme's "expenditure side." To do so, different elements are examined, firstly those affecting the calculation of *entry* pensions (those awarded to justly-retired individuals), and then those affecting the indexation of *continued* pensions (benefits regularly received by pensioners). The critical elements of benefit formulas for earnings-related and poverty-prevention schemes can be stylized following the OECD's (1988) approach. According to this approach, pensions are defined as:

$$P=b_0+ c * t * y$$

where P is the total annual benefit, b_0 the flat-rate benefit provided by social solidarity systems, y the assessed former earnings, t the period of assessed contribution and c is an accrual factor. In the following paragraphs changes affecting the latter three components are reviewed. Concerning the period of assessed contributions, it is useful to distinguish the minimum years of contribution, which determines the eligibility for the pension, from the assessment period, which determines the reference wage considered to determine the pension.

Eligibility rules for the largest pension programs differ extensively across OECD countries, but this variation is generally circumscribed by the logic of the pension systems. As a result, consistent to the inclusive principles that ground it, social solidarity systems have loose eligibility criteria limited to residence and citizenship elements, while

social insurance pension systems have stricter eligibility criteria founded on the duration of the worker's participation in the domestic economy. The distinct internal logic of social solidarity and social insurance pension systems had a determinant impact on the eligibility criteria around 1980, and during the next two decades the changes affecting provisions have also been conditioned by the general logic of the programs (Myles and Pierson 2001).

Taking into account the centrality of poverty-prevention and redistributive principles in social solidarity systems, it is not surprising that none of these systems broke with their principles by adding provisions requiring a minimum years of contributions in their first-tier programs, as those limits would have thwarted the universalistic character of their pension policy. By the early 1980s solidarity systems were granting pensions largely to all long-term residents, and so any change in eligibility criteria along this line would have involved restricting the access to pensions, what would have been a departure from the programs' logic. But this has not prevented the passage of relevant changes in the provisions for this group of countries. The most important change has consisted in the addition of means-tested rules to various central first-tier programs, which in essence meant the abolition of the basic program and their substitution by a targeted scheme. This measure was introduced in Canada only partially in 1989, but in Finland in 1996 and Sweden in 1999 changes were made which had indubitable programmatic consequences because they involved the supersession of the universalistic principles underpinning the pension systems for most of the postwar period (Anderson 2005; Hoffman 2001: 96; Lassila and Valkonen 2002: 268).

Partly due to the more discretionary character of eligibility rules in social insurance countries and the ample variability in the minimum number of contributory years required in these countries, most of the measures taken during the last 25 years in this area have affected social insurance systems (Table 3.4). In the course of this period, seven insurance systems have introduced changes in their eligibility criteria, and the general trend among them has been the tightening of the conditions. Only Germany and Greece reduced the periods of contribution needed to have access to an earnings-related pension. But on the other hand eight countries have increased the minimum years to qualify for second-tier pensions. Moderate increases were passed in Italy for older workers only, and in Japan, Luxembourg, Portugal and Spain for all workers.

Table 3.4. Minimum years to qualify for a mandatory pension in 21 contemporary OECD countries, in 1980 and legislated by 2004

	1980		2004	
	Pension scheme	Minimum years	Pension scheme	Minimum years
Australia	Tar.	10 years of residence	Tar.	10 years of residence
Austria	DB	15 years of contribution	DB	15 years of contribution
Belgium	DB	-	DB	0 years
Canada	Bas. + Tar.	10 years of residence	Basic + Tar.	10 years of residence
	DB	-	DB	1 year of contribution
Denmark	Bas. + Tar.	Being a citizen	Basic + Tar.	3 years of residence
	DC	3 years of contribution	DC	-
Finland	Bas.	5 years of residence	Tar.	5 years of residence
France	DB	-	DB	1 quarter of contribution
Germany	Points	15 years of contribution	Points	5 years of contribution
Greece	DB	6,000 days of contribution	DB	4,500 days of contribution
Ireland	Bas. + T.	15 years of residence and 156 weeks of paid contributions	Basic + Tar.	156 weeks of paid contributions
Italy	DB	15 years of contribution	Not. Ac.	For new entrants, 5 years of contribution. For the rest, 20 years if less than 15 by 1992 or 15 years by 1992
Japan	Basic	5 years of contribution	Basic	25 years of contribution
	DB	20 years of contribution	DB	25 years of contribution
Netherlands	Basic	-	Basic	-
New Zealand	Bas.	10 years of residence	Basic	10 years of residence
Norway	Bas. + T.	3 years of contribution	Basic + Tar.	3 years of contribution
	Points	3 years of earnings above base amount	Points	3 years of earnings above base amount

Portugal	DB	5 years of contribution	DB	15 years of contribution
Spain	DB	10 years of contribution	DB	15 years of contribution
Sweden	Basic	Residence since age 57	Tar.	3 years of residence
	DB	3 years of contribution	Not. Ac.	-
			DB/ DC	None
Switzerland	DB	1 year of contribution	DB	1 year of contribution
United Kingdom	Basic + Tar.	11-12 years of contribution	Basic + Tar.	11-12 years of contribution
	DB	Have surplus earnings above Lower Earnings Limit for at least one year	DB	Have surplus earnings above Lower Earnings Limit for at least one year
United States	DB	1 quarter of coverage per year since 1950	DB	40 quarter of coverage

Note: -: No minimum qualifying period

Source: USSSA 1979; USSSA 2004/5; Múller 2000: 133; European Commission 2004a

By tightening eligibility criteria, these seven countries have pursued two goals. Firstly, their governments were fighting against labor-market distortions produced by rules applicable to short time periods prior to retirement. In countries where the minimum contribution years covered a limited period, workers with short working histories could gain access to large pensions. This allowed individuals to pursue rent-seeking strategies regarding their engagement or disengagement from the labor market (and their social security payments) to maximize their ultimate pension benefits. This opportunism was for instance common behavior, for instance, among the self-employed Spanish (Mota 2006). Thus by raising the minimum contributory years governments were fighting against unintended consequences of the programs. Secondly, with these measures they could

reduce pension liabilities by refusing standard pensions to a number of individuals with short and irregular contributory careers, who have instead been rendered to poverty-alleviation pensions.

The fact that first-tier programs in social solidarity systems do not indicate a trend towards tightening their eligibility rules, which remained rather loose, while the eligibility rules in second-tier programs in social insurance were tightened, should not drive to conclude that eligibility criteria in OECD public pension systems have grown increasing divergent. This is because the foundations of first-tier and second-tier programs are distinct and therefore incommensurable. If we compare the eligibility criteria in poverty-prevention schemes of social solidarity countries (dominant in these systems) with those in social insurance countries (less relevant in these systems) we could see that they kept stable. Indeed where eligibility criteria ultimately demarcate insiders and outsiders (and become relevant) is regarding earnings-related programs. In this case a clear isomorphic tendency can be identified and the differences across countries have been reduced, because in all social insurance countries (except Germany and Greece) governments have passed legislation to make the minimum years of contribution closer to the years in an effective average contribution career.

Reference period

Another factor of differentiation applicable to DB programs is the period of earnings considered for benefit-calculation purposes or, also called, the reference period. As we saw in Chapter 2 by definition the DC and NDC logics do not discriminate

between considered and unconsidered earnings periods in the determination of pension benefits because they take into account all working-lifetime earnings. In contrast, DB programs could determine a pension based on a restricted or a full period of the worker's income history. This predominant form of second-tier scheme that is the DB scheme relies on a predetermined formula that calculates pensions according to either a restricted period of the worker's income history. Hence, this factor adds a theoretical element of differentiation across DB programs. Indeed, OECD states showed a wide divergence in the reference period used for pension calculation purposes, a fact that pension policy-makers took advantage of to pass pension retrenchments.

Comparative research on the evolution of contemporary pension systems has recognized a general trend in the changes affecting the assessment period: the number of years considered for benefit calculation purposes has commonly increased. Indeed this parameter has been a central tool in the wave of non-fundamental reforms undertaken in earning-related programs. Discussing major pension reform measures in our sample, two OECD analysts wrote that "today, most OECD countries have moved towards the use of lifetime earnings" (Whiteford and Whitehouse 2006: 89). With this expansion, governments have strengthened the proportionality between contributions and benefits in DB programs, which indirectly produces a convergence between DB plans towards DC principles. Many observers consider that the emphasis on actuarial correspondence is being achieved predominantly by the expansion of reference periods, which foster the adjustment of earnings and pension benefits.

The claim of a general expansion in reference periods is consistent with the evolution of the periods in our sample. Table 3.5 documents the number of years of assessed income for all the countries that had this type of program in 1980 or in 2004. It confirms that the expansion of the assessment period is a common trend across the sample. Apart from the programs that were already considering the complete wage history of the worker, Norway where it remained intact and Sweden where the new DB component considers a shorter period, all the other cases have increased the number of years considered in the calculation of pensions. As many as eight countries have increased their reference period, while the other seven countries where lifetime earnings were evaluated have preserved this measure. This is strong evidence of an isomorphic trend towards a DC model of retirement income provision. But within this general trend, differences in the pacing results from the fact that some countries have evolved much faster than others towards taking lifetime earnings into account. Five countries have passed phased-in reforms that gradually moved the number of assessed earnings until they reach the complete earnings history (Austria, Finland, Greece, Italy, Portugal and Sweden). In contrast, France and Spain have been less ambitious in the expansion of the reference period, and they still have not passed a calendar for a transition to lifetime-earnings assessment. Thus, in sum, DB systems are universally broadening their reference period with the ultimate goal being the consideration of all workers' earnings.

Table 3.5. Reference wage period for the public earnings-related schemes in 21 contemporary OECD countries, in 1980 and legislated by 2004

	1980	2004
Australia	-	-
Austria	Higher of 5 last years of work or 5 best years before age 45	Best 40 years
Belgium	Lifetime average	Lifetime average
Canada	Lifetime average excluding worst 15% of years	Lifetime average excluding worst 15% of years
Denmark	-	-
Finland	Final 4 years of work	Lifetime average
France	10 highest paid years	Best 25 years (public)
Germany	Lifetime average	Lifetime average
Greece	Final 2 years of work	Lifetime average
Ireland	-	-
Italy	Highest 3 of last 10 years	Lifetime average (NDC)
Japan	Lifetime average	Lifetime average
Netherlands	-	-
New Zealand	-	-
Norway	Best 20 years	Best 20 years
Portugal	Highest 5 of last 10 years	Lifetime average
Spain	Highest 2 of last 7 years	Final 15 years
Sweden	Best 20 years	Best 15 years (DB), lifetime average (NDC)
Switzerland	Lifetime average	Lifetime average (public scheme)
United Kingdom	All years since 1978	All years since 1978
United States	Lifetime earnings since 1950 excluding 5 lowest years	Best 35 years

Source: USSSA 1979, 2004/2005; OECD 2005

In the economics and political science literature on pension reforms the expansion of reference periods is interpreted as an ingredient in the package of measures aiming at containing pension growth by limiting benefits. This perception has its grounding in the human capital theory's claim (Mincer 1974; Murphy and Welch 1990) that worker's age-

earnings profiles are parabolic and convex with ending-career earnings above middle-career earnings. As workers' end-of-career earnings are expected to be higher than their average earnings, scholars expect that the larger the reference period, the lower will be the (indexed) average. Recent empirical research on the consequences of seven parametric pension reforms has mobilized this assumption (McHale 1999). A second reason why broadened reference periods undercut pension benefits relates to the interaction of this element with the valorization of past earnings. For the countries that valorize past earnings according to price inflation, which over the postwar period has on average grown less than wage inflation, indexing past earnings of more years implies a reduction in the purchasing power of pensions vis-à-vis effective workers' wages.

Accrual rate and valorization of past earnings

A pivotal parameter in the calculation of pension in earnings-related programs is the accrual rate, which is defined as the pension benefit replacement rate for each year of contribution. In this way, for instance, in 1980 in Canada where the maximum benefit was 25 percent of revalued past earnings and the contribution period of 40 years, the accrual rate was 0.63 percent. The accrual rate is, for many specialists in pension economics, the most important provision in DB schemes (e.g.Whitehouse 2006: 282), because its "size and structure determines the replacement rate, the labor market and redistributive effects of the system" (OECD 1988: 68). By defining the size in individual-level benefits, the accrual rate has a major impact on the overall expenditure of the program as well as its financial solvency. Accrual rates are more widely known as

components of DB plans, but Whitehouse (2006) has indicated that it is possible to calculate the effective accrual rate of both points and DC plans which makes this indicator a suitable reference for comparisons among all types of public earnings-related programs.

Notwithstanding the theoretical significance of accrual rates, the evolution of accrual rate has passed unconsidered by recent cross-national reviews of pension reforms. To compensate for this absence, Table 3.6 shows the accrual rate of the earnings-related programs in the sample of 27 OECD countries. In line with the ample variation in replacement rates provided by these plans, the accrual rates differed widely both in 1980 and 2004. In some countries it has been below 1 percent (Canada or Japan), while in other cases it went over 2.5 percent (Greece or Spain). But, more importantly, by contrasting the rates of both years we can see that several countries reduced this parameter as part of their retrenchment-oriented reforms. Undeniably, the accrual rates in a sizeable group of countries were frozen during the period (Belgium, Canada, France, Italy and Spain), while two countries increased their accrual rates (Austria and Portugal). However, most countries, as many as seven countries (Germany, Greece, Japan, Norway, Sweden, UK and US), reduced the accrual rates implicit in their schemes.[9]

These reductions of the accrual rates occurred despite their being "particularly sensitive politically" (OECD 1988a: 68): according to a rational actor assumption they would be unlikely to be modified by vote-seeking elected politicians. Hence they

---

[9] The ample variation in the progression of accrual rates is illustrative of the fact that the public pension systems of the early 1980s had different levels of maturation. By that time, some countries had already peaked in their coverage and replacement rates, whereas other would still achieve it through the eighties or early nineties.

challenge the rational-action and politicians-centered approach to pension policy analysis. Additionally, it is worth considering if differences in accrual rates of middle-income workers have remained steady or changed over time. On the basis of with the data presented in Table 3.6 it is only possible to claim that accrual rates do not indicate a clear isomorphic trend, although they do not indicate a reinforcement of international differences. Just two of the five countries with the accrual rates over 2% in 1980 had reduced them by 2004, and none of the four of the countries with the lowest six accrual rates increased them during the next 24 years.

Table 3.6. Accrual rates and mechanisms for the valorization of past earnings in public, earnings-related pension schemes in 21 contemporary OECD countries, 1980 and 2002				
	Accrual rate		Past earnings indexation	
	1980	2004	1980	2004
Australia	-	-	-	-
Austria	1.77	1.98	Wages	Wages
Belgium	1.50	1.50	Prices	Prices
Canada	0.65	0.63	Wages	Wages
Denmark	-	-	-	-
Finland	-	-	-	-
France	1.25	1.25	Wages	Prices
Germany	1.50	1.00	Wages	Wages
Greece	2.63	1.83	No	Increases in pensions of public-sector employees
Ireland	-	-	-	-
Italy	2.00	2.00	Prices	GDP growth
Japan	1.00	0.71	Wages (a)	Wages
Netherlands	-	-	-	-
New Zealand	-	-	-	-
Norway	1.13	1.05	Wages	Wages
Portugal	2.00	2.25	No	Prices (75%)/wages (25%)
Spain	2.86	2.86	No	Prices
Sweden	2.00	1.21	Price	Wages with adjustments for demographic changes
Switzerland	-	-	Wages	Wages
United Kingdom	1.25	0.89	Wages	Wages
United States	1.03	0.91	Wages	Wages

Note: (a) data for 1985;

Note: the "1980" value of the accrual rate for France, UK and the US corresponds to 1985.
Sources: USSSA several years; OECD 2005; OECD: 1988: 70-1; Whitehouse 2006: 277-8; Pestieau and Stijns 1999: 47; Muller 2000: 63; Takayama 98: 24, 28; Golinowska and Zukowski 2002: 187; Queisser and Vittas 2000: 21; Palmer 2002: 177; Diamond and Gruber 1999: 448-9.

Another related parameter that has been overlooked refers to the valorization of past earning in the calculation of entry pensions. Despite being commonly overlooked, as

Whitehouse (2006: 283) claims, it has had a profound influence on entitlements. For the programs where several years are considered in the reference period, past earnings are regularly indexed to account for changes in economic conditions between the time contributions were made and entitlement is awarded. This valorization can be based on prices (adjusting the purchasing power of pensions), earnings (adjusting pensions to general improvements in the standard of living) or a combination of both. In combination to the variety of options it provides for policy-makers, this parameter is politically relevant because, through its compound-interest effect, it affects entitlements substantially, and in general conditions, wage growth indexation leads to higher benefits than price growth indexation.

Similar to other factors, with regard to the valorization of past earnings the countries of our sample had very diverse arrangements. In 1980 similar numbers of countries valorized past earnings on the basis of wage growth or price growth, although some had no valorization mechanism. Consideration of the potential changes in valorization policies between 1980 and 2004 clearly shows that this measure was not commonly used as part of the retrenchment-oriented reforms. For nine countries the valorization mechanism remained stable in between these two reference years. A large pool of countries that valorized past earnings according to wages discarded the substantial savings implicit in a migration to price indexation (Austria, Belgium, Canada, Germany, Japan, Norway, Switzerland, UK and the US). Among the countries that introduced changes, a majority adopted valorization mechanisms because they abolished final-salary benefit formulas (Portugal and Spain), and most of them chose wages as the

basis for their valorization. Only with regard to France and Italy can it be claimed that the change in the valorization of past earnings was part of an attempt to contain pension spending growth. This overall landscape indicates that the past-earnings valorization mechanism has also undergone through a process of convergence. The number of countries that did not index past earnings according either to price changes or wage changes declined from three to no countries.

The lack of modifications in valorization is striking from a rational-actor perspective. Given that this factor remains abstrusely technical and distanced from public scrutiny and that a migration from a wage index to a price index could have generated substantial savings (as much as 40 percent lower benefits according to Whitehouse (2006: 283)), the valorization offered a promising target for retrenching political projects. However this potential has not been taken advantage of, and only two countryies changed the valorization mechanism by pursuing expenditure cutbacks.

Indexation of continued pensions

In the last three decades, most of the countries of our sample had legal provisions mandating the indexation of already-granted pensions to guarantee the "adequacy [of pensions] in a dynamic sense" (Vording and Goudswaard 1997: 32). With these rules, regular upward adjustments were introduced as a means of compensating for price increases and maintaining the absolute purchasing power of pensions, or compensating for wage increases and transferring to pensioners the advances in living standards. Prior to the inflation-crisis of the 1970s, these increases were often discretionary and irregular.

But under the conditions of high inflation (or large productivity gains), the absence of indexation led to a sharp devaluation of older pensioners' benefit and their fall to extreme poverty conditions precisely at the time when pensioners are at a stage in life when they are least independent. These developments also fostered large benefit inequities between recently-retired and older pensioners. Since the 1960s, to respond to this problem and ensure the adequacy and stability of pensions, an increasing number of countries introduced mandatory linkages of pension benefits to changes in the economic situation of their social security legislation. Indexation provisions were pioneered by France, Germany, Sweden and the Netherlands, which instituted them prior to the 1960s. And in the midst of the inflation-crisis of the 1970s other countries followed suit, so that by 1980 a majority of the countries in our sample had legislated automatic indexation mechanisms. Once instituted, countries differed in the type of indexation varying between pure price, pure wage, hybrid and flat-rate mechanisms. Furthermore, before the 1980s these automatic mechanisms proved rather unstable because they were discretionarily suspended on a regular and ad hoc basis (Wartonick 1983). This diversity and instability indicates that at the time OECD governments were conscious of the relevance of the type of indexation for the long-term pension growth.

Given that the options available were wide and economically consequential, and that the logic of the program does not necessarily determine the indexation mechanism, in the last 25 years governments and analysts have considered indexation mechanisms as

targets to reduce pension costs.[10] Consequently, multiple countries have opted for the most inexpensive financial mechanism. As Weaver points out, "trimming postretirement indexation provisions for pension benefits has been a staple of pension retrenchment through the OECD." (1998: 201)

Table 3.7 shows the mandatory and "automatic" indexation mechanism for the largest public pension programs in each of the countries of our samples in 1980 and 2004. For several countries and years, for instance the Netherlands during most of the 1980s and 1990s, these legal mechanisms were suspended. However for most countries and years they have been dutifully applied, thus, statutory provisions provide a relatively accurate description of effective increases. In the last 25 years, the most salient trend has been an isomorphic process towards price indexation, which has reinforced the moderately dominant position it had in the early 1980s. In 1980 wage and price indexation were evenly distributed across social insurance and social solidarity systems: nine countries adjusted pensions provided by their largest public programs with an indexed mechanism primarily based on average price changes and eight other countries with one primarily based on average wage changes. In three other countries, hybrid formulas or other mechanisms were used. Two decades later, in 2004, according to phased-in or effective legislation, 12 countries used consumer price indexes to adjust public pensions. The increasing frequency of price indexation has occurred at the expense of pure wage or hybrid mechanisms, which have been abandoned in five countries:

---

[10] In a report about the Greek pension system, an OECD analyst wrote that "the indexation of pensions to price objectives of the government is one of the most potent means of controlling pension expenditure and provides one of the few ways of placing a share of the adjustment burden on current pensioners." (OECD 1997: 95)

Austria transferred to price indexation in 2004, France did so in 1986, Italy in 1992 and both Spain and the UK in 1980. Unlike the majority of countries, Norway reinforced the wage component. However, only Denmark transferred from a pure price to a pure wage, and overall price adjustment became increasingly prevalent.

Table 3.7. Effective and phased-in indexation mechanism of continued pensions in the largest mandatory pension schemes in 21 contemporary OECD countries, 1980 and 2004

	1980		2004	
	Scheme	Method	Scheme	Method
Australia	Targeted	Prices	Targeted	Prices
Austria	Earnings-related	Gross wages	Earnings-related	Prices
Belgium	Earnings-related	Prices	Earnings-related	Prices
Canada	Earnings-related	Prices	Earnings-related	Prices
Denmark	Basic	Prices	Basic	Wages
Finland	Earnings-related	Prices (50%)/ earnings	Earnings-related	Prices (50%)/ wages
France	Earnings-related	Gross wages	Earnings-related	Prices
Germany	Earnings-related	Gross wages	Earnings-related	Net wages
Greece	Earnings-related	Discretionary	Earnings-related	Civil servant pensions
Ireland	Basic	Gross wages	Basic	Wages
Italy	Earnings-related	Gross wages	Earnings-related	Prices
Japan	Basic	Prices	Basic	Prices
Netherlands	Basic	Minimum wages	Basic	Minimum wages
New Zealand	Basic	Prices	Basic	Prices
Norway	Earnings-related	Between wages and prices	Earnings-related	Wages
Portugal	Earnings-related	Prices	Earnings-related	Prices
Spain	Earnings-related	Wages	Earnings-related	Prices
Sweden	Earnings-related	Price	Earnings-related	Gross earnings less growth norm of 1.6%
Switzerland	Earnings-related	Wages (50%)/ prices (50%)	Earnings-related	Wages (50%)/ prices (50%)
U.Kingdom	Basic	Wages or prices	Basic	Prices
U. States	Earnings-related	Prices	Earnings-related	Prices

Source: USSSA 1979; OECD 2005; King; Boekgaard and Harding 2001: 53; Koch and Thimann 1999: 9; de Callatay and Turtelboom 1996: 5; Gruber 1999: 86; Král and Mácha 2002: 224; Lassila and Valkonen 2002: 265; Mandin and Palier 2005: 77; Börsch-Supan and Reil-Held and Schnabel 2001: 163; OECD 1997: 86; Jonsson 2001: 264; Cousins 2000: 118; Ferrera and Jessoula 2005: 13; Knell Köhler-Töglhofer and Prammer 2006: 75; Takayama 1998: 22; de Vos and Kapteyn 2001: 239; Weaver 2002: 17; OECD 2005: 90; Müller 1999: 95-96; Boldrin; Jimenez-Martin and Peracchi 1999: 327; Palmer 2002: 185; Queisser and Vittas 2000: 21; Emmerson and Johnson 2001: 301 and Jouster 2001: 336; Augusztinovics;Gál; Matits et all. 2002: 30-1; Cioccia, Turcio and Calza-Bini 1999: 6 and European Commission 2004.

The transition of five pension systems from wage indexation to price indexation can only be understood in the context of retrenchment-oriented reforms, and more specifically as strategies to slow down pension growth. By the 1980s it was widely recognized that in the long term and for all OECD countries real wages were growing more than prices, so that an adjustment to price changes constituted a less expensive alternative to wage indexation. Policy-makers were thus aware that with a transition to price indexation, inequalities between pensioners and workers would increase in the long term, but that at the same time with that change they could ameliorate the financial strain of social security programs by reducing pension growth (1990). Calculations for the UK indicate that the transition from wage to price indexation will probably have major financial consequences, because if the basic state pension represented 21 percent of the 1980 average male earnings, under the price indexation in 1997 it was only 14 percent and in 2008 it will be only 9 percent (Weaver 1998: 201).

Economic inequalities and pension reforms

So far the analysis has been limited to the parameters of pension programs which affect uniformly affected workers and pensioners of different social classes. Changes, for

instance, in the accrual rate or the indexation mechanism should have equal consequences independently of the individual's earning history. But, as Esping-Andersen (1990) claimed, welfare policies are fundamentally systems of social "structuration" that either reinforce or attenuate socio-economic inequalities. Hence it is useful to consider if the pension reforms of the last 25 years have involved changes affecting the patterns of financial redistribution through a particularistic impact on a given socioeconomic group. A set of rules that could enable this task to be carried out are the caps benefits of second-tier schemes, which established ceilings above which no higher pensions can be gained.

Table 3.8 details the value of benefit ceilings, according to an industrial worker's average wage, for 1980 and 2004 in the sample of OECD countries. Since the figures are established relative to national earnings distribution, they are comparable across cases and time. In view of the data presented in Table 3.7 it is clear that in regard to benefit ceilings a wide diversity of provisions has persisted since the early 1980s. However this does not prevent programs from having evolved in a similar direction. For the majority of countries with available data, benefit ceilings have increased overtime. A majority of OECD public earnings-related programs are therefore involved in an isomorphic process towards the expansion of benefits for the top earners bracket. This fact is consistent with other measures (e.g. the transition from DB to DC or the lengthening of reference periods) that have come to reinforce the insurance character of earnings-related programs. In this period, public second-tier programs have generally undercut their redistributive component and reinforced the correspondence between earnings, contributions and

benefits. According to Hinrichs, “the reforms have strengthened the equivalence principle.” (Hinrichs 2000: 361)

Table 3.8. Benefit ceilings in the income-related pension schemes based on the average production worker's wage (=100) in 21 contemporary OECD countries, in 1980 and legislated by 2004

	Benefits	
	1979	2004
Australia	-	None
Austria	164	166
Belgium	153	122
Canada	31	101
Denmark	-	-
Finland	-	None
France	118	129
Germany	100(b)	None
Greece	275	284
Ireland	-	-
Italy	194	372
Japan	196	177
Netherlands	-	None
New Zealand	-	-
Norway	191	143
Portugal	345	None
Spain	214	183
Sweden	-	None
Switzerland	126	None
United Kingdom	143	156(g)
United States	164	280

Note: -: There is no public income-related pension scheme. None: no benefits or contribution limit. (a) The figure is only an approximation due to imprecision in maximum benefit information. (b) Data for 1985. (d) Data for 1992. (e) Data for 1991. (f) Data for 1993. (g) drawn from OECD (2005b). (h) Only applicable to workers entering the labor market after 1996, for the rest, there is no maximum.

Source: Author's calculations with data from USSSA 1979, 1985, 2002/3; OECD 1986, 2002, 2005b; Czech Statistical Office 2006, European Commission several years

In conclusion, this section has shown that although an intense diversity in the crucial factors of public pension schemes has persisted in our sample during the 1980s and 1990s, significant and reliable indications of policy content convergence emerge for the several of the considered factors. In other words, the variation in the provisions of universal public pension programs was reduced over the period studied. This conclusion is further consistent with the results of recent research on the outcomes of these policies. Scruggs has carefully estimated the evolution of standard pension replacement rates for 18 OECD countries since the late 1970s and concluded that in the last 30 years cross-national differences in the replacement rates have been reduced (2006: 350).

2. Discussion

This chapter has examined the patterns of transformation in the retirement income systems of 27 OECD countries during the 1980s and 1990s. It has done so by surveying the provisions materializing the logics of pension programs. The evidence presented in this chapter sheds light over a widespread area of potential changes in national pension systems and provides systematic descriptive evidence for two areas of contention in the recent scholarship on pension reform. One is the question of change: What dimensions of pension systems have been modified in this period? And what were the objectives behind these changes? The second is the question of variation: How widespread have these modifications been? Have they reinforced or undermined the preexisting extensive diversity in pension arrangements?

Contrasting the financing, management and benefit-calculation principles of the programs along with nine implemented parameters for all countries in 1980 and 2004, it has been argued that in this period pension systems have been subject to numerous regulatory changes. All the countries in our sample transformed at least one of these significant elements in their pension systems, and many nations conducted ambitious reforms, which affected many parameters and defining principles of their systems. Consequently, none of the different dimensions covered in the survey showed a perfect inertia during these two decades. In a strict organizational sense, a characterization of mature pension systems in OECD as "frozen," does not provide a satisfactory depiction of the condition of these pension systems during the 1980s and 1990s. In this period, the retirement income fields have generally been very active policy areas with numerous and substantial measures being passed.

But although major changes have affected the foundations of the programs, the dynamism of pension policy has been most noticeable at the parametric level. This chapter has identified various trends that indicate the changes in the provisions of OECD public pension systems. Despite the fact that the reforms that induced these changes did not affect the foundations of old age income security, they should not be disregarded as meaningless, because they had substantial consequences for the financial conditions of the programs and probably also for individual retirement income strategies. The standard pensionable age has tended to increase while "special" provisions enabling earlier retirement have been dismissed in various nations. Social security contributions destined to finance these programs have also been raised. The minimum period necessary for

earnings-related plans have tended to increases, as well as the reference periods considered for benefit-calculation purposes. Price indexation has become increasingly prevalent as the mechanism to adjust continued pensions, and various countries have reduced the accrual rates of the second-tier schemes. Consistent with other research, this chapter has argued that most of these parametric changes occurred against a background of budgetary, demographic and ideological pressures and must be understood as cost-containment reforms. With the manipulation of these provisions, several governments aimed and succeeded at a general reduction of future pension expenditure and in the process cut benefits or hindered access to the best-paying programs.

In addition, it has been argued that, contrary to the development of fundamental aspects of the programs, these pension systems have converged in many of their central parameters. The evidence presented above provides consistent instances of convergence in terms of the benefit-calculation and eligibility provisions. For none of the factors used to determine pension benefits (e.g. pensionable age) may clear divergent tendencies be identified, but for all there are indications of isomorphic processes for six factors. First, by 2004 total social security contributions were more equal than in 1980. Second, the standard pensionable-age provisions were in 2004 more gender-neutral in each country and had a greater similarity throughout the nations. Third, all countries that had not been considering and individual's complete earning history have expanded the number of years used in the benefit-calculation reference period. The fourth indication is that there is a lower variation noticeable in the valorization of old pensions due to the disappearance of countries with no valorization mechanism, so that by 2004 the options

only ranged from pure price to pure wage valorization. There is also a new majority of countries are now indexing continued benefits based on price inflation, pointing to a clear isomorphic pattern. And, finally, there is partial evidence of convergence "from the bottom" regarding maximum public pension because most of the countries that had the lowest maximum pensions in 1980 increased their relative benefits by early 2004. Only in regard to two factors can no clear process of convergence be identified. Firstly, the eligibility criteria have not grown more similar over time, and secondly, there have been reductions among the countries that in 1980 had the highest accrual rates, but there is no clear isomorphic tendency concerning that factor. Therefore, in combination with the main conclusion of Chapter 2, the data presented in this part of the dissertation indicates that in this period a central phenomenon in these OECD policy structures has been the pattern of *paradigmatic divergence and parametric convergence*.

The divergence and isomorphism affecting, respectively pension principles and pension provisions, challenge the conception of the dominant line of research represented by historical institutionalism. Despite the fact that the evolution of this policy area is considered by historical institutionalists as an exemplary case of their analytic model (Myles and Pierson 2001: 306) and this approach is becoming dominant in contemporary welfare state debates, the inverted pattern of convergence cast doubts over its capacity to account for the central dynamics in this area of institutional life.

In general the historical institutionalist project has underscored how path dependence is decisive for the stability or change in social rules; a principle that has developed in two main claims. Firstly, as a result of their sunk costs and the adaptive

expectations of individuals affected by them, institutions such as pension systems are self-reinforcing mechanisms. As they unfold over time, institutions bind the likelihood of potential institutional changes, making some paths more probable than others (North 1990: 95-96; Pierson 2000: 251). Secondly, the centrality of path-dependence as a methodological approach has induced a conception of the history of institutional fields as formed by a sequence of distinct “critical junctures” and “path-dependency”. In this “lawlike” view, substantive change is restricted to the junctures, which act as moments of institutional path-breaking, while in path-dependence moments change is possible but limited (Thelen 1999).

From this theoretical framework, Pierson and other historical institutionalists derive two implications for pension policy evolution. At the paradigmatic level, it is claimed that PAYG-DB are very unlikely to be disbanded from national pension systems. The reason for this is that these programs generate massive liabilities that cannot be purged by any alternative plan structure, so that they ultimately have to be financed by younger workers, who would incur a “double payment” to finance their future benefits as well as the benefits of current pensioners. Since this double payment problem makes the costs of this transition soar, the approach predicts that a major departure from inherited institutional structures becomes economically unfeasible preventing paradigmatic departures (Pierson 1997: 284; Bonoli 2000; Myles and Pierson 2001: 313) and limiting the options to cut pension expenditure to incremental but small parametric reforms (Pierson 1997: 279; Hinrichs 2000). Conversely, at the parametric level, historical institutionalists expect to find a sharp distinction between critical junctures when the most

consequential departures will occur, and long periods of path dependence in which change is adaptive, incremental and small. Furthermore, concerning the incremental reforms, according to the historical institutionalist model these should be constrained to the "logic" of the institutional structure, so that while attempting to contain future pension expenditure social solidarity systems should reinforce the extent of redistribution and social insurance systems should reinforce the program's status-maintenance character. In a word, there should be no process of convergence as the institutional logics of the systems should be reinforced or at least preserved (Myles and Pierson 2001: 307).

Contrary to the first prediction, some of the reforms studied in this chapter indicate that the web of institutions and social relations forged by PAYG-DB programs can be disentangled (for similar views, Anderson 2005: 94; Müller 2002: 166). The reform undertaken in Sweden and Italy provide non-anecdotal evidence that the regulatory foundations of DB programs can be overcome.

The success of these paradigmatic reforms is to a large extent related to the strategy of institutional hybridization. The policy entrepreneurs of these reforms proved their ingenuity and based their success on the fact that they proposed and managed to pass reforms that instituted hybrid systems. With their proposals, these entrepreneurs overcame the exclusionary dichotomies dominant in the social security literature concerning the financing, administration and benefit-calculation of the programs. They overcame the absolutist PAYG-funding conundrum that had engulfed the international social security debate in the early 1990s (e.g. World Bank 1994) with a reform that instituted a system with both forms of financing. They also overcame the DB-DC puzzle

(resulting from the PAYG-funding dichotomy) combining DB and DC principles in their earnings-related programs. By this hybridization strategy, these policy entrepreneurs could reduce the double-payment costs and introduce a transition proposal that was (at least on paper) financially assumable and politically palatable to central actors in the policy field. Furthermore, it would be mistaken to disregard the relevance of these hybridizations on the grounds that the bulk of post-reform mandatory contributions in these countries are still destined to the DB-PAYG scheme (Myles and Pierson 2001: 331), because these changes have undercut the principle of intergenerational solidarity, and eroded the principle of pension predictability.

More generally, contrary to the historical institutionalist expectation, the path-dependence of pension arrangements during the last decades has not foreclosed a role for collective agency. Under certain conditions and through wide-spanning coalitions, some policy entrepreneurs have succeeded in redirecting such complex organizational structures towards a non-linear direction. As in many other instances in which entrenched institutional lock-ins have been eliminated "from above", mature pension systems have proven their ability to reconstruct their foundations following the traditional politics of adequate framings and powerful coalitions. The universalization of paygo-DB programs certainly had major side-effects on the improvement of the beneficiaries' bargaining position and the configuration of vested interests among current workers in the programs persistence (Pierson 1996; 1997). Yet the interests of these groups have not been univocally determined by the institutional structure, and they have proved to be recastable through ambitious but realistic plans. Thus the paradigmatic reforms in mature pension

systems indicate that the politics of pension policy fields of the last 25 years still involve the "traditional" politics of ideas mobilization and bloc formation can induce major transformations.[11]

Together with the expectation of DB-PAYG principles' irrevocability, historical institutionalists also expect to find to find parametric reforms just moderately consequential and preserving the elements of differentiation between social insurance and social solidarity systems. However the evidence examined in this chapter challenges this expectation. The multiple changes described in this chapter have had substantial microeconomic consequences for the entitlements of pensioners. As McHale concluded in his econometric analysis of the implications of the reforms in seven major OECD countries, "politically imposed changes in PAYG benefit rules that have a large impact on the flow of benefits in retirement are not just a possibility-they have already occurred in a number of major economies." (1999: 33) Therefore there is no reason to dismiss parametric changes as "second-rate" or inconsequential reforms, and to identify critical junctures as the sole moments when pension arrangements are recast.

By noting this, the chapter coincides with an emerging theoretical line in neoinstitutionalist research, which claims that path breaks do not result exclusively from abrupt and irregular changes but also from incremental and continuous changes (Streeck

[11] In addition, the nature of these parametric reforms should make us reconsider the absolutist dyads that still today structure the theoretical debate over national social securities. OECD governments have not been faced exclusively with the option of privatizing or not privatizing, but in fact with a combination of multiple alternatives. More than as a dichotomous process, paradigmatic pension reform is better described as a categorical dynamic where policymakers could introduce changes in three distinct programmatic dimensions: financing (PAYG/ funded), management (state/private companies) and benefit-calculation (DC-DB).

and Thelen 2005). More importantly, this chapter has identified a robust pattern of parametric convergence that is incompatible with the historical institutionalist expectations. Changes introduced to most of the major statutory provisions of public pension programs including social security contributions, pensionable ages, minimum contribution years and assessment period have led to reductions in cross-national differences in retirement income arrangements within and across social insurance and social solidarity programs. Recasts of pension systems clearly have not been determined by the distinct moral foundations of national pension system but instead mainly by economic and political forces.

Having surveyed the institutional changes in mature OECD pension systems, this chapter has pursued the descriptive objective of laying the ground for the following two analytic chapters. The next chapters continue to explore the questions of change and variation in retirement income policy, but with a particular focus on the causal dynamics behind the differences and transformation among OECD countries. Chapter 7 conducts an event history analysis to account for the sources of paradigmatic and parametric change in pension systems during the last 25 years. To cover the main forms of paradigmatic reform, it follows the multidimensional-categorical approach presented above, and investigates the determinants of three types of reform. Chapter 4, in contrast, examines the individual-level consequences of public pension reform. It conducts a panel data analysis of the replacement rates granted by public pensions in OECD countries. With this structure, the dissertation follows a holistic strategy of analyzing the goals, content and outcome dimensions of pension policy in de-industrializing societies.

Chapter 4

The Age Basis of Welfare Politics:

Public Pension Generosity in 21 OECD Countries, 1980-2002

A central controversy in cross-national political research in the social sciences refers to whether class struggles still account for cross-national differences in the entitlements granted by welfare programs. Scholars concur that in the late 1970s welfare schemes concluded the era of continuous generosity increases and entered a distinct 'austerity' era. However the scholarship presents a sharp disagreement as to which collective actor has led the defense of benefits in this new era. On the one hand, neomarxist scholars claim that in the new austerity era the working class remains the key advocate of welfare entitlements through its power resources of labor parties and unions. Hence they argue that the political power of left parties and unions determine programs' generosity (Esping-Andersen 1990; Korpi and Palme 2003). On the other hand, neoinstitutionalist scholars claim that with the maturation of programs, the mass of beneficiaries has substituted the working class as the champion of welfare entitlements. It is therefore claimed that welfare politics have entered a new era in which the political influence of beneficiaries such as pensioner voters determines programs' generosity (Pierson 1994).[12] In recent years numerous studies have assessed the influence of interest groups on the contemporary evolution of welfare systems as a whole (Huber and Stephens, 2001; Swank, 2001) and unemployment and sickness programs (Allan and Scruggs, 2004), but few recent studies have examined old-age programs, which due to their sheer size, represent a critical test for the persistence of class politics in affluent democracies.

---

[12] This debate is tied to the larger theme of the continuing significance of class in democratic politics. In the last few decades growing attention has been paid to the link between class affiliation and party voting, although the results have been mixed (Clark and Lipset 1991; Evans 1999; Manza, Hout and Brooks 1995; Nieuwbeerta and Ulteer 1999).

Previous cross-national and time-series (CSTS) analyses of contemporary pension entitlements in industrialized countries have relied on *average* replacement rates calculated from aggregate expenditure data (Castles 2004; Huber and Stephens 2001; Lindert 2004). In doing so scholars tried to gauge the impact of old-age pensions on individual life chances by determining the proportion of past mean income substituted by the mean entitlement. Yet average rates are sensitive to the composition of the reference group, hence they change independently from reforms in the calculation formula. By contrast, the present study uses *synthetic* replacement rates, which are better suited to measure welfare generosity. Since synthetic rates are calculated for a hypothetic standard worker with fixed characteristics, they do not reflect group composition variations, and so they respond precisely to generosity changes. In this paper I review leading contemporary theories of welfare programs development and test them empirically in a CSTS dataset of the net synthetic old-age pension replacement rate in 21 affluent countries between 1980 and 2002.[13] To my knowledge this is the first study to offer a CSTS analysis of contemporary and synthetic net pension replacement rates.

The central claim of this paper is that public pension generosity hinges primarily upon the political influence of the network of pension beneficiaries. Consistent with the new politics theory, between 1980 and 2002, countries with higher pension replacement rates were those with larger shares of elderly population. The significance of this interclass group for pension generosity contrasts with the lack of impact of class-based

[13] Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States.

projects. Countries with more powerful left parties or trade unions are not associated with more generous entitlements, while countries with more powerful right parties do not present lesser generosity levels. This finding runs contrary to previous quantitative research on pension programs generosity since 1980, which report that the share of the elderly does not affects neither the average pension replacement rate (Castles, 2004: 133; Lindert, 2004: 67) nor the "income security" synthetic replacement rate (Palme, 1990: 118).

The findings of this study have broad significance for the study of social policy. In combination with persuasive previous research, it indicates that the generosity of each welfare program is determined by idiosyncratic political dynamics. While Allan and Scruggs (2004) and Korpi and Palme (2003) demonstrate that the partisan structure of government drives the generosity of unemployment and sickness programs, this paper demonstrates that the collective power of the elderly drives pension generosity. Thus, in combination, this evidence calls into question the assumption that the "welfare state" forms a cohesive unit of analysis. It suggests the need to analyze separately the development of welfare programs.

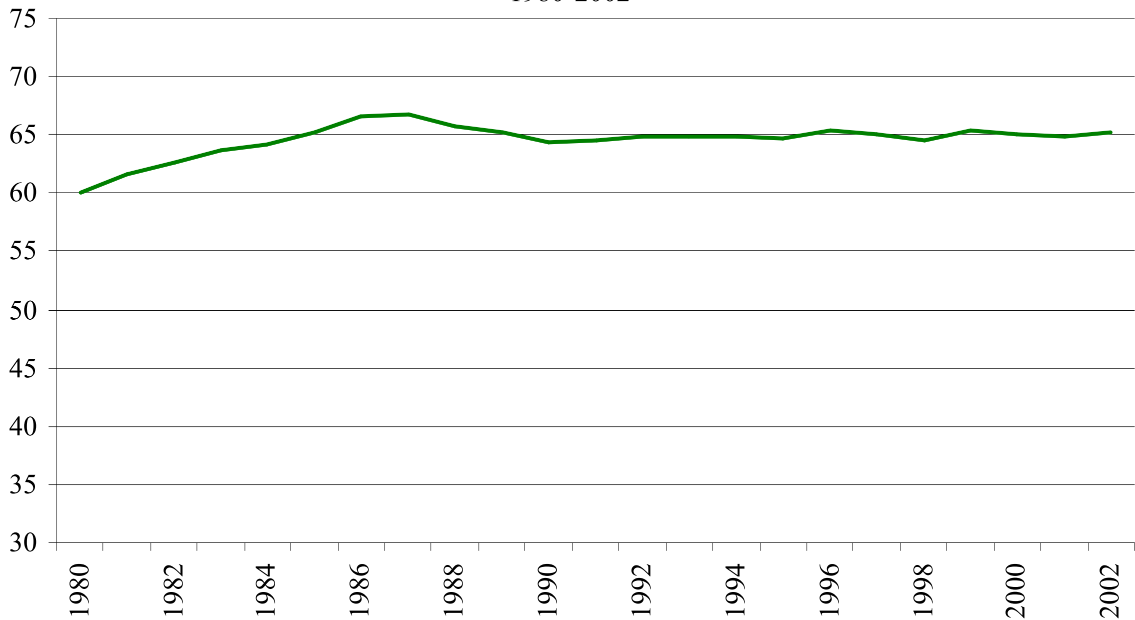
1. Pension generosity in OECD between 1980 and 2002

Before reviewing the theories of welfare state development, it is useful to begin by presenting descriptive evidence of the measure of public pension generosity. Pension generosity is gauged through the net synthetic pension replacement rate in 21 OECD countries between 1980 and 2002. The replacement rate represents the percentage of a

workers' last net salary income that is replaced by his or her first net annual public old-age public pension (equation 1). The final rate averages the rates for single and married workers.[14]

$$RR = \frac{\text{Net entry pension of single worker}_{(t1)} + \text{Net entry pension of married worker}_{(t1)}}{\text{Net average national wage}_{(t1)} * 2} \quad (1)$$

Figure 4.1 illustrates the mean replacement rate, and reveals it increased moderately between 1980 and 2002. Following the linear upward historical trend since the end of World War II (Palme 1990), on average it continued increasing until the second half of the 1980s when it plateaued. Between 1980 and 2002 the average increase has been of 5.3 percentage points.



[14] Section 3 provides a more detailed discussion on the measure of replacement rates.

Table 4.1 details the changes in the replacement rates over the period for each country. It shows that they underwent a substantial change in very few countries. The replacement rates only changed more than 10 percentage points in Canada, Italy, Portugal, Spain and the United Kingdom, and in all of them increased. Moreover, only Belgium, France, Germany, Greece and Sweden witnessed a peak within the period followed by a drop of more than 10 percentage points.

Table 4.1. Net old-age pension replacement rates in 21 OECD countries, 1980-2002

	1980	2002	2002 minus 1981	Maximum value	Year of maximum value	Minimum value	Year of minimum value
Australia	35.04	37.19	2.14	41.50	1996	35.00	1980
Austria	74.09	76.10	2.01	80.60	1997	74.09	1986
Belgium	81.60	73.22	-8.38	84.18	1987	73.22	2002
Canada	49.11	59.52	10.41	65.28	1998	49.10	1980
Denmark	52.14	57.05	4.91	60.84	1986	52.13	1980
Finland	56.69	63.72	7.03	66.46	1987	56.69	1980
France	63.45	55.13	-8.32	65.20	1983	54.12	2002
Germany	70.79	62.00	-8.79	73.29	1985	62.00	2002
Greece	96.98	94.46	-2.52	123.28	1987	90.96	1995
Ireland	42.79	45.38	2.59	53.68	1985	41.49	2000
Italy	57.99	87.38	29.39	87.60	2001	57.98	1980
Japan	57.00	63.52	6.52	65.20	1984	57.00	1980
Netherlands	60.10	55.62	-4.48	61.00	1983	51.63	1994
New Zealand	48.75	48.94	0.20	56.39	1983	47.09	1998
Norway	55.44	63.10	7.66	63.10	2002	55.61	1981
Portugal	49.74	80.90	31.16	87.53	1998	48.83	1984
Spain	77.02	89.05	12.02	96.80	1988	77.02	1980
Sweden	65.93	60.04	-5.89	75.24	1982	60.03	2002
Switzerland	47.80	47.54	-0.26	50.83	1997	60.03	1991
U. Kingdom	42.62	57.21	14.59	57.21	2002	42.62	1980
United States	64.97	70.52	5.55	72.33	1981	60.60	1987

In sum, based on the most valid indicator of the synthetic pension replacement rates, the evidence casts doubts on claims that pensioners' benefits of OECD countries

have suffered an average retrenchment-as-rollback (Hicks 1999; Huber and Stephens 2001). In contrast to this view, pension generosity in OECD countries presents an intense resilience as between 1980 and 2002 the replacement rate remained stable and close to its historical maximum.

2. Theoretical background

This study draws on three theories of welfare state development: the power resources, new politics and social capitalism models. Furthermore, a fourth approach is considered, which I call the reflexivity theory.

Power resources theory

The power resources theory was formulated as an alternative to the modernization theory which argues that industrialization had prompted the social dislocations that made public welfare programs necessary (Kerr et al. 1964), at the same time that it generated the surpluses to fund these programs (Wilensky 1975). For power resources theorists like Korpi (1983) and Stephens (1980), by contrast, welfare policy is an outcome of group-based mobilizations. Their theory holds that the degree of control of the state achieved by the working class and organized labor accounts for the variable development of welfare programs. Korpi and Stephens depart from the fact that the working class has an economically dominated position in market societies, but they emphasize that once political rights became universalized, wage-earners have an avenue to improve their life chances. In capitalist democracies capital is stripped of its monopoly of political mobilization, enabling both classes to employ their “power resources.” The working class

can mobilize the resource of the "disciplined action of sheer numbers" (Shalev 1983: 321) through labor parties and trade unions to counteract the mobilization of capital attained by the dominant classes. If organized labor gains prominence in policy-making, the model claims, it can redirect the state goals to improve the workers' life chances. The state can grant decommodification rights that will guarantee a constant income flow to inactive individuals (Esping-Andersen 1990: 21-23).

Thus, according to the power resources theory, left parties' and unions' ascendancy in policy making are the basic forces behind the generosity of welfare programs. Subsequently Castles (1982) has claimed that as right parties represent the economically privileged, when in power they should undermine welfare generosity.

The theory was primarily developed to account for the expansion of welfare programs during the postwar period, and for this period it obtained supportive evidence (Myles 1989; Palme 1990). Moreover, for the contemporary period since 1980, proponents of the power resources model such as Esping-Andersen (1990) expect that the theory should remain valid. Yet for this latter period the empirical evidence has only been mixed. Brady et al. (2005) indicate partisan effects on general social expenditure and decommodification indexes, but Huber and Stephens (2001) do not find partisan effects on pension benefits during the 1980s.

H1: The more influential left parties are in policy-making, the greater is pension generosity.

H2: The more influential trade unions are in policy-making, the greater is pension generosity.

H3: The more influential right parties are in policy-making, the lower is pension generosity.

Furthermore, while the power resources model was originally developed to link the class struggle with the development of welfare programs, its principles are applicable to other dimensions of social domination. In this regard a feminist branch of the power resources theory sustains that women's collective-identity building and mobilization during the 20th century have also contributed to welfare state expansion. In this period women have increased their economic autonomy and political influence through the generalization of cognitive frames (e.g. citizens rights, maternalism) developed by domestic women's movements (Hobson and Lindholm 1997; Skocpol 1992). However women still have less access than men to market income resources and are more dependent on public benefits. For this reason women are more likely to support public social provision (Orloff 1993). Thus as women have increased their power resources, they pressed for improvements in welfare generosity including pension benefits. In this vein, Bolzendahl and Brooks (2007) show that women's political representation and workforce participation are positively related to overall welfare state spending in 12 nations (see also Bolzendahl 2008b).

H4: The more influential women are in policy-making, the greater is pension generosity.

H5: The higher the female labor force participation, the greater is pension generosity

New politics theory

As an alternative to the power resources theory, and in light of the persistence of welfare effort levels despite the generalized decline of the labor movement during the 1980s, Pierson (1994; 1996; 1997) formulated the new politics theory. Pierson's central proposition is that mature welfare schemes such as retirement programs have created a mass of beneficiaries who are concerned with the generosity of their entitlements and have substituted the working class as the central advocates of these policies. According to the model, the universalization of welfare programs profoundly affected the chances of potential future developments in these policies. These programs first forge a collective identity among beneficiaries. Second, they provide resources to participate in policy activities. And, most importantly, they create incentives to defend the beneficiaries' positions through sustained or punctuated political engagement. Consequently, members of each interclass network of beneficiaries have more concentrated interests in the program they are dependent on than working class members, and so they become the most intractable advocates of welfare policies. "Maturing social programs develop new bases of organized support that have substantial autonomy from the market." (Pierson 1994: 29)

According to the model, once each welfare program is universalized, it becomes an institution that shapes the political struggles in its respective policy domain. By providing a common identity to beneficiaries, mature welfare programs bind together a group of individuals who previously did not consider themselves as sharing common objectives. Moreover, entitlements generate resources to participate in political action.

And, most importantly, entitlements provide incentives to defend their positions through sustained or punctuated political action. Furthermore, rational office-seeking politicians should be sensitive to the fact that these interest networks have become sizable electoral bodies, and they should incorporate their demands into their political agenda independently from their ideological standing. As a result, Pierson (1996) claims that despite the escalation of programs' outlays, officials tend to avoid pursuing programmatic retrenchments. Succinctly stated, in a context of mature programs, an expanding welfare constituency increases its electoral leverage and will press for the preservation and expansion of its benefits.

Two types of evidence support the critical assumptions of the theory. First, for the US case, Campbell (2003: 32-37) reports that as the average Social Security benefit has historically increased, so has the senior/non-senior political contribution ratio, as well as the senior/non-senior voting turnout and political mobilization ratios. Second, cross-national policy preferences research shows that support for "providing a decent standard for the old" increases with age (Blekesaune and Quadagno 2003: 421), and support for more pension spending is significantly higher among retirees (Busemeyer *et al.* 2009).

Pierson's new politics model complements earlier research stressing the political role of the elderly by formalizing the causes and conditions for their involvement. Previously, Pampel and Williamson maintained that due to the sheer size of the elderly population, they can act as a "strong interest group that can influence public policy in ways that the welfare mothers, the unemployed, children and the poor cannot" (1985: 782). Similarly, Quadagno (1991) pointed out that the broad base of American Social

Security has become its sustaining factor. Hence, with the maturation of welfare programs, pension politics have changed from being class-based to become aged-bases.

However, so far the CSTS research examining the influence of the elderly in pension generosity has provided mixed results for the new politics theory. Williamson and Pampel (1993: 195) show that for the 1960-1980 period, the share of the elderly was positive and significantly related to the average replacement rate. However for the 1980-1995 period, Lindert (2004: 67) found a negative impact of the share of the elderly on the average replacement rate. And, using synthetic pension replacement rates for 1980, Palme (1990: 118) did not find an association with the share of the elderly.

H5: The larger the share of elderly population, the greater is pension generosity.

Social capitalism theory

Beyond the power resources and new politics theory, the comparative literature has provided other accounts of the development and transformation of welfare state programs. Here two approaches are considered which have received at least partially supportive evidence. First, there is the social capitalist approach emphasizing the positive role of Catholicism and Christian-Democracy in welfare development; second there is the reflexivity theory, which underscores the incidence of technocratic monitoring.

Esping-Andersen (1990) and Castles (1994) pioneered a cultural understanding of welfare politics by claiming that the moral foundations of Catholicism favored the development of welfare programs. To these authors, the Catholic subsidiarity principle and a belief in the possibility of harmonious relations between social classes present

affinities with the ethical basis of contemporary welfare states. By calling for the smallest social unit to perform a social function, the subsidiarity principle provides a major role to the state once lower units of society (e.g. the family) have failed to perform their function. Complementarily, early Papal encyclicals on the social question condemned exploitation of "men by men," and demanded a wage policy that guarantees a minimum standard of living for the families' survival. As a result, to Esping-Andersen "nations with a long historical legacy of conservative and or Catholic reforms are likely to develop a fair degree of decommodified social policy at an early age." (1990: 53)

H6: The greater is the imprint of Catholicism, the greater the degree of pension generosity.

Alternatively, van Kersbergen (1995; 1994) has claimed that the Catholic social doctrine has not had a univocal political interpretation. To him Catholic beliefs have been influential in welfare state development only through the interpretations of Christian democratic (CD) parties, and only if these parties have become major political actors. By contrast to other Catholic parties, CD ones embrace democratic, capitalist and redistributive principles. They constitute distinct political organizations that attempt to "accomplish a settlement between possibly opposed societal interests." (1995: 230) As preferred by the dominant classes, they support welfare policies which foster individual self-responsibility, but that also involve certain degree of redistribution, as preferred by the working class. Specifically regarding old-age pensions, in Italy, Germany and the Netherlands, the countries where CD parties have been most influential, pension

programs have been comparatively less redistributive and more generous (van Kersbergen 1995).

H7: The more influential are CD parties, the larger is pension generosity.

Reflexivity theory

The power resources and new politics theories pursue a group-mobilization approach to explain welfare policy change. Yet under highly complex circumstances actors' interests may be unclear and actors can have several preferences. In those cases ideas become valuable tools which act as "interpretive frameworks" that describe and account for situations (Blyth 2002: 37). Indeed ideas have had an imprint in welfare policy as multiple ideational debates among policy-makers, experts and technocrats have not been reducible to objective interests. Perceived risks of future policy conditions were instrumental in the directions taken by the American, British and Swedish pension systems (Heclo 1974; Skocpol 1992).

Since the early 1980s a key interpretive framework of the condition of pension systems has involved the notion that population aging constitutes a major challenge to retirement programs which may imperil their long-term financial viability. In this sense, the continuous production of forecasts on expenditure levels (e.g. McHale 1999) and financial liabilities (e.g. van den Noord 1993) have buttressed the collective disquiet about the future of pension programs. Following this new factual basis (Aaron 2000), policy-makers in various countries have supported and enacted benefits rollbacks as an effective strategy to decelerate the pension spending (Bonoli and Shinkawa 2005). For

instance, concerns with boosting pension spending triggered by recent projections were at the basis of the downgrading reforms in the United States in 1983 (Weaver 2005), United Kingdom in 1986 (Disney 2000) and in Italy in 1992 (Ferrera and Jessoula 2005). In short, predictions of coming shortfalls have led nations to reduce the benefits provided by their programs.

H8: The greater the prospective pool of pensioners to contributors, the lower is public pension generosity.

3. Data and analytical approach

As mentioned above, the dependent variable measures the proportion of a hypothetical "average production worker's" (APW) salary that is substituted by his or her entry pension. Two assumptions are considered for this hypothetical worker. First, she started working at the age of 21 and went on to have a 40-year-long career. Second, her income continuously matched the salary of the APW as defined by the OECD.

The *synthetic* replacement rate has been chosen over the *average* replacement rate for two reasons.[15] First, the synthetic replacement rate concurs with the established conceptualization of welfare programs as policies aimed at preserving the livelihoods of the elderly, unemployed or sick away from the market (Esping-Andersen 1985; Baldwin 1990). Hence programmatic generosity should be predicated upon the schemes' effect on individual life chances independently from the labor market (Allan and Scruggs 2004). Second and more importantly, the synthetic replacement rate illustrates reliably how

[15] Following Pampel and Williamson, *Average RR*= $\frac{\text{Pension expenditure/Population + 65}}{\text{GDP/Total population}}$.

changes in the programs affect individuals' economic autonomy, for it is insensitive to demographic changes. Most comparativists have relied on the average replacement rate (Castles 2004; Huber and Stephens 2001; Lindert 2004).[3] However expenditure-based indicators are not valid gauges of welfare generosity due to the time-changing variations in the composition of the reference group (Horlich 1970). Since most countries have changed their pension calculation formula at least once since the 1970s, in any given year the mass of pensioners include beneficiaries with entitlements calculated under different regimes. Therefore due to the maturation of each benefit regime, the average replacement rate could rise independently from changes in the benefit formula. Instead, the synthetic replacement rates are insensitive to the program's maturation, as well as to changes in pensioners' life expectancy and the average contribution period. They allow an exact temporal identification of modifications in the pension calculation formula. In this vein, this paper follows a line of empirical and mostly cross-sectional studies (Aldrich 1982; Day 1978; Eurostat 1993; Hannes-Olsen 1978; Horlick 1970; OECD 2005, 2007; Palme 1990) but also longitudinal ones (Scruggs 2006) relying on synthetic replacement rates.

The net replacement rates for 18 OECD countries were drawn from Scruggs' (2004) seminal Comparative Welfare Entitlements Dataset (CWED). Building on this dataset, I calculated the rates and fiscal liabilities of Greece, Portugal and Spain. By 1980 these three countries had universal public pension programs and were capitalist democracies, similarly to OECD-18 nations.

Regarding the independent variables, the power resources and social capitalism theories are operationalized through the percentage of cabinet seats controlled by each

type of party. Following Huber and Stephens (2001), the variables *Left*, *Right* and *Christian democratic cabinet* represent the cumulative percentage of cabinet portfolios for each type of party since 1950, and data was collected from Swank (2007). I coded the governments of Greece, Portugal and Spain prior to 1974 based on historical accounts.[16] *Union density* measures total union membership as a percentage of all salary earners (OECD 2007a; Visser 2006).

Data limitations impede using a cumulative indicator of women in parliament. Instead, *Women in parliament* averages the percentage of Congresswomen during the past five years (Armingeon et al. 2006). The second indicator for the feminist power resources theory is the *Female activity rate* (OECD 2007a). *Share of elderly population,* which represents the proportion of the population aged 65 or older over the population aged 15 or older, tests the new politics theory. This better gauges the elderly population's political influence than the share of elderly population over the whole population (Williamson and Pampel 1993) as it is more representative of the voting age population.[17] Further, following Castles (1994), *Catholic baptisms* assesses the influence of Catholicism. It represents the percentage of baptisms (Rationarium Generale Ecclesiae (several years)) with respect to the number of newborns (United Nations (UN) several years-a).

---

[16] The Greek (1967-1974), Portuguese (1930-1974) and Spanish (1939-1975) authoritarian regimes were similarly rightwing. They were supported by the upper classes and were virulently opposed to left movements (Pesmazoglu 1972; Anderson 1970; Figueredo 1976). Characterizations of the Greek democratic parties from 1950 until 1967 are from Clogg (1987).

[17] A more precise measure would have consisted of the elderly over all adult population (18+), but OECD and United Nations' data concerning the size of 15-18 cohorts is limited impeding the use of this indicator.

The reflexivity model is tested through the "medium variant" of the *Expected old age dependency ratio in 2025* as calculated by the UN biannual forecasts (1982; several years-b), which divides the estimated proportion of population aged 65 or older in 2025 by the estimated working age population (aged 15 to 64). During the last three decades the UN projections have remained "the ones whose figures are most widely and authoritatively used."(El-Brady and Kono 1986: 41) However, over this period projections have been subject to regular adjustments due to reductions in forecasted mortality rates (Keilman 2001; National Research Council 2000). Consequently over time the projected elderly population and working age population in 2025 increased differently across countries. Here is assumed that changes in UN forecasts reflect reestimations made by domestic demographers.

Four control variables suggested as being theoretically or empirically relevant for welfare effort, have been included in the statistical models. *First social security law* responds to Wilensky's (1975) claim that the age of the public pension system influences welfare development because bureaucracies have tendencies towards self-aggrandizement. The years of the first law was obtained from Social Security Administration (several years). Moreover, *Constitutional structure* responds to the research arguing that formal political institutions condition the enactment of reforms because they can create opportunities to block reform proposals (Immergut 1992; Swank 2001; Tsebelis 19995). It is an additive index which considers five veto points: the presence of federalism, parliamentary government, proportional representation, bicameralism and frequent referenda (Armingeon, et. al. 2006). To capture the role of

economic globalization, the models include *Net trade*, which is the difference between exports and imports over the national GDP (World Bank 2006), and Brady et al. (2005) found strongly related to social expenditures. *Log GDP per capita* addressees the expectation of modernization theory that affluence creates the resources to increase welfare effort (Wilensky 2002). Finally, also following modernization theory, *Elderly poverty rate* allows assessing if pension generosity reacts to objective conditions of material deprivation among the elderly. Original data is only available for two time points (1995 and 2005) (OECD 2008a), hence for in-between years the rates were interpolated. Table A.1.1 in the Appendix 1 provide descriptive statistics for all variables.

Analytical approach

The models used to test the hypotheses are ordinary least squares regressions with panel-corrected standard errors (OLS-PCSE) and a first-order autocorrelation correction (AR1) with a coefficient constant across countries. This means that they reveal how levels (and not changes) in the independent variables are related to levels (and not changes) in the dependent variable. I chose this strategy over Beck and Katz's (1995; 2001) recommendation of combining the PCSE correction for standard errors plus a lagged dependent variable (LDV) in the right side of the equation for two reasons. First is that, due to its strong correlation with the dependent variable, the LDV inappropriately absorbs the effect of the theoretically-relevant variables reducing their t scores (Plümper 2005). Second is to ensure comparability with the most recent CSTS sociological

research on the welfare state, which has used PCSE and AR1 corrections (Bolzendahl and Brooks 2007; Brady, et al. 2005; Brooks and Manza 2006; Huber and Stephens 2001).

4. Results of the regression analysis

This section first discusses the baseline estimations of the determinants of the net pension replacement rate and focuses on the predictions of the power resources, new politics and social capitalism theories. Furthermore, to ensure the stability of the findings, the second part of the section presents additional sensitivity analyses.

Baseline models

Model 1 in Table 4.2 provides the baseline model. It shows that left cabinet, women in parliament and Christian democratic cabinet are insignificant, while union density and female activity rate are significant but in the opposite direction than expected. Of the substantive variables in model 1 only right cabinet and share of elderly population present a statistically significant impact on the replacement rate in the expected direction. By themselves, these results run contrary to central expectations of the power resources theory and support the new politics theory.

Table 4.2. OLS-PCSE baseline models of the net pension replacement rate in 21 OECD countries, 1980-2002

	Model 1 1980-2002	Model 2 1980-2002	Model 3 1980-2002	Model 4 1980-1987	Model 5 1988-2002
Left cabinet	-0.001	0.000		-0.001	-0.002
	(0.001)	(0.001)		(0.004)	(0.001)
Union density$_{(t-1)}$	-0.211***			-0.375 **	-0.108*
	(0.057)			(0.113)	(0.056)
Right cabinet	-0.003**		0.000	-0.004 *	-0.005***
	(0.001)		(0.001)	(0.002)	(0.001)
Women in parliament	-0.107	-0.072	-0.101	-0.428	-0.071
	(0.109)	(0.120)	(0.106)	(0.367)	(0.106)
Female activity rate$_{(t-1)}$	-0.375**	-0.306 **	-0.358**	-0.416 **	-0.685***
	(0.110)	(0.109)	(0.112)	(0.155)	(0.172)
Share of elderly population$_{(t-1)}$	1.861***	1.777 ***	1.831***	2.256 **	2.000***
	(0.445)	(0.491)	(0.409)	(0.860)	(0.503)
Catholic baptisms$_{(t-1)}$	-0.033	-0.011	-0.015	-0.088	-0.043
	(0.033)	(0.036)	(0.034)	(0.046)	(0.038)
Christian democratic cabinet	0.000	0.004 **	0.003*	-0.001	-0.002
	(0.001)	(0.001)	(0.001)	(0.003)	(0.001)
Expected dependency ratio in 2025$_{(t-1)}$	0.003	0.012	0.022	0.011	-0.187
	(0.143)	(0.136)	(0.140)	(0.405)	(0.145)
First social security law	0.196***	0.248 ***	0.242***	0.166 *	0.201***
	(0.050)	(0.058)	(0.053)	(0.076)	(0.051)
Constitutional structure	-2.634***	-1.349 *	-1.389**	-5.024***	-2.499***
	(0.653)	(0.563)	(0.512)	(1.273)	(0.662)
GDP per capita*$10^{-2}$$_{(t-1)}$	0.013	0.004	0.010	0.111 **	0.022
	(0.016)	(0.014)	(0.016)	(0.042)	(0.017)
Net trade$_{(t-1)}$	-0.147	-0.109	-0.148	-0.054	-0.477**
	(0.116)	(0.112)	(0.116)	(0.214)	(0.163)
Constant	-301.834**	-424.129 ***	-409.325***	-238.364	-286.387**
	(96.584)	(109.868)	(100.782)	(144.697)	(99.003)
R^2	0.689	0.670	0.680	0.791	0.825
rho	0.863	0.891	0.871	0.862	0.826
N	462	462	462	147	315

Note: The numbers in parentheses are standard errors. Models include a first-order serial autocorrelation correction. OLS-PSCE = ordinary least squares with panel-corrected standard

errors.
* p < .05; ** p < .01; *** p < .001 (two-tailed tests)

However it is useful to consider if these results are sensitive to the specification of the model. To do so, model 2 omits union density. Since this variable is highly correlated with left cabinet (r=0.56), Huber and Stephens (2001) dropped union density from models testing the impact of partisanship on welfare effort. Model 3 omits left cabinet and union density to evaluate if the significance of right cabinet in model 1 is dependent on the inclusion of the organized labor variables. In addition, Allan and Scruggs (2004) have demonstrated that the governing parties affected differently the unemployment and sickness replacement rates in expansive and retrenchment periods. In their analysis, left cabinets had a positive effect in the expansive stage and right cabinet had a negative effect in the retrenchment stage. Following this logic, models 4 and 5 in Table 4.2 break the sample into two periods, one expansive period extended until 1987 (Figure 4.1) and an austerity period covering 1988 to 2002.

In light of this additional evidence presented in models 2 through 5 in Table 4.2, there is no substantial variation in the effects of left cabinet and union density. Left cabinet and Christian democratic cabinet remain insignificant in all models, while union density still is negatively related to pension generosity. Moreover, the share of elderly population still presents a strong and significant effect. Countries where the elderly represent larger proportions of the adult population tended to have higher pension replacement rates during the whole period, but also in the expansive and austerity stages.

By contrast, in model 3 right cabinet lacks statistical significance, therefore the effect of this variable is sensitive to the model specification.

This evidence suffices to disconfirm three central expectations of the power resources theory. When organized labor has a larger direct (via parties) or indirect (via unions) influence in policy making public pension generosity is not greater. Given the codification of left parties as cumulative left cabinet, its insignificant effect clearly contradicts the expectation of power resources theorists. This codification presumes parties' role in benefit reforms to have a temporally undetermined or time-variant lag. So it gives left parties better chances to be associated with pension generosity increases than a non-cumulative annual codification of governmental partisanship, which presumes governing parties to have an immediate impact on welfare benefit changes. Similarly, when right parties have been more influential in policy making generosity levels are not consistently lower. H1, H2 and H3 are hence disconfirmed.

Likewise the feminist branch of the power resources theory is not supported by the evidence. Women in parliament proves insignificantly related to the net pension replacement rate. H4 is thus disconfirmed. Also importantly, against H5, countries with higher female activity rates have significantly lower replacement rates. This finding supports the claim that in countries where there is larger gender inequality, old age entitlements respond to a 'family wage' conception.

With respect to the cultural-religious approach, Catholic baptisms are not related to pension generosity, so H6 is disconfirmed. Further, the prediction of the social capitalism theory that stronger Christian democratic parties favor earnings-related

welfare programs only holds in two of the five models in Table 4.2. Hence H7 is disconfirmed. Likewise, the reflexivity theory and H8 were not confirmed either. Countries with higher projected dependency ratios in 2025 do not present higher net pension replacement rate in either the expansive or austerity periods, or for the whole covered period.

Finally, concerning the controls, only constitutional structure has a statistically significant coefficient and in the expected negative direction. Countries with more constitutional veto points provide less generous public pensions. By contrast, against Wilensky's predictions more affluent nations do not present larger replacement rates, while younger and not older pension systems tend to be the most generous ones.

In sum, Table 4.2 suggests that the degree of population aging has acted as the driving force of larger pension generosity in industrialized countries. Yet, as mentioned above, before reaching this conclusion it is worth considering if the influence of this variable is sensitive to other model specifications.

Sensitivity analyses

Table 4.3 specifically provides additional models to assess the robustness of the share of elderly population. Model 1 omits the dependency ratio in 2025 to respond to the concern that, given the strong correlation between this variable and the share of elderly population (r=0.57), the former variable may be contributing to the significance of the latter. Model 2 removes all controls due to the possibility that these also mediate the effects of the share of elderly. Model 3 includes all the variables considered in model 1 in

Table 4.2 plus the elderly poverty rate. It addresses the concern that the impact of the share of elderly population does not respond to political pressures by pensioners, but to objective conditions of need and material deprivation among the elderly as argued to Huber and Stephens (2006). Model 4 addresses a final concern that, considering the small sample of countries, the significance of variables in Table 4.2 could be driven by an outlier case. It does so by running 21 regressions for each of which each country is removed at a time and from all of them the coefficients with a t-score closest to 0 are reported. Finally, model 5 examines whether changes in the share of the elderly are also associated with changes in the replacement rates by adding country constants to the baseline model 1 in Table 4.2.

Table 4.3. OLS-PCSE sensitivity models of the net pension replacement rate in 21 OECD countries, 1980-2002

	Model 1 1980-2002	Model 2 1980-2002	Model 3 1995-2002	Model 4 1980-2002	Model 5 1980-2002
	b	*b*	*b*	*b*	*b with country dummies*
Left cabinet	-0.001	0.000	-0.003 *	0.000	-0.005
	(0.001)	(0.002)	(0.001)	(0.002)	(0.003)
Union density$_{(t-1)}$	-0.209***	-0.117 *	-0.044	-0.107 *	-0.239 ***
	(0.058)	(0.054)	(0.084)	(0.054)	(0.067)
Right cabinet	-0.003**	-0.001	-0.006 ***	-0.002	-0.007 *
	(0.001)	(0.001)	(0.002)	(0.002)	(0.003)
Women in parliament	-0.106	-0.016	0.031	0.002	-0.059
	(0.111)	(0.121)	(0.127)	(0.115)	(0.119)
Female activity rate$_{(t-1)}$	-0.364**	-0.305 **	-0.914 ***	-0.115	-0.059
	(0.110)	(0.105)	(0.159)	(0.084)	(0.079)
Share of elderly population$_{(t-1)}$	1.838**	1.784 **	2.064 ***	1.502 **	1.117 *
	(0.431)	(0.536)	(0.571)	(0.465)	(0.463)
Catholic baptisms$_{(t-1)}$	-0.031	0.013	-0.003	-0.004	0.017
	(0.032)	(0.039)	(0.032)	(0.033)	(0.054)
Christian democratic cabinet	0.000	0.000	-0.004 *	0.000	-0.006
	(0.001)	(0.002)	(0.002)	(0.001)	(0.004)
Expected dependency ratio in 2025$_{(t-1)}$		0.049	-0.372	0.000	0.038
		(0.130)	(0.200)	(0.143)	(0.120)
First social security law	0.199***		0.213 **	0.093	0.041 ***
	(0.051)		(0.082)	(0.050)	(0.007)
Constitutional structure	-2.607***		-2.235 **	-0.790	-5.985 **
	(0.660)		(0.795)	(0.744)	(2.160)
GDP per capita*$10^{-2}$$_{(t-1)}$	0.012		0.035	-0.002	0.037
	(0.015)		(0.018)	(0.017)	(0.019)
Net trade$_{(t-1)}$	-0.138		-0.823 **	0.022	0.027
	(0.114)		(0.251)	(0.095)	(0.010)
Elderly poverty ratio$_{(t-1)}$			0.072		
			(0.209)		
Constant	-307.437**	56.182 ***	-293.10	-121.363	
	(97.347)	(9.764)	(152.07)	(94.989)	
R^2	0.688	0.644	0.931		0.855
rho	0.868	0.913	0.790		0.715
N	462	462	147	440	462

Note: The numbers in parentheses are standard errors. Models include a first-order serial autocorrelation correction. OLS-PSCE = ordinary least squares with panel-corrected standard errors. b=Unstandardized coefficients; (1) Model 4: coefficients and t-scores from 21 regressions with each dropping one of the countries. In all cases, selected coefficients have the t-value closest to 0.

* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed tests)

In these additional equations of Table 4.3 it is noteworthy that the share of the elderly population retains its statistical significance. After removing the variable dependency ratio in 2025 (model 1) and the time-varying and time-invariant controls (model 2) it is still significant and positive. Further, the impact of share of the elderly population proves independent from the degree of material deprivation among the elderly. In model 3 the coefficient for the share of elderly actually increases with respect to models 1 and 2 suggesting that the elderly act as an effective political coalition defending their selective interests. Also importantly the effect of the elderly in the level of pension generosity reported in Table 4.2 is not driven by an outlier country. After eliminating one country at a time, the lowest t-score for the share of the elderly keeps being positive and statistically significant.[18] In all, the degree of population aging has a robust impact on the level of pension generosity. H5 is therefore confirmed.

Together with its statistical significance, the percentage of the elderly is also substantively related to the replacement rates. Based on the baseline and full model 1 in Table 4.2, a standard deviation higher share of the elderly is associated with a 4.0 percentage points higher replacement rate. It is also instructive to compare the effect of the variable for an average country and for the country with the largest degree of aging. On average over the period Finland had a share of the elderly equivalent to the average country, while Sweden had the most aged population. Had Finland had the degree of

---

[18] In unreported models equivalent to those in tables 4.2 and 4.3 (available upon request) using the alternative codification for the share of the elderly (population 65+/total population), this variable remains significant.

aging of Sweden, it would have had an estimated 8.6 percentage points higher pension replacement rate.

Moreover, changes in the share of the elderly have a positive impact on changes in the generosity of the pension system. According to model 5 in Table 4.3, an average increase in the share of the elderly, which was equivalent to the change in New Zealand, is predicted to raise the replacement rate by 2.2 percentage points. As the pace of past population aging differed across OECD countries, in this case we can also compare the effect of the variable for an average country with the estimated effect for the country that underwent the largest expansion of population aging, which in the period was Japan. Had New Zealand observed an increase in its share equivalent to which occurred in Japan, it would have raised its replacement rate 10.1 percentage points instead of only 2.2 points.

In regard to the other substantive variables, they prove sensitive to the model specification. Given the results in model 4 in Table 4.3, right cabinet, female activity rate and constitutional structure were previously significant due to outlier countries. Further, union density is not sufficiently stable to confirm a negative relationship with the replacement rate, for the variable becomes insignificant in model 3.

In conjunction, the findings of the lack of effects from left cabinet and union density plus the substantive role of the share of elderly provide solid supportive evidence to Pierson's new politics theory. This is because they confirm its two main expectations: that (a) organized labor is not nowadays significantly related to higher replacement rates, and that (b) the mass of beneficiaries constitutes the central defender of higher

replacement rates. Hence the network of beneficiaries has replaced the working class as champion of welfare entitlements in the area of old-age pensions.

5. Discussion

A central matter of contention in the welfare state literature refers to whether organized labor remains the central advocate of welfare entitlements or if it has been substituted in this role by interclass groups of beneficiaries. This study engages in this debate through an analysis of old age pension programs. Given that old-age pension schemes represent the largest dimension of welfare expenditure in most OECD countries, this policy area represents a critical test to the hypothetical supersession of class-based politics. In addition, pension generosity as documented by the synthetic pension replacement has on average increased between 1980 and 2002, what justifies seeking to determine the key champion of these policies.

The paper argues that pension generosity is not an outcome of organized labor's power resources. With the most lenient assumption of a temporally indeterminate lagged impact, countries with more dominant left parties are not associated with larger pension benefits. Furthermore, countries that had stronger union movements do not grant larger public pension benefits. Consistently with this lack of impact form class-based organizations, countries with more dominant right parties were not less likely to provide generous pensions. As the power resources model broadly suggests, the degree of pension generosity depends on the resources and mobilization of interest-based coalitions. However both the effective actors in this coalition and the institutional conditions which

allowed it to mobilize resources differ qualitatively from the original formulation of the power resources theory.

In line with the new politics theory which emphasizes the role of beneficiaries, it is the power base of the interclass network of pensioners or, simply put, the elderly which determines the level of pension generosity. Over the entire period as well as in the expansive and austerity eras, countries with higher pension replacement rates tended to be those with larger shares of elderly population. The institutional conditions which made possible the effective mobilization for more generous public pensions was not the adoption of the right of association as predicted by the classic power resources theory, but the universalization of pension benefits, which during the postwar period profoundly transformed the politics of old-age pensions by forging the collective actor of pensioners which have selective interests in these policies. Therefore, only under an excessively stylized understanding of the power resources model as simply an interest-based coalition approach, can this theory be confirmed.

The paper's findings challenge previous quantitative research regarding welfare effort in to senses. First, contrary to previous quantitative research on pension effort (Castles 2004; Lindert 2004; Palme 1990) which found no positive impact of the share of the elderly, this study provides robust evidence that the power base of the pension beneficiaries account for the degree of pension generosity in affluent democracies. Furthermore, and more importantly, in conjunction the conclusions that the partisan structure of government drives the generosity of unemployment and sickness programs (Allan and Scruggs 2004; Korpi and Palme 2003) while the power of the elderly drives

pension generosity call into question the assumption that the "welfare state" forms a cohesive unit of analysis. Instead they suggest the need to analyze separately the development of welfare programs. If recent research on overall welfare effort has found strong effects for partisan politics and the share of the elderly (Brady et al. 2005; Bolzendahl 2008), it is because they captured dynamics which are idiosyncratic to each type of program.

The paper's findings challenge previous quantitative research regarding welfare generosity in two senses. First, contrary to previous work on pension generosity since 1980 (Castles 2004: 133; Linder 2004: 67; Palme 1990: 118) which found no positive impact of the share of the elderly, this study provides robust evidence that the power base of pension beneficiaries account for the degree of pension generosity in affluent democracies. Furthermore, and more importantly, the finding that the power of the elderly drives pension generosity contrasts with the findings from previous research that the partisan structure of government drives the generosity of unemployment and sickness programs (Allan and Scruggs 2004; Korpi and Palme 2003). In conjunction, these conclusions call into question the assumption that the "welfare state" forms a cohesive unit of analysis. Instead they suggest the need to analyze separately the development of welfare programs. If recent research on overall welfare effort has found strong effects for partisan politics and the share of the elderly (Brady *et al.*, 2005; Bolzendahl, 2008), it is because they captured dynamics which are idiosyncratic to each type of program.[19]

---

[19] Along this line Castles has recently criticized the use of aggregated welfare expenditure data on the basis that it "involves bringing together categories of spending that are not strictly comparable in terms of their purposes." (2001: 420-1)

Although this study represents an improvement with respect to prior studies, it has two limitations which have to be recognized. Due to the reliance on synthetic rates it only captures the generosity of pensions granted to just-retired individuals. Therefore no consideration is given to, first, changes in the calculation formula affecting future retirees and, second, the indexation of already-granted pensions. Nevertheless, the estimation of future replacement rates is treacherous as it requires using uncertain assumptions regarding prospective wage, inflation and economic growth rates.

Two directions of further research are suggested by the conclusions of this paper. Subsequent quantitative studies could continue examining the link between demographic structures and effective welfare policies by analyzing the intermediate step of how the increasing political leverage of the elderly is affecting the policy preferences of political parties. In this sense the dataset of party platforms assembled by Budge et al. (2001) provides a reliable point of departure. Second, qualitative research based on semi-structured interviews could shed much light on the meaning given by different cohorts in different countries to the process of population aging. These studies would illustrate more effectively than survey-based research to what extent is aging perceived as a collective challenge and what it means for intergenerational relations.

Chapter 5

Organizational Opportunities and Institutional Entrepreneurship:

Public Pension Reform in Italy and Spain during the 1990s

Why, despite the fact that Italy and Spain entered the 1990s with similar public pension systems, has Italy conducted a structural pension reform while Spain has not? In the early 1990s the Italian and Spanish pension systems were similarly based on strict final-wages benefit formulas and both included regressively redistributive elements that increased income inequalities. In both cases the rates of return for contributions made by the self-employed and civil servants were much higher than for private sector employees (Blanco Ángel 1999: 44; Ministero del Tesoro 1994: ff.2). Yet due to a 1995 Italian reform that substituted the defined benefit (DB) system by a notional defined contribution (NDC) system, both countries will gradually diverge. The Italian NDC maintains the pay-as-you-go financing mechanism of ongoing pensions, but it calculates pensions from working-life contributions revalued by a yield tied to the average economic growth. Further, the pension annuity takes into account cohort life expectancy (Brooks and Weaver 2006: 346). Thus the pension calculation criteria eliminate regressive redistribution and self-stabilize the program by adjusting benefits to economic growth and population aging. In Spain, by contrast, despite the 1997 reform, regressive elements remain, while benefits still do not consider life expectancy changes (Chuliá 2007a).

This divergence in pension policy challenges the dominant power resources (Esping-Andersen 1990: 32; Korpi 2003b) and new politics (Pierson 1994; 1997) approaches to welfare retrenchment because the structural reform occurred in Italy where organized labor was stronger, the pension programs were more mature and the pension

clientele had more political sway.[20] Further, contrary to the veto points theory, which argues that minority governments face additional hurdles to pass welfare reforms (Immergut 1992; Tsebelis 2002), the Italian and Spanish reforms were passed by multiparty coalitions. To explain this policy divergence, I propose an organizational-entrepreneurial approach drawing on the institutional sociology of K. Polanyi and D. North.

Contrary to dominant welfare state development theories, Polanyi's conceptual analysis of economic relations suggests that redistribution does not necessarily have an economically equalizing role. Under Polanyi's framework, redistribution can generate more economic inequalities, which actually occurred in the Italian and Spanish pension system. The presence of these regressive elements created the *potential* for distinctive pension politics in these two countries as the underprivileged had objective interests in undermining the existing policy model. However the underprivileged only saw their interests actually pursued if they possessed political representation and were represented by organizational leaders with incentives to seek new institutional solutions.

My argument is that in a context where the pension system led to perverse redistribution like in Italy, unions with an industrial working class social base, particularly the CGIL (*Confederazione Generale Italiana del Lavoro*), had vested interests in the search and adoption of a new pension policy model that strictly reproduces labor market derived income inequalities. Hence the unions championed a

[20] In 1995 the union density rates in Italy and Spain were, respectively, 38% and 16% (OECD 2007), while the proportion of population 65 or older over all population 15 or older were, respectively, 19.1% and 18.3% (OECD 2007).

problem definition in terms of regressiveness and the NDC policy model solution which was ultimately adopted. Spain's pension system also had aspects that increased income inequalities, but its main unions had a social base formed mostly by civil service workers, who did not clearly benefit from a structural overhaul. Hence Spain lacked an influential collective actor interested in seeking and mobilizing a viable alternative to the paygo-DB pension model.

The paper is structured as follows. Section 1 presents the dominant theories of welfare retrenchment and the organizational-entrepreneurial approach. Section 2 discusses the methods and data used in the analysis. Section 3 reviews the institutional background and the reform processes in Italy and Spain. Finally section 4 discusses the conclusions and the theoretical implications.

1. Theoretical background

Power resources theory

Since the mid-1990s two dominant theories in the analysis of welfare reform in the austerity have been the power resources and new politics models. While they present different causal mechanisms, they share the critical conception that the face of a welfare reform hinges on the mobilization of groups with concentrated interests. Hence both theories embrace an interest group approach to welfare reform. In its original formulation, the power resources model ties the expansion of welfare programs to the political power of organized labor. It argues that, as welfare programs improve the life chances of the working class by reducing its economic dependence on the market,

organized labor led the expansion of welfare generosity in the postwar period (Korpi 1983; Stephens 1979). More recently, scholars have argued that the politics of welfare retrenchment since 1980 is an inverse image of welfare expansion (Esping-Andersen 1990: 32). For the contemporary period, scholars following the power resources theory claim that the dwindling power of unions and rising power of rightwing parties account for recent welfare retrenchments, particularly in unemployment and sickness programs (Korpi and Palme 2003; Korpi 2003; Allan and Scruggs 2004).

With regard to pension programs, most analysts of retrenchment attempts accept the power resources premise that the unions continue championing the defense of the pension policy status quo. Case-studies of pension reform concur that most governments have been able to pass retrenchments only if the bill drafts included concessions to union demands (Bonoli 2000; 2001; Levy 1999; Reynaud 2000; Schludi 2005).[21] This implies that to most analysts unions continue being generally refractory to pension reform because, first, they continue representing the interests of the working class and, second, they seek to defend the managerial positions of unions in social security administrations gained in the postwar period (Béland 2001; Anderson 2001).

New politics theory

The new politics theory instead rejects seeing welfare retrenchments as the inverse image of welfare expansion. It claims that the maturation of welfare programs has

[21] This happened in Finland (1999), France (1993), Germany (1989), Italy (1992 and 1995), Sweden (1994), Switzerland (1995) and Spain (1997) (Boeri, Brugiavini and Calmsfors 2001: 231).

revolutionized political struggles in these policy domains by creating feedback effects. As these programs matured, they forged a mass of welfare beneficiaries with interests in the preservation of these programs. Receiving pension, unemployment or sickness benefits (a) generates a selective common interest among previously unrelated actors in the defense of expansion of those benefits; (b) provides resources to engage in political activities; and (c) establishes an interclass common identity. To Pierson (1994: 29), since this mass of beneficiaries has more concentrated interests in the preservation of these policies than the working class, it has replaced organized labor as the collective actor championing the defense of their respective welfare program.

A critical prediction of this model is that mature pension programs are less likely to be subject to a structural reform both because of the transition costs to a new model and popular opposition by ongoing beneficiaries. That is the reason why few countries have passed a pension privatization (Myles and Pierson 2001), and also why under economically conservative executives in the US and the UK, only the UK passed a reform that allows opting-out from the public program. To Pierson (1994: 56, 63) the Thatcher government could undertake this reform because, in contrast to the US Social Security (USSS) program, the earnings-related SERP had been recently introduced (1975) and workers had amassed less contributions. This made the SERP comparatively less popular than the USSS, which prevented social outcry on the opting-out bill draft in the UK and facilitated the passage of the reform.

Veto points approach

Alongside the interest group approach, another prevalent approach to welfare reform analysis is the veto point approach. This model emerged as an application to policy-making of the new institutional principle that "institutions" or "the rules of the game" (North 1990: 3) structure the forms of political struggle in a given social domain. Following this principle, the veto points theory asserts that the formal rules in the legislative process and the power concentration in the executive are consequential for the success of a reform proposal. Thus, this theory examines the course of a reform proposal by focusing on the legislative process until the bill's enactment or rejection.

Veto point theorists stress that the rules of this legislative process are influential for the likelihood of a reform because they set unavoidable points of collective decision making at which the proposal may be vetoed. Each of these points offers to reform opponents a channel to exert their influence against its passage (Immergut 1992; Tsebelis 1995; 2002). For instance, in contrast to unicameral systems, bicameral systems set an extra opportunity for opponents to craft an anti-reformist coalition. Together with the role of Constitutional rules, the theory also asserts that multiparty executives also allow opponents to block a bill draft by swaying small coalition partners. Since the number of veto points differs across legal systems, it becomes a relevant explanation to account for different legislative outcomes under similar reform pressures. The presidency, federal systems, second chambers, referenda, constitutional courts and multi-partisan coalition executives all contribute to diffuse power across institutions, reducing the control of the

legislative process by the bill proponents. In short, “the potential of policy change decreases with the number of veto points.” (Tsebelis 1995: 289)

This central expectation of the veto points theory has been supported by both qualitative and quantitative work. A classic study for this approach is Immergut’s (1992) analysis of health care reform in France, Sweden and Switzerland during the postwar period. In the three cases the executive attempt to integrate health care funding with health care provision in a holistic public system. However, despite uniform opposition by doctors, only Sweden succeeded in this goal due to the lack of veto pints. Respectively, the concentration of power in Parliament and the threat of referenda prevented the achievement of that degree of integration in France and Switzerland. Moreover, quantitative studies have concluded that countries with more veto points tend to present less public expenditure (Crepaz and Moser 2004: 278), less social benefits expenditure (Swank 2001: 232-233) and lower levels in the decommodification index (Brady et al. 2005: 931-2).

With regard to pension policy, Immergut and Anderson (2007: 10) point out that the fact that the issue of pension reform has been recurrent in the governmental agenda at least since 1980 makes this policy domain a critical natural test for the veto points theory.[22] In this line, Kay (1999) argues that Argentina passed a pension privatization while Brazil did not because of the Argentinean executive concentrated more power and could use the legal figure of emergency executive decrees. Moreover Brooks (2002: 513)

[22] This is, the pension domain should thus represent the least-stringent scenario for the theory.

reports some evidence that the countries with multiparty executives were less likely to pass pension privatizations.

The organizational-entrepreneurial approach

As an alternative to the interest group and veto point approaches, I propose an organizational-entrepreneurial approach to structural welfare reform. This approach starts with the new institutionalist insight that institutional entrepreneurs may act as catalysts for change by assembling a reformist coalition of dominated actors in the given policy domain (Baumgartner and Jones 1993: 239; DiMaggio 1988: 14; Kingdon 1984: 139). These entrepreneurs attempt to change the rules of the game relying not on coercion, but on a combination of ideational innovation and persuasion. Their critical task is to "provide an interpretation of the situation and frame courses of action that appeal to existing interests and identities" (Fligstein 2001a: 112), which can trigger the mobilization of a reformist front. The notion of a political movement led by entrepreneurs provides an appealing starting point to explain structural welfare reform because it sheds light on coalition-building processes. However it produces an overly-voluntaristic account that conceives change as hinging on the social skills of one or a few individuals. What we need is a sociological understanding of the conditions that favor entrepreneurship.[23]

[23] Initial contributions have suggested that entrepreneurship is favored by the passage of new legislation and the presence of 'surplus' expertise (Hwang and Powell 2005), or the existence of actors who are notes of multiple networks who can gain familiarity with more institutional principles (Campbell 2010).

Building on the work of Karl Polanyi and Douglas North, I propose a necessary condition for entrepreneurship. In a given field, entrepreneurship only occurs if the large mass of dominated actors controls an influential organization so that it is not lacking of selective representation. The argument is presented in two steps. First, institutional principles in the pension policy domain are linked to vested interests. Second, these interests are linked to the actions of skillful actors.

It is conventional in the welfare state literature to conceptualize (a) welfare programs as mechanisms that uniformly reduce economic inequalities derived from capitalist markets (Brooks and Manza 2006: 3; Huber and Stephens 2001) and (b) unions as favorable to welfare redistribution (Boeri et al. 2001: 211). But the relationship between welfare programs, redistribution and unions' preferences is not deterministic. Neither welfare redistribution nor market exchange inherently produces more equalization than the other. As Polanyi pointed out in his discussion on the 'types of integration,' redistribution and exchange are not defined by their consequences for inequality, but the mechanisms which make them possible: a relocating central point and price-making markets (1957: 250-6). This entails that certain designs of redistributive welfare programs may enhance inequalities derived from the market (i.e. be regressive), while a tightening of welfare benefits to market outcomes could reduce income disparities. Indeed, social policies in Eastern and Southern Europe have bolstered privileges originated in the field of economic production. Under the state-socialism "class inequalities have been polarized and increased by state housing policies." (Szelenyi 1983: 74; 1978; Kónrad and Szélenyi 1979) Similarly, Italian and Spanish social security

systems accentuated inequalities between privileged civil service and private sector workers (Esping-Andersen 1990: 24; 1996; 1999: 82). Regressiveness in welfare domains becomes relevant because it has the potential to generate different political dynamics than those in progressively distributive welfare domains. Welfare regressiveness redirects disadvantages from the upper classes to the working class. It thus creates incentives among the economically underprivileged to support structural reforms that undercut redistribution and reproduce market income inequalities.

Since organizations (not single individuals) provide the resources for institutional change (North 1995: 16), we can only understand responses to conditions of institutional domination by assessing the responsiveness of organizational leaders to the interests of effectively dominated actors.[24] If dominated actors are devoid of predominant representation in the organizations that could potentially pursue their interests, these organizational leaders will lack incentives to act like entrepreneurs. But if dominated groups represent the majority of the rank-and-file of these same organizations, these leaders have incentives to undertake the search for innovative context definitions and alternative frames of action.

This organizational prerequisite for launching challenging political movements in local orders does not however mean that entrepreneurship derives automatically from effective representation, because it still requires contingent social skills by organization

[24] In this line, Weir wrote that "when actors are themselves organizations, it is crucial to open the black box of organizational structure and decision making to understand how groups define their interests and identify potential allies." (2006: 175)

leaders.[25] But it poses a more realistic context for the search, invention and mobilization of challenging regulative models. Specifically in regressive pension policy domains the private working class is the dominated actor and the key organizations are trade unions. Under this organizational-entrepreneurial approach trade unions will only seek new models when the welfare state is regressively redistributive and the private sector working class predominates in their social base.

Empirical expectations

Three empirical expectations emerge from these accounts of welfare reform. According to the interest group approach having a weak organized labor and an immature pension system is a necessary condition for the passage of a structural pension reform. To the veto points approach, structural pension reforms are more likely to be enacted in countries with decentralized systems and multiparty executives. Finally, to the organizational approach structural pension reform occurs when domestic and skillful organizational leaders representing a broad group with objective interests in institutional change searcher and craft alternative policy models.

2. Cases selection and methods

This chapter follows a comparative historical approach to pension reform. The two cases to be explained are the Italian 1995 transition to a pension calculation regime based on notional defined contributions and the Spanish 1997 incremental reform. These

[25] Skilled leaders have the task of realize, this is, create the latent interests of its base into one of the possible sets of overt interests and preferences.

cases most obviously represent instances of social policy reform. But conceptually they can be interpreted as instances of institutional change in destabilized social orders. This is because like other public policies, pension policies represent formal institutions (Pierson 2006: 116).

Methodologically, the chapter first draws from the Millian comparative strategy to examine empirically rival causal hypothesis. In particular I utilize the method of difference, which contrasts cases that are similar in many aspects although they differ in the explanans and one hypothesized cause (Mill 1950[1843]: 214-6; Przeworski and Teune 1970: 32-3; Skocpol and Somers 1980: 183-5). This method served to select the cases and confirm the organizational-entrepreneurial approach. Comparing Italy and Spain is justified due to their multiple similarities. Both countries are rapidly aging, have similar class structures and are peripheral European economies. In the early 1990s they further had roughly pension systems oriented at income-preservation with regressive elements benefiting public workers and the self-employed.

However the Millian strategy is sensitive to the omitted variable bias and cannot disentangle trivial from critical necessary causes (Lieberson 1991: 309-10; Mahoney 2004: 354). It cannot elucidate the causal mechanism by which a factor produces an outcome. Therefore to gain a better understanding of the causal mechanism I use two other methodological strategies. One is process tracing, which conceptualizes the causal process as a sequence of events and seeks the causal factors linking the events to construct a theoretically-informed causal narrative (Abbot 1992: 53; George and Bennett 2005: 211; Griffin 1993: 1099). In this case the main events are the dominant problem

formulation, the final governmental preference, the final union preference, and the executive-union agreement. To determine why the two countries differed in their dominant problem formulation, I evaluate whether there was an objective possibility embedded in the prior causal chain that both countries presented the same formulation, and whether this possibility was suppressed by a temporal antecedent (Weber 1949). This antecedent refers to the unions' social base. A counterfactual allows me to determine if under other organizational conditions, the Spanish unions would have defined differently the problems with pension policy. Together with process tracing, the other strategy involves within case comparisons (Campbell 1975: 188), by which I test a hypothesis derived from a cross-case comparison into pre-events in one of the two countries. This hypothesis is that in regressive pension systems, private working class based unions are comparatively more supportive of structural pension reforms.

To construct the causal narratives, I used three main data sources. First and foremost are 27 semi-structured interviews in Italy and Spain with prominent actors in the pension reforms policy-making process or its analysis. These were selected on the basis of newspaper accounts and interviewees' mentions. The sample includes five cabinet members at the time of the reforms, six congresspersons, six union leaders, four social security officials and six experts. In Italy and Spain, I interviewed at least one person in the cabinet, main right and left parties, unions and social security agency. The second source involved all articles (949) with a reference to pension politics published in the two largest center-right (*Corriere Della Sera* and *El Mundo*) and center-left (*La Repubblica* and *El País*) newspapers in Italy and Spain. The period covers from the first

governmental calls for a pension reform to a month after the reform's enactment.[26] These articles served to specify the evolution of actor's preferences. They also allowed conducting a content analysis of mentions of different models of reform. Finally, autobiographical accounts published by prominent actors complemented the other two sources.

3. Empirical analysis

Italy

Institutional structure of the pension system

In line with many other European countries, in the early 1990s the Italian pension system was earnings-related and publicly managed. But its institutional fragmentation and the presence of regressive elements distinguished it. Two main schemes covered dependent worker and civil servants. And alongside them also existed an archipelago of 50 public or semi-public funds for the self-employed and special occupations (Regonini 1984: 98). The system presented glaring inequities of treatment. Provisions on eligibility conditions, contribution rates and benefit levels varied greatly from scheme to scheme. Private employees had triple the contribution rates (35%) of the self-employed (11.6%) and farmers (Lapadula and Patriarca 1995: 28). They also had larger reference periods to calculate the pension (5 years) than civil servants (last month), a lower accrual rate (2%) than several public sector professionals (2.5%), and tighter requirements to access seniority pensions (35 years) than public employees (20 years) (Castellino 1975; Ferrera

[26] In Italy, from 9/15/1994 until 9/3/1994; and in Spain, from 1/22/1994 until 8/28/97.

1984: 82-84; Regonini 1984: 98). Indeed, the estimated rate of return of contributions was 4.6% for dependent private employees, 5.6% for state public workers and 5.4% for municipal public workers (Ministero del Tesoro 1994: ff.2). In one group, public civil servants, the self-employed and workers with fast-growing income histories, all of which had higher than average incomes, were net winners from the regulation. In the other group, private sector employees, whose scheme funded deficits in the other schemes, and workers with slow-growing income histories, were net losers (Franco 2006: 482; Natali 2007: 166). In a word, the pension system regressively redistributed income exacerbating inequalities derived from the labor market.

This configuration resulted according to most observers from successive waves of generosity increases to concrete occupation groups and without holistic, long term planning (Castellino 1975; Ferrera and Jessoula 2007: 396; Forni 1979: 47; Regonini 1996: 90-97). Although Italy established its first public pension program relatively early (1919), it entered the postwar period with significant pockets of old age poverty. Partly in response, from the late 1940s to the late 1970s, the government expanded coverage rates and increased benefit levels. With the conclusion of this process by the mid 1970s, Italy had universalized its old-age provision, and the Italian pension expenditure (9.0% of the GDP in 1975) was higher than the average one in OECD countries (6.5% of the GDP) (Holzmann 1988: 141-2). However this dramatic expansion in pension provision also occurred through a corporatist path as a reaction to particularistic demands. Firstly coverage extended to all employees (1950), and then to farmers (1953), artisans (1959) and self-employed professionals (1960), until it was universalized to all citizens over 65

with a means-tested minimum pension (1969) (Castellino 1975: 85). Moreover, this gradual incorporation of social groups into old age insurance did not involve the expansion of the largest public pension fund, but the creation of special funds with special rules.

Benefit regulations also underwent major changes in the postwar period. A gradual transition from a defined contribution to defined benefit formulas started in 1952 to insulate pensioners from high inflation (Castellino 1975: 14). But the most important generosity improvements occurred in the 1965-1975 period, when pension levels were increased again and "seniority pensions" were generalized to the whole employed workforce.

Running parallel to "old age pensions" (pensioni di vecchaia), which only consider the worker's age as an eligibility condition, these seniority pensions (pensioni di anzianità) consider instead the worker's years of contributive history. Created as a clientelistic device by the Democracia Cristiana (DC) (1954), initially they were only awarded to public sector workers and only required 25 years of contributive history (Regini and Regionini 1981: 229), allowing many civil servants to retire as early as in their forties. This boosted pension outlays, turning seniority pensions into the most contentious feature of the Italian pension policy (Baccaro 2002: 416).

In the early 1960s, the *Partito Communista Italiano* (PCI) and the main union for private employees (*Confederazione Generale Italiana del Lavoro* (CGIL)) increased their demands on pension policy. And in a context of labor unrest and enhanced parliamentary power of the PCI, organized labor achieved a generalization of seniority pensions to all

employees with a minimum 35 years of contributive history (1965). Soon after, following three other general strikes, the government felt forced to make more concessions to the unions (Regini and Regionini 1981: 221). As a result, in 1969 the reference period was shortened to five years and the maximum pension was raised to 80% of the revalued reference salary. Adding to this, in 1975 pensions in payment became more generous by a change from price indexation to wage indexation.

The expansive legislation of the 1965-1975 period however did not undermine the preexisting fragmentation of the system. Rather it reinforced it (Natali 2007: 102). Generosity increases and the loosening of eligibility criteria for private sector employees did not covered the gap of privileges held by other collectives. Therefore at the end of the 1970s inequities of treatment across occupational groups and funds continued and involved, as mentioned above, contribution rates, conditions of eligibility and the accrual rates. These expansive measures also contributed to accelerate the growth of pension outlays. Spending expanded constantly due to the maturation of the new provisions, while contributions hikes did not run parallel to avoid electoral penalizations by key constituencies (Lynch 2006: 174), leading to the first deficits in the overall systems already in the 1970s (Coppini 1989: 244).

The austerity era of Italian pension politics (1977-1992)

The financial difficulties of the Italian pension system became a source of general concern as early as 1977. By that time, high pension expenditure growth rates and differences of treatment had triggered calls for pension reform from actors as different as

Bank of Italy officials (Morcaldo 1977: 124) and CGIL leaders (Forni 1979: 47, 177; see Bonelli 1989: 154). Consequently for the next fifteen years pension reform remained a central issue in Italy and several bill drafts were discussed, although no significant change was ultimately passed. For instance, in 1978 the government reached an agreement with the unions to consolidate funds and phase-in seniority pensions. Nevertheless, the reform project was aborted precisely by the opposition of the DC, which according to Regini and Regonini (1981: 234) would have been deprived of a major source of patronage provided by its control of the administration of multiple small pension funds.

Between 1978 and 1986 other attempts were made at enacting a pension reform, however they all failed due to the disagreement between government and parliament. A governmental project was blocked in parliament in 1980, whereas two parliament's projects (in 1982 and 1986) were rejected by the Ministry of Labor (Ferrera and Jessoula 2007: 424-6; Regonini 1996: 96). Despite this inertia, in the 1980s there was a consensus that the problems of treatment inequities and mounting financial disequilibria had to be grappled through a restrictive reform. However public opinion opposed to retrenchments (Lynch 2006: 163), while the fractionalized party system contributed to continue the clientelistic pension politics of the 1960s and 1970s (Maestri 1987; 1994).

The pension policy stalemate ended in 1992. Observers like Ferrera and his associates (2005b: 28-9) have attributed this to the conditions of accession to the European Monetary Union signed that year which required aggressive changes in economic policy. But contrary to this argument, in 1992-1995 the Italian political

establishment was deeply divided regarding the need to access the euro with the first group of countries (Radaelli 2002: 119-120).[27] Alternatively a combination of pressing economic difficulties and long-term social learning among the unions provide a more compelling explanation. Concerning the general economy, the harsh financial crisis of 1992 had made unviable to continue the old politics of public deficit and debt management (Rossi 2007). Hence to restore the credibility of the Italian economy, the government felt impelled to accelerate the program of reforms to restore the health of public finances (risanamento). Furthermore, between 1975 and 1992 the unions had deeply changed their stance towards pension reforms. The managerial position in the main public funds gained in 1970 had given union leaders a more nuanced understanding of the intricacies of these programs, and by 1992 they had accepted the inevitability of cuts in privileges (Regonini 1996: 101).

In this context, to the newly elected Prime Minister Giuliano Amato, a PSI leader, a pension reform constituted a critical element of the risanamento. Thus, the government designed a new bill with the informal collaboration of the unions, ultimately easing its enactment (Natali 2002: 92-95). The 1992 Amato reform introduced piecemeal changes to break down pension expenditure growth. It achieved this by extending the reference period to 10 years to all employees, raising five years the expected retirement age for private employees, substituting the wage indexation by a price indexation mechanisms and, finally, phasing-in an increase in the minimum contributory period for public employees to 35 years (Castellino 1996a; Cazzola 1995).

[27] According to a top governmental official, at the time “there was not a stringent political commitment” to enter the EMU (PI, 6/23/2008).

Actors and institutions in the 1995 NDC reform

Although the 1992 Amato reform had contributed to reduce pension spending, it left unchanged the rules for seniority pensions and the inequalities of treatment, so soon after it become clear that another pension reform would be necessary. Indeed in 1993 and 1994 new projections were published which revealed that to avoid deficits in the pension programs the contribution rate for private employees would still have to be raised to 50% by 2020 (Castellino 1996a; INPS 1993).

Against this background, in May 1994 the just-elected Berlusconi government decided to launch another pension reform attempt. At first Berlusconi pursued a concertational style, but finally he decided to take unilateral action (Castellino 1996: 158), and in September 1994 the government presented a proposal involving piecemeal changes.[28] The three unions immediately reacted demanding the plan's withdrawal as it attacked interests of its two main constituencies (the elderly and industrial workers) (Baldissera 1996), as well as the unions' "right to co-decide the reform" (Braun 1996: 212). Yet since the government stuck to the project, the unions organized a general strike that mobilized between three and five million people against the plan. After the strike, the Northern League defected from the governmental coalition. This left Berlusconi's party in parliamentary minority, and he was force to resign as PM (*CDS*, 12/23/1994).

Despite its defeat, Berlusconi's proposal affected the power distribution among actors in pension policy making. With the success of the mobilization, the unions

---

[28] The main measures were a penalization of 3% for each year prior the retirement age for old-age pensions, a reduction of the accrual rate from 2% to 1.75% and a downgrading of the revalorization mechanism from real CPI changes to governmental projections of CPI changes.

enhanced their rapport vis-à-vis the population and became perceived as the warrantors of collective social rights (*LR* 11/18/1994; Braun (1996: 213)). Further, by putting aside long-lasting past differences (Regini and Regalia 1997), the three main unions realized the potential of pursuing coordinated action on pension policy (*NRS*, 2/27/1995).

Berlusconi was substituted as Prime Minister by L. Dini with the parliamentary support of a center-left coalition (Progressists and Northern League) and the implicit acquiescence of *Forza Italia* under the assumption that it would be a short, "technical" government. Indeed in his inaugural speech, Dini delimited a narrow four point agenda with a critical role for the enactment of a pension reform (*CDS*, 1/14/1995). In this regard Dini's government had learnt from recent events and discarded a confrontational stance with the unions. "I must present an efficacious text, but it must count with the approval of Parliament. To obtain it, it is absolutely necessary a solid support of the unions," he declared to *La Repubblica* (4/6/1995). Indeed, the new Minister of Labor, T. Treu promised "not to start the negotiations with preconditions." (*CDS,* 2/4/1995)

This scenario of a weak and temporary government seeking a rapid enactment of a pension reform gave the initiative to the unions. Leaders of the CGIL, the main union, did not forgo this historical opportunity to craft the rules of the most important welfare policy, and took the intellectual and political leadership.[29] Indeed for decades CGIL experts had been building a nuanced expertise on the intricacies of pension policy. Since 1977 the CGIL had a consistent diagnosis by which the system was undergoing (a) an unbearable escalation of outlays and (b) suffered strong inequities across regimes that

[29] At the time the CGIL had 49.6% of all union members (Ebbinghaus and Visser 2000: 423).

undermined its legitimacy and dampen its financial stability (Regini and Regionini 1981: 232), which helped raising awareness on these problems. Following this diagnosis, in 1994 B. Lapadula and other CGIL leaders decided to delineate and "present an organic proposal of reform," (Lapadula and Patriarca 1995: 86) which involved a harmonization of the rules in different schemes and reinforcement the correspondence between contributions and benefits to stabilize pension expenditure.

Hence to gather and discuss different alternatives, the CGIL organized several seminars in the summer of 1994 with representatives of the Progressists, Northern League and welfare economists. Participants in these seminars soon agreed that the most convincing alternative was the NDC system, which had been theorized and designed by the economics professor S. Gronchi. Gronchi, who is an actuary, had sought to provide a way out of the widely-identified problems of inequalities of treatment and prospective unsustainability.[30] His solution of NDC pensions basically combined tying benefits to past contributions, with the latter revalorized according to the wage bill growth, while keeping the pay as you go financing structure. And since 1992 he enthusiastically advocated this model (Giarda 1998; Gronchi 1998; Gronchi and Nisticò 1998; Morley-Fletcher 1998).[31]

Gronchi's model was appealing to the CGIL, which had long fought for the recognition of the problems in the system. First, NDC pensions solved the treatment

[30] His calculation (published in Ministero del Tesoro (1994), ff. 2) demonstrated actuarially that, contrary to the belief that the pension system protected the weakest in society, it was actually regressive.

[31] Gronchi (2006: 494) denies having been inspired by an equivalent reform at the time under governmental discussion in Sweden.

inequities by eliminating redistribution in the system, so that pensions reproduced labor-market economic inequalities. Second, they stabilized pension expenditure by coupling benefits to GDP growth and life expectancy changes. To champion his idea, Gronchi himself wrote to have participated "in seminars with Confindustria, Cespe, CGIL" (1996: 120). It would be as a result of these seminars that the CGIL embraced the NDC model.

> "The process has been like this: The idea was cultivated by me who organized the seminar here, while the theorist of this system is Professor Sandro Gronchi. I organized a seminar with Sandro Gronchi here [in the CGIL headquarters in Rome]." (CGIL economist, 6/20/2008)

As a result, by December 1994 the NDC model was the official preference of the CGIL.[32] Further, the Progressists and the Northern League also backed this model, although the two other main unions UIL (*Unione Italiana del Lavoro*) and CISL (*Confederazione Italiana da Sindacati Lavoratori*) were not still part of the reformist front (*NRS*, 4/10/1995). P. Larizza, UIL's secretary general, was particularly reluctant as it still considered it "a further step into the way of overcoming the paygo system" (CDS, 3/21/1995). Yet the UIL and CISL had lesser interests in the reform, because they had a social base with larger proportions of public employees (Table 5.1).[33]

Yet, after Dini's cabinet took office, according to a governmental official "it took us a couple of months to make adjustments in the tax system, and by the end of March [1995] we started the discussion on pension reform." (6/24/2008). This gave a few weeks

---

[32] Contrary to the (unfounded) claim from Anderson and Lynch (2007: 205) that the pensioners federation persuaded the confederation leaders of the reform, a former secretary general of a pensioner federation declared to me that the reform process occurred in a top-down fashion in which initial research, proposals and negotiations took place at the confederate levels with federate levels having a secondary and reactive role (PI, 6/10/2008).

[33] The percentages of members in non-pensioner federations were, respectively, 46% for the CGIL, 54% for the CISL and 75% for the UIL (Ebbinghaus and Visser 2000: 426-428).

to the find a common ground among the unions, which was reached by mid-February when the UIL and CISL finally endorsed the CGIL's NDC model. The change in the position of UIL and CISL was first due to the fact that their leaders realized the inevitability of the reforms (UIL economist, 6/3/2008); and second because the CGIL conceded to implement the NDC reform only to workers with less than 18 years of contributions as demanded by the UIL and CISL (NRS, 5/22/1995; also Cazzola (1995: 90)).

In March 30 1995 confederate leaders therefore presented their official proposal to the executive. It mainly included a pro-rata application of the NDC model to all workers with less than 18 years of contribution; the maintenance of the 35-years seniority pensions' rule and the 2% accrual rate for all workers with more than 18 years of contribution; and a phased-in increase in the minimum retirement age from age 53 to age 55 (*LR*, 3/30/1995).

The government reacted positively to the proposal. In the words of a cabinet member:

> "We started studying and consulting with the unions, and the turning point was after a couple of months. At some point I got convinced that it is necessary to change the setup and to pass to the NDC system. (…) Dini was indifferent in the first place, then he got convinced. [It helped that] he is a banker. To him it made sense to tie pensions and contributions." (PI, 12/11/2008).

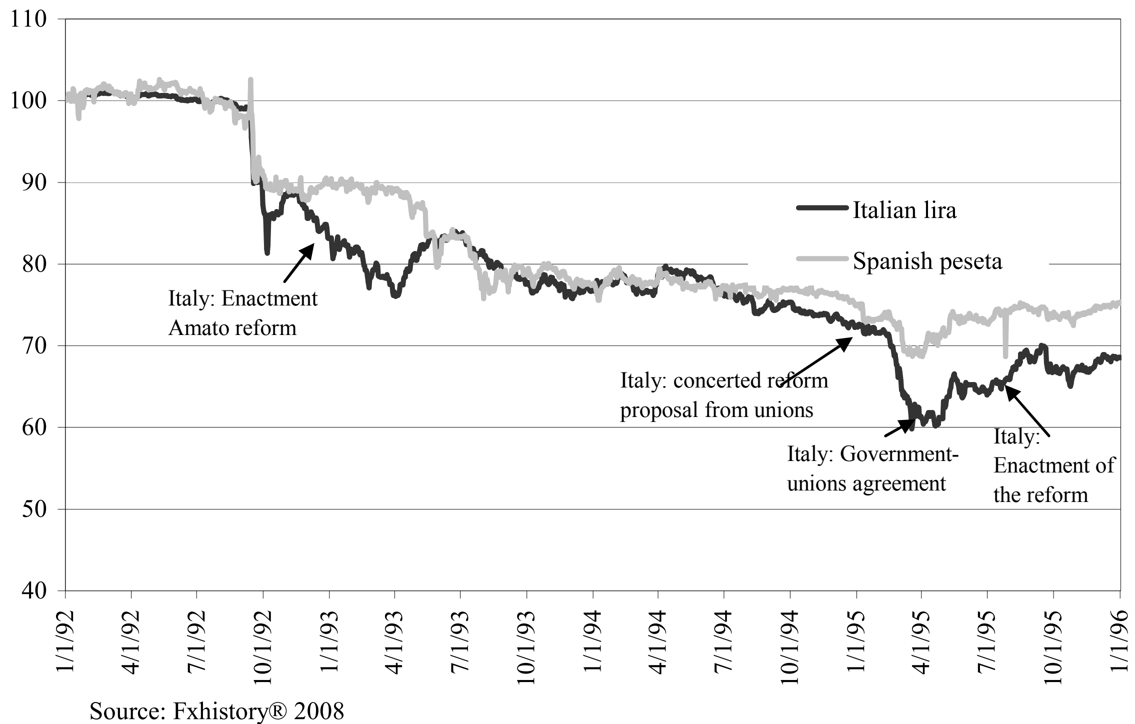
Therefore cabinet members became sincerely persuaded of the advantages of the new calculation mechanism (see also, CDS, 2/25/1995). But this reaction was also due to the economic circumstances. In the midst of a linear fall of the lira between mid-February and mid-March (Figure 5.1), which was forcing interest rates upwards, Dini considered

that although the reform produced limited short term savings [34] reaching an early agreement with the unions on pension reform would give the international markets reassurance on the soundness of the Italian financial system (*CDS,* 3/7/1995). With this, the government was brought onboard to the NDC system coalition, and the remaining talks only involved secondary aspects.[35]

[34] "I attempted at every meeting: "Let's talk about money savings" and no response. We had this long negotiation between the separation between assistance and social security. Then we had the negotiation on the system long-run. Then in the last weeks in June we started discussing money." (Governmental negotiator, 6/24/2008)

[35] The Italian Social Security executives maintained a low profile and conservative stance during the reform process. Gianni Billia's, secretary-general of the main pension fund (INPS) since 1989, initial preference was to finance social assistance programs through income taxation and fight tax evasion by imposing a uniform taxable income (Gillia 1995: 38). Yet according to newspaper accounts, he did not voice his preferences when the debate was still open in late 1994 and early 1995. Once the unions official presented the NDC proposal, Billia endorsed it (CDS, 2/14/195).

Figure 5.1. Daily exchange rate of the Italian lira and the Spanish peseta to the German mark (100=1/1/92), 1992-1996



Source: Fxhistory® 2008

But before signing the agreement, the unions took a pulse of their social base to avoid internal dissidence and the proposal's doom. From the beginning confederate officials saw that the swing constituency were metalworkers (*metalmeccanici*) whose federations have traditionally been the most feisty and political active (PI, 6/3/2008). For that confederate leaders participated in numerous factory assemblies in northern regions, where they found that the most contentious issue was not the transition to the NDC system, but changes in the seniority pensions. Unions' rank-and-file membership made clear they would not accept a substantial undermining of the 35 years and 2% accrual rate rules (Gronchi 1998: 295). This resistance hardened the position of confederate leaders in

their negotiations regarding changes in eligibility conditions (Cabinet member, 12/11/2008). However a brief impasse in the talks was finally broken by the executive's softening on minimum age requirements. A holistic unions-executive agreement was signed in May 8 1995 (*LR*, 5/9/1995).[36]

After the agreement, the unions completed their consultation with their memberships with a binding referendum conducted in May 30 and June 1. More than 4.5 million workers participated, and the agreement was ratified by 64% of all voters. All major federations (pensioners, public sector and chemical sector) except for the historically-feisty metalworkers voted for the accord (*NRS*, 7/10/1995).[37] Having the government secured support for the reform from the unions, it went on to complete the parliamentary stage without major complications. Because grandfathering clauses prevented an electoral backlash, all major parties concurred that the NDC system allowed stabilizing future pension spending and repealing regressive redistribution. The Progressists voted for a reform with an equivalent normative and technical foundation than a draft bill they had presented in late November 1994 (PI, 6/26/08; Pennacchi (1997)). Further the Northern League's leader Bossi supported the main principles of the reform (CDS, 7/7/1995).With the abstention of *Forza Italia*, favorable votes of the

---

[36] Beyond the phased-in NDC system, separation of assistance and social insurance financing and maintenance of seniority pensions, the final agreement also included a minimum pension age to be gradually increased from age 53 to age 57.

[37] To this contributed the recent legal unification of workplace representation in a single body elected by unionized and non-unionized workers (Regini and Regalia 1997: 219), which strengthened the position of local union representatives (*delegati*). Many *delegati* in turn used their closeness and local reputation to persuade their fellow members about the inevitability of the pension reform (Baccaro 2002: 426-7).

Progressists, Northern League and other small parties sufficed to pass the law in August 1995 (*LR*, 7/28/1995).

In sum, in the early 1990s the institutional structure of the Italian pension system exacerbated economic inequalities by privileging the self-employed and the public sector workers against private sector employees, and was widely perceived as unsustainable. To confront these problems, a trade union, the CGIL endorsed the NDC model and committed to carry it through different stages of the reform process. First, CGIL officials persuaded other unions that this model eliminates redistribution at the same time that it stabilizes pension expenditure. Afterwards, the unions seized the opportunity presented by a weak government urgently needed of a reform, to impose on it the adoption of the NDC model.

Spain

Institutional structure of the pension system

For the last four decades the Spanish pension system has been earnings-related and publicly managed. Further, similarly to Italy, it has differed from other European pension systems because of its institutional fragmentation and the presence of regressive elements. In the early 1990s there were two "regimes" for private sector and central state employees, and alongside them existed five "special regimes" (self-employed, agricultural workers, housekeepers, seamen and coalminers) and numerous "funds" for top civil service categories (Boldrin and Jiménez-Martín 1999: 148-9; Velarde 1990: 47-9).The system presented substantial inequities of treatment in regard to contribution rates.

Whereas for private sector employees total contributions represented 28.0% of their salary base, for public sector employees, they were only 6.76% (Chuliá 2007a: 519). Moreover, the self-employed could freely determine their income base. Thus most made only the minimum contribution aware that the provisions on minimum pensions would ultimately boost their benefits (Barea and González-Páramo 1996: 136). As a result since 1977 the internal rate of return of contributions made by private employees (2.2% in 1994) was far lower than those made by central state employees (3.0% in 1994) and the self-employed (3.5% in 1994) (Monasterio, Sánchez and Blanco 1996: 32; Sánchez Sánchez 2000: 134).

These features crystallized in the latest years of Franco's dictatorship, and derive from a combination of a tradition of occupational welfare provision and a more recent and still incomplete unification of retirement funds. From the end of the civil war (1939) until the mid 1960s Spain had a dual pension system with two programs characterized by distinct logics and orientations. First, created in 1939, a new poverty-prevention program (Seguro Obligatorio de Vejez e Invalidez, SOVI) covered all former employees 65 or older (Comín 1996: 42-44; Guillén 1990), although it provided meager benefits equivalent to 13% of the average industrial workers' wage (calculations based on data in Mota López (2002: 71)).

Hence due to the sparseness of the entitlements, a set of mutual aid societies (Mutualidades Laborales) emerged in the 1940s to grant earnings-related benefits to the middle class. Designed top-down by Falangist leaders, these societies were semi-public, organized by occupations, shared a funded financing mechanism and had compulsory but

varying contribution rates. In the following years they became popular because of their diligent recognition of benefits and their democratic management style. Given this early success, Francoist policy makers decided that the aid societies provided a suitable basis to continue the expansion of pension coverage. In 1967 existed as many as 93 aid societies providing retirement insurance (Rull Sabater 1974: 269-270), which covered 80% of the working population (Redecillas López de Sabando 2001). Indeed, in the 1960s it was already clear that the aid societies had become the dominant old age insurance providers (González Catalá 1985; Mota López 2002: 84). By then the pension system had thus locked-in into an income-preservation and not poverty-preservation logic, as remains today.

Despite progresses in the pension field, in the early 1960s Spanish social policy was deficient in other areas such as health care. To compensate for this lack in 1963 state planners passed a law that redesigned the welfare system. The 1963 law is generally defined as the cornerstone of the contemporary Spanish pension system as it established the paygo financing and benefit-formula principles which are still in place (Mota López 1996; 2002; Velarde 1990: 390). However the 1963 law represents only a partial breakthrough for it consecrated preexisting elements. First and most importantly, it reinforced the fragmentation in the system. The law did not unify pension management. Together with the main funds, state planners categorized the mutual aid societies as "special regimes," which were allowed to manage compulsory contributions (Guillén 1992: 125; Sánchez Navarro 2003: 104). Some of these societies survived the democratic transition due to their financial difficulties, and others to preserve occupational privileges

(Gonzalo González, Ferreras, et al. 1981: 41). The second reason why the 1963 law was only a partial breakthrough is that it adopted the benefit-calculation formula of the aid societies, although to contain labor costs it applied the contribution rates to "tariff base tables" (bases tarifadas) which underrepresented real wages.

The Spanish anomaly of public funding and private management would not however last long. Given their funded financing mechanism, as entry pension requests and inflation soared in the 1970s, aid societies faced increasing difficulties in meeting their pension commitments and depleted their capital reserves (MTSS 1985a: 37). Hence under the threat of a cascade of bankruptcies, the first democratic government (Unión de Centro Democrático) decided to nationalize them by integrating them into a new public agency (Instituto Nacional de la Seguridad Social). Despite the management consolidation, as described above, inequities of treatment regarding contribution rates across social security regimes remained (MTSS 1985a: 194).

Alongside the managerial integration, the second major development of the 1970s involved the efforts of both the dictatorial and first democratic government to raise the average benefit. Pensions had been calculated not on the basis of real salaries but on amounts set by the state for each occupational category, which were annually indexed below real wages. This meant that by 1971 the calculation base for the pension only represented 60% of the real salaries (Redecillas López de Sabando 2001). Hence the executive passed legislation in 1972 and 1977 that increased the average benefit by gradually approximating the amounts used in the calculation formula to effective wages.

Entrance in the austerity era of Spain pension politics (1977-1993)

As in Italy, Spanish pension politics entered into the austerity era in 1977. In that year experts and policy makers already realized that three developments were straining the finances of the system (Desdentado Bonete, Fernández et al. 1986: 29; Mota López 2002: 226). First, during the 1960s and 1970s the system expanded. During these decades increases in the number of pensions and average entitlements outpaced economic growth (Barrada and Gonzalo 1998). Second, increases in the contribution rates proved insufficient (Comín 1996: 49). Between 1967 and 1985 contributions had multiplied by 24 while pension spending had multiplied by 93 (MTSS 1985a: 244). Third, the Spanish macroeconomic scenario deteriorated rapidly in the later 1970s hampering the revenue of the system. As a result in the early 1980s, most experts and officials agreed that a "rationalization" of pension spending trends was necessary.

Civil servants from the Ministry of Labor led the reform process. These officials were concerned that the legislation had incentives to opportunistic behavior, which were contributing to the boost in pension outlays. Since the legislation included brief minimum contribution and pension calculation reference periods (respectively 10 and 2 years), it encouraged shortening contributive careers and negotiating artificial rises in the final salaries to obtain higher entry pensions. In this regard the higher work autonomy of the self-employed and professional gave them advantage to engage in opportunistic behavior. Thus, social security executives framed the need for reform as part of the fight against pension buying and to contain pension spending without retrenching it (Former civil servant, 7/8/2008). They called for an increase in the number of years in the reference

period and tighter requirements to receive pensions (MTSS 1985b: 119, 123), as a means to bring outlays into "tolerable positions if we do not want to fall into irreversible financial disequilibria." (MTSS 1985a: 246).

In this context, right after the new socialist government took office after a landslide victory in 1982, social security executives raised their proposal of a piecemeal restrictive pension reform. Cabinet members proved persuaded by these officials because of their commitment to public welfare programs, but also because the egalitarian platform on which they won the elections was consistent with the fight against pension buying.

> "In 1982 the Prime Minister promoted me to Director of the Juridical Regime [of the Social Security]. Once I got to the job, we started planning a reform. This reform sets the path for the reforms to come." (Former Social Security executive, 7/9/2008)

Once the issue of pension reform arrived to the governmental decision agenda in 1984, negotiations were opened with employers and UGT (Unión General de Trabajadores), one of the two main unions, to seek a consensual bill draft. In line with the civil servants' recommendations the government's preference was to increase the minimum contribution period to 15 years and the benefit reference period to 8 years. However, the talks reached a dead end because of the frontal opposition of the unions to this measure. At the time both unions rejected undermining what they perceived as inalienable social rights (Paramio 1992). CCOO's (Comisiones Obreras) opposition derived from a "mainly ideological position" as it lacked resources to assess the official evidence (CCOO official, PI, 7/17/2008), and this union even called for a general strike against the reform (Herce and Pérez-Díaz 1995: 71). UGT instead demanded some countervailing measures (PI, 10/8/2008), which would have eliminated the savings.

Indeed, during the 1980s the Spanish unions did little to raise awareness on the inequities in the system.

In recurrent reports written by the unions, the existence of regressive elements was not mentioned as one of the problems of the system (Instituto Sindical del Estudios: 240-8; 1988: 169-175; 1989: 235-250; 1990: 382-395). Further, a homogenization of contribution rates was not a demand of the UGT in 1985 (Frades 2007), neither of the 1990 "unified proposal on labor and welfare policy" (UGT and CCOO 1990). Over time, this has had an impact in public opinion. "The evident positive discrimination of civil servants vis-à-vis workers of the private sector does not provoke public criticism." (Chuliá 2007a: 519).

This ambivalence of Spanish unions towards regressiveness, which sharply contrasts with its persistent rejection by Italian unions is rooted in the distinct social bases of unions in the two countries. Table 5.1 shows that in 1995 the Spanish membership rates of workers in the public sector broadly-defined (public administration federations and those in predominantly-public sectors (health care and education)) was twice the Italian rate (panel 1). Further, if we control for the sizable aging of the Italian unions' social base (by discounting pensioner federations), the rates of public sector workers were still higher in Spain (panel 2). This shaped the unions' identification of regressiveness as a problem and the search for alternative policy models.

Table 5.1. Membership to the main trade unions in Italy (CGIL, CISL and UIL) and Spain (UGT and CCOO) broken by economic sector of their federations (in %), 1995

Panel 1: including pensioner federations

	CGIL	CISL	UIL	Total Italy	UGT	CCOO	Total Spain
Privately-dominat sectors (agriculture, manufacturing and construction)	36.5	34.7	49.3	37.8	70.9	65.5	68.2
Public administration and publicly-dominted sectors	8.8	13.5	18.8	12.0	26.3	22.8	24.6
Pensioners	53.7	45.9	24.8	46.6	2.8	4.9	3.8
Rest	1.0	5.8	7.1	3.6	0.0	6.8	3.4
Total	100	100	100	100	100	100	100
Total membership (in thousands)	5,235	3,773	1,579	10,587	655	662	1,317

Panel 2: excluding pensioner federations

	CGIL	CISL	UIL	Total Italy	UGT	CCOO	Total Spain
Privately-dominat sectors (agriculture, manufacturing and construction)	78.9	64.2	65.6	70.8	72.9	68.9	70.9
Public administration and publicly-dominted sectors	19.0	24.9	25.0	22.4	27.1	23.9	25.5
Pensioners	-	-	-	-	-	-	-
Rest	2.1	10.8	9.4	6.8	0.0	7.2	3.6
Total	100	100	100	100	100	100	100
Total membership (in thousands)	2,422	2,040	1,187	5,649	637	629	1,266

Source: author's calculations with data from Ebbinghaus and Visser (2000). Classification of federations is available in Appendix 2.

Despite the unions' refusal to accept the reform plan, sustained by the margin of maneuver derived from its absolute majority in Parliament, the government decided to pass the reform in July 1985 (Mota López 2002: 295). The bill's expected outcome was not to reduce pension spending but to stabilize it in the long term by reducing the net pension wealth. According to recent estimations, the replacement rate of a standard worker fell 13% with the changes (Herce and Alonso 1998: 12). Nowadays most experts

agree that in the medium term this reform strengthened the finances of the public pension system (e.g. Serrano Pérez 2004: 73).

Actors and institutions in the Toledo Pact and the 1997 parametric reform

Between 1985 and 1993 the debate on pension policy remained limited to academic circles. The Spanish economy boomed in that period, attenuating the urgency of changes. And partly as a result of the traumatic break with its sister union UGT after the 1985 reform, PSOE government's public approval declined over time, discouraging the PSOE leaders from considering further changes (PI, 6/23/2008). The context changed dramatically in 1992-1993 due to a change in the economic cycle and the declining consensus on the advantages of a system based on defined benefit and paygo principles. Alongside the adverse economic scenario, the pro-privatization movement surged in those years, contributing decisively to bring the pension policy issue back into the reform agenda. In late 1992 and 1993 the Spanish economy entered into a sudden and sharp recession that drove the unemployment rate to a record 23%. Social security revenue plummeted (due to unemployment) and its outlays increased (due to early retirements and unemployment benefits), leading to the first financial deficits in the system (Sáinz de Baranda 2001). Under these circumstances, the Social Security was even forced to borrow from the Treasury in a dramatic event that symbolized the crisis of the system.

Second, in those years the conceptual foundations of the paygo model faced

escalating attacks.[38] A line of work of domestic neoliberal economists combined with accidental events converged to make the funded-contributive policy model pervasive in the domestic pension policy debates. Reports on the pension system of independent and influential economists that presented alarming projections and advocated for a privatization (Barea and González-Páramo 1996; Herce and Pérez-Díaz 1995) gained public attention. Moreover, world leaders in the global network for pension privatization such as José Piñera (architect of the Chilean 1980 pension privatization) and World Bank's analysts who visited Madrid (EP, 10/3/1994), where they defended the funded-contributive method. A leading expert from the Socialist Party commented:

> "The dilemma we were facing was to reform the paygo system or at the time there was a boom of neoliberal thought, the Chilean system was proposed at the time as a solution to the crisis of the pension systems… What we had in front of us was a demand for a transition from a paygo system to a funded system… There was a real vertigo [for privatization]. You are probably too young to remember, but at the time there was a real crusade for capitalization. A real crusade! And you cannot hear that anymore." (5/13/2008)

Indeed the terms of the ideational debates on pension policy making prior to the reforms differed intensely in Italy and Spain. Table 5.2 provides the results of the content analysis of all references to the three types of pension reform in each country. It reveals that in Italy the pre-reform discussion pivoted around the parametric (65.7% mentions) and NDC (26.8% mentions) options, whereas in Spain it pivoted around the paygo (51.7% mentions) and funded (13.4% mentions) options. In Spain the NDC model was absent from the policy discourse

[38] A lesser factor triggering the reemergence of a discussion on pension policy was a controversial statement of the Social economy minister Pedro Solbes who asserted that people under 40 would have their benefits defined under another calculation regime (EP, 1/31/1994) and implicitly supported the a defined-contribution system (EP, 2/27/1994).

(0.2% mentions). Consistently all my informants agreed that the NDC model was unknown and unformulated as an alternative in Spain.[39]

Table 5.2. Descriptive or normative references to three types of pension reform (parametric, NDC and funded-DC) in all articles regarding old-age pension policy of four Italian and Spanish newspapers (vertical percentages)

	Italy				
	Whole period			Prior to the government-unions agreement	Prior to the government-unions agreement
	Corriere della Sera	La Repubblica	Total	Total	Total
Parametric	64.4	67.2	65.7	83.9	62.3
NDC	22.6	31.6	26.8	11.0	36.1
Funded-DC	3.4	1.7	2.6	5.1	1.6
N (articles)	208	177	385	118	244
	Spain				
	Whole period			Prior to the Toledo Pact	After the Toledo Pact
	El Mundo	El País	Total	Total	Total
Parametric	45.9	56.9	51.7	43.1	54.4
NDC	0.0	0.3	0.2	0.0	0.2
Funded-DC	11.1	15.5	13.4	20.1	8.9
N (articles)	270	304	574	144	428

Note: The span of time for both countries covers immediate antecedents of the pension reforms, the decision-making process and its conclusion. For Italy the period is from 9/1/1994 until 9/1/1995 and for Spain between 1/31/1994 and 9/1/1997.

In that scenario of internal maladjustments of the system and a strengthened pro-privatization camp, pension policy regained agenda status in Spain. Yet, as in 1985 civil servants and not policy makers took the initiative. A group of proactive Social Security executives led by Adolfo Jiménez (Secretary-General of the

[39] An actuary and former director of a Social Security Agency, who should be most inclined to know and agree upon the theoretical assumptions of the NDC model, declared emphatically to me that the NDC model "was never considered in Spain" (PI, 7/8/2008).

Social Security) saw an opportunity to continue their program of "continuous adaptations" aimed at strengthening the system's finances and social support and started an information campaign (Jiménez Fernández 2005: 87). They took the pulse of parties and unions to seek the possibility of a broad pact on pension reform. And once the PSOE ensured that it would not concentrate the political blame for the cuts, the government endorsed the project. As a protagonist civil servant declared to me,

> "I found a strong coincidence of UGT and CCOO in supporting my line of thought for the need of a continuous adaptation of the pension system. I realized…let's try to do a political pact. I talked to the spokesperson of the Socialist party in Congress, I told him I had spoken with people from the IU and had found a favorable environment, I talked to people from the *Partido Popular* and too, from *Convergencia*… The socialist spokesperson responded me "Let me make some enquiries and see how we can organize it". [After some opposition in the Socialist party]I met with Felipe González… [to defended the need of changes]. He responded that what is good for Spain is good for the Socialist Party so go ahead [with forging a pact]" (7/9/2008)

Once the government and the Socialist party had been brought into the reformist coalition, so that the Socialists would not overshadow the project (again, to avoid political blame), they asked their governmental coalition partner and Catalan nationalist party Convergencia i Unió (CiU) to request the creation of a Parliamentary commission. By this means in February 1994 was established the "Subcommission for the analysis of structural problems of the Social Security and the main reforms to be undertaken." The official goal of the commission was to present recommendations to guide policy makers in the reform. Yet, although the commission could have provided a propitious scenario for innovative reflections, its minutes reveal a relaxed and conservative attitude among participants. For instance, the NDC model was not mentioned in the hearings (Congreso de los Diputados

1995). To be sure, the latent function of the commission was to give reassurance to the paygo and defined-benefit principles of the system.

This objective was common to Social Security executives, left and right parties. Since the 1970s Social Security executives had maintained a consistent set of recommendations involving "not putting in question the model, and to perfect it by (a) increasing the state transfer to the Social Security; (b) increasing the correspondence between contributions and benefits; (c) establishing non-contributive pensions; (d) an integration of regimes." (Social Security executive, 7/8/2008; MTSS (1985; 1996: 230-7) and Ministerio de Trabajo (1977: 142-3)). Consistently, left parties (PSOE and IU) abhorred a prefunded system, and saw the multipartisan pact as a mechanism to prevent the system from drifting into a funded and privately-managed scheme, which they perceived as possible with a PP government. To them difficulties were only temporary and small adjustments would suffice.

> "The big debate is what should we do? Should we, the socialists, reform the pensions system that is clearly in crisis in its financial equilibriums, or we leave it to the right [party] that we feared came with a program of privatizations? This was a deep debate in the PSOE and Felipe González who was most for the thesis of reforming against other party members [imposed his criteria]. The idea was taken assuming that it was our last legislature and that was convenient to do the reform not to have an ultraliberal one." (Socialist Congressperson, PI 5/13/2008)

The right (PP) further wanted to portray its commitment towards the welfare status quo.[40] "We were fighting against the eternal imputation that we were going to

[40] "The issue we were facing [in the commission] was whether it was possible to sustain a paygo system, or if it was unsustainable and it was necessary to introduce a prefunded system. At that time that was the problem. I have always supported the paygo system. And that was solved

eliminate public pensions, that we were aggressive regarding welfare protection." (former PP minister, PI, 7/14/2008) Having lost the 1993 elections partly due to this imputation (Sinova 1993: 172-173), with this approach Aznar was trying to take pensions away from the everyday partisan bickering, and to prevent another defeat in the 1996 elections.

As a result, "the debate in the commission focused on the concrete measures to adjust the system within the paygo system." (IU Congressperson, 7/7/2008) Contributing to the conservationist stances of the PSOE and PP, Social Security executives dismissed long-term population projections as unreliable and defended the advantages of small adjustments (MTSS 1996: 167-172). Hearings in the commission took place during 1994, and Parliamentary parties finally reached an agreement regarding the final recommendations in Toledo in February 1995, forging the so-called Toledo Pact. Approved in Parliament by unanimity, the Pact discusses 15 recommendations including (a) increasing the proportionality of contributions and benefits; (b) a gradual elimination of the special regimes; (c) the financing of health care and social services through taxes; and (d) the constitution of a reserve fund. All these proposals concur with the traditional recommendations from Social security executives and the line of prior reforms (Griñán Martínez 2005: 49).[41] Ultimately, the

---

immediately. The rest were technicalities." (PI, PP Congressperson and commission member, 12/18/2008)

[41] "Let's not kid ourselves. Who did the Toledo Pact and the *Documento base sobre la reforma*? The same we wrote *La Seguridad social en el umbral del siglo XXI*." (Social Security executive, 7/8/2008)

Pact meant a "strategic deactivation of the debate" on structural reforms (Chuliá 2005: 139) (see Table 5.2).

In the transformation of the Pact into a bill draft, PSOE and PP also acted cautiously, while the unions gained protagonism. Socialist leaders discarded passing the reform without reaching an accord with the unions. "The position of the unions was crucial for all. For us, the Socialists, given the precedents and our fragilities, we were aware that if someone was able to delegitimize our work were the trade unions." (Cercas Alonso 2005: 5). For the PSOE this involved discarding its most ambitious measure of extending the reference period to the whole working career (EM, 8/1/1995), and postponing the negotiations with the unions after the 1996 elections (EM, 9/27/1995). Also cautiously, Aznar discarded pension retrenchments, sought an accord with the unions and abandoned reducing the contribution rates, as the PP proposed in the commission (EP, 7/2/1996).[42]

After the PP won the 1996 elections and took power it opened negotiations with the unions to implement the Toledo Pact recommendations. Extending the reference period from 8 to 15 years was the key executive's objective. In the other camp, in 1994 UGT and CCOO had advocated a regulatory harmonization of the regimes (Abad 1995: 35, 37; Congreso de los Diputados 1995), however at the time of the talks this element fell from their priorities. Both unions focused on demanding real increases in minimum pensions, and to UGT "our great demand was the universalization the prices-based automatic revalorization." (UGT official, 10/8/2008)

[42] "I am willing to use the scissors in anything but pensions," Aznar bluntly declared in an interview (EP, 3/15/1995)

In this context, according to a PP negotiator, the final agreement resulted from a "game of compensation: and improvement of minimum pensions in exchange for and elevation of the calculation reference periods." (7/14/2008)

Aznar's executive and the unions signed the agreement in October 1996 and it became law in July 1997. The most significant measures in the 1997 reform included an expansion of the reference period from 8 to 15 years; an automatic revalorization of pensions according to CPI changes; the financing of universalistic benefits (health coverage and minimum pensions) through taxes and not payroll contributions; and a reduction in early retirement penalties (de la Fuente Lavín 2006: 195-209; Sempere Navarro 2003: 60-62). Later economic research concurs that, due to the countervailing of expansive and contractive measures, the 1997 reform will have a negligible impact on future expenditure (Monasterio Escudero and Blanco Ángel 2000: 44) Further, the reform does not include measures to harmonize the regulation of social security regimes (Hinojosa Lucena 2005: 69). Indeed, since private workers tend to have longer contributive careers than the self-employed and public workers, they have been disproportionally affected by the expansion of the reference period, so that the "disequilibria between regimes is not corrected at all, but in fact is enhanced." (Herce and Messenguer 2000: 28; Sánchez Sánchez 2000: 142)[43]

In sum, as in Italy, in the early 1990s the Spanish pension system exacerbated economic inequalities by privileging the self-employed and public sector workers, and

---

[43] According to the estimates of Blanco (1999), the internal rate of return before and after the 1997 reform were, respectively, 3.41% and 3.06% for the private-employees and 6.04% and 6.04% for self-employed.

faced sustainability challenges. However at the time these regressive elements were not widely recognized and did not produce social outcry. Particularly, harmonizing the regulation of public pension regimes was not a priority of the Spanish unions UGT and CCOO. Thus a radical solution to inequities of treatment and future pension spending growth such as the NDC model was not identified and considered. By contrast, in response to a neoliberal offensive, all Parliamentary parties committed to maintain the paygo system. Following this commitment, in 1997 the PP government passed a timid reform without a net impact on the system's finances and which does not undermine its regressiveness.

5. Discussion

The question driving this chapter has been why in the mid-1990s Italy passed a structural reform of its pension system, while Spain maintained intact the foundations of its pension system and enacted a piecemeal reform. It has been described that in 1995 Italy passed the gradual adoption of an NDC pension system to achieve goals (actuarial fairness and long-term sustainability) that are historically different from those of traditional paygo-DB system (automatic financing and benefits predictability). By contrast, despite in the early 1990s Spain also had a pension system with regressive elements and risks of long-term unsustainability, this country did not pass a structural overhaul, but only an incremental reform.

It has been argued that this pension policy divergence between Italy and Spain cannot be accounted for by the dominant approaches to welfare reform in the austerity

era. While the interest group approach predicts that the maturity of the programs and power of organized labor and the pension clientele determine the chances of a reform, the structural deviation occurred in Italy where the pension program was more mature, union density rates were higher and pensioners represented a larger proportion of the electorate. Further, while the veto points approach predicts that multiparty executives represent an obstacle for radical reforms, both the incremental Spanish reform and the structural Italian reform were passed under multiparty executives.

As an alternative approach I developed a organizational-entrepreneurial theory building on the work of Polanyi and other institutionalists. Contrary to the pension reform literature that assumes that governments and unions act uniformly across countries because the pension regulation is progressively redistributive, this model first claims that the presence of regressive elements in pension legislation creates conditions of economic domination that have the potential to generate distinctive political struggles. Since the dominated group is being exploited by privileged groups, they have incentives to witness a pension overhaul that eliminates regressive aspects and awards pension benefits that reproduce income inequalities derived from the labor market. Yet this potential for a structural overhaul can only be realized if the underprivileged have dominant representation in influential political organizations. Only if that is the case, organizational leaders have the personal incentive to act as institutional entrepreneurs in defense of the dominated group by seeking for alternative problem definitions, alternative policy models and assembling a political coalition with sufficient resources to achieve the implementation of the anti-redistributive pension reform.

Developments in the Italian and Spanish pension policy domains during the mid-1990s confirm the organizational-entrepreneurial approach. In the early 1990s pension legislation in Italy and Spain exacerbated economic inequalities by privileging the self-employed and public sector workers, while the pension programs faced serious risks of long-term unsustainability. However once the issue of pension reform regained salience in the political agenda, domestic debates presented different problem definitions. In Italy both the unsustainability and regressiveness elements were part of the standard problem definition. By contrast, in Spain only the unsustainability element composed the problem definition.

This chapter claims that the divergence in problem definitions and subsequent sequence in the policy-making process is rooted in the influence of the private sector working class, which was the dominated actor in both domains, on the main trade unions. In Italy the CGIL represented mainly the interests of this private sector working class. Thus during the 1980s it championed a problem definition that emphasized the regressiveness element, which ultimately was embraced by all political actors. Moreover, pursuing the interests of its main constituency, organizational leaders of the CGIL searched for alternative pension policy models that would address simultaneously the regressiveness and unsustainability problems. Once they found the policy solution in the NDC model, they endorsed it and committed to carry it through all the stages of the reform process.

By contrast, in Spain the main unions represented predominantly the interests of the public sector working class. Thus they did not voice their opposition to regressive

elements, which were not identified and considered in the domestic debate. The debate therefore remained fixed between the preservation of the paygo system or a transition to a funded system. This range of options eliminated the possibility of a structural reform because of the double payment problem associated with a privatization and the fierce opposition of the left to any form of privatization. In that context, only parametric reforms turned viable and ultimately the 1997 reform passed minor changes with countervailing effects.

Chapter 6

The New Political Economy of Pension Retrenchments in Affluent Democracies: An Event History Analysis

Since the early 1990s the analysis of policy retrenchments and its causes have become the cornerstone of comparative welfare state research. In light of the implementation of the first benefit cuts or general welfare policy redesigns during the 1980s, experts concurred that the long term expansion of welfare states systems had come to an abrupt end at the end of the 1970s and that a new 'austerity' era had begun. Over the last two decades scholars have responded to this new stage of welfare programs with a new line of research which seeks to identify (1) the degree of changes, particularly retrenchments, observed by these programs, and (2) the causes for these changes or their absence in view of mounting calls for reform. But despite the amount of energy invested in the enterprise, as Pierson (2001a: 420-1) notes, the literature has not yet a reached a consensus on neither of these questions. A critical reason for this is that studies generally lack theoretically valid conceptualizations and operationalizations of welfare state retrenchment (Green-Pedersen 2004). Most quantitative studies of pension reform in affluent democracies draw on narrow conceptualizations of retrenchment (either as contemporaneous benefit cutbacks or as structural overhauls) and, therefore, inadequate data (anecdotal evidence, aggregate spending data, replacement rates, projected spending effects or structural reforms), which only cover limited aspects of the multidimensionality of pension policy retrenchments.

The absence of accurate and comprehensive quantifications of the degree of retrenchments is understandable given the outstanding diversity in pension program configurations around 1980, the number of pension reforms passed since then and the similarly diverse array of enacted changes. Designing continuous instruments to fully

quantify the retrenching effect of each reform and assess its determinants would require utilizing a wealth of simply unavailable primary data and applying unreliable assumptions on future socioeconomic trends (Myles and Pierson 2001). Yet setting aside the size of retrenchments, the available information does allow for a response to the question of the causes of effective pension retrenchments. The task of this chapter is to answer this latter question.

It does so by conceptualizing pension retrenchments as legislative reforms that undercut pension entitlements – de-decommodify labor – to the largest proportion of current or future beneficiaries affected by the reform. Treating these reforms as qualitative events permits the use of non-linear regression tools to examine the determinants of pension retrenchments. The analysis covers 16 affluent democracies with universal pension systems and earnings-related mandatory public pension programs between 1980 and 2002. I identified all pension reforms as retrenchments on the basis of a systematic review of 146 single case studies and comparative reports on pension policy, and informed by microeconomic insights of the consequences of pension and social security provisions at the individual-level.

Since 1980 affluent democracies have recurrently resorted to cuts in pension benefits and/or coverage. The analysis reveals that in this period these 16 countries undertook in total 53 pension retrenching reforms. Further, to assess the determinants of these reforms, I distinguish four groups of factors: those related to economic globalization, international political integration, domestic socioeconomic conditions and domestic formal politics.

Results obtained through Cox models for repeated events indicate that the wave of retrenchments between 1980 and 2002 has the strongest association with economic factors. Most prominently, countries facing adverse macroeconomic scenarios manifested in large public deficits were more likely to pass pension retrenchments. To a lesser extent, net exporting economies and countries with financially strained social security systems were also more likely to undertake retrenchments. Further from 1992 onwards, those three economic conditions remained positively associated with these reforms, but two other factors gained prominence. In this latter period countries with more generous public pension systems and those with faster-aging population were more likely to enact retrenchments. Beyond the positive findings, negative findings running counter to the literature are also noteworthy. Despite the widespread claim of a positive 'Maastricht effect' on welfare reform, the European process of political integration is not robustly associated with a stronger likelihood of reform. Further, contrary to the 'politics matter' approach, even under adverse economic scenarios, left governments proved as likely as right governments to enact reforms.

The analysis is structured as follows. Section 1 presents the dependent variable and provides descriptive statistics of the patterns of pension retrenchment. Section 2 provides the theoretical background for the selection of hypotheses. Section 3 discusses the data and methods. Finally Section 4 presents the results of the regression models.

1. Conceptualizing and measuring reform: a novel approach

Previous research employs defective operationalizations

To assess the limitations of the literature it is first useful to briefly revisit the conceptualizations of welfare policies and welfare retrenchment. Most studies of welfare retrenchment lack a theoretically grounded discussion on the content of these reforms and implicitly define them as rollbacks in either spending or entitlements (Castles 2007: 21-23; Korpi 2003; Scruggs 2006). However this conceptualization is inconsistent with the overwhelmingly dominant definition of welfare policies. The scholarship define these policies as programs aimed at preserving the life chances of the elderly, unemployed or sick by providing them services or an income flow independently from the market (Baldwin 1990; Esping-Andersen 1985). In this sense, welfare programs essentially oppose the labor market as a mechanisms ensuring people's livelihood. Consequently, retrenchments ought to be understood as any legal change in state programs that (net of other developments) undermines individual life chances away from the market. In other words, welfare retrenchments outcome is a "de-decommodification" of labor because it erodes the protection provided by the state against the risk of poverty or sickness.[44]

As noted by Pierson (1994: 13-17), This erosion in public protection encompasses a set of measures that includes (1) benefit rollbacks, but also (2) reductions in coverage

[44] De-decommodification should not be confused with re-commodification as Breen (1997) does. This is because individuals may respond to de-decommodification in two alternative ways to re-commodification. First, individuals could resort to a "re-familialization," although the universalization of the double-earner household complicates the utilization of this strategy (Esping-Andersen 1999: 179). Second, they could be willing to accept the partial loss in living standards associated with de-decommodification if they can retire at an earlier stage of work less hours.

levels and (3) fundamental recasts in the logic of the programs. Citizens are more vulnerable to the market both if their benefit is rolled back or if they are not eligible to benefits. Further, retrenchments may also happen through “major transfers of responsibility to the private sector.” (Pierson 1996: 157) These may involve a full or partial privatization of welfare provision, or the incorporation of market mechanisms that undermine the economic redistribution of public welfare programs. Understood in this way, in the long run programmatic and systemic retrenchments have in common that they produce a reduction of public entitlements (Green-Pedersen 2004: 11).[45]

Focusing on the pension policy literature, the empirical literature has responded to the challenge of describing and explaining pension retrenchments by examining four types of evidence: spending derived measures, replacement rates, structural reforms and budgetary implications. All of them however fail to respond to the theoretically grounded conception of welfare retrenchment as they leave unaccounted a large scope of ‘retrenchable’ dimensions. First, social or public spending measures either as a proportion of GDP or in the form of average replacement rates have predominated in quantitative analyses of welfare policy developments (Beckfield 2008; Castles 2007; Hicks 1999; Hicks and Zorn 2005; 2007; Huber and Stephens 2001; Kittel 2002; Lindert 2004). Yet, apart from its sensibility to the maturation of the programs and previous changes in the legislation, these data have several specific limitations when measuring

[45] Clayton (1998) and Korpi (2003) promote a wider conceptualization of retrenchments that includes governmental acceptance of rising unemployment. However this is inconsistent with a sociological definition of welfare policies as decommodification mechanisms. As an alternative to private sector unemployment, public sector expansion does not eliminate the dependence of individuals on the market to ensure their livelihood.

retrenching efforts. First, they are insensible to structural changes. Moreover, given common time-lags in implementation, they do not specify the exact timing of the legal modifications.[46] Finally, they tend to understate changes because they leave untapped reforms with grandfathering clauses, which leave current benefits untouched and only affect very young workers or those about to enter into the labor force.

Second, scholars have also relied on net synthetic replacement rates as evidence of retrenchments (Beckfield 2008; Scruggs 2006). This data has the advantage that it overcomes the problem of maturation effects associated with measures derived from aggregate spending data, although it still remains unresponsive to grandfathering clauses, structural changes, and modifications in the conditions of eligibility. Third, students of pension reform have also examined strictly structural or radical reforms, such as privatizations (Brooks 2005), as instances of retrenchment. Yet limiting the analysis to radical reforms obviously leaves uncovered the wide array of parametric dimensions.

Finally, analysts have focused on the budgetary or social security wealth implications of each pension reform as evidence of the extent of the retrenchments (Green-Pedersen 2002a: 58-62; OECD 2007d: 66; McHale 1999). This final approach appears more fitting to a theoretically informed conception of welfare retrenchments because it turns the focus on pieces of legislation, which ultimately give content to

---

[46] Hicks and Zorn (2005; 2007) have tried to identify precisely the timing of retrenchments by focusing on sizeable annual declines in ongoing welfare spending. This approach benefits from a conceptualization of retrenchments as discrete events, but Hicks and Zorn fail to demonstrate a connection between these actual spending declines with concrete pieces of legislation, thus it is sensitive to measurement errors. Further these data tends to understate retrenchments as much as other spending-based data.

welfare policies. But to provide a continuous measure of the impact of each measure, this approach is forced to mobilize macroeconomic assumptions with a large margin of error, and by examining budgetary consequences it lacks consistency with the sociological conceptualization of retrenchment which emphasizes individual-level consequences. In sum, available indicators of pension retrenchment do not respond effectively to a comprehensive conception of retrenchment. They either provide unreliable measures or fail to capture the multidimensionality of pension policy dimensions liable for retrenchment in affluent democracies.

The alternative operationalization: coding pension legislation

As an alternatively to the literature, I operationalize pension retrenchments as discrete legislative events that in the short or long run reduce public benefits to most citizens affected by the reform. These reductions can occur directly through cuts in ongoing benefits, cuts in prospective benefits, adding stringencies on eligibility conditions, or paradigmatic deviations. Therefore, by analyzing packages of concrete pension measures (e.g. expansions of the reference period), I have constructed a dichotomous variable that delimits when a pension reform had a direct or indirect overall net effect of reducing benefit levels. In this sense, this chapter heeds to Pierson's call that, while expenditure data fails to illuminate developments in the new austerity era, "there is probably no substitute for investigations that pay attention to a fairly detailed dimensions of policy change, including attempts to map their (perhaps uncertain) long-term

implications." (2001a: 421) The chapter refocuses the analysis towards the multidimensionality of pension programs laws and their individual level implications.

I consider all the events of pension policy retrenchment for 16 affluent democracies between 1980 and 2002. The sample includes Austria, Belgium, Canada, Finland, France, Germany, Italy, Japan, Norway, Portugal, Spain, Sweden, Switzerland, United Kingdom and the United States, all of which are the only affluent democracies with a public pension system financed through the paygo system and with a public and mandatory earnings-related tier.

Pension retrenchment events were determined on the basis of secondary evidence from a "systematic survey" (or modified meta-analysis) involving 146 case-studies on pension policy. To analyze these studies, I employed a coding protocol with four general pension policy dimensions (social security contributions, conditions of eligibility, pension calculation formula and indexation mechanism), 13 sub-dimensions and detailed categorizations of the measures to be defined as retrenchments. Both the dimensions and the categorizations were obtained from up-to-date social security microeconomics. On the basis of the coding protocol, I constructed a dataset of all the changes taken in each of the 13 sub-dimensions in the 16 countries between 1980 and 2002. Single country case-studies of pension, social security or retirement policy provided the most important primary evidence. However, other multiple sources were analyzed as well. The final list of legislative changes in the provisions includes 204 measures.

Second, to take into account that expansive or decommodifying measures could countervail retrenching ones, I established the law or overall pension reform as the unit

for the "failure" or event, and I qualified a reform as retrenching or not if in the short or long term it downgraded the benefits of the majority of citizens affected by the reform.[47] In sum the dependent variable is dichotomous and distinguishes the passage or not of a retrenching reform in any given year.

Descriptive results: legislating pension retrenchments in paygo and Bismarckian systems

The systematic review of the pension policy literature reveals that between 1980 and 2002, the considered 16 affluent democracies enacted in total 53 retrenching pension reforms. Austria undertook as many as seven reforms; Belgium, Germany, Spain and Sweden passed five reforms; Finland passed four reforms; France, Greece, Italy, Japan and the United Kingdom passed three reforms; Canada and Portugal passed two reforms; while Norway, Switzerland and the United States passed only one reform.[48]

To illustrate the reforms content it is useful to evaluate two cases. Here we will consider the first and last reforms. In 1981 Sweden enacted a reform that reduced from 65% to 50% the level of partial pensions. Further, in 2002 Finland enacted a reform that increased the reference period from 10 years to the whole contributive career, linked pension adjustments to increases in life expectancy and raised the accrual rate in the final

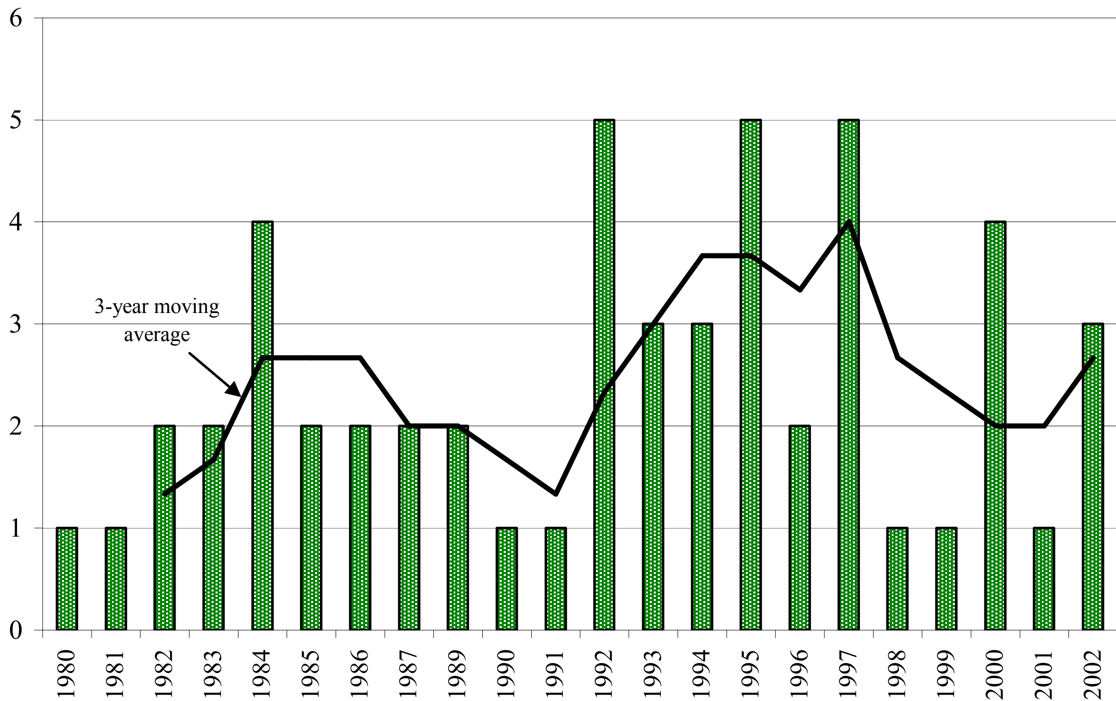
---

[47] For more details on the construction of the dependent variable, see Section 3.
[48] Austria in 1984, 1987, 1992, 1993, 1996, 1997 and 2000; Belgium in 1982, 1984, 1995 and 1996; Canada in 1989 and 1997; Finland in 1994, 1995, 2000 and 2002; France in 1984, 1987 and 1993; Germany in 1982, 1989, 1997, 1999, 2001; Greece in 1990, 1992 and 2002; Italy in 1992, 1995 and 1997; Japan in 1985, 1994 and 2000; Norway in 1992; Portugal in 1993 and 2000; Spain in 1983, 1984, 1985, 1997 and 2002; Sweden in 1981, 1991, 1992, 1994 and 1998; Switzerland in 1995; United Kingdom in 1980, 1986 and 1995 and the United States in 1983.

years. Although the final measure is expansionary, the previous two ones had involved such intense rollbacks that the reform has had a net retrenching outcome.

Figure 6.1 shows the number of events per year. The moving three-years-average most clearly reveals that the passage of retrenching reforms peaked in the first half of the 1990s. Only 35% of the reforms occurred in the 1980s, while as much as 52% of them occurred in the 1990s. Further, the three years which observed most reforms were 1992, 1995 and 1997 (5 reforms). But although the heyday of pension rollbacks occurred in the mid-1990s, several more were still passed in the late 1990s and early 2000s than in the 1980s, indicating that the era of pension austerity is here to stay.

Figure 6.1. Retrenching pension reforms in 16 OECD countries, 1980-2002



Consistent with the multidimensionality of pension policy, the content of the 53 pension reforms presents large differences. Only three of the reforms are paradigmatic or

structural (Italy 1995, Sweden 1994 and United Kingdom 1986) since they represent a departure from either the paygo system or defined-benefit traditional principles of public pension provision, and 50 reforms are parametric since they do not change the logic and architectural structure of the system. Further, the evidence suggests that in this austerity era governments remained more committed to the principle of universal pension provision than to the principle of income-maintenance. A large majority (43) of the reforms involved changes in the rules to calculate the pension, while only half (25) involved changes in the eligibility conditions. Finally, reforms also differed in the breath of the changes. Most reforms included only one (14) or two (15) distinct retrenching measures, but one reform included up to 12 retrenching measures.

In sum, this evidence indicates that the public pension systems of all these 16 affluent democracies have entered into a new de-decommodifying era. In contrast to the golden age period spanned until the late 1970s, when reforms consistently increased the elderly's decommodification rights, since 1980 pension reforms have consistently eroded these rights.

2. Dominant theoretical approaches

Over the last two decades students of the new austerity era in welfare systems have suggested numerous factors that could induce, facilitate or prevent the passage of retrenching reforms. To name a few, unemployment, economic globalization, population aging, dwindling growth rates, deindustrialization, left and Christian democratic parties, the EMU, formal political institutions are recurrently invoked in comparative accounts of

retrenching welfare and pension reforms. Despite their diversity, these factors however can be grouped around two crossing theoretical debates on policy making in affluent democracies. The "internationalization debate" addresses the extent to which policy reforms derive from domestic dynamics or exogenous pressures. In parallel, the "structuralist debate" addresses whether structural socioeconomic or conjunctural political conditions determine policy changes. Combining the main positions in these debates, four sets of forces can be identified: economic internationalization, international political integration, socioeconomic domestic conditions and domestic politics.

Economic internationalization

Particularly in the last fifteen years an intense discussion has emerged about the effects of the ongoing economic internationalization on welfare programs. In this regard, the dominant contention in the public sphere and sustained by numerous scholars is that globalization erodes the short-term viability of welfare programs and causes welfare retrenchments. Intrinsic to this approach is the view that economic globalization forces countries to enhance their economic competitiveness because, under conditions of declining costs of international investment or trading, high 'non-productive costs' could lead to a capital flight or a rejection of higher-priced products. Derived from neoclassical economic theory, the thrust of the argument is that footloose transnational capital and transnational companies reward economically efficient countries, penalizing those that undermine profits through the high taxation, partly needed to pay welfare benefits. This is expected to increase the sway of employers and capital vis-à-vis labor, driving

governments to pursue welfare retrenchments intended to attract foreign investment and maintain competitive the domestic industrial and service production (Castells 1996; Esping-Andersen 1999: 148; Gillbert 2002; Huber and Stephens 2001: 230; Swank 2001: 201-5). This approach has received at least partially supportive evidence (Garrett and Mitchell 2001; Korpi and Palme 2003).

However the claim that economic globalization dampens public welfare provision has been criticized on theoretical and empirical grounds. Fligstein (2001b: 213-220) notes that while it rests on an understanding of public investments as uniformly inefficient and of productivity levels as driven solely by cost, public investments can be wealth generating devices and productivity is a function of innovation too. Further empirical studies do not overwhelmingly sustain the negative welfare effect of economic globalization (Brady et al. 2005). Indeed as an alternative to the "competitive view" analysts have developed a "compensation view," (Hicks 1999: 204-8) which argues that globalization actually creates incentives for labor to demand more welfare protection. Economic internationalization generates minorities of domestic 'losers' who will demand sheltering or compensation (Garret 1995). Consequently, markets and governments grow symbiotically as "governments (…) mitigate the exposure to risk by increasing the share of domestic output they consume." (Rodrik 1998: 1028) The prediction of this approach is that higher levels of economic internationalization ought to discourage pension retrenchments.

International political integration

Together with economic internationalization, several authors have noted that the transfer of political sovereignty from affluent states to international political organizations which has occurred in the last 25 years has also established conditions for a supranational impulse for social policy reforms. In this period the most important development in this field has been the process of European integration and the growing political significance of the European Union.[49] Many scholars point out that the push toward economic integration initiated in the late 1980s and, particularly, the fiscal conditions set in the1992 Maastricht Treaty to access the European Monetary Union paved the way for restrictive welfare reforms (Pierson 1997: 289). Even if the countries signed the 1992 Treaty based on self-interest to take advantage of the expected gains from market integration, Germany imposed binding and stringent fiscal conditions, which demanded aggressive economic policy turnarounds in peripheral members (Pitruzzello 1997: 1626-7). Under this institutionalist approach, Maastricht's rules thus transformed the domestic dynamics in social policy domains. They reinforced the preferences of reformist actors and made rollbacks more palatable to traditional defendants of the status quo, who embraced the view that in exchange for the reforms market integration would foster medium and long-term prosperity.

Specifically, the rules of a maximum annual public deficit (3%) and public debt (60%) were the most challenging to most Continental countries. Thus, the Maastricht-

[49] For a review of the stalwart but generally failed efforts of the OECD and World Bank to influence welfare policy making in affluent democracies, see Deacon (1997) and Armingeon and Belleyer (2004).

effect approach claims that to meet the strict and proximate 1997 deadline, left and right governments had to introduce aggressive measures to rebalance their fiscal budgets (Ferrera 2005: 117). Given that in these countries welfare and pension programs constituted the largest public programs, and that they commonly required massive annual transfers from the Treasury, they became central targets of reform. In Scharpf's words, "the *de facto* agenda of Continental welfare states in the 1990s responded to the requirements of fiscal consolidation imposed by the Maastricht criteria." (2000: 116) In accordance with a pro-market effect of the European integration, recent research found a negative association between European integration and spending in social transfers (Beckfield 2008), as well as with state ownership in the telecommunications and utility sectors (Schneider and Häge 2008). In sum, following this approach we could expect the EMU to set a premium cost on poor fiscal balances, enhancing the likelihood of a passage of pension retrenchments.[50]

Socioeconomic domestic conditions

Even if international forces have received increasing attention in welfare policy analyses, to date the debate has mainly revolved around the role of endogenous forces. In this latter discussion a critical objective has been to determine the imprint of traditional class politics versus economic circumstances and non-partisan social demands. Now we turn our focus to which socioeconomic conditions are suggested by the theoretical literature to shape the chances of retrenching welfare reforms.

[50] For a more skeptical view of the role of the EU in welfare policy, see Taylor-Goody (2008).

One set of endogenous factors which could have affected the chances of pension retrenchment relates to the non-partisan pressures of social groups with selective interests. In this area scholars have focused on how three groups, the elderly, organized labor and women should prove particularly refractory to retrenching reforms. Anchored in a rational action assumption, expanded versions of the power resources theory suggest that unions' rank-and-file, women and pensioners have comparatively less capacity to extract resources from the market than non-union members, men and workers. The three groups have vested interests in the welfare status quo. Hence, according to Pierson (1994) and Huber and Stephens (2001), they tend to react vigorously against retrenchment plans and employ their organizational resources to that end. The three groups will attempt to influence political parties or political leaders to dismiss or abort welfare downgrading projects.

Another set of conditions affecting the short and long term financing of welfare programs derives from the demographic and economic developments. In this line, population aging as well as macro and microeconomic crises are seen as countervailing pressure groups' demands, and conducive to retrenchments. First, political economists have suggested that general economic crises set favorable scenarios for the passage of market-oriented reforms as they break with the "politics as usual." (Williamson and Haggard 1994: 562-4) Crises disconfirm the pervasive promise from governments that they are able to ensure economic growth and improvements in living standards, which harms their social approval. As a result, crises create incentives to pass reforms oriented at revamping investment and employment growth by trimming non-wage costs. Further,

budgetary crises in pension programs also create opportunities for reform. Under looming or continuing social security deficits, governments can more convincingly frame a retrenchment "as an effort to save pension systems rather than destroy them." (Pierson 1997: 288)

Finally, it is widely perceived that population aging will accelerate pension outlays until 2040 in a context where the costs for tax hikes have soared, what threatens to endanger the sustainability of public pension systems. As a collective process, aging is commonly conceptualized as a "pressure" conditioning the content of domestic reform agendas (OECD 1988a; 1998; Pierson 2001b). Indeed, the rising concerns over the fiscal challenge brought by ever-improving demographic forecasts have decisively contributed to the instauration of the value belief of having a sustainable pension programs.[51]

Domestic politics

Up to the mid-1990s the orthodoxy in the comparative research was that class politics drive welfare programs. Under this approach, when left parties representing the working class enhance their political power, welfare generosity tends to increase, and when their power decays so does welfare generosity. In the mid-1990s this view came under attack by the claim that in mature welfare programs class politics do not explain retrenchment patterns, as the mass of program beneficiaries and not the working class has the strongest selective interests in welfare policy. In this context parties should have no effect on recent reforms. However, since 2000 the "politics matter" approach has

[51] In Habermas' terms (1970) pension policy has then be subject to a scientification.

regained salience in the welfare state debate. In this latest research stream the focus has been on the role of the left in forestalling or championing welfare retrenchments (Green-Pedersen 2002a: 46-7). A group of scholars have defended that as in the golden age era, in this new 'austerity' era left parties keep defending programs advantageous to its working class constituency and while in government they disregard mounting pressures on pension programs to enact retrenchments (Allan and Scruggs 2004; Korpi 2003a; Korpi and Palme 2003; Scarbrough 2000). Hence, a dominant tenet of the new politics matter approach is that left parties are still less likely to pass rollbacks.

A second tenet is that, politics still matter in the austerity era, but in a novel way as left parties have actually higher chances to pass retrenchments in these programs (Kitschelt 2001; Mudge 2008; Ross 2000). The logic behind this counterintuitive assertion is that, contrary to right parties, left ones enjoy a higher trust as defendants of welfare policies' basic architecture. Consequently, their retrenchment proposals raise less suspicions of starting a welfare dismantling, and should suffer lesser electoral erosion after passing them. Under this Nixon-goes-to-China syndrome, "it is easier to convince organized labor that the changes are needed (…) when the argument is put forward to them by a government that *prima facie* has their interests in mind." (Rodrik 1994: 213)

Yet there is a third possibility that the left acts strategically depending on domestic macro and microeconomic conditions. It is known that left parties do not act uniformly across different settings. Thus if the economy is still growing and/or social security programs are perceived as sustainable in the medium term, left parties will hold a conservative stance. But if the economic scenario is adverse and/or social security

programs present unsustainability risks, left parties will engage in the risky enterprise of passing retrenchments to strengthen the programs.

3. Data and Analytical approach

Dependent variable: Retrenchment events

The pension retrenchment events described in section 1 were delimited through a "synthetic review," which is a version of meta-analysis. While meta-analysis is conventionally employed as a technique to systematically synthesize the main statistical findings of an empirical literature, systematic reviews are particularly useful at synthesizing qualitative findings of an empirical literature (Torgerson 2003: 8). Both present the advantage of providing "an organized way of handling information from a large number of study findings under review" (Lipsey and Wilson 2000: 6) which reduces systematic biases. But as the objective of this chapter is to construct a valid measure of retrenching pension reform from qualitative references on legislative changes included in studies on pension policy, only the procedures of synthetic reviews to collect, appraise and analyze studies are applicable. Specifically three procedures proved relevant. First is the a priori construction of a coding protocol that defines the dimensions of the question under consideration (e.g. types of retrenching pension measures) and determines the study screening techniques and rules for data extraction and categorization. Second is the stringent application of the data extraction sheet. Third is the categorization of the items of information according to the rules laid down by the

coding protocol. Mobilizing these principles and procedures, the construction of the measure of pension reform involved three steps.

Following the categories used by pension policy microeconomics (Barr 1998; Holzmann 1988; Whitehouse 2007), I constructed the protocol involving four general and 13 concrete pension policy dimensions. Based on the aforementioned conceptualization of retrenchment and the microeconomic literature, at this stage I also operationalized what types of changes can be classified as retrenchments. Table 6.1 provides basic elements of the protocol and data extraction sheet. In summary changes classified as retrenchments include reductions in social security payroll contribution rates, a tightening of the conditions to qualify for a pension, reductions in the accrual rates or maximum pension ceilings, downward homogenizations across domestic public pension funds, and transitions to CPI (or cheaper) indexation mechanisms.

Table 6.1. Main elements of the coding protocol and data extraction sheet

Dimension	Operationalization of retrenchment
Social Security payroll contributions	Reduction in payroll taxes
Qualifying conditions	
Minimum qualifying period	Expansion in the period
Minimum pensionable age – Men	Expansion of the pensionable age
Minimum pensionable age – Women	Expansion of the pensionable age
Expected pensionable age – Men	Expansion of the pensionable age
Expected pensionable age – Women	Expansion of the pensionable age
Calculation formula	
Years taken into consideration	Increase in the years taken into consideration
Past-wages indexation mechanism	Any temporary suspension or partial or total transition from wage to price indexation
Accrual rate	Reductions in the accrual rate
Maximum pension	Reductions in the maximum pension
Years needed for maximum accrual rate	Expansion of the years needed
Penalization for early retirement	Expansion of the percentage of pension withdrawn for each year of early retirement
Homogenization of pension calculation formula	Convergence of the rules for smaller, privileged funds towards the main social
Revalorization mechanism	Any temporary suspension or partial or total transition from wage to price indexation

After completing the coding protocol, I conducted the analysis of publications on pension policy. A mounting literature on "social security", "pension" and "retirement income" policy provides a wealth of thick descriptions of the legislation on old-age retirement programs enacted in all OECD countries since the early 1980s that serves as reliable primary evidence to identify the measures taken in the 13 pension policy subdimensions between 1980 and 2002. At this stage I utilized these publications to create a dataset of actual changes independently from their individual level consequences. Four types of publications were examined. First and foremost, to ensure a sufficiently detailed account of the changes occurred in each country, the analysis started with a review of at least five case-studies per country. Most commonly, these studies covered

the trajectory of the national public pension system, but a few of them were also assessments of individual reforms.

Then I examined all the comparative reports on pension reforms I could find to confirm or complement the data gathered from the case-studies. Some of these reports had been published by individual researchers (Gern 2002; Holzmann, MacKellar and Ruthowski 2003; Kalisch and Aman 1998; Schwarz and Demirguc-Kunt 1999; Weaver 1998), which are generally cursory. Others instead had been published by organizations, such as the GAO's (2005) review, or the studies on concrete reforms published by the OECD in *Economic Surveys*. A third type of material consisted of the periodic reports on pension reform authored by international organizations. Of this type the International Social Security Association's (ISSA) section of "News" of its quarterly publication *International Social Security Review* and later on the ISSA's reports *Developments and Trends in Social Security*, were particularly helpful. Finally, I reviewed the most important cross-national serial publications on social security policy and fiscal policy, including the US Social Security Administration's *Social Security throughout the World* and the OECD's *Taxing Wages*. In total 146 publications and volumes were analyzed as part of the systemic review.

The third and final step in the determination of the pension retrenchment events involved the categorization of each annual package of measures as producing or not an overall retrenchment in order to ultimately determine the average effect of the reform. An exclusive focus on retrenchment provisions (i.e. law articles) is not justified because by doing so we would lose sight of countervailing expansive measures, thus the appropriate

unit of analysis is in this case the pension reform package. In the cases when the reforms only included provisions that dampened decommodification rights, the reform was obviously classified as a retrenching reform. But in the cases when the reform involved both retrenching and expansive measures, I determined the net effect of the reform on the basis of its impact on the largest group of affected citizens.[52] The tables in the Appendix 3 display the measures included in all the retrenching reforms, as well as its year and sources.

The resulting dependent variable therefore is the passage (1) or not passage (0) of a retrenching pension reform in a given year.[53] The year of the "failure" or event represents the timing of its enactment, not the implementation year, as the later could be delayed for administrative reasons independently from the formal legislation-making process.

Although this study contributes to the literature by providing a more accurate and comprehensive operationalization of retrenchments (as discrete legislative events determined through pension policy studies), it has noteworthy limitations. First, it pays no consideration to changes in tax liabilities on pension income, which may affect retirement income. Yet these changes do not respond to changes in the pension policy

---

[52] Only for the case of the Belgian 1990 reform was it necessary to contact an expert (Patrick Marier) to determine the effect of the changes it involved.

[53] A continuous variable is not in this case an appropriate indicator to map out the outcomes of the retrenchments. First, as noted above, an estimation of the projected impact of the reforms in the public pension spending would require the use of uncertain macroeconomic assumptions. Second and more importantly, estimations of impact in pension spending would not elucidate reforms impact on decommodification rights. Third, the construction of an index to capture changes in the four dimensions would require making arbitrary decisions on the weight of each subdimension.

domain, but to dynamics in the fiscal domain. Second, it does not consider changes affecting widow pensions, for which there is very little information.

Independent variables

It is now possible to present to the independent variables. Two variables which have been found to be significantly associated with welfare effort (Brady et al. 2005) were chosen to assess how economic internationalization affected the yearly hazard of retrenching pension reform. First, *Net trade* represents the annual domestic balance in exports and imports of goods and services as a percentage of the GDP (data is from World Bank (2006)). Second, *Foreign direct investment* represents the total value of assets owned by foreign investors that represent 10 percent or more of the shares of domestic companies (IMF 2009). Moreover, the role of international political integration is measured through *Maastricht signatory*, which is a dichotomous variable that differentiates (1) the 12 European Union Treaty's signatories (Belgium, Denmark, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, United Kingdom) for the years between 1992 and 1997 from (0) other years for these countries and all years for other countries.[54]

To address the multidimensionality of socioeconomic conditions possibly affecting the passage of pension retrenchments, seven variables have been included.

---

[54] The European Union Treaty was signed in February 1992. Denmark and the United Kingdom imposed amendments to the Treaty recognizing their right to opt out from the EMU. Further, the decision about which states should access the EMU was reached in May 1998 (Dyson and Featherstone 1999: 5-10). Thus a 'Maastricht effect' should be noted in the 12 states between 1/1992 and 12/1997.

Elderly dependency ratio (percentage of people 65 or older among all individuals 15 or older), *Unionization* (percentage of union members among all employees) and *Women in Parliament* (percentages of women in the lower chamber) respond to pressure groups' demands (OECD 2007a; Armingeon et al. 2006). *Economic growth*, and *Public deficit*, as conventionally defined in terms of the yearly GDP, respond to macroeconomic conditions (OECD 2007c).

Two further variables cover the financial conditions of the public pension systems themselves. In this case, absence of comparative and longitudinal data on the total revenue of public pension programs hampers the construction of a direct indicator of annual deficits in the system. However an innovative proxy can be constructed by comparing the annual growth rates of payroll social security 'contributions' (as a percentage of GDP) and public pension spending (as a percentage of GDP). *Social security strain* = (annual growth in public pension spending) – (annual growth in social security revenues) (for public pension spending, OECD (2007b); for social security revenues, OECD (2008b)).[55] Moreover, the *Projected old age dependency ratio in 2025* responds to potential concerns over the speed of population aging on pension outlays (United Nations 1982; several years).

To assess the role of domestic politics it is necessary to consider the strength of families of political parties. Here, following the convention in comparative welfare state

---

[55] Descriptive statistics of this variable are consistent with the common wisdom on domestic public pension system finances. France, Greece, Italy and Portugal, which are known to have run deficits in their pension systems, have some of the highest values in *social security strain*. By contrast, Finland, Switzerland and the United States, known to have run continuous surpluses, have the lowest values in *social security strain* (detailed descriptives available upon request).

research, I consider three families and focus on their relative power within the executive. *Left cabinet portfolios, Christian Democratic or center cabinet portfolios* and *Right cabinet portfolios* are the three resulting variables (Armingeon *et al.* 2006). Table 6.2 provides descriptive statistics for all dependent and independent variables.

Table 6.2 Descriptive statistics of all variables

	Mean	Standard deviation	Minimum	Maximum
Pension reform	0.1	0.4	0.0	1.0
Net trade	0.3	4.4	-15.8	17.3
Foreign direct investment	2.1	6.1	-0.7	92.7
Maastricht signatory	0.2	0.4	0.0	1.0
Maastricht * Public deficit	1.1	2.5	0.0	11.4
Elderly dependency ratio	17.8	2.1	11.9	21.7
Unionization	38.6	20.4	7.4	87.4
Woman in Parliament	15.8	11.2	1.4	45.0
GDP growth	1.9	2.0	-6.9	7.8
Public deficit	3.0	4.4	-15.4	15.8
Social Security strain	-0.3	5.9	-33.4	48.9
Projected dependency ratio in 2025	21.3	2.5	15.0	29.2
Left cabinet portfolio	37.4	38.8	0.0	100.0
Left * Public deficit	95.2	243.3	-1,229.9	1,039.6
Left * Social security strain	25.9	267.8	-1,396.1	1,173.7
Christian Democratic or center cabinet portfolio	25.5	32.4	0.0	100.0
Right cabinet portfolio	33.8	37.4	0.0	100.0
Average replacement rate	49.5	13.7	24.7	82.5
Veto points	2.3	2.0	0.0	7.0

Analytical approach

Because data in the dependent variable delimits the passage or non passage of a pension retrenchment in a given year, it allows for an assessment of what determines (a) yearly risks of reform and (b) the amount of time spent until the enactment. While interest in the first question is self-evident, interest in the second is substantively justified since the financial difficulties of the pension systems and the political turmoil associated

with a reform will increase with the lapse of time until its enactment. Given this setup and questions, event history (EH) methods are appropriate estimation techniques. More standard techniques such as linear regression models would discount (right-censored) cases without 'failures' or reform, while logit models would ignore the time until an event. As noted by Petersen (1995: 456-7), EH methods can address simultaneously the two questions by analyzing the "hazard rate," or probability of having an event in a time interval given no event in the previous time interval (see also Blossfeld, Golsch and Rohwer 2007: 33; Yamaguchi 1991).

Of all possible EH types of data, the one analyzed in this chapter are discrete-time and include a binary dependent variable with repeated failures. Prior research on policy diffusion and with similar data (Chen 2001; Usui 1994) discarded using the EH dominant estimation technique of Cox models on two grounds. First, that classic Cox models could not accommodate coterminous events and, second, the inexactitude of time measurement in discrete yearly data. Yet recent computational progresses permit employing Cox models for binary discrete-time variables,[56] as Hicks and Zorn (2005; 2007) did in their study of general welfare spending retrenchment.

I estimate the parameters with Cox models stratified by event rank, robust standard errors and restarted risks at the time of the previous event. The stratification on failure order is based on the assumption that the events are ordered, so that event k is influenced by k_{-1} (Cleves 2000). Realistically, a given reform heavily restricts the range

---

[56] As noted by Box-Steffensmeier and Jones (2004: 55, 70), the Efron modification makes risk sets sensitive to the sequencing of tied events, solving the first problem. Further, adding a variable and a new variable with the time elapsed since the last event provides a measure tantamount to a continuous measure of survival time required by Cox models.

of measures potentially included in the next reform.[57] Further, robust standard errors assume observations to be independent only across but not within units. Finally, the clock is restarted at each event because covariate effects on the event *k* may differ from covariate effects on event k_{-1} (Box-Steffensmeier and Zorn 2002).

4. Results

The presentation of results discusses the determinants of three dependent variables. Special attention is given to the main descriptive variable presented in section 1 that distinguishes countries which conducted any type of retrenching pension reform. Afterwards, two other dichotomous dependent variables are covered: the passage of a retrenching reforms (1) affecting eligibility conditions and (2) affecting the pension calculation formula.

Any form of pension reform

Model 1 in Table 6.3 is the baseline equation for the remainder of the analysis. It provides solid confirmatory evidence to the political economy approach claiming that adverse economic conditions facilitate the enactment of de-decommodifying reforms. Although the degree of GDP growth is inconsequential for the hazard of pension retrenchment, both the public deficit and the degree of social security strain have a significant and positive effect on that hazard. Their effect is also substantive. *Ceteris paribus*, the estimated hazard of reform increases 77.4% for every standard deviation

[57] For instance, an expansion of the reference period to the whole working career eliminates future possibilities to use that dimension to retrench benefits.

increase in the public deficit, while the hazard increases 36.2% for every standard deviation increase in the indicator of social security strain.[58] The hazard respectively multiplies by 58.1 and 74.2 for an increase in the public deficit and social security strain equivalent to the difference between the maximum and minimum values in each variable. Moreover, public deficit proves to having robust effects on the risks of a pension reform, as they maintain their positive and significant coefficients under the alternative specifications of models 2 and 3, while social security strain remains significant in model 2.

The claim that economic internationalization is consequential for welfare politics obtains moderate but robust support. During the whole period between 1980 and 2002, foreign direct investment had no discernible impact on the temporal risk of a reform. But a net exporting position did moderately increase this risk according to the models 1, 2 and 3. Based on model 1, a standard deviation increase in the value of net trade enhances the hazard by 8.3%.

The evidence further runs counter to the generalized claim that the process of European integration and, more concretely, the financial conditions to access the EMU set at the Maastricht Treaty drove the passage of welfare retrenchments between 1992 and 1997. Maastricht signatory remains insignificant in models 1 through 3. And more importantly, in light of the insignificant Maastricht * public deficit interaction on the hazard of pension retrenchment, the signing of the Treaty did not add a premium cost to a given high public deficit by facilitating the passage of reforms. Arguably, the temporal

[58] For the public deficit variable: $100*(e^{(.130*4.4)}-1)$; for social security strain: $100*(e^{(.052*5.9)}-1)$.

simultaneity of the EU Treaty and the wave of pension reforms, along with the plausibility of an exogenous imposition, led many authors to believe that there is a causal connection between them. But this research unduly disregards that the difficulties to meet the Maastricht criteria were partially driven by the bleak economic scenarios, which actually did precipitate the pension reforms.

Table 6.3. Cox conditional hazard models for the passage of pension policy retrenchments in 16 OECD countries, 1980-2002

	1980-2002	1980-2002	1980-2002	1980-1991	1992-2002
	Model 1	Model 2	Model 3	Model 4	Model 5
Net trade	0.018 **	0.013 **	0.014 *	0.048 ***	0.047 ***
	(0.007)	(0.006)	(0.008)	(0.015)	(0.015)
Foreign direct investment	0.052	0.073	0.031	-1.246 *	-0.042
	(0.147)	(0.162)	(0.147)	(0.720)	(0.269)
Maastricht signatory	0.498	0.620	0.935		1.380 *
	(0.417)	(0.415)	(0.887)		(0.579)
Maastricht * Public deficit			-0.056		
			(0.117)		
Elderly dependency ratio	-0.150 **	-0.109	-0.131	-0.102	-0.294 *
	(0.074)	(0.074)	(0.087)	(0.402)	(0.154)
Unionization	-0.012	-0.007	-0.011	-0.115 **	-0.015
	(0.008)	(0.008)	(0.009)	(0.036)	(0.017)
Women in Parliament	0.050 **	0.032 **	0.046 **	0.182	0.102 **
	(0.020)	(0.015)	(0.022)	(0.117)	(0.042)
GDP growth	0.037	0.027	0.053	-0.067	0.196 *
	(0.108)	(0.102)	(0.106)	(0.173)	(0.110)
Public deficit	0.130 ***	0.116 ***	0.180 ***	0.321 ***	0.218 **
	(0.034)	(0.033)	(0.049)	(0.120)	(0.101)
Social Security strain	0.052 **	0.052 **	0.044	0.001	0.173 **
	(0.025)	(0.023)	(0.031)	(0.024)	(0.086)
Projected elderly dep. ratio in 2025	0.036	0.024	0.034	-0.201	0.354 ***
	(0.124)	(0.117)	(0.127)	(0.181)	(0.114)
Left cabinet portfolio	-0.002	0.002	0.002	-0.015	-0.002
	(0.008)	(0.005)	(0.008)	(0.011)	(0.010)
Left * Public deficit			-0.001		
			(0.001)		
Left * Social Security strain			0.000		
			(0.001)		
Christian Democrat cabinet portfolio	-0.010		-0.009	-0.041***	-0.011
	(0.008)		(0.008)	(0.014)	(0.009)
Average pension replacement rate	0.036 **	0.027	0.033 *	0.040	0.038 *
	(0.019)	(0.017)	(0.019)	(0.051)	(0.020)
Veto points	-0.081	-0.071	-0.071	-0.273 *	-0.053
	(0.131)	(0.130)	(0.131)	(0.161)	(0.191)
Failures	52	52	52	19	33
N	352	352	352	176	176

Key: *p<.10; **p<.05; ***p<.01 (based on panel-corrected standard errors)
Note: standard errors in parenthesis

Further, considering the whole period between 1980 and 2002, pressures groups prove having had an inconsistent impact on the hazard of pension reform, while it can be safely said that the party in government had no impact. In relation to the role of pressure groups, the coefficients demonstrate having some association with the dependent variable, but in general they are not strong. First, consistent with the expectation of the new politics theory, the political clout of the elderly measured by the elderly dependency ratio has a negative sign and is statistically significant in model 1. In that case, a standard deviation increase in the elderly dependency ratio dampened the reform hazard by 27.0%. But this finding proves to be unstable as the variable lost its significance in models 2 and 3.

Second, better entrenched unions have not been able to break the hazard of reform as union density rates are not significant under conventional confidence levels. Finally, the prediction of the feminist branch of the power resources that women's power propels general expansions in welfare provision is not confirmed. The sway of women in national legislature indeed covariates *positively* with the dependent variable. Based on model 1, a standard deviation increase in that variable is associated with a 74.6% increase in reform hazard. This finding suggests that women's rising power is driving a redistribution of roles and resources across different welfare programs.

Finally, models 1 through 3 disconfirm the claim of the 'politics matter' school that the ideological standing of the government influences the likelihood of pension reform enactment. According to model 1 neither left governments nor Christian Democratic (CD) ones are significantly more (or less) likely than right governments to

undertake the enterprise of retrenching pension rights. This does not mean that parties do not influence the provisions chosen to be changed (which cannot be addressed with this evidence), yet the result indicates that left or CD governments do not turn out to be less (or more) likely to launch and champion a pension reform project.

To address a possible concern that, since in model 1 the reference category is right governments left governments' effect cannot be differentiated from CD government's effect, model 2 includes only the left cabinet variable. Yet in this case the coefficient remains insignificant too. Further, model 3 allows for an assessment of whether left governments have higher or lower proneness to launch pension reform projects under economic crises than right or CD governments. Results clearly discard this possibility as both left * public deficit and left * social security strain interactions have insignificant coefficients.

In sum, models 1 through 3 attest that since 1980 affluent democracies with paygo and second-tier public pension programs undergo pension retrenchments due, mainly, to adverse financial conditions both in the Treasury at large as well as in the social security programs themselves. To a lesser extent net exporting economies are also more likely to rollback pension rights. But did the same forces drive the hazard of these reforms during the 1980s and the 1990s? Breaking down the full sample in two periods is useful to assess the temporal stability of the aforementioned effects.

Models 4 and 5 respectively show the determinants of the hazard of pension reform during the 1980-1991 and 1992-2002 periods. Setting the divide in 1992 is substantively justified because that year marked the beginning of an acute economic

downturn in Western Europe and the signing of the European Union Treaty. These additional results reveal the temporal stability of the influence of economic conditions and economic internationalization. Most importantly, the public deficit variable is significant in both periods and it reinforces its association with the dependent variable. In the pre-1992 and post-1991 periods a standard deviation increase in public deficit boosted the reform hazard by respectively 311.3% and 161.3%. Further, in both periods a net exporting position also moderately raised the likelihood of a reform. A standard deviation increase in net trade drove the hazard upwards around 23% in both the pre-1992 and post-1991 periods.

But despite these temporal consistencies, models 4 and 5 in Table 6.3 also show noticeable variations from the long 1980s to the long 1990s. Specifically, social security strain demonstrates having been significant in the previous models due to a sizeable effect on the reform hazard from 1992 onwards. For these later 11 years, a standard deviation increase in the value of social security strain multiplies the reform risk 1.76 times.

An equivalent dynamic can be identified for the elderly dependency ratio. In model 1 the variable reaches significant levels because of the strong association of this variable with the dependent variable during the 1990s. According to model 5 the reform risk decreases 46.1% with each standard deviation increase in the elderly dependency ratio. While bound to the wave of reforms since 1992, this finding confirms the expectation of the new politics theory: ceteris paribus in any year since 1992 countries with more aged electorates were less likely to enact pension retrenchments.

Population aging did not however have a simple casual relationship with pension reform. The results of model 5 confirm that, at least between 1992 and 2002, they had multi-casual influence. Insofar as the *current* elderly dependency ratio was high the reform hazard declined, but the reform hazard increased insofar as the *prospective* elderly dependency ratio in 2025 was also high. The projected elderly dependency ratio indeed has a strong effect. A standard deviation increase in this variable enhances the likelihood of reform by 142.3%. This finding provides support for the expectation of an ongoing scientification of pension policies through the incorporation of demographic forecasts.[59]

Finally, the previously noted finding of a lack of partisan effects finds reinforcement when we analyze the dynamics in the two periods, particularly in relation to left governments. Once in power, left parties were not more or less likely to enact these reforms than right parties either in the 1980s or the 1990s. Only CD governments, and only for the first period, presented a lesser propensity to pass pension reforms than right governments. In that case, with each standard deviation increase, CD governments had a 73.1% smaller hazard of reform than right governments.

Reforms affecting either eligibility conditions or pension calculation rules

Section 1 pointed out that the retrenching reforms considered in this chapter differed intensely in their breath and transformative ambition. As a matter of fact, reforms affecting the pension calculation rules predominated over those affecting

[59] In models not shown here but available upon request, the variable elderly dependency ratio in 2025 remains positive and also significant once the current elderly dependency ratio is dropped from the equation. The Pearson correlation between the current and projected dependency ratio is 0.44.

eligibility conditions. Given that, to gain a nuanced understanding on the relationship between socioeconomic and political conditions and pension retrenchments, it is illustrative to assess if the determinants pension reform noted above remain stable for any type or if they are specific to determinate reform types. Table 6.4 provides for a distilling of these potential differential effects by presenting the determinants of reforms affecting eligibility conditions and reforms affecting pension calculation rules.

The results demonstrate the relevance of distinguishing between the two types of reform as several of the effects were specific to either of these types of reform. In analyzing the Cox models for any type of reform macro and microeconomic conditions stood out as critical causes of their enactment (Table 6.3). Through Table 6.4 we find that economic conditions became relevant in previous models (Table 6.3) because of their exclusive impact on pension calculation reforms, and mainly (but not only) due to their importance in the reforms from 1992 onwards. For the overall period, a standard deviation increase in the public deficit multiplied the reform hazard by 2.05 (model 3), while for the latter 1992-2002 period the same increase in the public deficit boosted the reform hazard by as much as 33.0 times. Further, the degree of social security strain is only significantly related to the risk of reform in regard to the 1992-2002 period and for pension calculation rules. For this period, a standard deviation increase in this variable multiplied the risk by 11.4 times.

Table 6.4. Cox conditional hazard models for the passage of pension policy retrenchments in 16 OECD countries, 1980-2002

	Eligibility conditions		Pension calculation rules	
	1980-2002	1992-2002	1980-2002	1992-2002
	Model 1	Model 2	Model 3	Model 4
Net trade	0.015 *	0.077 **	0.037 ***	0.218 ***
	(0.009)	(0.032)	(0.009)	(0.079)
Foreign direct investment	-0.157	-0.837 **	0.035	-0.097
	(0.140)	(0.419)	(0.108)	(0.141)
Maastricht signatory	0.998	1.973 **	0.384	-2.736 **
	(0.957)	(0.849)	(0.420)	(1.180)
Elderly dependency ratio	-0.271	-0.676 ***	-0.019	0.194
	(0.169)	(0.210)	(0.177)	(0.352)
Unionization	-0.007	0.026	-0.021 **	0.094 ***
	(0.023)	(0.022)	(0.008)	(0.022)
Women in Parliament	-0.004	-0.041	0.067 ***	0.037
	(0.029)	(0.042)	(0.013)	(0.052)
GDP growth	0.072	0.266 ***	-0.013	0.189
	(0.121)	(0.101)	(0.094)	(0.115)
Public deficit	0.075	0.077	0.164 ***	0.794 ***
	(0.060)	(0.183)	(0.048)	(0.272)
Social Security strain	0.005	0.043	0.060	0.450 **
	(0.020)	(0.030)	(0.040)	(0.175)
Projected elderly dependency ratio in 2025	0.153	0.769 **	0.072	0.425 ***
	(0.164)	(0.339)	(0.139)	(0.151)
Left cabinet portfolio	-0.001	-0.013	-0.010	-0.012
	(0.006)	(0.016)	(0.012)	(0.014)
Christian Democratic or center cabinet portfolio	0.001	-0.028	-0.026 ***	-0.045 ***
	(0.011)	(0.017)	(0.008)	(0.015)
Average pension replacement rate	0.016	0.044 *	0.064 ***	0.336 ***
	(0.019)	(0.024)	(0.022)	(0.086)
Veto points	-0.063	0.109	-0.046	0.244
	(0.196)	(0.175)	(0.114)	(0.245)
Failures	25	18	43	26
N	352	176	352	176

Key: *p<.10; **p<.05; ***p<.01 (based on panel-corrected standard errors)
Note: standard errors in parenthesis.

In regard to the models for any type of reform, I noted before that a net exporting position enhanced the chances of a pension reform. Models 1 though 4 in Table 6.4 show that this indicator of economic internationalization covariates positively both with

pension eligibility reforms as well as pension calculation reforms, and mostly between 1992 and 2002. In this latter period the respective hazards raised, respectively, 40.5% and 160.4% with each standard deviation increase in net trade. This finding provides support to the dominant interpretation that economic internationalization downgrades welfare generosity.

Turning to pressure groups, Table 6.4 shows that unionization had a contradictory effect. Union density only affects pension calculation reforms and in opposite directions for the pre-1992 and post-1991 periods. Instead women's power was significantly and still positively related to pension calculation reforms only and exclusively for the full sample period. Further, the previously noted unstable positive effect found for the elderly dependency ratio on the hazard of any reform type now proves to be constrained to pension eligibility reforms between 1992 and 2002. In this period this concrete reform hazard decreased by 75.8% for each standard deviation in the elderly dependency ratio.

It was suggested before that the role of population aging in pension reform has been undertheorized by the literature as sometimes it is considered as a cause and sometimes a hindrance for the restrictive reforms of the 1990s. The results of Table 6.4 are consistent with the view that population aging actually had multi-causal stimulating and hindering effects. While the current political clout of the elderly (measured by the elderly dependency ratio) had a limited but negative effect, the prospective demographic transformation had a positive effect. If the projected elderly dependency ratio enhanced the chances of any type of pension reform since 1992 (model 6, Table 6.3) it is because it affected both the chances of a pension eligibility reform and a pension calculation reform.

Between 1992 and 2002 their respective hazards multiplied respectively by 6.8 and 2.9 with each standard deviation change in the projected dependency.

Finally, the central expectation of the politics matter approach that while in government left and right parties differ in their proneness to undertake pension reforms, which was disconfirmed in the case of any type of reform (Table 6.3), still finds no support when distinguishing between reform type (Table 6.4). CD governments prove to having a lesser hazard of pension calculation reform than rightwing governments (models 3 and 4). However neither for pension calculation reforms nor for pension eligibility reforms during the whole period or post-1991 period is the left cabinet portfolio variable significant.

5. Discussion

This chapter has examined the causes of pension policy retrenchments in 16 affluent democracies between 1980 and 2002. It responds to our limited knowledge regarding the forces effectively shaping retirement income programs. Whereas since the early 1990s the main controversies in welfare state research have referred to the extent and causes of pension rollbacks, available research has provided limited and inadequate answers to both dimensions. Due to the use of narrow (generally only implicit) conceptualizations of retrenchments and overreliance on aggregate expenditure data, available research has failed to address the multidimensionality of retrenchment patterns among these countries. As a result, studies tend to understate the extent of changes and provide flawed explanations for the reforms.

In contrast to previous research, this chapter covers the process of retrenchment by decoupling the quantification and causal questions, and focusing on the latter. First, through a systematic review of 146 studies on pension policy, I identified 53 pension reforms that in the short or long term triggered a reduction in the public pension entitlements for a majority of citizens affected by the reform. Second, I conducted a failure-time analysis of these 53 legislative events. By relaxing the demands on the dependent variable, operationalizing retrenchments dichotomously instead of continuously avoids likely measurement errors resulting from quantifications of retrenchments (associated with projections). This strategy moreover reduces the need for primary data and allows for an examination of the determinants of this type of pension reforms.

Descriptive statistics of the retrenchment patterns reveal that although the heyday of this type of reforms occurred between 1992 and 1997, their number has been on the rise since 1980. All countries conducted at least one of these reforms and some countries even five or more. It is thus safe to assert that public pension systems in affluent democracies have stabilized into a post-expansionary era.

The chapter's main finding is that pension retrenchments were driven by adverse domestic economic scenarios. Specifically conjunctural public deficits increased the most the likelihood of a reform event. The effect was stable for the whole period and since 1992, as well as under different model specifications. To a lesser extent, financial difficulties in the social security systems proper (measured by the gap in annual growth rates of social security contributions and pension spending) also boosted the propensity to

pass a pension retrenchment, particularly since 1992 and for reforms affecting the pension calculation formula. Besides confirming the expectations of the political economic literature, the results were supportive too of the "competitive view" on the effect of economic globalization. Having a net exporting economy and thus a higher vulnerability of economic growth rates to international price competitiveness reduced the estimated time until the next pension retrenchment.

In contrast the European political integration process proved unrelated to reforms in pension systems. Despite the widely held claim that the 1992 European Union Treaty set binding and stringent macroeconomic criteria that forced countries to cut social spending, no consistent impact of being a signatory of this Treaty was found. Further, as indicated by the insignificant interaction between signatory and public deficit, signing the Treaty did not add a premium to high public deficits forcing governments to launch pension reforms.

The power of key domestic political actors did not demonstrate either as great a determinant as expected by dominant theories of welfare state development. Against the power resources theory, unions' political leverage did not consistently hinder the chances of pension retrenchment. Further, the new politics theory expectation that the power of the elderly reduced the likelihood of retrenchments found support for reforms from 1992 onwards as well as those affecting eligibility conditions. Only the power of women reveals having a positive, significant and stable effect in the hazard of pension reform, but in the opposite direction than expected. As women's representation in Parliament grew, so did the likelihood of a pension retrenchment.

Finally, expectations that domestic partisan politics reflecting class conflicts determines the contemporary evolution of pension programs find practically no support in this analysis. Contrary to the power resources model, left governments were not less or more likely to undertake these reforms than right governments. Left governments did not either react differently than right governments to adverse economic conditions in the Treasury or social security programs.

In all, the findings suggest that pension politics may have entered into a distinct era from the golden age era of welfare expansion. In this new era interest-groups pressures remain influential in the evolution of these programs, because as predicted by the new politics theory, pensioners' political leverage lowers the propensity of restrictive reforms. However the elderly's effect is insufficiently strong and stable to sustain the overall view that changes in pension structures keep fundamentally related to struggles between groups with uneven levels of power. Instead of identifying this new eras as the one of 'new pension politics', we should identify it as the 'new pension political economy,' in which economic circumstances stand out as the forces explaining the change of public pension programs. In this new pension political economy, restrictive pension reforms get ahead in the governmental decision agenda when public finances do not match the orthodox economic principle of balanced budgets.

This overall conclusion has obvious implications for the current global economic downturn. If the past is to repeat itself and public deficits continue in current levels for the next years, we should observe soon a new wave of pension retrenchments.

Given these conclusions, future research could follow three lines of work. First, comparative welfare reform would benefit from additional studies presenting innovative indicators of the types of reforms and their individual-level consequences. For instance, this chapter has left unexplored the specific patterns of reform of pension indexation provisions, which have been central instruments in attempt to achieve savings and cannot be analyzed on the basis of aggregate expenditure data. Second, mounting research on the role of women's power for welfare generosity has addressed its impact on the overall evolution of welfare systems or particular programs, but not on the evolving relative weight of programs within the welfare system. Since women's power prove strongly and positively related to the hazard of pension reform, women movements may be achieving a restructuration of welfare systems consisting of a transfer of resources from (what Esping-Andersen and Sarasa (2002) identify as) programs producing short-term collective benefits (e.g. retirement income) to those involving long-term social investments (e.g. maternity benefits, active employment). Third, qualitative research could shed much light on how economic crises affect reform debates in determinate policy domains. Do they temporarily deactivate reform opponents' mobilization as these actors become persuaded by the argument that losses in some sectors serve to reactivate the economy and maintain overall employment and welfare provision patterns? Or do they make Prime Ministers turn to solutions from generally orthodox finance ministers and disregard opposition to the reforms?

Chapter 7

Age and Class Attitudinal Cleavages in their Contexts: Preferences regarding Old-Age Pension Programs in 21 OECD countries, 2006

In a quest to achieve cross-national generalizability, since the early 1970s the theories of welfare state development have been primarily tested from a macro-sociological approach. Specifically, scholars have assessed empirically the power resources and new politics theory by examining how the clout of, respectively, organized labor and the network of beneficiaries impacts welfare program's generosity. Since the results for these theories tend to be confirmatory (e.g. Allan and Scruggs 2004; Brady, Beckfield and Seeleib-Kaiser 2005), they have been propelled to a dominant position in the debate. However, since their formulation, the micro-foundational assumptions of individual-level preferences of these two theories have received little attention (Korpi and Palme 1998; Linos and West 2003). The literatures regarding, on the one hand, the power resources and new politics theories and, on the other, individual policy preferences have not yet been systematically wedded. This is problematic because if their micro-foundational assumptions are not warranted, the results of the macro-social research would be spurious. An objective of this chapter is to fill this gap with a systematic assessment of the micro-foundations of the power resources and new politics theories.

Despite the fact that the policy preferences literature generally discounts formal theories of welfare state development, previous studies have considered the role of two dimensions underlined by the power resources and new politics theories: class and age. Indeed in recent years age groups differences in attitudes towards state welfare policies have been examined as part of the larger debate on the intergenerational equity of programs forming of welfare states. In this debate one group of scholars have claimed that in light of the rising costs associated with population aging, the primacy of old-age

pension programs in overall public spending and the declining productivity growth rates, affluent democracies could face a generational conflict in terms of the distribution of public resources (Bengston 1993; Preston 1984). Another more numerous group, by contrast, has dismissed the existence of an objective or perceived conflict in sometimes ignited pieces against the "myth of the generational conflict" (Arber and Attias-Donfut 2000) or the "prediction of a generational war" (Lindh, Malmerg and Palme 2005). Supporting the research strand denying the existence of a age group conflict, American students of political attitudes have reveled a lack of age-group (or generational) differences in the demand for more spending in old age programs (Hamil-Luker 2001; Ponza *et al.* 1988; Rhodebeck 1993). However in this respect the United States is likely to constitute a exception, because studies covering European countries have actually identified age-group differences in old age pension policy preferences, as the elderly are significantly more likely defendants of the status quo and of larger pension effort (Blekesaune and Quadagno 2003; Boeri, Börsch-Supan, Tabellini et al. 2001; Hicks 2001). Considering that the United States has led the debate on intergenerational equity (Walker 1993: 142), this divergence in the age cleavage between the United States and Continental countries is puzzling.

Combining these micro-foundational and cross national concerns, this chapter answers three questions. First, are the foundational assumptions of the power resources and new politics theories, which respectively point to the working class and the elderly as the main advocates of pension programs, correct? Second, if there is a recognizable class and age cleavage, do we observe cross-national variations among these cleavages? Third,

how can we account for the potentially distinct lack of age-group cleavages in the United States and, more generally, cross-national variations in these cleavages? None of these three questions has been adequately addressed by the literature. In relation to the first question, the research addressing pension policy attitudes is limited in its comparative and theoretical scope. In regard to the second and third questions, until now studies examining cross-national variations in welfare attitudinal cleavages have only addressed Esping-Andersen's (1990: 226-229) prediction that the three welfare regimes generate distinct political divides. As a result, in Korpi and Palme's words, "the empirical testing of the macro-micro links among institutions and the formation of interests and coalitions provides a major challenge to social scientists," (1998: 682) which arguably remains unexplored.

To answer these questions the chapter relies on the International Social Survey Program's (ISSP) 2006 Role of Government module, and covers the pension policy preferences in 21 affluent democracies. More concretely, examined here are the determinants of support for, respectively, more and less "government spending in the area of … old-age pensions."

The results provide solid confirmatory evidence for the micro-foundations of the power resources and new politics theories. On average, working class members and seniors are significantly and substantially more likely than the rest of the population to endorse an expansion of old age pension expenditure and to oppose cuts in this expenditure. Further, contrary to the prediction of the new politics theory that seniors have not substituted the working class as the champions of these programs, the study

reports that being a senior does not have a larger impact on preferences than being a working class member.

The chapter also demonstrates that cross-national variations in the attitudinal cleavages set by working class and being or not a senior are not random, but related to national level characteristics. Countries with larger union density rates, where working class consciousness runs deeper, present acuter cleavages associated with being a working class member. Moreover, we can observe smaller gaps in the pension policy preferences across age groups in two types of countries; first, in countries where the elderly suffer higher poverty rates than other age groups. The reason for this is that in those cases that the working age population backs up more pension spending as a means to undermine the poverty differential. Second, in countries where workers shoulder a larger tax wedge, the gap between age groups in pension preferences also increases. The reason for this is that in those cases workers withdraw from supporting pension spending increases which would boost their already high (and comparatively higher than seniors') tax wedge. We can infer from these findings that the United States lacks an age divide in pension preferences because the lower tax wedge for workers and the inter-cohort higher poverty rates suffered by American seniors makes supporting pension spending hikes more palatable for working age individuals.

The chapter is structured as follows. Section 1 discusses the progresses and limitations of the cross-national research on welfare policy preferences. Section 2 briefly offers and overview the power resources and new politics theories. Section 3 describes the dataset, variables and analytical strategy of the individual level analysis. Section 4

presents the empirical results of the individual level analysis. Section 5 discusses explanations for the cross-national variations in the class and age cleavages. Section 6 describes the variables and analytical strategy for the hierarchical regression analysis. Section 7 presents the results of this multilevel analysis. Finally, section 8 summarizes the main findings and suggests directions for future research.

1. Previous research on welfare policy preferences

In parallel to the wealth of scholarship about the organization-based politics of welfare reform in affluent democracies, since 1980 a brief line of work has considered the individual-level preferences concerning these policies (Svallfors 2007). As this section shows, this research has shed light on the cross-national variations in overall support to these policies, as well as the social groups most likely to endorse them. However, the literature is limited by (a) the sparseness of studies on concrete policy arenas, most fundamentally old-age pensions, and (b) its general disregard of general theories of welfare policy development.

1.1. Cross-national attitudes and the welfare state

From the earliest comparative contributions of Coughlin (1980) and Taylor-Gooby (1985), most studies on individual social policy preferences have addressed attitudes to the welfare state in general and not to specific programs. One of the three main objectives of this line of work concerning general welfare policy preferences has involved describing cross-national differences in the average support for state

intervention in welfare provision. The conclusion in this regard has been that support for redistributive policies varies internationally being at its highest in Scandinavian countries, and with Anglo-Saxon countries, particularly the United States having the least degree of support for redistributive programs (Andersen, Pettersen, Svallfors et al. 1995; Brooks and Manza 2006, 2007; Evans 1996; Larsen 2006, 2008).

The other two projects of this line of work have derived from Esping-Andersen's seminal work (1990; 1996; 1999), where he argued that the political struggles associated with the institutionalization of social rights have crystallized into three clusters of countries with distinct goals and types of welfare programs: a Scandinavian regime oriented both towards redistribution and social insurance, a Continental regime mainly aimed at social insurance, and an Anglo-Saxon regime defined by its poverty-prevention orientation. To Esping-Andersen these institutional constructs should have consequences for the cleavages in the political economy of these countries. In Scandinavia the conflict is likely to structure around gender as men, dominant in the private sector, ought to consent wage moderation to fund the female-dominated public sector. In Continental countries, the active/non active, or insider/outsider, divide concentrates the conflict, since the burden of sustaining outsiders lay on the shoulders of a shrinking labor force. In liberal countries instead class positions absorb the conflict because the means-tested orientation of the programs tends to generate stigmatization and rejection among the middle classes (1990: 226-229).

The first debate triggered by Esping-Andersen's contribution has revolved around how the welfare regimes typology explains differences in the average national support to

welfare redistributiveness. Despite the fact of the number of studies, the results of this discussion remain inconclusive with one group of studies finding support for an impact of welfare state structures (Andress and Heien 2001; Jaeger 2006; Larsen 2006; 2008), and another group of studies disconfirming it (Gelissen 2000; 2002; Mehrtens 2004; Svallfors 2003). The second empirical debate has addressed variations in attitudinal cleavages between welfare regimes, and the weight of the evidence has inclined towards supporting Esping-Andersen's expectations. Although earlier work found cleavages to be homogeneous across countries (Evans 1996; Svallfors 1997), later studies indicate that class effects are stronger in liberal countries (Bean and Papadakos 1998: 224; Kluegel and Miyano 1995: 101; Linos and West 2003: 399; Papadakis and Bean 1993: 241) and the employed/unemployed divide is larger in Germany (Linos and West 2003: 399).

This comparative research however still suffers from two limitations. First, it has given sparse attention to the attitudes regarding concrete welfare programs. In the 1970s social scientists launched the line of research on the welfare state under the assumption that welfare policies pertain to a coherent group of programs aimed at reducing social risks. Applying this view, comparative attitudinal research has considered the compound of welfare programs as its adequate unit of analysis. However as Taylor-Gooby observes, "while scholars may think in terms of an abstract welfare state, most people have separate and possibly inconsistent views on different services and benefits" (2001: 138; see also Pierson (2001a) and Castles (2007)). For this reason, an analysis of policy-specific attitudes provides a critical venue to asses the cohesiveness in attitudinal responses to welfare programs.

Yet the main limitation of policy preferences research consists of its general disconnection from the vibrant theoretical debate on the contemporary development of welfare programs.[60] Comparative attitudinal research tends to disregard the new politics theory's (Pierson 1994; 1996; 1997) claim of the role of each mass of beneficiaries on the politics of each program, in favor of a less nuanced consideration of the interests of "transfer classes" (Alber 1984). Moreover, when the power resources theory or Korpi's (1983) work is referenced, its causal model is improperly tested. Despite this theory sustains that the influence of structural locations in policy preferences occurs necessarily through the intermediate factor of ideological standings, the research customarily recognizes and tests a possible autonomous impact of ideologies. As a result, "theories about the development and prospects of the welfare state often rest on (…) frequently untested assumptions about public opinion." (Linos and West 2003: 393)

1.2. Cross-national attitudes and pension policy

Although "little is known about how the public view arrangements for retirement" (Gelissen 2001: 496; also Hayes and Vandenheuvel 1994), the limited literature on pension policy preferences offers relevant conclusions. It shows that citizens in affluent democracies overwhelmingly approve governmental intervention in retirement insurance. Large majorities in all industrialized countries agree with the basic principles of the public pension programs including the pay-as-you-go financing mechanism, its redistributive orientation, the state's predominance in managing pension funds and the

---

[60] For an exception, Hasenfeld and Rafferty (1989).

claim that pensions should provide a “decent standard of living” (Hicks 2001; Janky and Gál 2007; Kohl 2003; Walker 1999). Indeed, old age and health care programs receive stronger popular support than targeted programs such as unemployment or social assistance schemes (Taylor-Gooby 2001: 139). Consistent with this overwhelming support to public retirement income, Europeans and Americans alike oppose restrictive pension reforms. “Only a minority support the idea of a higher retirement age” (Janky and Gál 2007: 6), and only a minority endorse reducing benefits even to compensate the impact of population aging (European Commission 2004: 72).

Moreover, a few studies have assessed the existence of variations among socioeconomic groups in their pension policy preferences. In respect to class differences, results have been consistent. The lower classes in several European countries tend to be more supportive of generous public pension systems (Andersen, Pettersen, et at. 1995: 257-261; Pettersen 1995: 216-220; Svallfors 2008: 388), while they resist significantly more the possibility of having pensions based on private contracts (Gelissen 2001: 511; 2002).

Alongside class, age also conditions preferences, although the research reveals a startling contrast between the United States and other affluent democracies. Since the late 1980s, study after study has shown that in the United States age does not structure policy preferences in the old age arena (Cook and Barrett 1992: 154; Hamil-Luker 2001: 396; Ponza, Duncan, Concoran and Groskind 1988: 462; Quadagno 1989; Rhodebeck 1993: 361; Silverstein, Parrott, Angelelli and Cook 2000: 278; Street and Cossman 2006: 83; see also Button and Rosenbaum 1990). In America “older people are nearly

indistinguishable from younger adults on most issues – including aging policy issues." (Day 1990: 47)[61] Despite this evidence having led many observers to reject *in toto* the age-structuration of policy preferences, it does not suffice to dismiss this possibility. Indeed the scholarship on several European countries indicates that support for expanding old age pension expenditure and for providing "a decent standard of living for the old" increases with age (Armingeon 2006: 111; Blekesaune and Quadagno 2003: 421; Busemeyer, Goerres and Weschle 2009; Hicks 2001: 19; Pettersen 1995: 220; Taylor-Gooby 2001: 141). Further in Continental Europe seniors oppose significantly more to paradigmatic and parametric reforms (Boeri, Börsch-Supan and Tabellini 2002: 399) as well as pension provision through private means (Gelissen 2001: 511; 2002). Consequently, the United States may well constitute an exception in relation to the structuring effect of age. In spite of this striking difference, previous studies have not either tried to answer the cause for this form of American exceptionalism, nor have they more generally examined the causes for international variations in the national divides marked by class and age in the support to public pension policies. The rest of the chapter determines these causes. But before that it is necessary to examine comparatively who the main advocates of the pension policy status quo are.

[61] For an exception, Yang and Barrett (2006: 103), who show that in the United States older citizens are more supportive of the basic structure of Social Security.

2. Which groups champion public insurance against the economic risk of aging?

In the last 15 years the core theoretical debate in comparative welfare state research (Brooks and Manza 2007:13-27) and pension politics research (Immergut and Anderson 2007) has involved the power resources and new politics theories. Both theories have a rational-action foundation and, respectively, identify the working class and the mass of beneficiaries, as successful advocates of these policies. The principles and assumptions of these theories are covered below.

2.1.1. Power Resources Theory

The power resources theory upholds a group-mobilization approach by which the success of the working class and organized labor in controlling the democratic state accounts for the variable development in welfare programs development. Theorized in parallel by Korpi (1978; 1983) and Stephens (1980), these authors claim that in free market societies the working class attains a dominated position because of its position in the relations of production. However due to the universalization of political rights, this class obtains an avenue for the rightful undermining of economically-derived inequalities. In capitalist democracies, the working class can mobilize its "power resources" of labor parties and trade unions to counteract the resource of capital attained by the dominant classes. Hence when organized labor has become as effective as to achieve control of the state, it was able to utilize this political dominance to establish generous public insurance programs (e.g. old age pensions) that improve workers' life chances independently from the market.

Empirical research undertaken following the power resources model has focused on the impact of the power of workers' parties and unions (Huber and Stephens 2001; Korpi 1983; Palme 1990), leaving aside the fact that the organizations' relevance derives only from their capacity to represent the particularistic interests of the working class. As a result, this line of work has left untested the assumption that working class members (onwards WCM) recognize the expansion of welfare effort in terms of their self-interest. Finally, although the theory was primarily developed to account for the large expansion of welfare programs, major proponents such as Esping-Andersen (1990) and followers like Scarbrough (2000) expect it to remain valid to explain cutbacks in entitlements.

H1: Working class members are more likely to support larger public pension effort

H2: Working class members are more likely to oppose cuts in public pension effort

2.1.2. New Politics Theory

As an alternative to the power resources model, and in the face of the persistence of welfare efforts levels despite the generalized decline of the labor movement during the 1980s, P. Pierson (1994; 1996; 1997) formulated the new politics theory in the mid-1990s. Pierson's central proposition is that mature welfare schemes have created a mass of beneficiaries, who are concerned with their benefits generosity and have substituted the working class as the central advocates of these policies (Pierson 1994: 29). According to the model, once the institution of welfare schemes has been universalized at the national level, it profoundly affects the chances of potential future developments in these policy areas. First, the welfare schemes forge a collective identity among beneficiaries.

Second, they provide resources for participation in political activity. And finally they create incentives to defend their positions through sustained or punctuated political engagement. As a consequence, this interclass network of pensioners has more concentrated and particularistic objectives in these programs than the working class, and so they become the most intractable advocates of welfare policies.

H3: Old-age pension beneficiaries are more likely to support larger public pension effort

H4: Old-age pension beneficiaries are more likely to oppose larger public pension effort

Moreover, since groups in general react more swiftly to a worsening than an improvement in the resources they receive, according to Pierson welfare beneficiaries respond also more swiftly to potential cutbacks that would bring them concentrated and visible losses. In the face of those attempts, beneficiaries ought to present a fierce opposition.

H5: Old-age pension beneficiaries' opposition to more cuts in public pension effort is stronger than their endorsement of larger pension effort

3. Data and analytical strategy for the individual-level multivariate analysis

Data

The aforementioned hypotheses are tested in a cross-sectional dataset including 21 affluent democracies: Australia, Canada, Belgium, Denmark, Finland, France, Germany, Hungary, Ireland, Japan, South Korea, Netherlands, New Zealand, Norway, Poland, Portugal, Spain, Sweden, Switzerland, United Kingdom and United States. To date only two sources allow cross-national analyses of attitudes towards pension policy in

a large sample of countries. One is the Eurobarometers (e.g. European Commission 2004; 2007) and the other is the International Social Survey Program's (ISSP) (e.g. 2008) module "Role of Government". Of the two, the ISSP survey of 2006 has been chosen as the primary data for this chapter because it is the only one that allows a comparison of attitudinal cleavages in the European countries and the United States. The item chosen for this chapter to assess pension preferences reads "listed below are various areas of government spending. Please show if you would like to see more or less government spending in each area. Remember that if you say "much more", it may require a tax increase to pay for it …Old age pensions." And provides five answers: (1) "spend much more", (2) "spend more", (3) "spend the same as now", (4) "spend less" and (5) "spend much less".

Responses to this question are meaningful because they capture the three main alternatives in the contemporary debate on the future of pension policy. One is preserving the regulatory status quo, which should boost expenditure levels due to population aging; the second is passing moderate reforms to stabilize future expenditure; and the third is to retrench coverage and benefits to reduce pension expenditure. To provide consistent results with previous research on the United States (Hamil-Luker 2001) and allow contrasting attitudes towards expanding and reducing spending, the five ordinal answers have been collapsed into three options: those demanding more (1 and 2), the same (3), and less pension spending (4 and 5). This produces two dichotomous dependent variables which, respectively, differentiates those demanding more and less spending from the rest.

After presenting the two dependent variables, we may turn to the individual-level independent variables. Erikson and Goldthorpe's stratification schema provides the basis to classify respondents' social classes (Erikson and Goldthorpe 1992). An advantage of this typology is that in the last 15 years it has become the standard for comparative stratification analysis. In its original formulation it distinguishes between the upper and lower service (classes I and II), routine non-manual workers and routine non-manual employees (IIIa and IIIb), self-employees with or without employees (IVa and IVb), lower grade technicians (V), skilled and unskilled manual workers (VI and VIIa) and farm labours (VIIb). Following recent work of Erikson and Goldthorpe (2002: 33), I identify the Working class as encompassing the occupational classes IIIb, VI, VIIa and VIIb. Ganzeboom (2008) supplied the syntax to implement Erikson and Goldthorpe's schema.

Moreover, as a proxy of being an old age pension beneficiary I use the variable Age 65+, for that age is above the minimum pensionable age and the average retirement age in most OECD countries (Scherer 2002: 45-47). An absence of questions on individual income sources in the ISSP 2006 prevents the construction of a direct measure of being a pension beneficiary.

Beyond the variables addressing the power resources and new politics theories, the statistical models include three controls. Two of them respond to the normative approach, commonly considered in attitudinal research. If position-takings derive from personal life experiences, and these are not fully determined by structural locations, there should also be room for an ideational and normative base of policy preferences.

Individuals with Egalitarian beliefs consider that society has a collective responsibility vis-à-vis its members (Kluegel and Mateju 1995; McClosky and Zaller 1984). Hence if they agree with the claim that "it is the government responsibility to reduce income differences between the rich and the poor," they should have more chances of supporting generous pension programs. Moreover, under a Rightist ideology welfare programs are economically inefficient, ineffective to eliminate deprivation and despotic arrangements (C. Pierson 1991: 48, cited by Gelissen 2000: 285). Hence those identified with parties in the right or far right ought to oppose to generous public pensions. The third variable of control is being a Female, which was found relevant in prior research on welfare (Iversen 2005) and pension policy attitudes (Gelissen 2001: 510). Descriptive statistics for all level 1 and level 2 variables (described below) are available in Appendix 2 Table A.2.1.

Analytical strategy

Finally two notes regarding the analytical procedure bear mentioning. First, the hypotheses displayed in section 2 are tested with logit models. This is consistent with previous research on pension spending preferences in the United States (Hamil-Luker 2001). By contrast to an ordered logit model, using standard logit models allows the determinants of supporting more and less pension spending to be differentiated and compared without requiring the often violated parallel lines assumption (Liao 1994: 41). Second, following Cusack, Iversen and Rehm (2006) and Scheve and Stasagave (2006), models with the full sample include country fixed effects. Including country fixed

effects, we ensure that respondents' preferences for more or less expenditure do not respond to preexisting expenditure levels.

4. Results of the individual-level multivariate analysis

Demand for increasing pension spending

This section reports the individual level determinants of supporting increases and retrenchments in old age pension effort. Tables 7.1 and 7.2 present the models testing H1 through H5. Focusing firstly on the demand for more pension spending, and considering the 21 countries altogether, working class members (onwards WCM) and citizens 65 or older (onwards, seniors) are significantly more likely than the rest of the population to support more pension effort. Moreover, the effects of the two variables are substantive. Model 3 reveals that a non-working class non-senior has a probability of supporting larger pension effort of 0.460. By contrast, the predicted probability of non-senior WCM (0.593) is 29.1% higher, and of non-WCM seniors (0.577) is 25.5% higher. These results provide strongly supportive evidence for the micro-foundational assumptions of the power resources and new politics theory. Members of the working class and seniors tend to endorse more state intervention in old age insurance than, respectively, other social classes and age groups. Thus, H1 and H3 are confirmed.

Table 7.1. Determinants of preferences for more old age pension expenditure in 21 OECD countries (logit regressions), 2006

	More old-age pension expenditure			
	Model 1	Model 2	Model 3	Model 4
Service class				-0.311 *** (0.054)
Self employed with employees				-0.329 *** (0.070)
Self employed, no employees				-0.139 * (0.070)
Manual supervisor				-0.239 *** (0.275)
Working class	0.550*** (0.034)		0.540 *** (0.034)	0.317 *** (0.054)
Age 18-34				-0.271 *** (0.046)
Age 50-64				0.469 *** (0.044)
Age 65		0.490 *** (0.046)	0.471 *** (0.046)	0.597 *** (0.052)
Egalitarian				0.308 *** (0.053)
Right				-0.146 *** (0.037)
Female				0.241 *** (0.035)
Constant	-0.066 (0.048)	0.063 (0.047)	-0.162 ** (0.050)	-0.357 *** (0.090)
N	17,339	17,339	17,339	17,339
R^2	0.088	0.081	0.089	0.111

Note: The reference category for Models 4 and 8 is a male between 35 and 50 years old with a routine-non manual occupation.
*p < .05; **p < .01; ***p < .001 (two-tailed tests)

Table 7.2. Determinants of preferences for less old age pension expenditure in 21 OECD countries (logit regressions), 2006

	Less old-age pension expenditure			
	Model 1	Model 2	Model 3	Model 4
Service class				0.258 *
				(0.131)
Self employed with employees				0.255
				(0.155)
Self employed, no employees				0.302
				(0.159)
Manual supervisor				-1.600
				(1.094)
Working class	-0.426 ***		-0.408***	-0.265 *
	(0.086)		(0.086)	(0.135)
Age 18-34				0.419 ***
				(0.097)
Age 50-64				-0.617 ***
				(0.115)
Age 65		-0.962 ***	-0.945***	-1.054 ***
		(0.150)	(0.150)	(0.160)
Egalitarian				-0.487 ***
				(0.110)
Right				0.509 ***
				(0.086)
Female				-0.603 ***
				(0.087)
Constant	-3.439 ***	-3.454***	-3.299***	-3.016 ***
	(0.145)	(0.143)	(0.146)	(0.223)
N	17,004	17,004	17,004	17,004
R^2	0.049	0.054	0.057	0.098

Note: The reference category for Models 4 and 8 is a male between 35 and 50 years old with a routine-non manual occupation.
*p < .05; **p < .01; ***p < .001 (two-tailed tests)

The critical assumptions of the power resources and new politics theories that WCM and seniors have familiarity with their selective incentives in the expansion of pension effort are warranted. Yet, which of the two groups tends to be more supportive for increased pension effort? To answer this question we may compare the coefficients in model 3 of Tables 7.1 and 7.2. In that model the coefficient for working class is larger than the one for age 65 or more, but according to the Wald chi-square statistic the difference among them is not statistically significant. Therefore, we cannot confidently conclude that the positive effect of being a WCM surpasses the also positive effect of being a senior, and H4 is disconfirmed. This finding contradicts the key expectation of the new politics theory that (at least in the old age pension arena) welfare beneficiaries have substituted the working class as champions of social rights (H4).

Model 4, which includes the main independent variables with all the controls, provides supportive evidence for the normative approach to attitudinal pension preferences. Having an economic egalitarian disposition and not endorsing rightwing parties enhances the demand for pension effort. Further, females prove more likely to back spending increases in this area. But more importantly, in this full model working class membership and seniority remain positive and statistically significant, suggesting that their imprint does not only occur through the normative standings these structural positions generate. Indeed, in this case the coefficient for old age actually increases, due to the fact that on average seniors tend to be more rightist than the average.

Model 4 also permits a comparison of the effects of being a working class member or age 65 or older in relation to several other classes and age-groups. It shows

that there is a roughly linear relationship between age and support for pension effort expansions. Ceteris paribus, on average, seniors of these 21 countries have a 65.7% higher probability of backing this policy option than the youth. Thus, in contrast to an assumed uniformity of pension policy preferences across age groups (Pierson 1997), citizens hold preferences consistent with their interests in their particular life stage. Moreover, the effect of the working class remains robust after controlling for four other social classes. WCM are significantly more likely to endorse pension spending increases than the service class, the self employed with and without employees, manual supervisors and non-manual workers. The probability that a WCM endorses this policy option is 46.3% larger than the probability of an employer.

Demand for decreasing pension spending

So far this section has examined the support base for enlarged pension effort, but is this support base an inverse image of the support base for cuts in pension spending? Models 1 through 4 in Table 7.2 answer this question by presenting the determinants of support for lesser pension spending. In all, the evidence reflects some inverse similarities but, in line with the thesis of the distinctiveness of pension retrenchment politics, it also shows important differences. In Model 3 of Table 7.1, the working class and seniors prove more likely to oppose cuts in pension expenditure than the rest of the population. Further, the two variables also hold substantive significance. The probability of endorsing this measure among WCM (p=0.024) is 32.7% smaller than the probability among members of other classes (p=0.036). Further, seniors turn out to be by far the most

unsympathetic with the possibility of cuts in pension effort. In their case, the probability of endorsing this measure (p=0.017) is as much as 52.9% smaller than among younger age group. These findings are congruent with the expectations of the power resources theory and the new politics theory, and confirm H2 and H4.

But it is more interesting to compare the possibility of different support bases for pension expansion and cuts. In this case, the critical variable is age 65. According to the new politics theory, senior' negative identification with pension cuts ought to be stronger than their positive identification with increased pension spending. Comparing the coefficients of age 65 in the Models 3 of Tables 7.1 and 7.2, this expectation is confirmed. The value of the coefficient for seniors in the first Model doubles the value of the coefficient in the second one, while the difference among them is statistically significant. This confirms H5.

The full Model 8 for pension cuts reinforces these conclusions. Seniors' and WCMs' opposition to pension cuts retain their significance after controlling for the individual normative position, indicating the unmediated effect of structural locations in policy preferences. Still with controls, opposition of seniors to programmatic cuts doubles their backing with respect to programmatic increases. Furthermore, the variables egalitarian and rightwing ideology also turn significant and in the expected direction. Egalitarian individuals oppose more than others cuts in pension expenditure and rightwing individuals support them more than others. Interestingly, also concerning the ideological position we observe that the pension politics of retrenchments do not merely reflect the inverse image of the politics of expansion. Rightwing individuals' personal endorsement

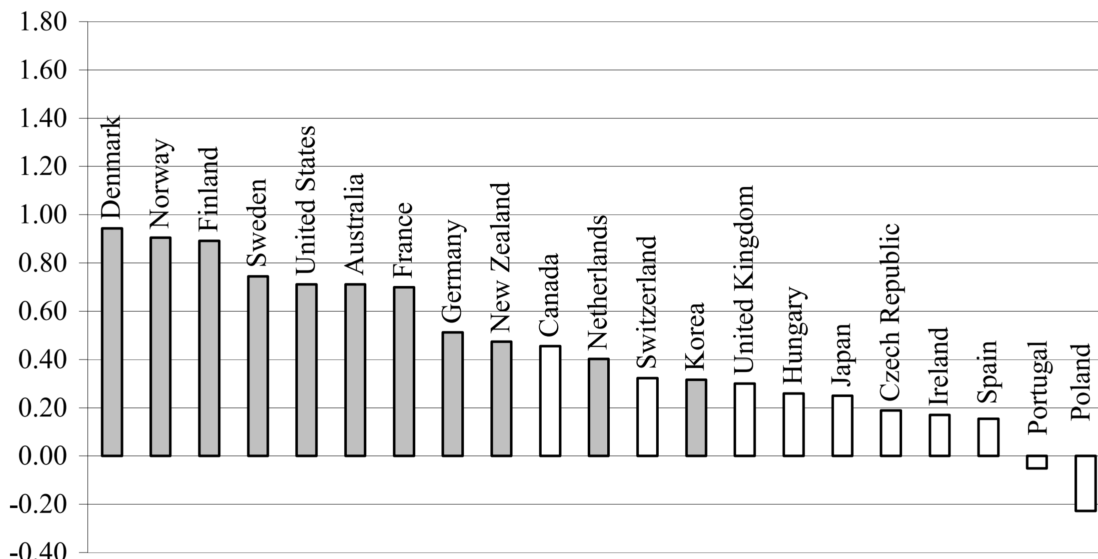
of pension expenditure cuts significantly and substantially surpasses their rejection of pension expenditure increases.

A superficial reading of the results could suggest that the self-employed also change in their position from being particularly opposed to pension increases (Model 1) to not having a differentiated position from other groups in regard to pension cuts (Model 4). However in this regard it is critical to take into account that very few respondents actually support pension cuts (3.61%) which compounded with the small samples of self employed respondents, boosts the standard errors of the model, undercutting the t-value of the variables. Hence we can only confidently conclude that the social bases of the politics of pension retrenchments do not represent an inverse image of pension increases in relation to seniors and rightwing individuals.

Cross-national variations in the age and class effects

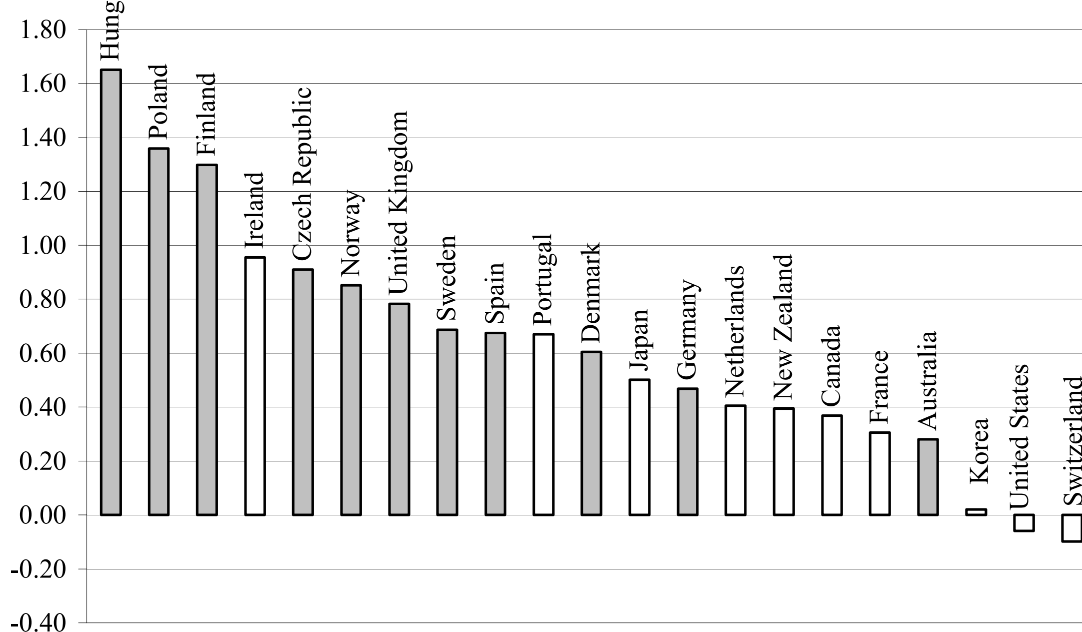
In all, on average for the 21 countries, seniors and working class members endorse more pension effort than others. Yet, it is worthy considering if the cleavages formed by the age and class dimensions differ significantly across the studied countries. To asses this Figures 7.1 and 7.2 reports the coefficients for the variables working class and age 65 in 21 models, each considering only one of the sample countries. Overall, coefficients indicate a substantial cross-national variance in both cases.

Figure 7.1. Effect of being a member of the working class for the support to more public old-age expenditure in 21 OECD countries, 2006



Note: Only the effects with a gray bar are statisticstically significant. The effects proceed from 21 logistic regressions include the variables female and age 65.

Figure 7.2. Effect of being 65 or older for the support of more public old-age expenditure in 21 OECD countries, 2006



Note: Only the effects with a gray bar are statisticstically significant. The effects proceed from 21 logistic regressions that also include the variables Working class and Female.

Focusing on the working class coefficients, the effect of the variable is positive and significant in 11 out of the 21 countries. In Denmark WCMs' probability of supporting larger pension effort is 58.3% larger than non WCMs' probability, while in Germany it is only 31.9% larger, and the difference between social classes is insignificant the United Kingdom and Poland. With respect to the age 65 coefficients, the effect is also positive and significant in 11 out of the 21 countries. In this case Eastern European countries lead the ranking, while, which is consistent with the domestic literature, the effect for the United States is insignificant. In the case of the age 65 variable we also observe substantive cross-national variations. In Hungary the seniors' probability is 36.5% higher than for non seniors, while in Spain it is only 11.7% higher and the difference is insignificant in the United States. Therefore, relevant cross-national variations exist in the attitudinal cleavages posed by the respondent's social class and cohort. How can we account for them? To answer this question, the second part of the chapter presents seven hypotheses and tests them through hierarchical logistic models.

5. What conditions influence cross-national variations in the class and age cleavages?

The class cleavage

This section considers two potential explanations for the cross-national varying effect of working class. The first potential cause is related to the national level of working class consciousness, which has been a core theme for Western Marxists. Lukács (1979[1922]), for instance, attributed the gap between the "working class in itself" and

“class for itself” to commodity “reification”, and identified the communist party as a critical instrument for consciousness-raising. Gramsci (1971), instead, assigned intellectuals the critical role in the fight against bourgeois cultural domination. Alongside the communist parties and organic intellectuals, another actor consciousness-raising potential are trade unions. As Korpi (1983) claimed, in their as capacity of power resources of the working class, unions have a strict political function, but also a cultural or pedagogic function. “The distribution of power resources [in society] is also critical for the social consciousness and levels of aspiration of citizens as well as for the way in which they define their interests.” (1983: 18) As any other type of political organization, unions may engage in the politics of meaning, in their case, to forge working class consciousness. Better entrenched national union movements can then exploit cultural symbols, dramatic performances and “collective memories” (Bates, de Figueiredo and Weingsat 1998; Edelman 1988; Rothstein 2000: 494) to reshape collective identities of wage earners. By doing so, they can influence WCM’ political attitudes, and in the case of retirement policy, raise awareness of their interests in more generous pension programs.

H6: The stronger the national organizational base of labor is, the larger is the comparatively higher demand of working class members for more public pension effort

Another factor potentially mediating class attitudinal cleavages in pension reform refers to the institutional foundations of domestic pension systems. A now extensive neoinstitutional theoretical literature argues that institutions or the “rules of the game,”

including laws, states structures and programs, decisively influence the regulatory preferences of different groups.

Since institutions regulate the distribution of resources in local social orders, they contribute to the stabilization of orders with a group of advantaged actors, and another group of disadvantaged actors. Importantly, in many cases institutionalists expected to find a reflection of structural locations into the preferences of advantaged and disadvantaged actors (Fligstein 1996; Thelen 1999; Zysman 1994). The two groups are expected to hold startlingly different position-takings, with advantaged actors tending to pursue conservative strategies, whereas the dominated tend to hold subversive strategies (Bourdieu 1977).

This neoinstitutionalist approach could also apply to the structure of public pension systems, where two main types are commonly recognized. Beveridge or poverty prevention systems provide flat rate entitlements or entitlements targeted to poorer pensioners. By contrast, Bismarckian or income maintenance systems grant entitlements linearly related to earnings before retirement (Barr 1998; Bonoli 2005; Hinrichs 2000; Whitehouse 2007: 5-11). This means that the working class holds an advantageous position in poverty prevention systems, while the upper-middle classes are comparatively benefited in retirement income systems. To institutionalists, this ought to have implications for the class cleavage on pension preferences. Since the working classes benefit disproportionally from Beveridge systems, their endorsement of larger public pension efforts in those systems should exceed the one in Bismarckian ones.

H7: In poverty-prevention system the gap in pension policy preferences among social classes is larger than in income-related systems

Yet the Bismarckian-Beveridge divide does not capture all the redistributive variation among pension systems. Bismarckian pension systems also include progressive redistributive elements, breaking a potential perfect correlation between contributions and benefits. Particularly, in some countries the proportion of income replaced by pensions is much higher for lower income groups than for higher income groups. Hence in the former case the system advantages the working class, which should be more inclined to demand more benefits.

H8: In countries where the pension replacement ratios are more progressive the gap in pension policy preferences among social classes is smaller than in countries with uniform replacement ratios

The age cleavage

Two factors could explain cross-national variations in the size of the age cleavage. The first one consists of the relative economic deprivation of the elderly with respect to other age groups. Studies on attitudes towards poverty programs and the causes of poverty have made clear that conditions of objective economic deprivation do not perfectly determine subjective perceptions of deservingness of help. The link between deprivation and deservingness is in fact mediated by social conventions regarding which is the reference group and the role of individuals in society (Kreidl 2000; van Oorschot

2000; Will 1993). Hence non-seniors could potentially refuse to consider the elderly as deserving their solidarity.

However "across countries and social categories there is a consistent pattern that elderly people are seen as the most deserving, closely followed by the sick and disable people." (van Oorschot 2006: 23; see also Cook and Barret 1992: 96-102) Indeed according to van Oorschot these perceptions does not vary according to socioeconomic conditions, which means that it is deeply rooted in our collective consciousness. The elderly gain this recognition because they meet the cultural conditions of deservingness. Most importantly, seniors are incapable of ensuring their livelihood through their commodification. To them getting older is beyond their control, so their neediness cannot be an outcome of sheer laziness. Further, seniors are integral members of our communities, which facilitates our empathizing with their suffering (de Swaan 1988; Will 1993). Finally, seniors "are known to be undemanding, grateful and not rebellious." (van Oorschot 2000: 37)

Consequently, given the convention of the seniors' average higher deservingness, under conditions of higher relative objective deprivation among the elderly, the working age population could react with particular compassion in support of more welfare effort targeted to retirees. This has been proven in individual-level preferences (Huddy, Jones and Chard 2001), and it may also apply at the national level. Countries differ widely in the intergenerational gaps in economic deprivation (OECD 2008a: 132-146), what means that, according to the welfare deservingness literature, when the elderly present more

deprivation than their younger compatriots, demand for more pension effort should prove more uniform across age groups.

H9: In countries with higher elderly poverty to working age poverty ratios the gap in pension policy preferences among age groups is smaller than in countries with lower elderly poverty to working age poverty ratios

Together with the seniors' relative income deprivation, another element that could set apart the demands on pension spending for the elderly and non-elderly refers to the relative fiscal burden shouldered by each demographic group. In the short term taxation involves a zero-sum game where net tax winners require others paying larger tax rates. Hence according to rational action theory, individuals set their taxation preference by calculating the relation of the personal tax burden to the state services they personally enjoy (Listhaug and Miller 1985: 267). In line with this, research on income tax preferences shows that (higher income) Americans and Europeans facing higher tax rates are less supportive income redistribution through fiscal policy (Alesina and La Ferrara 2005: 914; Newton and Confalonieri 1995: 148-151), as well as claiming that current tax systems involve too little redistribution (Bernasconi 2006: 827).

Under the rational action approach, this gap in tax preferences could also occur between age groups. Fiscal deductions targeted at pensioners as well as their general exemption from paying social security contributions (European Commission several years) means that pensioners carry a lesser fiscal burden and are winners of the tax system than non-pensioners. Further, due to differences in national tax wedges, the comparative tax disadvantage of workers with respect to pensioners is cross-nationally

variable. This means that, according to the rational action model, in countries where workers bear larger tax shares (and their tax disadvantage to pensioners is larger), it is in their interest to be less demanding for pension spending boosts than pensioners, for these boosts are likely to require further tax hikes, which they would fund disproportionally.

H10: In countries with larger tax wedges for average production workers the gap in pension policy preferences among age groups is larger than in countries with lower tax wedges for average production workers

Similarly, as Esping-Andersen has hypothesized "when a shrinking labor force is compelled to shoulder the costs of a swelling human surplus, there is likelihood for rising tax-resentment" (1990: 228; 1996). Thus a smaller proportion of tax payers could induce a gap in pension preferences.

H11: In countries with a larger systemic dependency ratio the gap in pension policy preferences among age groups is larger than in countries with lower systemic dependency ratio

Finally, given the substantial variations in the age orientation of welfare states in affluent democracies (Lynch 2001), Busemeyer, Goerres and Weschle have hypothesized that "young people could be more opposed to the expansion of social benefits, when the welfare state is strongly oriented towards the elderly and vice versa." (2009: 16) Assuming the young in each country have a roughly accurate impression of the proportion of resources they receive vis-à-vis seniors from overall welfare provision, in some cases the young could oppose measures that enhance their economic domination.

H12: In countries where old age pension capture more resources of the welfare state is larger the comparatively higher demand of the elderly for more public pension effort

6. Data and analytical strategy for the hierarchical multivariate analysis

Data

Eight substantive country-level variables cover the hypotheses listed in Section 5. Following the convention set out by power resources research, the strength of national organized labor is measured by Union density (total union members as a percentage of all employees). OECD (2007a) provides the data for 2003, the last available year. The second variable Poverty prevention addresses the institutional orientation of the public pension system. Following Whitehouse (2007), this orientation is operationalized through the absence of a mandatory second tier or earnings related public pension program. The variable differentiates Australia, Ireland, Netherlands, New Zealand and Demark (all with 1) from all other countries (0). Minimum-maximum RR ratio divides the replacement rate for individuals earning half the national average by the replacement rate for individuals earning 2.5 times the national average, as estimated by Whitehouse (2007). Relative old age to working age poverty responds to the pensioners' relative deprivation. It is calculated as the ratio of the poverty rate of old age population in the mid-2000s by the poverty rate of working age population in the same period (OECD 2008a). Tax wedge provides the proportion represented by the personal income tax, employee and employer social security contributions minus benefits in the gross income of an "average production worker" with two children in 2005 (OECD 2006a). Systemic dependency

ratio divides the national population 65 or older in 2005 by the total employment in that year (OECD 2007a). Finally, Public pension spending over all social spending presents the ratio captured by old age public pension programs over all public social spending in 2003 (OECD 2007c). All eight continuous variables are coded 0 to 100.

Analytical strategy

To test the hypotheses presented in Section 5 I fit 2 level random slopes logit models with parameters estimated with the HLM program. Logit models are employed due to the presence of a dichotomous dependent variables distinguishing support (1) from rejection (0) of increases in old age pension expenditure. Level 1 considers individual socioeconomic characteristics and preferences and level 2 national level characteristics. The level 1 equation that explains the outcome (support for expanding pension expenditure) for respondent i and country j can be described as

$$\eta_{ij} = \log[(\varphi_{ij})/(1-\varphi)] = \beta_{0j} + \beta_{\text{Working_class}} X_{ij} + \beta_{\text{Age_65}} X_{ij} + \ldots + \beta_p X_{ijp} + r_{ij}$$

Where β_{0j} represents the constant for country *j*, β_{Wclass} and β_{Age65} are the main level 1 coefficients, β_p represents the remaining level 1 coefficients, X_{ijp} is level 1 predictor for respondent *i* and country *j*, and r_{ij} is the level 1 random effect. In the level 2 model the $\beta_{\text{W_class}}$ and $\beta_{\text{Age_65}}$ coefficients become the outcome

$$\beta_{\text{Working_class}} = \gamma_{0Wclass} + \gamma_{jk} W_{jk}$$

$$\beta_{Age_65} = \gamma_{0Age_65} + \gamma_{jk} W_{jk}$$

where γ_{jk} (k=union density, poverty-prevention…) are level 2 coefficients and W_{jk} are level 2 predictors. Thus, the level 2 equation models the effects of country-level variables γ on how individual-level variables β impact on the distribution of outcomes among respondents within each country. This means that the level 2 model does not explain why some countries have an average higher level of support for increases or cuts in pension effort. In contrast, it explains variations among level 2 cases (i.e. countries) in the effects of level 1 covariates (Bryk and Raudenbush 2002; Luke 2004). We may think of the level 2 effects as a "cross-level interaction" between certain level 1 characteristics (e.g. being a WCM or a senior) and the level 2 variable (e.g. union density) (Snijders and Bosker 1999: 74).

7. Results of the hierarchical multivariate analysis

Having described in section 4 how the 21 affluent democracies considered in this study have large differences in the class and age-group cleavages on pension policy preferences, this final empirical section tests potential explanation for these cross-national variations. The evidence is provided in Table 7.3, which reveals that the disparities set by class and age in this regard do not result from idiosyncratic national conditions, but from institutional and socioeconomic conditions. Considering first model 1, we observe that the effect of being or not a member of the working class is significantly higher in countries with more union density.

To asses how union density impacts on the dependent variable it is useful to compare gaps in the predicted probabilities between WCM and non-WCM under

different conditions. Based on model 1 in Table 7.3, on average the probability of supporting more pension spending for a hypothetical WCM in the country with the least union density rate (i.e. France) is 11.9% higher than the support for more spending for the overall average non-manual routine worker (the reference category). Yet for a hypothetical WCM in the country with the highest union density rate (i.e. Finland) the probability of a WCM supporting a spending increase is 33.6% higher than the probability for the overall average non-manual routine worker. The difference is large enough to consider substantial the effect of union density. Thus H6 is confirmed. In countries with stronger trade unions, WCMs are more likely to pursue their objective interest and demand more pension spending.

Table 7.3. Determinants of preferences for more old age pension expenditure in 21 OECD countries (logit regressions), 2006

	Model 1	Model 2	Model 3	Model 4
Model for individual preferences				
Service class		-0.305*** (0.054)	-0.301 *** (0.054)	-0.310*** (0.054)
Self-employed with workers		-0.331*** (0.070)	-0.336 *** (0.070)	-0.330*** (0.070)
Self-employed, no workers		-0.131* (0.070)	-0.132 * (0.070)	-0.135* (0.070)
Manual supervisor		-0.306 (0.278)	-0.285 (0.277)	-0.272 (0.277)
Egalitarian		0.303*** (0.053)	0.309 *** (0.053)	0.305*** (0.053)
Right		-0.140*** (0.037)	-0.137 *** (0.037)	-0.144*** (0.037)
Female		0.241*** (0.035)	0.238 *** (0.035)	0.243*** (0.035)
Age 18-34		-0.273*** (0.046)	-0.272 *** (0.046)	-0.271*** (0.046)
Age 50-64		0.471*** (0.045)	0.468 *** (0.044)	0.470*** (0.044)
Working class	0.328 ** (0.097)	0.150 (0.106)	0.133 * (0.071)	0.268*** (0.057)
Working class * Union density	0.006 *** (0.002)	0.006** (0.002)	0.006 *** (0.002)	
Working class * Poverty prevention	0.163 ~ (0.090)	0.146 (0.091)		0.180* (0.078)
Working class * Minimum-maximum RR ratio	-0.011 (0.037)	-0.018 (0.038)		
Age 65+	0.612 ~ (0.341)	0.573~ (0.345)	0.886 *** (0.101)	0.012 (0.134)
Age 65+ * Ratio elderly-working age poverty rate	-0.139 * (0.067)	-0.114~ (0.068)	-0.181 ** (0.053)	
Age 65+* Tax wedge	0.018 * (0.009)	0.018* (0.009)		0.022*** (0.005)
Age 65+ * Systemic dependency ratio	0.006 (0.018)	0.015 (0.018)		
Age 65+* Public pension spending over all social spending	-0.019 (0.011)	-0.024* (0.011)		
Constant	-0.150 (0.398)	-0.347 (0.408)	-0.310 (0.406)	-0.360 (0.406)

N level 1	17,339	17,339	17,339	17,339
N level 2	21	21	21	21

Note: Standard errors in parenthesis. All models include country fixed-effects. The reference category in model 3 is a male between 35 and 50 years old with a routine-non manual occupation

~p<.10; *p < .05; **p < .01; ***p < .001; +=.054 (two-tailed tests)

In contrast, neither of the other two predictors of the national working class slopes, poverty prevention and the ratio between the minimum and the maximum replacement rate, presents significant coefficients in the model 1 of Table 7.3. Interestingly, where the working class benefits particularly from pension provision as in poverty prevention systems or in the countries where the replacement rate is much larger for lower income groups, WCMs do not tend to be more supportive for pension spending increases than their compatriots. With this data we cannot attribute variations in the class attitudinal cleavage on pension policy to central institutional features of the pension system. Thus H7 and H8 are disconfirmed.

Moving on to the sources of cross-national variation in the generational divide towards pension spending, Model 1 in Table 7.3 indicates that the age 65 slopes covariate significantly with the old age to working age poverty ratio. Countries where larger proportions of seniors suffer more income deprivation than their working age nationals, the gap between age groups in regard to pension policy preference shrinks. Also in countries where workers face larger tax wedges, the gap in preferences between age groups expands.

To evaluate their substantive significance of these two supra-individual variables we can also contrast the predicted probabilities of supporting more pension spending for

seniors in countries under different circumstances with the probability of supporting more pension spending for an average non senior individual. On average the probability of supporting more pension spending of a hypothetical senior in the country with the maximum ratio of old age to working age poverty (i.e. Korea) is actually 15.2% lower than the one for an overall average working age individual, which means that seniors are actually less likely defenders of overall pension spending increases than their younger cohorts. Yet the predicted probability for a hypothetical senior in the country with the minimum ratio (i.e. Poland) is 8.1% higher tan the probability for an overall average working age individual. Therefore H9 is confirmed. Where the elderly suffer higher than average income deprivation, there is more consensus among age groups on the need to expand pension spending.

The tax wedge also has a significant impact on the age cleavage of pension preferences. A hypothetical senior in the country with the smallest tax wedge borne by workers (i.e. Ireland) has a predicted probability of supporting more pension spending 17.5% smaller than the probability of the overall average working age individual. Meanwhile, the same senior in the country with the largest tax wedge borne (i.e. Sweden) borne by workers has a predicted probability 12.3% larger than the probability of the overall average working age individual. Thus H10 is confirmed. Wherever workers have to pay more taxes, they withdraw from reaching the levels of support for more pension spending of their senior nationals, because the workers are conscious that (as the survey question reminds them) a hike in pension spending in the short or long term may also require a hike in already high taxes.

Contrary to the expectation of Esping-Andersen, the evidence in Table 7.3 does not support the existence of a larger divide in pension policy preferences between age groups in the countries where pension programs are financed through smaller working populations. H11 is hence disconfirmed. Similarly, Busemeyer, Goerres and Weschle's hypothesis that countries with a welfare system more oriented towards protecting the elderly present a deeper age based divide in pension spending demands does not receive supporting evidence. H12 is thus disconfirmed.

Sensitivity analyses

Models 2 through 4 in Table 7.3 permit an assessment of the significance of the variables union density, ratio elderly-working age poverty rate and tax wedge once the models include other variables. The working class and age 65 slopes could have different determinants if the reference group shifts from non WCM or non seniors (Model 1) to non-manual routine workers aged 35 to 50 (models 2 through 4). Further the three significant level 2 coefficients could derive their significance from the inclusion in the model of other level 2 variables.

Yet contrary to this possibility, either adding other level 1 variables or eliminating level 2 variables, the three level 2 variables retain significant coefficients which further remain in the predicted direction. Union density holds the same positive significant association with the working class slope. The ratio of elderly-working age poverty rate is significant under a $p<.05$ and in the case of Model 2 I report a coefficient with $p=.091$ as significant because of the limited power of the models due to the small level 2 sample (21

countries). Finally, the tax wedge is positive and with $p<.05$ in model 4, while in model 2 it practically attains that level ($p=.054$). This means that the findings drawn from Model 1 in Table 7.3 remain sufficiently stable under alternative model specifications.

5. Discussion

The first task of this chapter has been to assess the empirical validity of the micro-foundations on which the power resources and new politics theories rest. The two theories respectively identify the working class and network of beneficiaries as the critical advocates of welfare programs, and based on those assumptions qualitative case studies of policy making explain the position takings of political parties and trade unions in the politics of pension reform. However, despite the centrality of these assumptions in both models, they still had not been systematically tested. This chapter conducts this test by examining if working class members and the elderly prove particularly stern supporters of the maintenance or expansion of public pension generosity. With this goal, the chapter analyzes the pension policy preferences in 21 affluent democracies as of 2006.

Solid confirmatory evidence was obtained in the multivariate analysis for the micro-foundations of both theories. Consistently with the power resources model, the working class is the most supportive objective social class of larger pension effort, as well as the one most opposed to reducing this effort. Also consistent with the new politics theory, seniors constitute the age group most supportive for the expansion of pension effort and rejection of cuts in this arena.

In relation to the new politics theory, support was also obtained for the expectation that beneficiaries have a “negativity bias” by which they react more vigorously to the possibility of being deprived of entitlements than to the possibility of being granted additional ones. The coefficient for seniors’ opposition to pension cuts is twice as great as the coefficient for seniors’ support to expansion in pension efforts. Nevertheless, a central element in the new politics theory which suggests that the mass of beneficiaries have substituted the working class as the main constituency in pension politics was not supported.

In all, the findings regarding the role of age in pension preferences have implications for our understanding of the sources of political conflict in welfare states and, more generally, sociological theories of inequality in modern societies. First, this study demonstrates that age constitutes a major source of structuration of individual attitudes to welfare states programs in affluent democracies. As I have demonstrated, age actually discriminates pension policy preferences as much as social class. This finding undermines the mainstream perception that, despite generalized calls over the medium-term risks of sustainability of (already universal) pension programs, different age groups do not hold different position-takings in regard to these programs (Kohli 2006; Pierson 1997; Taylor-Gooby 2001). Since voluntary intergenerational financial transfers remain extensive and few relevant age-based political organizations have emerged, most observers argue that “European societies, in whatever context, do not show signs of generational conflict” (Attias-Donfut and Arber 2000: 21; also Busemeyer , Goerres and Weschle 2009; Hinrichs 2002: 48).

However, these implicit criteria to determine the presence of a political conflict are too strict. New political parties structured around new social divides can hardly emerge when the party system has remained crystallized around the class divide since the interwar period, while the absence of voluntary intergenerational transfers is hardly possible as it would mean the break of intergenerational solidarity and the dissolution of society as we know it. Thus, within the cultural and institutional constraints of our societies, and under non-maximalist definitions of political conflict, the young and elderly are in conflict regarding the path to be taken by old age programs. In line with this, the findings of this study call for additional systematic analyses of the relative depth of different cleavages in the policy arenas of affluent democracies. It is worthwhile to consider if other groups who derive their collective identity from public programs (public health system beneficiaries, unemployed or students) mark equivalent attitudinal divides to the one set by social class.

Yet not all news has been positive for a historical institutionalist approach which highlights the role of policy feedbacks for the construction of policy preferences. While the new politics theory presumes the presence of an abrupt divide between welfare beneficiaries defending their entitlements and all other age groups, the chapter reports that the support for more pension spending is linearly related to the age cohort. As individuals grow older they develop a political age-consciousness and increasingly become an age group for itself. Conventional stratification theories are ill equipped to explain the formation of this cleavage as they are grounded on static approaches that do not consider life cycle elements. Thus more theorizing is needed to accommodate age-

consciousness into contemporary stratification theory. Further, this study has only considered a homogeneous group of affluent democracies with mature public pension systems. Subsequent research could continue the exploration of the institutionalist expectation that the beneficiary-non beneficiary divide depends on the maturity of the system by comparing pension policy preferences in developed and developing countries. If countries with immature pension systems present an equivalent linear relation between age and pension attitudes, program universalization would have to be underplayed as a conditioner of preferences in this policy area.

After having corroborated that on average for this sample of countries class and age mark fault lines in the preferences for pension policy, the second tasks of the chapter has been to explain the causes for the cross-national variations in the class and age cleavages. In 21 regressions each for a country, the working class and age 65 coefficients reveal striking cross-national differences with some countries having important class and generational divides while others do no have them. For instance, as indicated by the literature on the United States, in this country age does not discriminate between preferences, while in Hungary seniors have a 36.5% higher probability of supporting more pension spending than individuals aged 34 to 50.

To explain the heterogeneity in the impact of being working class and a senior on the support for more pension effort within each country, I fitted hierarchical logistic models with the level 2 variables predicting the slopes for these two independent variables. The results of these submodels indicate that the class and age cleavages do not vary randomly, but are systematically related to institutional structures and social

conditions. The political entrenchment of organized labor as measured by union density boosts working class demands for more pension effort. In other words, strong trade unions are more effective than weak unions at creating class consciousness among workers and raising their awareness on their interests in the expansion of these policies.

Also with respect to the variable age 65, the institutional setting of the pension system influences the cross-national variability of the effects. The age group generates a larger attitudinal divide in the countries where there is less difference in the poverty levels suffered by the elderly and their younger nationals. I have argued that that this intensification occurs because in those countries non-seniors do not perceive the seniors as in need of additional transfers of resources, thus non seniors withdraw their support for greater pension spending. Moreover, a deeper generational cleavage is observed in countries where the workers face a higher tax wedge on their income. In those countries non-seniors are more likely to abstain from supporting more pension spending that would probably boost their already high taxes as well as the gap in tax they pay in comparison to seniors.

The findings in this second part of the chapter have implications both for the research on pension policy reform and more generally neoinstitutional approaches. First, poverty rates and differentials in poverty rates have to be brought back into the analysis of pension politics. Despite the fact that the fight against elderly poverty framed a large part of the phenomenal postwar expansion in pension provision and it continues to structure attitudinal differentials, this factor has largely disappeared from analyses on the effective pension reforms. For instance, low elderly poverty rates in some countries like

Poland could have contributed to a lack of an upheaval against structural pension reforms. Second, dynamics in contiguous policy fields such as taxation policy should be recovered for analyses of pension reform. Beyond the most encompassing institutions (e.g. constitutional structure) and concrete pension policy institutions (e.g. income or poverty prevention orientation) which have monopolized the attention of scholars, taxation rules could have also shaped the preferences of key participants in pension reform processes. Indeed there is tentative evidence that the affluent democracies which have undertaken the most aggressive pension reforms (Italy, Sweden, and Poland) were the ones with high tax wedges and the least margin of maneuver to fund additional pension spending increases through tax hikes.

More generally, the significance of the three cross-level interactions suggest that the preferences of key collective actors such as beneficiaries are not fully homologous from one national pension policy field to another, but conditioned by numerous local rules and conditions. This should warn us about the risks of reading individual preferences deductively from central institutions as proposed by Scharpf (1997: 41). The findings of this study suggest the need for a radical new institutionalism in which preferences are determined inductively and taking into account the wealth of local rules and those in contiguous orders.

Chapter 8

Conclusions

Since the late 1980s, a mounting body of research has examined the convergence of economic, demographic and political factors in the process of public pension reforms of affluent democracies. Social policies are one of the most analyzed dimensions in contemporary political research, and pension policy has received the most attention of all. The literature has provided valuable insights regarding the extent of the reforms and the conditions that has made them possible. However, this research has not generated firm conclusions regarding the role of economic, demographic and political factors in the process of pension reform. These reforms have therefore remained a conundrum for comparative political analysis.

The limitations of the available research become most evident when we consider analyses of critical developments in pension policy domains since the end of World War II. First, a consensus has not been reached regarding the reasons for the extensive cross-national variations in the generosity of contemporary public pension systems. In this regard, scholars point to constitutional policy-making rules as well as the power of the left or the elderly as factors that have shaped the success of retrenchment proposals. In this regard, quantitative research is necessary to generalize regarding the determinants of pension generosity. Yet available quantitative studies have exclusively utilized aggregate spending data, which do not isolate the effect of programmatic maturation.

A second major development in pension policy since 1980 has been the wave of retrenching pension reforms of the 1990s. These reforms have been analyzed mostly through case-studies focused on the political exchanges that made the reforms possible. However, this preferential attention into formal political negotiations tends to result in a

disregard of the economic and political conditions that led to the reform proposal in the first place. Moreover, available quantitative studies on pension policy since 1980 do not utilize measures of policy change that are responsive to the gradual implementation of most reforms. Failure to use such measures leads to a systematic understatement of the degree of policy change.

The third major development in pension policy since 1980 has been the passage of paradigmatic pension reforms in Australia, Italy, Sweden, Switzerland and the U.K. Over the last decade scholars have published numerous studies on the history of the pension policy in these five countries. However, since these studies do not adapt their research design to the type of reform, they do not shed light on which distinct dynamics produced the paradigmatic reform. Therefore, the most critical aspects of pension policy reform since 1980 have still been satisfactorily explained by previous research.

1. Summarizing the findings

Public pension policy forms an intricate set of rules regarding state-run retirement income benefits. Three principles structure the programs: financing, administration and pension calculation. There are also numerous provisions with multiple alternatives which materialize those principles. Therefore, I considered useful to begin the analysis with a conceptual and descriptive introduction to pension policy reform in contemporary affluent democracies. Chapters 2 and 3 provide this toolkit to facilitate the reading of the remainder of the dissertation. Both chapters include a brief introduction to the main principles and provisions structuring pension policy. Moreover, by contrasting the

principles of the programs and the content in 1980 and 2004, they also offer an initial description of the types of changes introduced throughout the contemporary period.

The task of these two chapters is divided into two categories: paradigmatic changes and parametric changes. Chapter 2 examines the paradigmatic evolution of the programs, which refers to qualitative changes in the goals of pension provision (i.e. predictability, redistribution and income sufficiency). The comparison between the first and last time point clearly indicates that the programmatic logic of pension policy in OECD countries has been highly resilient since 1980. All countries have preserved their poverty-prevention programs. None of the few countries with statutory pension provision programs managed by private actors have been absorbed by public agencies. In addition, 12 out of the 15 countries that ran paygo-DB programs in the early 1980s still had them in 2004.

But, within this overall continuity, we can observe relevant structural departures. Five countries undertook paradigmatic pension reforms. Australia and Switzerland created a tier of fully funded-DC, privately-run programs financed through mandatory contributions. Italy and Sweden substituted their old paygo-DB programs by a hybrid (NDC) program, which eliminates the principles of predictability and redistribution that characterized their postwar pension policy. Finally, the United Kingdom has allowed contributors to opt-out from the public earnings-related program and divert their mandatory contributions into private and funded accounts. Thus, since 1980, OECD pension systems have undergone a moderate divergence, which has reinforced the preexisting extensive diversity in the programs.

In contrast to the overall stability of pension policy principles, a review of parametric changes undertaken in Chapter 3 indicates that in this period pension systems have been subjected to numerous adjustments in their concrete provisions. The Chapter reveals that special provisions for early retirement have been eliminated in four nations, while standard pensionable ages have been increased in six countries. The net result of this is that the average pensionable age has expanded 2.2 years for women. On average, social security contributions destined to finance these programs have been increased by 4.0 percentage points. Eight countries have increased the minimum contributive period to access earnings-related pensions. Another group of eight countries expanded the reference period for pension calculation purposes. Finally, five countries substituted the wage-indexation mechanism by the less-expensive price inflation index.

Thus, a characterization of pension policy domains in OECD countries as a "frozen landscape" (Esping-Andersen 1996c) is not a satisfactory depiction of reality. During the 1980s and 1990s pension policy domains were very active policy arenas in which numerous and substantial measures were passed. Indeed, all countries in the sample have transformed at least one significant element within their pension systems. Many scholars understate the relevance of these changes because the reforms have involved grandfathering clauses, which tends to delay most of their impact for a few decades into the future. Yet this does not dismiss the fact that against the background of budgetary, demographic and ideological pressures, all OECD countries have enacted pension reforms that retrench generosity of coverage and benefit levels in order to contain prospective old-age costs.

Alongside the extensiveness of the changes, the second conclusion of Chapter 3 is that the parametric measures introduced in pension policy domains suggest a clear process of convergence. Pension policy in these 21 affluent democracies tended to converge in regard to the levels of social security contributions, the standard pensionable ages, the benefit calculation reference periods and the indexation mechanisms. This finding has theoretical implications because it runs contrary to the predominant historical institutionalist paradigm. The prevailing paradigm suggests that the constraints imposed by the institutional logic of the domestic pension systems, which induces path-dependent reforms, should have *prevented* a process of institutional convergence (Myles and Pierson 2001). However, contrary to this prediction, the chapter reports persuasive evidence of parametric convergence in the pension policy field.

Having completed the descriptive analysis, the remainder of the dissertation examines the causes for cross-national and longitudinal variations in pension policy. Chapter 4 assesses the reasons why there are startling cross-national differences in the generosity of public pensions for first-year beneficiaries. To answer this question, the chapter analyzes the determinants of the synthetic pension replacement rate, which (contrary to other measures) controls for compositional variations in the mass of pensioners. Cross-sectional time-series regression models provide robust indications that variations in the replacement rates between 1980 and 2002 are attributable to differences in the political leverage of the elderly. Consistent with the new politics theory, which underscores the role of welfare beneficiaries in mature welfare systems, this Chapter

demonstrates that the countries awarding more generous pensions tended to be those with larger shares of elderly population, in other words, countries with more aged populations.

In contrast to the robust effect of population aging, the power of organized labor had no discernible impact on the level of pension generosity. Running against the power resources theory, the chapter reports that countries with more dominant left parties and better entrenched unions did *not* provide more generous pensions between 1980 and 2002. Also contrary to the predictions of the class-based approach to welfare politics, countries with more dominant right parties were not less likely to provide more generous pensions.

The findings of Chapter 4 have implications for our understanding of pension politics during the postwar period. After 1980, pension generosity levels resulted from an accumulation of expansionary reforms during the postwar period. Since population aging is a universal and very gradual process, it is safe to assume that the causes of post-1980 generosity variations also explain the postwar expansionary reforms. Chapter 4 thus suggests that the elderly, and *not* the working class, was the critical collective actor advocating pension generosity during the long expansionary period from 1945 until 1980.

After having examined which forces produced the differential growth in pension generosity during the postwar era, Chapters 5 and 6 assess the causes for the wave of retrenching pension reforms that started approximately in 1980. Chapter 5 focuses on the dynamics that produced one of the five paradigmatic reforms. It presents a comparative historical analysis of the pension politics in Italy and Spain during the mid-1990s. This is done in order to explain why Italy passed a structural overhaul while Spain did not. In

1995, Italy replaced its DB program with a NDC program, while Spain only passed an inconsequential parametric reform. This policy divergence is puzzling because this change occurred in Italy where organized labor was stronger and the pension programs were more mature than in Spain. Based on Polanyi (1957) and other institutionalists, a novel organizational-entrepreneurial theory of institutional change is presented which accounts for the divergence. The theory holds that fundamental policy principles are changed in a given policy domain only if two conditions are met: (a) the mass of dominated actors controls an influential organization, and (b) if the leaders in this organization act as institutional entrepreneurs to seek for alternative policy models and construct alternative political coalitions.

The chapter argues that although the pension system was regressive (i.e. enhanced economic inequalities) in both countries, only the Italian union movement defined regressiveness as a problem and, consequentially, sought and championed anti-redistributive pension policy models. The main Italian union acted radically different than the Spanish unions because it had a predominantly private-sector working class base that was exploited by the pension regulation, while the Spanish unions had a predominantly public-sector base benefited by the regulation. Therefore, since the dominated collective actor in Spanish pension politics was devoid of organizational representation, union leaders lacked incentives to engage in acts of entrepreneurship. More broadly, these conclusions have implications for the theoretical debate on the lack of structural reforms since 1980. While most scholars identify the double payment problem to explain this shortage (e.g. Myles and Pierson 2001), Chapter 5 posits that paradigmatic reforms are

also unlikely because they require the presence of three simultaneous events: (a) a large dominated constituency; (b) its control over influential organizations; and (c) representatives with social skills.

While structural reforms are substantively relevant, as demonstrated in Chapters 2 and 3, they were largely outnumbered by parametric reforms. Therefore, to gain a broader understanding of pension politics since 1980, Chapter 6 assesses the determinants of any type of retrenching pension reform in 16 OECD countries with earnings-related tiers and paygo financing mechanisms. Previous research tends to understate the degree of retrenchments as it draws on limited conceptualizations of pension retrenchment. Instead, using a holistic conceptualization of pension retrenchment, I identify these legislative events (affecting 13 sub-dimensions) through a systematic review of 146 case-studies on pension policy. The exercise reveals that between 1980 and 2002, these 16 countries passed 53 pension retrenchment laws.

In the second part of Chapter 6, time-failure models of these 53 reforms indicate that pension retrenchments were mainly driven by adverse domestic economic scenarios. Countries with high public deficits had a higher propensity to pass a reform during the entire period. This was especially true since 1992 and particularly in relation to reforms affecting pension calculation formulas. To a lesser extent, financial difficulties in the social security systems proper also boosted the likelihood of reforms. By contrast, the power of unions, the elderly and women, which the literature predicts will oppose reforms, were not related to the probability of pension retrenchment. Moreover, class conflicts did not drive the passage of the reforms. This is demonstrated by the fact that

neither the presence of left nor right governments made any significant difference in the likelihood of such reforms being passed. The theoretical implication of this chapter is that these welfare domains have not entered in a phase of "new pension politics" dominated by beneficiaries' opposition to reform, but rather into a "new pension political economy" in which generalized commitment to the economic principle of balanced budget drives welfare policy reforms.

In the last empirical chapter, I analyze individual-level pension policy preferences, which are largely unexamined in the literature on welfare politics. Chapter 7 begins by demonstrating that, as assumed by the power resources and new politics theory, on average, the working class and the elderly are more supportive of pension spending increases than other classes and other age groups. Furthermore, Chapter 7 shows that the class and age disparities in pension policy attitudes display intense cross-national variations. Given these variations, the rest of the chapter seeks to account for them. I specifically focus on the puzzle of why there is presently no age cleavage in pension preferences in the U.S., while a conspicuous age cleavage exists in all European countries.

Hierarchical lineal models of the determinants of pension policy preferences in 21 OECD offer an explanation for the causes of the age and class cleavages. The results indicate that the class cleavage is not related to the degree of redistributiveness of the pension systems, but the class cleavage increases significantly when the union movement is better entrenched. This is because strong trade unions have more resources to foster the class consciousness of wage earners. Moreover, the age cleavage increases in countries

where working-age groups bear a larger tax wedge and the elderly/non-elderly poverty ratio decreases. Consequently, the comparative analysis suggests that the U.S. lacks an age divide in pension preferences because of its lower tax wedge and higher elderly/non-elderly poverty ratio makes supporting pension spending hikes more palatable for working age Americans.

2. General implications for our understanding of pension politics

Which are the general implications of these findings for pension policy analysis? By examining the driving forces of the three dimensions of contemporary pension politics (ongoing pension generosity, structural reforms and incremental but retrenching reforms), this dissertation contributes to answering three major questions in the literature about pension politics. First, which forces drove the expansion of pension generosity during the postwar era? Second, under what conditions are structural pension reforms possible? Third, which forces drove the wave of pension retrenchments between 1980 and 2002?

Regarding the first question, the dominant account draws on the power resources and social capitalism models to argue that the driving forces of the expansion of pension generosity between 1945 and 1980 were left parties (Huber and Stephens 2001; Myles 1989; Palme 1990) and Christian democratic parties (Huber and Stephens 2001; van Kersbergen 1995). Using a broader sample of countries and a more valid indicator of generosity, I have demonstrated that partisan politics did not cause cross-national variations in pension generosity. Instead, it was the electoral power of the elderly which caused variations in pension generosity. This finding further concurs with the work of

Pampel and Williamson (1985), which has been undeservingly ignored by more recent research. Pampel and Williamson used aggregate pension spending data to argue that postwar pension politics were essentially age-based and not class-based. Both their work and my work thus suggest that population aging lays behind the phenomenal expansion of public pension benefits occurred between 1945 and 1980.

Table 8.1. Accounts of changes in public pension programs in 21 affluent democracies during the long 20th century

	1945-1980 period	1980-2002 period	
	Parametric reforms	Parametric reforms	Paradigmatic reforms
Dominant account	Power of organized labor & Christian Democratic parties	Power of organized labor	Maturity of pension programs
Alternative account	Power of the elderly	Adverse macroeconomic conditions (public deficits)	Organizational capacity by dominated actors / projects of institutional entrepreneurship

In regard to the wave of reforms since 1980, the literature has paid very little attention to the objective or declared causes for the launching of the reform projects. Alternatively, it has focused on the conditions that shaped the success of the reform proposal and its ultimate content. In relation to the possibility of a structural reform, the main argument has been posed by the new politics theorists, who argue that policy legacies determine the chances of a paradigmatic pension reform (Myles and Pierson 2001). Focusing on the transition from the paygo to the funding mechanism, Myles and Pierson suggest that the costs associated with this transition eliminate this possibility in countries with mature paygo-DB programs. However, this approach does not provide a

comprehensive understanding of the process of paradigmatic reform because it overlooks non-privatizing types of structural reforms. More concretely, a transition from DB to NDC programs also entails a departure from traditional pension policy principles. Through a historical comparative analysis of Italy and Spain, I claim that contrary to the new politics approach, the NDC reform occurred in Italy where the public programs were more mature. To gain a better understanding of the process of structural reform, it is critical to assess not only the institutional configuration of the pension system, but also the interests of each major constituency as well as the interests and social skills of the leaders of civil society organizations. In this sense, a structural pension reform is possible when: (a) a large group is dominated in that policy domain; (b) that group is represented by an influential organization; and (c) leaders from that organization have the necessary social skills to seek an alternative policy model and create a challenging political coalition around it. Given how unlikely the coalescence of these three elements is, we can better understand why so few structural reforms have been enacted.

In relation to parametric reforms, the literature still presents a lively debate with two main perspectives. Based on quantitative evidence, one group of scholars concurs with the new politics theory which maintains that the power of organized labor does not explain incremental pension policy changes which have occurred since 1980 (Huber and Stephens 2001, 2006; Kittle 2002). However, another group of scholars suggests that partisan politics still structure retrenching reforms of mature pension programs in an unexpected way. According to this approach, since left parties have garnered a reputation as defenders of the welfare state status quo, they are more likely to pass retrenchments

because they will not hamper their electoral prospects (Levy 1999; Ross 2000). Consistent with the new politics theory, the analysis of pension retrenchments presented in this dissertation demonstrates that partisan politics were not at the core of the cost-cutting wave of reforms starting in 1980. However, contrary to the new politics theory, this dissertation also demonstrates that the power of pressure groups did not influence the passage of a retrenchment. Adverse economic conditions in the Treasury at large and social security proper caused the retrenchments. Thus, this dissertation provides an alternative model to group-mobilization understandings of pension retrenchments by underlying role of political economic conditions.

Appendixes

Appendix 1 for Chapter 4

Table. A.1.1 Descriptive statistics of all variables

	Mean	Std. Dev.	Minimum	Maximum	N
Net replacement rate	64.75	14.66	35.20	123.28	462
Left cabinet	1,157.66	959.66	0.00	4,173.00	462
Union density	40.93	20.32	7.38	87.43	462
Right cabinet	1,697.13	1,405.00	0.00	5,109.00	462
Women in parliament	14.92	10.59	0.48	42.23	462
Female activity rate	59.47	11.47	32.01	80.86	462
Share of elderly population	17.24	2.17	11.90	21.70	462
Catholic baptisms	39.72	37.61	0.09	128.37	462
Christian democratic cabinet	632.96	924.12	0.00	3,244.00	462
First social security law	1,917.33	16.86	1,889.00	1,946.00	462
Constitutional structure	1.95	1.94	0.00	7.00	462
GDP per capita*10^{-2}	179.76	63.21	54.28	404.49	462
Net trade	0.65	4.55	-15.50	17.30	462
Elderly poverty ratio	13.43	7.14	1.30	29.23	147

Appendix 2 for Chapter 5

The federations have been classified as follows. Agriculture: CCOO-Agriculture, UGT-Agriculture, UGT-Small Agriculture, CGIL-FILCEA, CGIL-FLAI, CISL-FAT, CISL-FISBA, CISL-UGC, UIL-UIMEC, UIL- UISBA. Manufacturing: CCOO-Mining, CCOO-Textiles, CCOO-Chemical, CCOO-Metal, UGT-Metal, UGT-Chemicals, CGIL-FILTEA, CGIL-FIOM, CISL-FILTA, CISL-FIM, CISL-FLERICA, UIL-UILCID, UIL-UILM, UIL-UILTA. Construction, energy and transport: CCOO-Construction, CCOO-Transport, CCOO-Energy, UGT-Construction and Wood, UGT-Transport and Communications, CGIL-FILLEA, CGIL-FILPT, CGIL-FILT, CGIL-FNLE, CISL-FILCA, CISL-FIT, CISL-FLAEI, CISL-FPT, UIL-FENEAL, UIL-UILTE, UIL-UILTRAS. Privately-dominant services: CCOO-Banking, CCOO-Food Processing, CCOO-Hotel, UGT-Food Processing, UGT-Trade, UGT-Services and Banking, CGIL-FILCAMS, CGIL-FILIS, CGIL-FISAC, CISL-FIBA, CISL-FILS, CISL-FIS, UIL-UIB, UIL-UILPOST, UIL-UILSIC, UIL-UILTUCS. Publicly-dominant services: CCOO-Education, CCOO-Health Care, UGT-Education, CGIL-SNS, CGIL-SNU, CISL-FISOS, CISL-FSUR, UIL-UILSCUOL, UIL-UNDEL. Public function: CCOO- Public Administration, UGT-Public Administration, CGIL-FP, CISL-FFP, CISL-FILSEL, UIL-UILDEP, UIL-UILSP. Pensioners: CCOO- Pensioners, UGT-Pensioners, CGIL-SPI, CISL-FNP, UIL-UILP. Rest: CCOO-Diverse Activities, CCOO-Unemployed and Unclassified, CGIL-rest, CISL-CLACS.

Appendix 3 for Chapter 6

Codification of pension reforms

Austria

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period	1996-increase in qualifying period for early retirement from 15 to 20 years, and retirement after long-term service from 35 to 37.5 years 1997- extended coverage by including some forms of atypical employment relations into social insurance	Schulze (2007a: 572); Schludi (2005: 173); Linnerooth-Bayer (2001: 24); Ney (2004: 15)
Min. pensionable age – Men	2000-increase in early retirement age from 60 to 61.5	Schulze (2007a: 572); Schludi (2005: 178); Ney (2004: 15)
Min. pensionable age – Women	1992-early retirement age for women increased from 55 to 60 between 2019 and 2028 2000-increase in early retirement age from 55 to 56.5	Schulze (2007a: 572); Schludi (2005: 178); Ney (2004: 15)
Stand. pensionable age – Men		
Stand. pensionable age – Women	1992-standard retirement age for women increased from 60 to 65 between 2024 and 2033	Schulze (2007a: 571
Calculation formula		
Years taken into consideration	1984-reference period increased from last 5 to last 10 years 1987-incremental periods for the assessment base relative to retirement age 1987- reduction in credits gained for periods in higher education 1993- increase of calculation basis from 10 to 15 years 1993-asssessment base in private sector changed from last 15 to best 15 years 1996-time in higher education no longer counted as qualifying period	Schulze (2007a: 571-3); Schludi (2005: 176); Linnerooth-Bayer (2001: 22-4); Ney (2004: 15); GAO (2006: 45)
Past-wages indexation mechanism		
Accrual rate	1984-introduction of linear accrual rates	Schulze (2007a:

	1996-intrdouction of different accrual rates relative to age. First 30 years of insurance would be credited at 1,83% (instead of 1.9%), the subsequent at 1.675% (instead of 1.5%). 2003-reduction in accrual rate from 2% to 1.78%	571-3); Schludi (2005: 172)
Minimum pension	1984-Abolishment of the basic minimum pension	Schulze (2007a: 571-3)
Maximum pension		
Years needed for maximum accrual rate		
Penalization for early retirement	1993-introduced early retirement due to reduced working ability 1996- Early retirement was further discouraged by adjusting the percentage of assessed earnings paid for each year of contribution 1997-actuarial deductions of 2 percentage points on benefits for early retirement up to a maximum of 15% cut 1997-extension of reference period from 15 to 18 years for early retirement 2000-increase in reduction for early retirement from 2 to 3% with losses limited to maximum of 15%	Schulze (2007a: 573); Schludi (2005: 178); Linnerooth-Bayer (2001: 24, 31); Ney (2004: 15); Kalisch and Aman (1998: 67)
Homogenization of pension calculate formula	1997-introduction of reference period of 15 years for the public sector 1997-accrual factor was harmonized at even a more generous level than before (2% instead of 1.75%). Full pension of 80% can be had at 40 rather than 45 years.	Schulze (2007a: 571-2); Schludi (2005: 175); Linnerooth-Bayer (2001: 30); Kalisch and Aman (1998: 67)
Revalorization mechanism	1993-net-wage instead of gross-wage indexation of pensions in private sector	Schulze (2007a: 571); Schludi (2005: 167); Linnerooth-Bayer (2001: 23); Ney (2004: 15); GAO (2006: 45)

Belgium

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		

Min. qualifying period		
Min. pensionable age – Men	1990-introduction of flexible pension age at 60 for both men and women implication 1996-increase in number of years for early retirement from 20 to 35	Anderson (2007b: 317-320); Marier (2008: 89); ISSA (1993: 120)
Min. pensionable age – Women	1990-introduction of flexible pension age at 60 for both men and women implication 1996-increase in number of years for early retirement from 20 to 35	Anderson (2007b: 317-320); Marier (2008: 89)
Stand. pensionable age – Men		
Stand. pensionable age – Women	1995-increase in retirement age for women 1996-increase of women's retirement age to 65 by 2009	Anderson (2007b: 317-320); Festjens (1997: 13); GAO (2006: 45)
Calculation formula		
Years taken into consideration	1986-increase of reference period for women from 40 to 45 years 1996-increase of reference period for women from 40 to 45 years 1996-for non-active periods considered to be part of a redistribution of work, pension points were granted as a means of compensation	Anderson (2007b: 317-320); Marier (2008: 96); Festjens (1997: 13)
Past-wages indexation mechanism	1990-'Pensions severely eroded by the three index skips'	GAO (2006: 46); OECD (1991b)
Accrual rate	1984-introduction of family pension s for women, net improvement 1984-benefits for low-income self-employed improved 1984-limitations to pension accumulations to the level of a full pension	Anderson (2007b: 317-320, 324)
Minimum pensions	1984-improvements for low-income self-employed persons' pensions 1996-improvement of minimum pensions	
Maximum pension	1984-introduction of proportional pension rights instead of flat rate 1984-limitations to pension accumulations to the level of a full pension, effective introduction of maximum pension 1990-extention of maximum pension ceiling for blue-collar workers	Anderson (2007b: 317-320); OECD (1991a: 76)
Years needed		

for maximum accrual rate		
Penalization for early retirement	1982-introduction of bridge pensions, i.e. retirement at 60 without 5% reduction for every year of early retirement but benefits based on average wage, [net cut as benefit is calculated on average wages not final wages] 1986-abolition of early retirement privileges as defined in 1982 to disincentive early retirement 1996-increase in number of years for early retirement pension from 20 to 35	Anderson (2007b: 317-320, 323); Marier (2008: 96); OECD (1991a: 76); GAO (2006: 45); Kalisch and Aman (1998: 67) ISSA (1987: 102)
Homogenization of pension calculate formula		Anderson (2007b: 317-320)
Revalorization mechanism	1995-weakening of wage indexing for women 1996-Pensions were revalorized during the period 1955-1974 by a coefficient of 1.036 (3.6%). This coefficient would be removed gradually, and eliminated in 2005, at a rate of 0.004 per year	Marier (2008: 96); OECD (1991a: 76); Festjens (1997: 13); Kalisch and Aman (1998: 67)

Canada

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men	1987-early eligibility at age 60 is made available	Gruber (1999: 76, 86)
Min. pensionable age – Women	1987-early eligibility at age 60 is made available	Gruber (1999: 76, 86)
Stand. pensionable age – Men		
Stand. pensionable age – Women		
Calculation formula		

Years taken into consideration	1997-retirement pension will be based on the average YMPE over the last five years instead of the last three [net benefit reduction]	Hoffman (2001: 110); Béland (2005: 263); Bouchard (2007: 11); GAO (2005: 45)
Past-wages indexation mechanism		
Accrual rate		
Minimum pensions		
Maximum pension	1989-Recipients with individual net incomes in excess of C$50,000 will be required to repay benefits at 15% for every dollar of net income over that threshold	ISSA (1993: 71)
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula		
Revalorization mechanism		

<u>Finland</u>

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men	1994-age limit for the eligibility for early-retirement was increased from 55 to 58 2000- age limit for the eligibility for early-retirement was increased from 58 to 60	Kangas (2007: 273); Lasilla (2002: 275); Antolin (2001: 21)
Min. pensionable age – Women	1994-age limit for the eligibility for early-retirement was increased from 55 to 58 2000- age limit for the eligibility for early-retirement	OECD (2000a: 96); GAO (2006: 45)

	was increased from 58 to 60	
Stand. pensionable age – Men	1994-retirement age raised from 63 to 65	Antolin (2001: 21); OECD (2000a: 96); GAO (2006: 46); Kalisch and Aman (1998: 68)
Stand. pensionable age – Women	1994-retirement age raised from 63 to 65	Antolin (2001: 21); OECD (2000a: 96); GAO (2006: 46); Kalisch and Aman (1998: 68)
Calculation formula		
Years taken into consideration	1995-years in reference period extended from 4 to 10 2002-years in reference period from 10 to whole career	Kangas (2007: 276, 282); Lasilla (2002: 275); Antolin (2001: 21); OECD (2000a: 94)
Past-wages indexation mechanism		
Accrual rate	1992-accrual rate of employees 60 to 64 was raised from 1.5% to 2.5% 1995-stronger actuarial link between contributions and benefits to bring a 4% cut in spending 2002-possible increment on the average accrual rate. In past was 1.5% for 40 years with max of 60%, now 1.5% from 17 to 52 and 1.9% between 53 and 62, net increase	OECD (1997: 79); Niemelä (2006: 19)
Minimum pension	1995-Abolution of the basic universal pension and introduction of procedure of testing NP against other pension income, net cut	Kangas (2007: 277, 282, 285); Lasilla (2002: 275); Antolin (2001: 21); Niemelä (2006: 19)
Maximum pension		
Years needed for maximum accrual rate	2002-taking into account study periods of 5 years and child rearing of 3 years	
Penalization for early retirement	1995- The annual accrual rate for retirement was reduced from 1.5 to 1.2 percentage points for those aged 50 to 59 and from 1.5 to 0.8 percentage points for those aged 60 to 64	Antolin (2001: 21)

	2002-increase in penalizations for early retirement	
Homogenization of pension calculate formula	1992-harmonization of public sector pension benefits with private sector pension benefits, net cut. 'gove argued no justifiable reason for guaranteeing better benefits to minority groups that happen to work in the public sector' Involved increase in retirement age from 63 to 65 and reduction in accrual rate from 2.2% to 1.5% 1995-Retirement age raised from 63 to 65 for public sector employees, net harmonization	
Revalorization mechanism	1994-Pensions not adjusted for inflation 1995-A two-index system is introduced. During working age an index consisting of an average of consumer prices and wages (halfway index) is used, as earlier, but for in payment pensions it is the weight of wages was reduced from 0.5 to 0.2 and the weight of consumer prices was raised from 0.5 to 0.8 (bent index) 2002-linking of pension adjustments to increased life expectancy	OECD (2000a: 94); GAO (2006: 46); Kangas (2009)

France

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men	1982-Reduction in retirement age from 65 to 60 for private sector employees with at least 37.5 years of contributions limit	Conceição-Heldt (2007: 174); Legendre (2001: 143)
Stand. pensionable age – Women		
Calculation formula		
Years taken into	1993-increase of reference period from best 10 to best 25 years	Conceição-Heldt (2007: 174);

consideration		
Past-wages indexation mechanism	1987-pensions were indexed to wages before 1987 and to prices since then	Blanchet (2002: 114-5); Mandin (2005: 78); ISSA (1992: 24); Kalisch and Aman (1998: 68); GAO (2006: 46); Schwarz and Demirguc-Kunt (1999: 15)
Accrual rate		
Minimum pension		
Maximum pension		
Years needed for maximum accrual rate	1993-extension of the qualifying period for full pension from 37.5 to 40 years	Conceição-Heldt (2007: 174); Mandin (2005: 78); Kalisch and Aman (1998: 68); GAO (2006: 46)
Penalization for early retirement		
Homogenization of pension calculate formula		
Revalorization mechanism	1984-from indexation in line with gross wage index to index on wages net of direct insurance contributions 1993-indexation of pensions to prices instead of wages	Conceição-Heldt (2007: 174); Legendre (2001: 138); Blanchet (2002: 114-5); Mandin (2005: 78); Schwarz and Demirguc-Kunt (1999: 15)

Germany

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		

Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men		
Stand. pensionable age – Women	1989-increase in retirement age for women to 65	
Calculation formula		
Years taken into consideration	1997-increase of child credits from 75% to 100% of average wage	Schulze (2007c: 678); Börsch-Supan (2001a: 164); Rürup (2002: 143); Schludi (2005: 132); ISSA (1992: 22); ISSA (1993: 134)
Past-wages indexation mechanism		
Accrual rate	1997-introduction of demographic factor in the pension indexation formula [net decline in RR, suspended and not implemented] 2001-reductions of replacement rate of statutory pension system benefits from 70% to 64% through an adjustment factor in the indexation formula	Schulze (2007c: 677, 694, 698)
Minimum pension	1997-introduction of means tested social assistance minimum pensions	Schulze (2007c: 677, 694, 698); Börsch-Supan (2001a: 163); Rürup (2002: 145); Schludi (2005: 139); Kalisch and Aman (1998: 68)
Maximum pension		
Years needed		

for maximum accrual rate		
Penalization for early retirement	1989-introduction of deductions for early retirement, 0.3% penalization per month before the regular age	Schulze (2007c: 677)
Homogenization of pension calculate formula		
Revalorization mechanism	1982-Indexation freeze for 1 semester 1989-change from gross- to net-wage indexation 1999-net wage indexation replaced by CPI indexation only for 2000 and 2001 2001-return to net wage indexation	Schulze (2007c: 683); Börsch-Supan (2001a: 163); Rürup (2002: 145); Schludi (2005: 132, 150); Kalisch and Aman (1998: 68); Schwarz and Demirguc-Kunt (1999: 27); GAO (2006: 47); ISSA (1992: 23); ISSA (1983: 265); ISSA (1993: 134)

Greece

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period	1990-increase in minimum contribution periods from 13.5 to 15 years	Triantafillou (2007: 128); Mylonas and de la Maissoneuve (1999: 26); ISSA (1992: 23); GAO (2006: 47); ISSA (1993: 138)
Min. pensionable age – Men	2002-minimum retirement age raised to age 55	Mylonas and de la Maissoneuve (1999: 26)
Min. pensionable		

age – Women		
Stand. pensionable age – Men	1990-increase in retirement age to 65	Triantafillou (2007: 118-120); Featherstone (2001: 470); Matsaganis (2002: 114); Börsch-Supan and Tinios (2001b: 377); GAO (2006: 47)
Stand. pensionable age – Women	1990-increase in retirement age to 60 1992-harmonization of male and female retirement age to 65	Triantafillou (2007: 118-120); Featherstone (2001: 470); Matsaganis (2002: 114)
Calculation formula		
Years taken into consideration	1990-increase in reference period from 2 to 5 years 2002-increase in reference period from the last 5 to the best 5 out of the final 10	Triantafillou (2007: 118-120); ISSA (1992: 24); ISSA (1993: 138)
Past-wages indexation mechanism		
Accrual rate	1992-new system for all workers entered after 1.1.93, net cut, Two less pays are considered	Triantafillou (2007: 117, 134); Mylonas and de la Maissoneuve (1999: 26)
Minimum pensions	1999-Minimum pensions for post-1993 entrants were increased by 50% 1999-The pensioners' social solidarity supplement was increased by 50%	Triantafillou (2007: 136-7)
Maximum pension	1992-introduction of maximum replacement rate of 60% for main pensions and 20% for supplementary pensions, from 80% in the past 2002-set to 70% and homogenization (net increase), applicable for younger workers	Triantafillou (2007: 118-120, 140); Featherstone (2001: 470); Matsaganis (2002: 114, 117); Börsch-Supan and Tinios (2001b: 377); Kalisch and Aman (1998: 68); GAO (2006: 47)

Years needed for maximum accrual rate	1992-increase in number of years (15)	Triantafillou (2007: 134)
Penalization for early retirement	1990-introduction of benefit reductions for early retirement 1992-benefit reductions for early retirement	Triantafillou (2007: 134)
Homogenization of pension calculate formula	1990-abolition of special funds for banks, telecommunications, electricity and public transport 1992-hormonization of elegibility conditions to IKA standards (downgrading for civil servants) 1999-homogenization of civil servants' funds, only applied to post 1993 entrants [expansionary effect] 2002-further Homogenization, downgrading replacement rate to 70% for civil servants 2002-extension of reference period for civil servants from the best 5 to the last 10 years	Triantafillou (2007: 118, 140, 129-130); Matsaganis (2002: 114, 117); Mylonas and de la Maissoneuve (1999: 26); Börsch-Supan and Tinios (2001b: 377); Lutz (2002: 7)
Revalorization mechanism	1990-pension indexation changed from ATA to public employees' wage increase. They have evolved according to government inflation objectives.	Venieris (2003: 141)

Italy

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period	1992-raised from 15 to 20 year 1995-seniority pensions, gradual increase in minimum qualifying period from 35 to 40 years 1995-minimum number of years of contributions required for an old age pension is reduced to 5 years 1995-gradual phasing out of seniority pensions, set a minimum retirement age for seniority pensions at 57, before no age limit	Ferrera (2007: 427, 428, 433); Franco (2002: 219, 221); Schludi (2005: 116, 120); GAO (2006: 48); Kalisch and Aman (1998: 78); ISSA (1993: 145)
Min. pensionable age – Men	1995-flexible retirement age from 57 to 65	ISSA (1993: 145)
Min. pensionable age – Women	1995-flexible retirement age from 57 to 65	ISSA (1993: 145)
Stand.	1992-Raised from 60 to 65	Ferrera (2007:

pensionable age – Men	1997-a more rapid phasing out of seniority pensions	427, 428, 437); Franco (2002: 219, 221); Brugiavini (2001: 202);
Stand. pensionable age – Women	1992-Raised from 55 to 60 1997-a more rapid phasing out of seniority pensions	Schludi (2005: 116); GAO (2006: 48)
Calculation formula		
Years taken into consideration	1992-Extension of reference period from 5 to 10 years and entire working career for new entrants 1995-change in calculation formula from earnings-related to DC system with revalorization to mean GDP growth of last five years, net fall in RR	Ferrera (2007: 427, 437); Brugiavini (2001: 202); Franco (2002: 219, 221); Schludi (2005: 112, 116); GAO (2006: 48)
Past-wages indexation mechanism	1995-Earnings revalorized according to the moving growth in national GDP in the last 5 years	Ferrera (2007: 427, 433, 437, 441); Brugiavini (2001: 202); Franco (2002: 219, 221); Schludi (2005: 112, 116); ISSA (1992: 24)
Accrual rate	1992-reduction in the accrual rate for workers with higher wages	GAO (2006: 48)
Minimum pensions	1995-Replacement in the pensione sociale with a new means-tested benefit (Assegno sociale) 1997-Increase in basic pensions	Ferrera (2007: 427)
Maximum pension		
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula	1992-phasing out of baby pensions for public employees 1992-harmonization of public seniority pensions with private employees 1995-a progressive harmonization of the multitude of separate pension schemes leading to a unified system for all employees 1997-horminization between public and private sector seniority pensions. A quicker harmonization of private	Ferrera (2007: 427); Franco (2002: 219); Schludi (2005: 116, 120); ISSA (1993: 145)

	and public pensions	
Revalorization mechanism	1992-change in indexation base from statutory minimum wage (real wages) to prices	Ferrera (2007: 427, 433); Brugiavini (2001: 202); Franco (2002: 219); Schludi (2005: 112)

Japan

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men	1994-retirement at 60 or over 60 compulsory after April 1998 1994-eligibility age to be raised from 60 to 65 years old for the fixed-amount portion of EPI by 2013 2000-eligibility age for the earnings-related benefit to be raised one year every three years to 65 from 60 in 2013	Shinkawa (2005: 169); Kabe (2007: 74-5); Yashiro (1999: 250); Oishi (2007: 297-9); GAO (2006: 48); Kalisch and Aman (1998: 78); Oishi (2004: 405)
Stand. pensionable age – Women	1985-The reform raised women's age of eligibility for Employees' Pension Insurance from 55 to 60 years gradually by 2000 1994-retirement at 60 or over 60 compulsory after April 1998 1994-eligibility age to be raised from 60 to 65 years old for the fixed-amount portion of EPI by 2013 2000-eligibility age for the earnings-related benefit to be raised one year every three years to 65 from 60 in 2013	Shinkawa (2005: 169); Kabe (2007: 74-5); Yashiro (1999: 250); Oishi (2007: 297-9); GAO (2006: 48)
Calculation formula		

Years taken into consideration	1985-The reform also adjusted benefit levels by extending the full participation period from 25 years, accrual rate falls from 1% to 0.75%	GAO (2006: 48); ISSA (1986a: 222)
Past-wages indexation mechanism		
Accrual rate	1985-level of future benefits is a way to provide a couple with 70% of average monthly salary 2000-The reform also phased in a 5% cut in benefits for the earnings-related part of the EPI.	
Minimum pension		Shinkawa (2005: 166); Kabe (2007: 76); Oishi (2007: 298-9); GAO (2006: 48); Oishi (2004: 405)
Maximum pension		
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula		
Revalorization mechanism	1994-indexation of benefits on disposable income (wages minus taxes and social insurance premiums), rather than wages. 2000-current recepts' pension benefits from being based on disposable income to being based on prices	Kabe (2007: 75-7); Yashiro (1999: 250); Oishi (2007: 299); GAO (2006: 48); Kalisch and Aman (1998: 69)

<u>Norway</u>

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying		

period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men		
Stand. pensionable age – Women		
Calculation formula		
Years taken into consideration		
Past-wages indexation mechanism		
Accrual rate	1992-The percentage for supplementary pensions was 45%, and then reduced to 42%	OECD (2001b: 137-8); Ervik (2001: 15); Hinrichs (2004: 34); Kalisch and Aman (1998: 69); GAO (2006: 48) ; Schwarz and Demirguc-Kunt (1999: 25); ISSA (1993: 151); Herbertsson (2000: 100)
Minimum pension		
Maximum pension	1992-maximum pension points were 8.33, from then it's 8 times G, which is a sixth of the APW wage	OECD (2001b: 137-8); Ervik (2001: 15); Vernière (2002: 6); Kalisch and Aman (1998: 69); GAO (2006: 48) ; ISSA (1993: 151); Herbertsson (2000: 100)
Years needed for maximum		

accrual rate Penalization for early retirement Homogenization of pension calculate formula		
Revalorization mechanism		

<u>Portugal</u>

Dimension	Changes	Source
SS contributions	1994- 0.75 decline in the SS contribution of employers 2000-possible introduction of the plafonamento	ISSA (1995a: 17)
Qualifying conditions		
Min. qualifying period	1993-increase in minimum qualifying period from 10 years to 15 years 1993-introduction of minimum contribution density of 120 days per year	Chuliá (2001: 3); Pereira (1996: 48); OECD (1996: 58-59); OECD (2006: 50); GAO (2007b: 635); ISSA (1995a: 17)
Min. pensionable age – Men	1993-no-preretirement before 60	Chuliá (1996: 48); OECD (2007b: 635); ISSA (1995a: 17)
Min. pensionable age – Women	1993-no-preretirement before 60	Chuliá (2007b: 636, 641); ISSA (1995a: 17)
Stand. pensionable age – Men	1999-introduction of flexible retirement age between 55 and 70	Chuliá (2007b: 635-6, 641)
Stand. pensionable age – Women	1993-harmonization of male and female retirement ages at 65 1999-introduction of flexible retirement age between 55 and 70	Chuliá (2001: 3); Pereira (1996: 58-59); OECD (2006: 50); GAO (2007b: 635)
Calculation formula		
Years taken into consideration	1993-instead of 5 best years of last 10 to best 10 years of last 15 2000-calculation formula to gradually evolve into considering entire working career	Chuliá (2001: 3); Pereira (1996: 58-59); OECD (2006: 50); GAO

		(1998: 69); Kalisch and Aman (1999: 25); Schwarz and Demirguc-Kunt (2007b: 641); ISSA (1995a: 17)
Past-wages indexation mechanism	1993-indexation of past wages in formula, net expansionary effect	Chuliá (2007b: 635, 637)
Accrual rate	1993-introduction of 14 instead of 12 salaries to calculate the average 1993-real and not nominal wages taken into consideration 1993-reduction of accrual rate from 2.2% to 2% per contribution year 2002-new benefit calculation formula: total amount of annual indexed wages of the entire working career divided by the number of contribution nyears with maximum of 40, multiplied by 14 2002-first 20 years 2% per year; above 20 years between 2% and 2.3% per contribution year depending on the amount of the pension base	Chuliá (2001: 3); Pereira (1996: 48); OECD (2006: 50); GAO (1998: 69); Kalisch and Aman (1999: 25); Schwarz and Demirguc-Kunt (2007b: 635); ISSA (1995a: 17)
Minimum pension	1980-Introduction of non-contributory means-tested benefits 1993-Introduction of the complemento social to supplement pensions lower than the minimum pension	
Maximum pension	1993-increase in qualifying period for full pension from 37 to 40 years 2002-Introduction of a ceiling to public benefits	Chuliá (2003: 123); OECD (2007b: 636)
Years needed for maximum accrual rate		
Penalization for early retirement	1999-creation of early retirement option but with deductions, i.e. reduction of benefits by 4.5% per year of early retirement; but for every 3 contribution years above 30, the penalty is reduced by one year	Chuliá (2001: 6)
Homogenization of pension calculate formula	1993-downgrading of pensions for civil servants to approach private employees for all public employees hired from 1993	Pereira (1996: 58-59); OECD (2007a: 523)
Revalorization mechanism		

Spain

Dimension	Changes	Source

Social Security contributions		
Qualifying conditions		
Min. qualifying period	1985-increased from 10 to 15 years	Chuliá (2007a: 523); Boldrin (1999: 318); Rodríguez Cabrero (2002: 14); Guillén (2004: 293)
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men		
Stand. pensionable age – Women		
Calculation formula		
Years taken into consideration	1985-inceased from 2 to 8 years 1997-increased from 8 to 15 years	Chuliá (2007a: 523); Boldrin (1999: 318-9); Rodríguez Cabrero (2002: 14); Guillén (2004: 293, 296); ISSA (1985: 436-7)
Past-wages indexation mechanism		
Accrual rate	1997-penalization for shorter contribution histories (from 60% for 15 years to 50%). Formula for the computation of the replacement rate has been made less generous	Chuliá (2007a: 539); Boldrin (1999: 319); Guillén (2004: 296)
Minimum pension	1983-Hardened means test to get a minimum pension 1990-introduction of non-contributive minimum pensions	
Maximum pension	1984-introduction of the maximum pension	Chuliá (2007a: 527)
Years needed		

for maximum accrual rate		
Penalization for early retirement	1997-Reduction in penalty for early retirement 2002-Penalization for early retirement increased from 6 to 7.5% for each year anticipating retirement	Chuliá (2007a: 525); Chuliá (2007a: 525); GAO (2006: 50)
Homogenization of pension calculate formula		
Revalorization mechanism	1985-established indexation to expected inflation rate (assumed improvement)	Chuliá (2007a: 523); Rodríguez Cabrero (2002: 14)

Sweden

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women	1994-a flexible retirement age of 61 years was introduced	Schludi (2005: 98); (ISSA 1995b: 19)
Stand. pensionable age – Men	Check SSPTW raise in standard age from 65 to 66	
Stand. pensionable age – Women	1994-a flexible retirement age of 61 years was introduced	Schludi (2005: 98)
Calculation formula		
Years taken into consideration	1992-from 15 years to lifetime earnings 1994-Switch to DC, life-time earnings benefit formula, far less potential for decommodification	Anderson (2007a: 368, 285); Palmer (2002: 174); Schludi (2005: 100-1); Kruse (2007: 36)
Past-wages	1980-Change in the indexation of base amount used to	Anderson (2007a:

indexation mechanism	calculate pensions. It now disregards growth in indirect taxation 1991-the base amount used to calculate benefits did no keep pace with inflation 1994-benefits linked to the rate of real economic growth rather than inflation, as well as to changes in life expectancy	371, 376); Schludi (2005: 97, 93); ISSA (1981: 201)
Accrual rate	1992-pensions are calculated at 98% of already reduced base amount 1994-2.0% contribution to premium reserve 1998-contribution to premium reserve raised to 2.5%	Anderson (2007a: 368)
Minimum pension		
Maximum pension	1981-reduction in benefit levels from 65% to 50% in partial pension	Anderson (2007a: 367)
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula	1981-change in the construction of the pension index; pension uprating only once a year rather than every three months if prices rose more than 3% over the level of previous adjustment 1983-restoration of old value of pensions	Anderson (2007a: 367)
Revalorization mechanism	1991-the base amount used to calculate all transfer payments did not follow the CPI	Anderson (2007a: 371)

Switzerland

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		

Stand. pensionable age – Men		
Stand. pensionable age – Women	1995-Increase in female retirement age from 62 to 64	Bonoli (2007: 224); Queisser (2000: 17); OECD (2000b: 117); Kalisch and Aman (1998: 69); GAO (2006: 50)
Calculation formula		
Years taken into consideration		
Past-wages indexation mechanism		
Accrual rate	1995- introduction of credits for child rearing and home care	Bonoli (2007: 225, 233); Queisser (2000: 17)
Minimum pension		
Maximum pension		
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula		
Revalorization mechanism	1979- New pensions and current pensions are calculated by applying the mixed Swiss pension index. This composite index is defined as the average of the national consumer price and the BIGA wage index	Bonoli (2007: 225); Queisser (2000: 21); OECD (1988c: 73); OECD (2000b: 117)

UK

Dimension	Changes	Source
Social		

Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men		
Stand. pensionable age – Women	1995-Increase in female retirement age from 60 to 65	Schulze (2007b: 68); Emmerson (2001: 299); Blake (2002: 321); Disney (2001: 92); GAO (2006: 51)
Calculation formula		
Years taken into consideration	1986-Extension of reference period for SERPS from 20 years to life-time career	Schulze (2007b: 68); Emmerson (2001: 303); Disney (2001: 91); GAO (2006: 51); ISSA (1986b: 466)
Past-wages indexation mechanism		
Accrual rate	1986-'Reduction of replacement rate of SERPS from 25% to 20% of assessment base' 1986-individuals are allowed to opt out into DC schemes 1995-Further reforms to SERPS formulae reduce its generosity once more 1999-Replacement of earnings-related SERPS with State Second Pension. It retargets public pensions to lower income groups but ensures that in short term nobody loses out, better pension for lower and average earnings. Will lead to increase in state spending.	Schulze (2007b: 68); Emmerson (2001: 299, 303-7); Blake (2002: 322, 325); Disney (2001: 92); Disney (2003: 11); Blundell (2007: 465)
Minimum pension	1995-Abolishment of requirement for occupational pensions to provide Guaranteed Minimum Pension. Reduced state costs through inflation adjustments	Schulze (2007b: 68)
Maximum		

pension		
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula		
Revalorization mechanism	1980-States pensions are linked to price rather than national average earnings	Blake (2002: 321)

US

Dimension	Changes	Source
Social Security contributions		
Qualifying conditions		
Min. qualifying period		
Min. pensionable age – Men		
Min. pensionable age – Women		
Stand. pensionable age – Men	1983-gradual increase from 65 to 67	Jousten (2001: 337); Wise (2001: 112); Weaver (2005: 240); Diamond (1999: 447); GAO (2006: 51); ISSA (1983: 275)
Stand. pensionable age – Women	1983-gradual increase from 65 to 67	Jousten (2001: 337); Wise (2001: 112); Weaver (2005: 240); Diamond (1999: 447); GAO (2006: 51)
Calculation		

formula		
Years taken into consideration		
Past-wages indexation mechanism		
Accrual rate		
Minimum pension		
Maximum pension	2000-earnings test for pension was eliminated	Jousten (2001: 339)
Years needed for maximum accrual rate		
Penalization for early retirement		
Homogenization of pension calculate formula	1983-Public employees covered from now on by OASI, which pays less well than the Civil Service Retirement System	ISSA (1983: 273)
Revalorization mechanism	1983-In the intermediate term, the most important change was a sixth month delay in inflation adjustment for benefits that really amounted to a permanent benefit cut for current (but not future) recipients	Weaver (2005: 239-240); ISSA (1983: 274)

Appendix 4 for Chapter 7

Table A.2.1. Descriptive statistics

Variable	N	Mean	SD	Min	Max
Level 1					
More pension expenditure	17,339	0.64	0.49	0.00	1.00
Less pension expenditure	17,339	0.04	0.19	0.00	1.00
Service class	17,339	0.40	0.49	0.00	1.00
Self-employed with employees	17,339	0.06	0.24	0.00	1.00
Self-employed, no employees	17,339	0.07	0.26	0.00	1.00
Manual supervisor	17,339	0.00	0.06	0.00	1.00
Routine nonmanual	17,339	0.14	0.34	0.00	1.00
Working class	17,339	0.46	0.50	0.00	1.00
Egalitarian	17,339	0.88	0.32	0.00	1.00
Right	17,339	0.34	0.48	0.00	1.00
Female	17,339	0.50	0.50	0.00	1.00
Age 18-34	17,339	0.20	0.40	0.00	1.00
Age 50-64	17,339	0.30	0.46	0.00	1.00
Age 65	17,339	0.19	0.39	0.00	1.00
Level 2					
Union density	21	30.59	21.48	9.64	78.03
Poverty Prevention	21	0.24	0.44	0.00	1.00
Minimum-maximum RR ratio	21	2.47	1.31	1.01	5.01
Ratio elderly-working age poverty rate	21	1.44	0.95	0.14	3.85
Tax wedge	21	27.28	10.85	5.77	42.68
Systemic dependency ratio	21	31.93	6.66	19.10	43.48
Public pension spending over all social spending	21	31.46	8.36	17.94	49.67

References, Newspapers, Public Hearings and Surveys

References

Aaron, Henry. 1966. "The Social Insurance Paradox." *The Canadian Journal of Economics and Political Science* 32:371-374.

—. 2000. "Seeing through the Fog: Policymaking with Uncertain Forecasts." *Journal of Policy Analysis and Management* 19:193-206.

Abad, Fernando. 1995. "El Futuro de las Pensiones. Encuesta." *Temas para el Debate* 5:16-46.

Abbot, Andrew. 1992. "What Do Cases Do? Some Notes on Activity in Sociological Analysis." Pp. 53-83 in *What is a Case? Exploring the Foundations of Sociological Inquiry*, edited by Charles C. Ragin and Howard S. Becker. Cambridge: Cambridge University Press.

Alber, Jens. 1984. "Versorgungsklassen im Wohlfahrtsstaat." *Kölner Zeitschrift für Soziologie un Sozialpsychologie* 36:225-251.

Aldrich, Jonathan. 1982. "The Earnings Replacement Rate of Old-age Benefits in Twelve Countries: 1969-1980." *Social Security Bulletin* 45:3-11.

Alesina, Alberto and Eliana La Ferrara. 2005. "Preferences for Redistribution in the Land of Opportunities." *Journal of Public Economics* 89:897-931.

Allan, James P. and Lyle Scruggs. 2004. "Political Partisanship and Welfare State Reform in Advanced Industrial Societies." *American Journal of Political Science* 48:496-512.

Amenta, Edwin. 2004. "What We Know about The Development of Social Policy: Comparative and Historical Research in Comparative and Historical Perspective." Pp. 91-131 in *Comparative Historical Analysis in the Social Sciences*, edited by James Mahoney and Dietrich Rueschemeyer. Cambridge: Cambridge University Press.

Andersen, Jørgen Goul, Per Arnt Pettersen, Stefan Svallfors and Hannu Uusitalo. 1995. "The Legitimacy of the Nordic Welfare States. Trends, Variations and Cleavages." Pp. 239-261 in *Nordic Social Policy*, edited by Matti Heikkilä, Mikko Kautto, Bjørn Hvinden, Staffan Marklund and Neils Ploug. London: Routledge.

Anderson, Charles W. 1970. *The Political Economy of Modern Spain*. Wisconsin: University of Wisconsin Press.

Anderson, Karen M. 2005. "Pension Reform in Sweden: Radical Reform in a Mature Pension System." Pp. 94-116 in *Ageing and Pension Reform around the World*, edited by Giuliano Bonoli and Toshimitsu Shinkawa. Cheltenham: Edward Elgar.

Anderson, Karen and Ellen M. Immergut. 2007. "Sweden: After Social Democratic Hegemony." Pp. 349-396 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.

Anderson, Karen, Sanneke Kuipers, Isabelle Schulze and Wendy van den Nouland. 2007. "Belgium: Linguistic Veto Players and Pension Reform." Pp. 297-349 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.

Anderson, Karen M. and Julia Lynch. 2007. "Reconsidering Seniority Bias: Aging, Internal Institutions, and Union Support for Pension Reform." *Comparative Politics* 39:189-209.

Andress, Hans-Jürgen and Thorsten Heien. 2001. "Four Worlds of Welfare States Attitudes? A Comparison of Germany, Norway, and the United States." *European Sociological Review* 17:337-356.

Antichi, Massimo and Felice Roberto Pizzuti. 2000. "The Public Pension System in Italy: Observations on the Recent Reforms, Methods of Control and their Application." Pp. 81-97 in *Social Dialogue and Pension Reform*, edited by Emmanuel Reynaud. Geneva: International Labour Office.

Antolin, Pablo and Win Suyker. 2001. "How Should Norway Respond to Ageing?" *OECD Economics Department Working Papers* No. 296.

Antolin, Pablo, Howard Oxley, Wim Suyker. 2001. "How Will Ageing Affect Finland?" *OECD Economics Department Working Paper* No. 295.

Arber, Sara and Claudine Attias-Donfut (Ed.). 2000. *The Myth of Generational Conflict. The Family and State in Ageing Societies.* London: Routledge.

Armingeon, Klaus and Michelle Belleyer (Ed.). 2004. *The OECD and European Welfare States*. London: Edward Elgar.

Armingeon, Klaus. 2006. "Reconciling Competing Claims of the Welfare State Clientele: The Politics of Old and New Social Risks Coverage in Comparative Perspective." Pp. 100-123 in *The Politics of Post-Industrial Welfare States: Adapting Post-War Social Policies to New Social Risks*, edited by Klaus Armingeon and Michelle Beyeler. London: Routledge.

Armingeon, Klaus, Philip Leimgruber, Michelle Beyeler and Sarah Mengeale. 2006. "Comparative Political Data Set 1960-2004." Berne: Institute of Political Science, University of Berne.

Arza, Camila and Martin Kohli (Ed.). 2008. *Pension Reform in Europe: Politics, Policies and Outcomes*. London: Routledge.

Asscher-Vonk, Irene, Frans Pennings, Cees Sparrius and Lei Delsen. 2000. "The Netherlands." Pp. 143-163 in S*ocial Security and Solidarity in the European Union*, edited by Joos P.A. van Vugt and Jan M. Peet. New York: Physica-Verlag.

Attias-Donfut, Claudine and Sara Arber. 2000. "Equity and Solidarity across the Generations." Pp. 1-22 in *The Myth of Generational Conflict. The Family and State in Ageing Societies*, edited by Sara Arber and Claudine Attias-Donfut. New York: Routledge.

Augusztinovics, Mária, Róbert I. Gál, Ágnes Matits, Levente Máté, András Simonovits and János Stahl. 2002. "The Hungarian Pension System Before and After the 1998 Reform." Pp. 25-95 in *Pension reform in Central and Eastern Europe - Volume 1. Restructuring with Privatization: Case Studies of Hungary and Poland,* edited by Elaine Fultz. Budapest: International Labour Office.

Baccaro, Lucio. 2002. "Negotiating the Italian Pension Reform with the Unions: Lessons for Corporatist Theory." *Industrial and Labor Relations Review* 55:413-431.

Baldissera, Alberto. 1996. "La Rivolta dei Captelli Grigi. Il Caso Italiano e Francese." Pp. 53-119 in *Il Paese dei Paradossi. Le Base Sociali della Politica in Italia*, edited by Nicola Negri and Loredana Sciolla. Rome: Nuova Italia Scientifica.

Baldwin, Peter. 1990. *The Politics of Social Solidarity. Class Bases of the European Welfare States 1875-1975*. Cambridge: Cambridge University Press.

Barea, José and Manuel González-Páramo. 1996. *Pensiones y Prestaciones por Desempleo*. Bilbao: Fundación Banco Bilbao Vizcaya.

Barr, Nicholas. 1998. *The Economics of the Welfare State*. New York: Oxford University Press.

Barrada, Alfonso y Bernardo Gonzalo. 1998. *La Financiación de la Protección Social en España*. Madrid: Consejo Económico y Social.

Bates, Robert H., Rui J. P. Jr. de Figueiredo and Barry R. Weingsat. 1998. "The Politics of Interpretation: Rationality, Culture and Transition." *Politics and Society* 26:603-625.

Baum, Michael J. 1996. *An Imperfect Union: The Maastricht Treaty and the New Politics of European Integration*. Boulder: Westview Press.

Baumgartner, Frank R. and Bryan D. Jones. 1993. *Agendas and Instability in American Politics*. Chicago: University of Chicago Press.

Bean, Clive and Elim Papadakis. 1998. "A Comparison of Mass Attitudes towards the Welfare State in Different Institutional Regimes, 1985-1990." *International Journal of Public Opinion Research* 10:211-236.

Beck, Nathaniel and Jonathan N. Katz. 1995. "What to Do (and not to do) with Time-Series Cross-Section Data." *American Political Science Review* 80:634-647.

Beck, Nathaniel. 2001. "Time-Series-Cross-Section Data: What Have We Learned in the Past Few Years?" *Annual Review of Political Science* 4:271-293.

Beckfield, Jason. 2008. "Regionalization and Retrenchment: The Impact of European Integration of the Welfare State." Unpublished manuscript. Harvard University.

Béland, Daniel and John Myles. 2005. "Stasis amidst Change: Canadian Pension Reform in an Age of Retrenchment." Pp. 252-274 in *Ageing and Pension Reform around the World*, edited by Giuliano Bonoli and Thoshimitsu Shinkawa. Cheltenham: Edward Elgar.

Bengston, Vern L. 1993. "Is the "Contract Across Generations" Changing? Effects of Population Aging on Obligations and Expectations across Age Groups." Pp. 3-25 in *The Changing Contract across Generations*, edited by Vern L. Bengston and W. Andrew Achenbaum. New York: Aldine de Gruyter.

Bernasconi, Michele. 2006. "Redistributive Taxation in Democracies: Evidence on People's Satisfaction." *European Journal of Political Economy* 22:809-837.

Beveridge, William. 1942. *Social Insurance and Allied Services*. New York: Macmillan.

Billia, Gianni. 1995. "Interventi del Prof. Gianni Billia." Pp. 25-41 in *Crisi del Sistema Previdenziale Italiano e Confini tra Pubblico e Privato*, edited by Gianni Billia and Tiziano Treu Onorato Castellino. Rome: Senato della Repubblica.

Blake, David. 2002. "The United Kingdom: Examining the Switch from Low Public Pensions to High-Cost Private Pensions." Pp. 317-349 in *Social Security Pension*

Reform in Europe, edited by Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press.
Blanchet, Didier and Louis-Paul Pelé. 1999. "Social Security and Retirement in France." Pp. 101-135 in *Social Security and Retirment around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
Blanchet, Didier and Florence Legros. 2002. "France: The Difficult Path to Consensual Reform." Pp. 109-137 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago: Chicago University.
Blanco Ángel, Francisco. 1999. *Redistribución y Equidad en el Sistema Español de Pensiones de Jubilación. Las Reformas del Pacto de Toledo*. Consejo Económico y Social.
Blekesaune, Morten and Jill Quadagno. 2003. "Public Attitudes toward Welfare State Policies: A Comparative Analysis of 24 Nations." *European Sociological Review* 19:415-427.
Blöndal, Sveinbjörn and Stefano Scarpetta. 1999. "The Retirement Decision in OECD Countries." *OECD Economic Department Working Papers* No. 202.
Blossfeld, Hans-Peter, Katrin Golsch and Götz Rohwer. 2007. *Event History Analysis with Stata*. Mahwah, NJ: Lawrence Erlbaum Associates.
Blundell, Richard and Paul Johnson. 1999. "Pension and Retirement in the United Kingdom." Pp. 403-437 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
Blundell, Richard and Carl Emmerson. 2007. "Fiscal Effects of Reforming the UK State Pension System." Pp. 459-503 in *Social Security Programs and Retirement around the World: Fiscal Implications of Reform*, edited by Jonathan Gruber and David A. Wise. Chicago: Chicago University Press.
Blyth, Mark. 2002. *Great Transformations. Economic Ideas and Institutional Change in the Twentieth Century*. Cambridge: Cambridge University Press.
Boeri, Tito, Axel Börsch-Supan, and Guido Tabellini. 2002. "Pension Reforms and the Opinions of European Citizens." *American Economic Review* 92:396-401.
Boeri, Tito, Axel Börsch-Supan, Guido Tabellini, Karl Ove Moene and Ben Lockwood. 2001. "Whould You Like to Shrink the Welfare State? A Survey of European Citizens." *Economic Policy* 16:7+9-50.
Boeri, Tito, Agar Brugiavini and Lars Calmfors. 2001. *The Role of Unions in the Twenty-First Century*. Oxford: Oxford University Press.
Boldrin, Michele and Sergi Jiménez-Martín. 1999. *Sistema de Pensiones y Mercado de Trabajo en España*. Bilbao: Fundación Banco Bilbao Vizcaya.
Boldrin, Michele, Sergi Jimenez-Martin and Franco Peracchi. 1999. "Social Security and Retirement in Spain." Pp. 305-355 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
Bolzendahl, Catherine and Clem Brooks. 2007. "Women's Political Representation and Welfare State Spending in 12 Capitalist Democracies." *Social Forces* 85:1509-1534.
Bolzendahl, Catherine. 2008a. "Directions of Decommodification: Gender and Generosity in 12 OECD Nations, 1980-2002." unpublished manuscript.

—. 2008b. "Unintended Consequences? How Policymakers 'Do Gender' in Germany, Sweden and the United States." in 2008 American Sociological Association. Boston, MA.
Bonelli, Franco. 1989. "L'Evoluzione del Sistema Previdenziale Italiano in una Visione di Lungo Periodo." Pp. 131-157 in *Novant'anni di Previdenza in Italia: Culture, Politiche, Strutture*, edited by Istituto Nazionale della Previdenza Sociale. Rome: Istituto Nazionale della Previdenza Sociale.
Bonoli, Giuliano. 2000. *The Politics of Pension Reform. Institutions and Policy Change in Western Europe*. Cambridge (UK): Cambridge University Press.
—. 2001. "Political Institutions, Veto Points, and the Processs of Welfare State Adaptation." Pp. 238-265 in *The New Politics of the Welfare States*, edited by Paul Pierson. Oxford: Oxford University Press.
—. 2007. "Switzerland: The Impact of Direct Democracy." Pp. 203-248 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.
Bonoli, Giuliano and Toshimitsu Shinkawa. 2005. "Switzerland: Adapting Pensions within Tight Institutional Constraints." Pp. 137-157 in *Ageing and Pension Reform around the World*, edited by Giuliano Bonoli and Thoshimitsu Shinkawa. Cheltenham: Edward Elgar.
Borowski, Allan. 2005. "The Revolution that Faltered: Two Decades of Reform of Australia's Retirement Income System." *International Social Security Review* 58:45-65.
Börsch-Supan, Alex. 2001. "The German Retirement Insurance System." Pp. 13-39 in *Pension Reform in Six Countries. What Can We Learn from Each Other?*, edited by Alex Börsch-Supan and Meinhard Miegel. Berlin: Springer.
—. 2006. "What are NDC Systems? What Do They Bring to Reform Strategies?" Pp. 35-57 in *Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes*, edited by Robert Holzmann and Edward Palmer. Washington: World Bank.
Börsch-Supan, Alex and Anette Reil-Held and Reinhold Schnabel. 2001. "Pension Provision in Germany." Pp. 160-197 in *Pension Systems and Retirement Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Northampton: Edward Elgar.
Börsch-Supan, Alex and Platon Tinios. 2001. "The Greek Pension System: Strategic Framework for Reform." Pp. 361-453 in *Greece's Economic Performance and Prospects*, edited by Nicholas C. Garganas, George S. Tavlas and Ralph C. Bryant. Athens: Bank of Greece.
Bouchard, Réal. 2007. "Canada." Pp. 1-27 in *International Perspectives on Social Security Reform*, edited by Rudolph G. Penner. Washington D.C.: Urban Institute Press.
Bourdieu, Pierre. 1977. *Outline of a Theory of Practice*. Cambridge: Harvard University Press.
—. 1990[1980]. *The Logic of Practice*. Cambridge: Cambridge University Press.

Bourdieu, Pierre and Loïc Wacquant. 1992. *An Invitation to Reflexive Sociology*. Chicago: University of Chicago Press.
Bovenber, Lans and Lex Meijdam. 2001. "The Dutch Pension System." Pp. 39-69 in *Pension Reform in Six Countries. What Can We Learn from Each Other?*, edited by Alex Börsch-Supan and Meinhard Miegel. Berlin: Springer.
Box-Steffensmeier, Janet and Bradford S. Jones. 2004. *Event History Analysis: A Guide for Social Scientists*. Cambridge: Cambridge University Press.
Box-Steffensmeier, Janet and Christopher Zorn. 2002. "Duration Models for Repeated Events." *Journal of Politics* 64:1069-1094.
Brady, David, Jason Beckfield and Martin Seeleib-Kaiser. 2005. "Economic Globalization and the Welfare State in Affluent Democracies, 1975-2001." *American Sociological Review* 70:921-948.
Braun, Michael. 1996. "The Confederated Trade Unions and the Dini Government: The Grand Return to Neo-Corporatism?" Pp. 205-223 in *Italian Politics: The Stalled Transition*, edited by Mario Caciagli and David Kertzer. Boulder, CO: Westview Press.
Breen, Richard. 1997. "Risk, Recommodification and Stratification." *Sociology* 31:473-489.
Brombacher Steiner, Maria Verena. 2001. "The Swiss Three-Pillar System." Pp. 69-87 in *Pension Reform in Six Countries. What can We Learn From Each Other?,* edited by Axel Börsch-Supan and meinhard Miegel. Berlin: Springer.
Brooks, Clem and Jeff Manza. 2006. "Why Do Welfare States Persist?" *Journal of Politics* 68:816-827.
—. 2007. *Why Welfare States Persist?* Chicago: Chicago University Press.
Brooks, Sarah M. 2002. "Social Protection and Economic Integration: The Politics of Pension Reform in an Era of Capital Mobility." *Comparative Political Studies* 35:491-523.
—. 2005. "Interdependent and Domestic Foundations of Policy Change: The Diffusion of Pension Privatization around the World." *International Studies Quarterly* 49:273-294.
Brooks, Sarah M. and R. Kent Weaver. 2006. "Lashed to the Mast? The Politics of NDC Pension Reform." Pp. 345-397 in *Pension Reform: Issues and Prospects for Non-financial Defined Contribution (NDC) Schemes*, edited by Robert Holzmann and Edward Palmer. Washington: World Bank.
Bryk, Anthony S. and Stephen W. Raudenbush. 2002. *Hierarchical Linear Models*. Newbary Park, CA: Sage.
Brugiavini, Agar 1999. "Social Security and Retirement in Italy." Pp. 181-239 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
Brugiavini, Agar and Elsa Fornero. 2001. "Pension Provision in Italy." Pp. 197-236 in *Pension Systems and Retirement Incomes across OECD countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Budge, Ian, Hans-Dieter Kingemann, Andre Volkens, Judtih Bara and Eric Tanenbaum. 2001. *Mapping Policy Preferences. Estimates for Parties, Electors, and Government 1945-1998*. Oxford: Oxford University Press.

Busemeyer, Marius R., Achim Goerres and Simon Weschle. 2009. "Attitudes towards Redistributive Spending in an Era of Demographic Aging: The Rival Pressures from Age and Income in 14 OECD Countries." *Journal of European Social Policy* forthcoming.

Button, James and Walter Rosenbaum. 1990. "Gray Power, Gray Peril, or Gray Myth?: The Political Impact of the Aging in Local Sunbeld Politics." *Social Science Quarterly* 71:25-38.

Cambpell, Andrea Louise. 2003. *How Policies Make Citizens: Senior Political Activism and the American Welfare State*. Princeton: Princeton University Press.

Campbell, Donald T. 1975. "'Degrees of Freedom' and the Case Study." *Comparative Political Studies* 8:178-193.

Campbell, John and Ove Pedersen. 2001. "Introduction." PP. 1-25 in *The Rise of Neoliberalism and Institutional Analysis*, edited by John Campbell and Ove Pedersen. Princeton: Princeton University Press.

Campbell, John L. 2010. "Institutional Reproduction and Change." in *The Oxford Handbook of Comparative Institutional Analysis*, edited by John L. Campbell Glenn Morgan, Colin Crouch, Peer Hull Kristensen, Ove K. Pedersen, and Richard Whitley. Oxford: Oxford University Press.

Castellino, Onorato. 1975. *Il Labirinto delle Pensioni*. Bologna: Il Mulino.

—. 1996a. "La Previdenza Sociale dalla Riforma Amato alla Riforma Dini." *Rivista Italiana di Scienze Sociali* 3:457-473.

— (Ed.). 1996b. *Le Pensioni Difficili. La Previdenza Sociale in Italia tra Crisi e Riforme*. Milano: Il Milano.

—. 1996c. "Pension Reform: Perhaps Not the Last Round." Pp. 152-167 in *Italian Politics. The Stalled Revolution*, edited by Mario Caciagli and David I. Kertzer. Rome: Westview.

Castells, Manuel. 1996. *La era de la información. Economía, sociedad y cultura. vol. 1. La sociedad red.* Madrid: Alianza.

Castles, Francis G. 1982. "Impact of Parties on Public Expenditure." Pp. 21-96 in *Impact of Parties: Politics and Policies in Democratic Capitalist States*, edited by Francis G. Castles. London: Sage.

—. 1994. "On Religion and Public Policy: Does Catholicism Make a Difference?" *European Journal of Political Research* 25:19-40.

—. 2004. *The Future of the Welfare State*. Oxford: Oxford University Press.

—. 2007. "Testing the Retrenchment Hypothesis: An Aggregate Overview." Pp. 19-44 in *The Disappearing State? Retrenchment Realities in an Age of Globalization*, edited by Francis G. Castles. Cheltenham: Edward Elgar.

—. 2008. "What Welfare States Do: A Disaggregated Expenditure Approach." *Journal of Social Policy* 38:45-62.

Cazzola, Giuliano. 1995. *Le Nuevo Pensioni degli Italiani*. Bologna: il Mulino.

Cercas Alonso, Alejandro. 2005. "El Pacto de Toledo como Ejemplo de Responsabilidad Democrática." Pp. 29-41 in *Diez Años del Pacto de Toledo 1995-2005*, edited by Instituto Nacional de la Seguridad Social. Madrid: INSS.

Chen, Anthony S. 2001. "The Passage of State Fair Employment Legislation, 1945-1964: An Event-History Analysis with Time-Varying and Time-Constant Covariates." *Institute of Industrial Relations Working Paper Series* Working paper #79.
Christiansen, Niels Finn and Klaus Petersen. 2001. "The Dynamics of Social Solidarity: The Danish Welfare State, 1900-2000." *Scandinavian Journal of History* 26:178-196.
Chuliá, Elisa. 2005. "La Reforma del Sistema Español de Pensiones: Dificultades de Legitimación Política y Desactivación Estratégica del Debate." *Cuadernos de Información Económica* 186:139-146.
—. 2007. "Spain: Between Majority Rule and Incrementalism." Pp. 499-554 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.
Chuliá, Elisa and María Asensio. 2007. "Portugal: In Search for a Stable Framework." Pp. 605-660 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.
Cioccia, Antonella, Sandro Turcio and Paola Calza-Bini. 1999. "The Italian Pension System and Pension Reform Pathways." edited by Instituto di Richerche sulle Dinamiche Della Sicurezza Social, D2.
Clark, Terry Nichols and Seymour Martin Lipset. 1991. "Are Social Classes Dying?" *International Sociology* 8:397-410.
Clayton, Richard and Jonas Pontusson. 1998. "Welfare-State Retrenchment Revised: Entitlements Cuts, Public Sector Restructuring, and Inegalitarian Trends in Advanced Capitalist Societies." *World Politics* 51:67-98.
Cleves, Mario. 2000. "Analysis of Multiple Failure-time Data with Stata." *Stata Bulletin* 9:30-40.
Clogg, Richard. 1987. *Parties and Elections in Greece*. Durham, NC: Duke University Press.
Collier, Ruth Berins and David Collier. 1991. *Shaping the Political Arena: Critical Junctures, the Labor Movement, and Regime Dynamics in Latin America*. Princeton: Princeton University Press.
Comín, Francisco. 1996. "Las Formas Históricas del Estado del Bienestar: El Caso Español." Pp. 29-59 in *Dilemas del Estado del Bienestar*, edited by Berta Álvarez Miranda. Madrid: Fundación Argentaria.
Conceição-Heldt, Eugénia da. 2007. "France: The Importance of the Electoral Cycle." Pp. 150-203 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.
Congreso de los Diputados. 1995. "Aprobación por el Pleno de la Cámara del Texto Aprobado por la Comisión de Presupuestos sobre la Base del Informe de la Ponencia para el Análisis de los Problemas Estructurales del Sistema de la Seguridad Social y de las Principales Reformas que Deberán Acometerse, así como Votos Particulares." *Boletín Oficial de las Cortes Generales* V Legislatura, 12 de abril de 1995: Serie E, otros textos, 1-50.

Cook, Fay Lomax and Edith J. Barrett. 1992. *Support for the American Welfare State: The Views of Congress and the Public*. New York: Columbia University Press.

Coppini, Mario Alberto. 1989. "Il Problema degli Equilibri Finanziari: le Esperienze nel Passato." Pp. 205-260 in *Novant'anni di Previdenza in Italia: Culture, Politiche, Strutture*, edited by Istituto Nazionale Previdenza Sociale. Rome: INPS.

Coughlin, Richard M. 1980. *Ideology, Public Opinion and Welfare Policy*. Berkeley: Institute of International Studies.

Cousins, Mel. 2000. "Ireland." Pp. 111-127 in *Social Security and Solidarity in the European Union*, edited by Joos P.A. van Vugt and Jan M. Peet. Heliderberg: Physica-Verlag.

Crepaz, Markus M. L. and Ann W. Moser. 2004. "The Impact of Collective and Competitive Veto Points on Public Expenditures in the Global Age." *Comparative Political Studies* 37:259-285.

Culpepper, Pepper. 2000. "Powering, Puzzling, and 'Pacting': The Informational Logic of Negotiated Reforms." *Journal of European Public Policy* 9:774–790.

Cusack, Thomas, Torben Iversen and Philipp Rehm. 2006. "Risks at Work: The Demand and Supply Sides of Government Redistribution." *Oxford Review of Economic Policy* 22: 365-389.

Czech Statistical Office. 2006. "Labour Statistics: Time Series of Basic Indicators (1948 - 2005)." http://www.czso.cz/eng/edicniplan.nsf/kapitola/3107-06-(1948___2005)-1400.

Czespulis-Rutkowska, Zofia. 1999. "The Polish Pension System and its Problems." Pp. 143-159 in *Transformation of Social Security: Pension in Central-Eastern Europe*, edited by K. Müller, A. Ryll, and H.-J. Wagener. Heidelberg: Physica-Verlag.

Czúcz, Ottó and Mária Pintér. 2002. "Transformation of Old-age Security in Hungary." Pp. 277-305 in *Transformation of Pension Systems in Central and Eastern Europe*, edited by Winfried Schmähl and Sabine Horstmann. Cheltenham: Edward Elgar.

Dang, Thai-Thanh, Herwig Immervoll, Daniella Mantovani, Kristian Orsini and Holly Sutherland. 2006. "An Age Perspective on Econmoic Well/Being and Social Protection in Nine OECD Countries." *Forschungsinstitut zur Zukunft der Arbeit (IZA) Discussion Paper* No. 2173.

Day, Lincon H. 1978. "Government Pensions for the Aged in 19 Industrialized Countries: Demonstration of a Method for Cross-National Evaluation." *Comparative Studies in Sociology* 1:217-233.

Day, Christine L. 1990. *What Older Americans Think. Interest Groups and Aging Policy*. Princeton, NY: Princeton University Press.

de la Fuente Lavín, Míkel. 2006. *El Sistema de Pensiones en España. Evolución y Perspectivas de Futuro*. Granada: Comares.

de Callatay, Etienne and Bart Turtelboom. 1996. "Pension Reform in Belgium." *International Monetary Fund Working Papers* WP/96/74.

de Swaan, Abram. 1988. *In Care of the State: Health Care, Education, and Welfare in Europe and the USA in the Modern Era*. Amsterdam: Bakker.

de Vos, Klaas and Arie Kapteyn. 2001. "Pension Provision in the Netherlands." Pp. 236-260 in *Pension Systems and Retirement Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Deacon, Bob. 1997. *Global Social Policy. Internantional Organizations and the Future of Welfare*. London: Sage.
Desdentado Bonete, Aurelio, Bernardo Fernández and Emilio González Sancho. 1986. *La Reforma de las Pensiones de la Seguridad Social. Un Comentario Sistemático a la Ley 26/1985 de 31 de julio*. Madrid: Editorial Civitas.
Diamond, Peter. 2002. *Social Security Reform*. Oxford: Oxford University Press.
Diamond, Peter and Jonathan Gruber. 1999. "Social Security and Retirement in the United States." Pp. 437-475 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
DiMaggio, Paul. 1988. "Interests and Agency in Institutional Theory." Pp. 3-23 in *Institutional Patterns and Organizations. Culture and Environment*, edited by Lynne G. Zucker. Cambridge: Ballinger Publishing Company.
Disney, Richard. 2000. "Crises in Public Pension Programmes in OECD: What are the Reform Options?" *The Economic Journal* 110:F1-F23.
—. 2001. "The UK System of Pension Provision." Pp. 87-111 in *Pension Reform in Six Countries. What Can We Learn from Each Other?*, edited by Axel Börsch-Supan and Meinhard Miegel. Berlin: Springer.
Duval, Robert. 2003. "The Retirement Effects of Old-Age Pension and Early Retirement Schemes in OECD Countries." *OECD Economic Department Working Papers* No. 370.
Dyson, Kenneth and Kevin Featherstone. 1999. *The Road to Maastricht: Negotiating Economic and Monetary Union*. Oxford: Oxford University Press.
Ebbinghaus, Bernhard. 2006. *Reforming Early Retirement in Europe, Japan and the USA*. Oxford: Oxford University Press.
Ebbinghaus, Bernhard and Jelle Visser. 2000. *Trade Unions in Western Europe since 1945*. London: Macmillan.
Edey, Malcolm and John Simon. 1998. "Australia's Retirement Income System." Pp. 63-99 in *Privatizing Social Security*, edited by Martin Feldstein. Chicago: University of Chicago Press.
Edelman, Murray. 1988. *Constructing the Political Spectacle*. Chicago: University of Chicago Press.
El-Brady, M. A. and Shigemi Kono. 1986. "Demographic Estimates and Projections." *Population Bulletin of the United Nations* 19/20: 35-43.
Emmerson, Carl and Paul Johnson. 2001. "Pension Provision in the United Kingdom." Pp. 296-334 in *Pension Systems and Retirement Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Erikson, Robert and John H. Goldthorpe. 1992. *The Constant Flux: A Study of Class Mobility in Industrial Societies*. Oxford, England: Clarendon Press.
—. 2002. "Intergenerational Inequality: A Sociological Perspective." *Journal of Economic Perspectives* 16:31-44.

Ervik, Rune. 2001. "Pension Reform in Norway." *Public Participation and the Pension Policy Process: The Citizen and Pension Reform*.
Esping-Andersen, Gøsta. 1985. *Politics against Markets: The Social Democratic Road to Power*. Princeton: Princeton University Press.
—. 1990. *The Three Worlds of Welfare Capitalism*. Princeton: Princeton University Press.
—. 1996a. "After the Golden Age? Welfare State Dilemmas in a Global Economy." Pp. 1-32 in *Welfare States in Transition*, edited by Gosta Esping-Andersen. London: Sage.
—. 1996b. "Positive-Sum Solutions in a World of Trade-Offs?" Pp. 256-268 in *Welfare States in Transition*, edited by Gosta Esping-Andersen. London: Sage.
—. 1996c. "Welfare States without Work: the Impasse of Labour Shedding and Familialism in Continental European Social Policy." Pp. 66-88 in *Welfare States in Transition. National Adaptations in Global Economies*, edited by Gøsta Esping-Andersen. London: Sage.
—. 1999. *Social Foundations of Postindustrial Economies*. Oxford: Oxford University Press.
Esping-Andersen, Gösta and Sebastian Sarasa. 2002. "The Generational Conflict Reconsidered." *Journal of European Social Policy* 12:5-21.
European Commission. 2004. *The Future of Pension Systems. Special Eurobarometer 161. Wave 56.1.* Brussels: European Commission.
—. 2007. *European Social Reality. Speical Eurobarometer 273 / Wave 66.3.* Brussels: European Commission.
—. several years. *Mutual Information System on Social Protection (MISSOC). Social Protection in the EU Member States and the European Economic Area*. Brussels: European Commission.
Eurostat. 1993. *Old Age Replacement Rates Volume I.* Luxembourg: European Communities.
Evans, Geoffrey. 1996. "Cross-national Differences in Support for Welfare and Redistribution: An Evaluation of Competing Theories." Pp. 185-209 in *Understanding Change in Social Attitudes*, edited by Bridget Taylor and Katharina Thomson. Aldershot: Dartmouth.
—. 1999. "Class and Vote: Disrupting the Orthodoxy." Pp. 323-335 in *The End of Class Politics? Class Voting in Comparative Context*, edited by Geoffrey Evans. Oxford: Oxford University Press.
Featherstone, Kevin, Georgios Kazamias and Dimitris Papadimitriou. 2001. "The Limits of External Empowerment: EMU, Technocracy and Reform of the Greek Pension System." *Political Studies* 49:462-480.
Feldstein, Martin. 1998. "Transition to a Fully Funded Pension System: Five Economic Issues." Pp. 299-316 in *Redesigning Social Security*, edited by Horst Seibert. Tübingen: Mohr Seibeck.
Ferrera, Maurizio. 1984. *Il Welfare State in Italia*. Bologna: Il Mulino.
—. 2005. *The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection*. Oxford: Oxford University Press.

Ferrera, Maurizio and Elisabetta Gualmini. 1999. *Salvati dall'Europa?* Bologna: Il Mulino.
—. 2000. "Italy: Rescue from Without?" Pp. 351-399 in *Welfare and Work in the Open Economy. Vol. II. Diverse Responses to Common Challenges*, edited by Fritz W. and Vivien A. Schmidt Scharpf. Oxford: Oxford University Press.
Ferrera, Maurizio and Matteo Jessoula. 2005. "Reconfiguring Italian Pensions: From Policy Stalemate to Comprehensive Reforms." Pp. 24-47 in *Ageing and Pension Reform around the World. Evidence from Eleven Countries*, edited by Giuliano Bonoli and Toshimitsu Shinkawa. Cheltenham (UK): Edward Elgar.
—. 2007. "Italy: A Narrow Gate for Path-Shift." Pp. 396-454 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Pres.
Festjens, M.J. 1997. *La Réforme des Pensions*. Brussells: Bureau fédéral du Plan.
Figueredo, Antonio de. 1976. *Portugal. Fifty Years of Dictatorship*. New York: Holmes & Meier.
Fligstein, Neil. 1996. "Markets as Politics: A Political-Cultural Approach to Market Institutions." *American Sociological Review* 61:656-673.
—. 2001a. "Social Skills and the Theory of Fields." *Sociological Theory* 19:105-125.
—. 2001b. *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*. Princeton: Princeton University Press.
Forni, Arvedo. 1979. *Il Pianeta Previdenza*. Rome: De Donato.
Frades, Jaime. 2007. "Perspectivas Sindicales de la Pensión de Jubilación." Pp. 179-203 in *Tratado de Jubilación. Homenaje al Profesor Luis Enrique de la Villa Gil con Motivo de su Jubilación*, edited by Lourdes López Cumbre. Madrid: Iustel.
Franco, Daniele. 2002. "Italy: A Never-Ending Pension Reform." Pp. 211-263 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago University of Chicago Press.
—. 2006. "NDCs in Italy: Unsatisfactory Present, Uncertain Future." Pp. 467-493 in *Pension Reform: Issues and Prospects for Notional Defined-Contribution (NDC) Systems*, edited by Robert Holzmann and Edward Palmer. Washington: World Bank.
Gál, Róbert I. 1999. "Hungarian Old-Age Security Prior to the 1998 Reform." Pp. 201-211 in *Transformation of Social Security: Pensions in Central-Eastern Europe*, edited by K. Müller, A. Ryll, and H.-J. Wagener. Heildelberg: Physica-Verlag.
GAO (Government Accountability Office). 2005. *Social Security Reform: Other Countries' Experiences Provide Lessons for the United States*. Washington: GAO.
Ganzeboom, Harry. 2008. "Tools for Deriving Status Measures from ISKO-88 and ISCO-68." http://home.fsw.vu.nl/~ganzeboom/pisa/.
Garret, Geoffrey. 1995. "Capital Mobility, Trade, and the Domestic Politics of Economic Policy." *International Organization* 49:657-687.
Garrett, Geoffrey and Deborah Mitchell. 2001. "Globalization, Government Spending and Taxation in the OECD." *European Journal of Political Research* 39:145–177.
Gelissen, John. 2000. "Popular Support for Institutionalised Solidarity: a Comparison between European Welfare State." *International Journal of Social Welfare* 9:285-300.

—. 2001. "Old-Age Pensions: Individual or Collective Responsibility? An Investigation of Public Opinion across European Welfare States." *European Societies* 3:495-523.
—. 2002. *Worlds of Welfare, Worlds of Consent? Public Opinion on the Welfare State*. Leiden: Brill.
Gendell, Murray. 1998. "Trends in Retirement Age in Four Countries, 1965-1995." *Monthly Labor Review* August:20-30.
George, Alexander L. and Andrew Bennett. 2005. *Case Studies and Theory Development in the Social Sciences*. Cambridge: MIT Press.
Gern, Klaus-Jünger. 2002. "Recent Developments in Old Age Pension Systems: An International Overview." Pp. 439-479 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press.
Giarda, Piero. 1998. "La Revisione del Sistema Pensionistico nel 1997: Como Avrebbe Potuto Essere." *Economia Politica* XV:267-294.
Gilbert, Neil. 2002. *Transfromation of the Welfare State: The Silent Surrender of Public Responsibility*. Oxford: Oxford University Press.
Gillion, Colin, John Turner, Clive Bailey, and Denil Latulippe. 2000. *Social Security Pensions: Development and Reform*. Geneva: International Labour Organization.
Golinowska, Stanislawa and Maciej Zukowski. 2002. "Transformation of Old-age Security in Poland." Pp. 185-223 in *Transformation of Pension Systems in Central and Eastern Europe*, edited by Winfried Schmähl and Sabine Horstmann. Cheltenham: Edward Elgar.
González Catalá, Vicente T. and Ana Vicente Merino. 1985. *Análisis Económico-Financiero del Sistema Español de Seguridad Social 1964-1985*. Madrid: Ministerio de Trabajo y Seguridad Social.
Gonzalo González, Bernardo, Fidel Ferreras, Emilio González-Sancho, Paloma de la Peña and José Ignacio Tejerina. 1981. *La Estructura Actual de la Seguridad Social Española y su Reforma*. Madrid: Ministerio de Trabajo, Sanidad y Seguridad Social.
Gordon, Margaret S. 1968. "The Case for Earnings-Related Social Security Benefits Restated." Pp. 312-340 in *Old Age Insurance Assurance (Part II)*, edited by Congress of the United States. Washington: U.S. Government
—. 1988. *Social Security Policies in Industrial Countries*. Cambridge: Cambridge University.
Gramsci, Antonio. 1971. *Selections for the Prison Notebooks*. New York: International Publishers.
Green-Pedersen, Christoffer and Anders Lindbom. 2006. "Politics within Paths: Trajectories of Danish and Swedish Earnings-Related Pensions." *Journal of European Social Policy* 16:245-258.
Green-Pedersen, Christoffer. 2002. *The Politics of Justification: Party Competition and Welfare-State Retrenchment in Denmark and the Netherlands from 1982 to 1998*. Amsterdam: Amsterdam University Press.
—. 2004. "The Dependent Variable Problem within the Study of Welfare State Retrenchment: Defining the Problem and Looking for Solutions." *Journal of Comparative Political Analysis* 6:3-14.

Green-Pedersen, Christoffer and Markus Haverland. 2002. "The New Politics and Scholarship of the Welfare State." *Journal of European Social Policy* 12:43-51.

Griffin, Larry. 1993. "Narrative, Event-Structure Analysis, and Causal Interpretation in Historical Sociology." *American Journal of Sociology* 98:1094-1133.

Griñán Martínez, José Antonio. 2005. "El Pacto de Toledo." Pp. 41-55 in *Diez Años del Pacto de Toledo 1995-2005*, edited by MTSS. Madrid: MTSS.

Gronchi, Sandro. 1996. "Sostenibilita Finanziaria e Indicizzazione: Un Commento alla Riforma del Sistema Pensionistico." *Economia Italiana* 1:115-157.

—. 1998. "La Sostenibilita delle Nuove Forme Previdenziali Ovvero il Sistema Pensionistico tra Riforme Fatte e Da Fare." *Economia Politica* XV:295-317.

Gronchi, Sandro and Rocco Aprile. 1998. "The 1995 Pension Reform: Equity, Sustainability and Indexation." *Labour* 12:67-100.

Gronchi, Sandro and Sergio Nisticò. 2006. "Implementing the NDC Theoretical Model: A Comparison of Italy and Sweden." Pp. 493-519 in *Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes*, edited by Robert Holzmann and Edward Palmer. Washington: World Bank.

Gruber, Jonathan. 1999. "Social Security and Retirment in Canada." Pp. 73-101 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago

Guillén, Ana Marta. 1990. El Origen del Estado del Bienestar en España (1876-1923): El Papel de las Ideas en la Elaboración de Políticas Públicas. *Instituto Juan March de Estudios e Investigaciones Estudio/Working Paper* 1990/10.

—. 1999. "Pension reform in Spain (1975-1997). The role of organized Labour." *European University Institute Working Paper* 6:1-26.

Guillén, Ana Marta and Santiago Álvarez. 2004. "The EU's Impact on the Spanish Welfare State: The Role of Cognitive Europeanization." *Journal of European Social Policy* 14:285-299.

Haas, Peter M. 1992. "Introduction: Epistemic Communities and International Policy Coordination." *International Organization* 46:1-35.

Habermas, Jürgen. 1970. *Towards a Rational Society*. Boston: Beacon

Hall, Peter A. 1989. "Conclusion: The Politics of Keynesian Ideas." in *The Political Power of Economic Ideas: Keynesianism across Nations*, edited by peter A. Hall. Princeton: Princeton University.

—.1993. "Policy Paradigms, Social Learning, and the State: The Case of Economic Policymaking in Britain." *Comparative Politics* 25:275-296.

Hamil-Luker, Jenifer. 2001. "The Prospects of Age War: Inequality between (and within) Age Groups." *Social Science Research* 30:386-400.

Hannes-Olsen, Leif. 1978. "Earning-Replacement Rate of Old-Age Benefits, 1965-1975, Selected Countries." *Social Security Bulletin* 41:3-15.

Hasenfeld, Yeheskel and Jane A. Rafferty. 1989. "The Determinants of Public Attitudes toward the Welfare State." *Social Forces* 67:1027-1048.

Hayes, Bernadetter C. and Audrey Vandenheuel. 1994. "Attitudes toward Mandatory Retirement: An International Comparison." *International Journa of Aging and Human Development* 39:209-231.

Heclo, Hugh. 1974. *Modern Social Politics in Britain and Sweden*. New Haven: Yale University Press.
Herbertsson, Tryggvi Thor, J. Michael Orszag and Peter R. Orszag. 2000. *Retirement in the Nordic Countries. Prospects and Proposals of Reform*. Unknown: Nordic Council of Ministers.
Herce, José A. and Javier Alonso Meseguer. 2000. *La Reforma de las Pensiones ante la Revisión del Pacto de Toledo*. Barcelona: La Caixa.
Herce, José A. and Víctor Pérez-Díaz. 1995. *La Reforma del Sistema Público de Pensiones en España*. Barcelona: Servicio de Estudios de "la Caixa".
Herce, José Antonio and Javier Alonso. 1998. "Los Efectos Económicos de la Ley de Consolidación de la Seguridad Social. Perspectivas Financieras del Sistema de Pensiones tras su Entrada en Vigor." *FEDEA Documento de Trabajo* 98-16 Madrid.
Hicks, Alexander. 1999. *Social Democracy & Welfare Capitalism. A Century of Income Security Politics.* Ithaca: Cornell University Press.
—. 2001. "Public Support for Retirement Income Reform." *OECD Labour Market and Social Policy Occasional* Papers 55.
Hicks, Alexander and Christopher Zorn. 2005. "Economic Globalization, the Macro Economy, and Reversals of Welfare: Expansion in Affluent Democracies, 1978-1994." *International Organization* 59:631-662.
—. 2007. "Errata, Revisions and Data: 'Economic Globalization, the Macro Economy, and Reversals of Welfare Expansion in Affluent Democracies, 1978-1994." *International Organization* 61:465-465.
Hinojosa Lucena, Rafael. 2005. "En Defensa del Estado del Bienestar." Pp. 57-73 in *Diez Años Después del Pacto de Toledo 1995-2005*, edited by MTSS. Madrid: MTSS.
Hinrichs, Karl. 2000. "Elephants on the Move. Patterns of Public Pension Reform in OECD Countries." *European Review* 8:353-378.
—. 2002. "Do The Old Exploit The Young? Is Enfrachising children a Good Idea?" *Archives of European Sociology* 43:35-58.
—. 2004. "Active Citizens and Retirement Planning: Enlarging Freedom of Choice in the Course of Pension Reforms in Nordic Countries and Germany." *ZeS-Arbeitspapier* Nr. 11/2004, University of Bremen.
Hobson, Barbara and Marika Lindholm. 1997. "Collective Identities, Women's Power Resources, and the Making of Welfare States." *Theory and Society* 26:475-508.
Hoffman, Michael and Bev Dahlby. 2001. "Pension Provision in Canada." Pp. 92-131 in *Pension Systems and Retirment Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Holzmann, Robert. 1988. *Reforming Public Pensions*. Paris: OECD.
Holzmann, Robert, Landis MacKellar and Michal Ruthowski. 2003. "Accelerating the European Pension Reform Agenda: Need, Progress, and Conceptual Underpinnings." Pp. 1-47 in *Pension Reform in Europe: Process and Progress*, edited by Robert Holzmann, M. Orenstein and M. Rutkowski. Washington: World Bank.
Horlick, Max. 1970. "The Earnings Replacement Rate of Old-Age Benefits: An International Comparison." *Social Security Bulletin* 33:3-16.

Huber, Evelyne and John D. Stephens. 2001. *Development and Crisis of the Welfare State*. Chicago: The University of Chicago Press.
—. 2006. "Combating Old and New Social Risks." Pp. 143-169 in *The Politics of Post-Industrial Welfare States,* edited by Klaus Armingeon and Michelle Beyeler. London: Routledge.
Huddy, Leonie, Jeffrey M. Jones and Richard E. Chard. 2001. "Compassionate Politics: Support for Old-Age Programs among the Non-Elderly." *Political Psychology* 22:443-471.
Hwang, Hokyu and Walter W. Powell. 2005. "Institutions and Entrepreneurship." Pp. 201-232 in *Handbook of Entrepreneurship Research: Disciplinary Perspectives*, edited by Rajshree Agarwal and Olav Sorenson Sharon Alvarez. New York: Springer.
Immergut, Ellen M. 1992. "The Rules of the Game: The Logic of Health Policy-Making in France, Switzerland, and Sweden." Pp. 57-90 in *Structuring Politics: Historical Institutionalism in Comparative Politics*, edited by S. Steinmo, K. Thelen and F. Longstreth. Cambridge: Cambridge University Press.
Immergut, Ellen M., Karen M. Anderson and Isabelle Schulze, (Ed.). 2007. *Handbook of West European Pension Politics*. Oxford: Oxford University Press.
Immergut, Ellen M. and Karen M. Anderson. 2007. "Editor's Introduction: The Dynamics of Pension Politics." Pp. 1-49 in *The Handbook of West European Pension Politics*, edited by Karen M. Anderson and Isabelle Schulze Ellen M. Immergut. Oxford: Oxford University.
ILO (International Labour Organization). 1984. *Into the Twenty-First Century: The Development of Social Security.* Geneva: international Labour Organization.
ILO/EURODATA (International Labour Organization). 2001. "Database on 'The Cost of Social Security (1949-1993)." Geneva/Mannheim.
IMF (International Monetary Fund). 2009. "International Financial Statistics."
INPS (Instituto Nazionale Provizione Sociale). 1993. *Le Pensioni Domani: Primo Rapporto sulla Previdenza in Italia.* Bologna: Il Mulino.
Instituto Sindical del Estudios. several years. *Evolución Social en España*. Madrid: ISL.
ISSA (International Social Security Association). 1981. "Social Security News." *International Social Security Review* 34:197-205.
—. 1983. "Social Security News." *International Social Security Review* 36:257-277.
—. 1985. "Spain: General Restructuring of Social Security: The First Stage." *International Social Security Review* 38:436-437.
—. 1986a. "Japan: General Restructuring of Pensions." *International Social Security Review* 39:219-222.
—. 1986b. "Social Security News." *International Social Security Review* 39:461-469.
—. 1987. "Social Security News." *International Social Security Review* 40:102-108.
—. 1992. "Developments and Trends in Social Security 1990-1992 Part I: Overview of Principal Trends." *International Social Security Review* 45:7-64.
—. 1993. *Responding to Changing Needs: Developments and Trends in Social Security throughout the World, 1990-1992*. Acapulco: ISSA.
—. 1995a. "Portugal." *Trends in Social Security* 6:17-18.

—. 1995b. "Sweden." *Trends in Social Security* 8:18-19.
Iversen, Torben. 2005. *Capitalism, Democracy and Welfare*. Cambridge: Cambridge University Press.
Jaeger, Mads Meier. 2006. "Welfare Regimes and Attitudes toward Redistribution: The Regime Hypothesis Revisited." *European Sociological Review* 22:157-170.
Janky, Béla and Róbert I. Gál. 2007. "Public Opinion on Pension Systems in Europe." *ENEPRI Research Reports* 36.
Jiménez Fernández, Adolfo. 2005. "El Pacto de Toledo. La Consolidación de un Sistema de Pensiones y la Garantía de su Sostenibilidad." Pp. 75-97 in *Diez Años Después del Pacto de Toledo 1995-2005*, edited by MTSS. Madrid: MTSS.
Jonsson, Gudmundur. 2001. "The Icelandic Welfare State in the Twentieth Century." *Scandinavian Journal of History* 26:249-267.
Jousten, Alain. 2001. "Pension Provision in the United States." Pp. 334-363 in *Pension Systems and Retirement Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Kabe, Tetsuo. 2007. "Japan." Pp. 69-87 in *International Perspectives on Social Security Reforms*, edited by Rudolph G. Penner. Washington: Urban Institute.
Kalisch, David W. and Tetsuya Aman. 1998. "Retirement Income Systems: The Reform Process across OECD Countries." *OECD Ageing Working Papers* 3.4.
Kangas, Olli. 2007. "Finland: Labor Market against Politics." Pp. 248-297 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.
Kangas, Olli and Päivi Valdes. 2009. "Finland: From Public Dominance towards Private Schemes." Unpublished manuscript. University of Helsinki.
Kapteyn, Arie and Klaas de Vos. 1999. "Social Security and Retirement in the Netherlands." Pp. 269-305 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago.
Kay, Stephen. 1999. "Unexpected Privatizations: Politics and Social Security Reform in the Southern Cone." *Comparative Politics* 31:403-422.
Keilman, Nico. 1988. "How Accurate Are the United Nations World Population Projections?" *Population and Development Review* 24:15-41.
—. 2001. "Data Quality and Accuracy of United Nations Population Projections, 1950-1995." *Population Studies* 55:149-164.
Kerr, Clark, John Dunlop, Frederick Harbison, and Charles Myers. 1964. *Industrialism and Industrial Man*. New York: Oxford University Press.
King, Anthony, Hans Boekgaard and Ann Harding. 2001. "Pension Provision in Australia." Pp. 48-92 in *Pension Systems and Retirment Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Kingdon, John. 1984. *Agendas, Alternatives, and Public Policies*. Boston: Little, Brown and Company.
Kitschelt, Herbert. 2001. "Partisan Competition and Welfare State Retrenchment: When Do Politicans Choose Unpopular Policies?" Pp. 265-305 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.

Kitschelt, Herbert and Philipp Rehm. 2006. "New Social Risks and Political Preferences." Pp. 52-83 in *The Politics of Post-Industrial Welfare States: Adapting Post-war Social Policies to New Social Risks*, edited by Klaus Armingeon and Giuliano Bonoli. London: Routledge.

Kittel, Bernhard and Herbert Obinger. 2002. "Political Parties, Institutions, and the Dynamics of Social Expenditure in Times of Austerity." *MPIfG Discussion Paper* 02/1.

Kluegel, James R. and Masaru Miyano. 1995. "Justice Beliefs and Support for the Welfare State in Advanced Capitalism." Pp. 81-105 in *Social Justice and Political Change. Public Opinion in Capitalist and Post-Communist States*, edited by James R. Kluegel, Davis S. Mason and Bernd Wegener. New York Aldine de Gruyter.

Kluegel, James R. and P. Mateju. 1995. "Egalitarian vs. Inegalitarian Principles of Distributive Justice." Pp. 209-238 in *Social Justice and Political Change: Public Opinion in Capitalist and Post-Communist States*, edited by D.S. Mason and B. Wegener James Kluegel. Hawthorne, NY: Aldine de Gruyter.

Knell, Markus, Walpurga Köhler-Töglhofer and Doris Prammer. 2006. "The Austrian Pension System - How Recent Reforms Have Changed Fiscal Sustainability and Pension Benefits." *Monetary Policy & The Economy* 2:69-94.

Knudsen, Per. 1990. "The Future of the Pension System in Norway." *International Social Security Review* 43: 213-228.

Koch, Manfred and Crhistian Thimann. 1999. "From Generosity to Sustainability: The Austrian Pension System and Options for its Reform." *Empirica* 26:21-38.

Kohl, Jürgen. 2003. "Principles of Distributive Justice in Pension Policies. Cross-National Variations in Public Opinion." in *New Challenges for Welfare State Research*. Annual Meeting of the ISA Research Committee 19. Toronto, August 21-24 2003.

Kohli, Martin. 2006. "Aging and Justice." Pp. 456-478 in *Handbook of Aging and The Social Sciences*, edited by Robert H. Binstock and Linda K. George. San Diego: Academic Press.

Kolb, Rudolf. 1989. "One Hundred Years of German Pension Insurance Legislation." *International Social Security Review* 42: 195-202.

Kónrad, George and Ivan Szélenyi. 1979. *The Intellectuals on the Road to Power*. New York: Hellen and Kurt Wolff.

Korpi, Walter. 1978. *The Working Class in Welfare Capitalism. Work, Unions and Politics in Sweden*. London: Routledge.

—. 1983. *The Democratic Class Struggle*. London: Routledge.

—. 1998. "The Paradox of Redistribution and Strategies of Equality: Welfare State Instituitons, Inequality, and Poverty in Western Countries." *American Sociological Review* 63:661-687.

—. 2003. "Welfare-State Regress in Western Europe: Politics, Institutions, Globalization, and Europeanization." *Annual Review of Sociology* 29:589-609.

Korpi, Walter and Joakim Palme. 1998. "The Paradox of Redistribution and Strategies of Equality: Welfare State Institutions, Inequality, and Poverty in the Western Countries." *American Sociological Review* 63:661-687.

—. 2003. "New Politics and Class Politics in the Context of Austerity and Globalization: Welfare State Regress in 18 Countries, 1975-1995." *American Political Science Review* 97:425-446.
Král, Jiri and Martin Mácha. 2002. "Transformation of Old-age Security in the Czech Republic." Pp. 223-249 in *Transformation of Pension Systems in Central and Eastern Europe*, edited by Winfried Schmähl and Sabine Horstmann. Cheltenham: Edward Elgar.
Krasner, Stephen. 1988. "Sovereignty: Institutional Perspective." *Comparative Political Studies* 21:66-94.
Kreidl, Martin. 2000. "Perceptions of Poverty and Wealth in Western and Post-Communist Countries." *Social Justice Research* 13:151-176.
Kruse, Agneta and Edward Palmer. 2007. "Sweden." Pp. 35-55 in *International Perspectives on Social Security Reform*, edited by Rudolph G. Penner. Washington: Urban Institute.
Lagares Pérez, Ana Marta. 1999. "The Process of Pension Reform in Spain." Pp. 97-107 in *Social Dialogue and Pension Reform*, edited by Emmanuel Reynaud. Geneva: International Labour Office.
Lapadula, Beniamino and Stefano Patriarca. 1995. *La Rivoluzione delle Pensione*. Rome: Ediesse.
Larsen, Christian Albrekt. 2006. *The Institutional Logic of Welfare Attitudes. How Welfare Regimes Influence Public Support*. Aldershot, UK: Ashgate.
—. 2008. "The Institutional Logic of Welfare Attitudes. How Welfare Regimes Influence Public Support." *Comparative Political Studies* 41:145-168.
Lassila, Jukka and Tarmo Valkonen. 2002. "Prefunding in a Defined Benefit System: The Finnish Case." Pp. 263-291 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press.
Legendre, Nadine and Louis-Paul Pelé. 2001. "Pension Provision in France." Pp. 131-159 in *Pension Systems and Retirment Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Levy, Jonah D. 1999. "Vice into Virtue? Progressive Politics and Welfare Reform in Continental Europe." *Politics and Society* 27:239-273.
Liao, Tim Futing. 1994. *Interpreting Probability Models: Logit, Probit, and Other Generalized Linear Models*. London: Sage.
Lieberson, Stanley. 1991. "Small N's and Big Conclusions: An Examination of the Reasoning in Comparative Studies Based on a Small Number of Cases." *Social Forces* 70:307-320.
Lindert, Peter. 2004. *Growing Public: Social Spending and Economic Growth since the Eighteenth Century*. Cambridge: Cambridge University Press.
Lindh, Thomas, Bo Malmerg and Joakin Palme. 2005. "Generations at War or Sustainable Social Policy in Ageing Societies?" *Journal of Political Philosophy* 13:470-489.
Linos, Katerina and Martin West. 2003. "Self-interest, Social Beliefs, and Attitudes to Redistribution." *European Sociological Review* 19:393-409.

Linnerooth-Bayer, Joanne. 2001. "Pension Reform in Austria." International Institute for Applied System Analysis.
Lipsey, Mark W. and David B. Wilson. 2000. *Practical Meta-Analysis*. London: Sage.
Listhaug, Ola and Arthur M. Miller. 1985. "Pubblic Support for Tax Evasion: Self-interest or Symbolic Politics?" *European Journal of Political Research* 13:265-282.
Lukács, Georg. 1979. *History and Class Consciousness*. Cambridge: MIT Press.
Luke, Douglas. 2004. *Multilevel Modelling*. Thousand Oaks: Sage.
Lutz, Mark. 2002. "Selected Issue-Greece-An Overview of Pension Reform." *IMF Country Report* No.02/58.
Lynch, Julia. 2001. "The Age-Orientation of Social Policy Regimes in OECD Countries." *Journal of Social Policy* 30:411-436.
—. 2006. *Age in the Welfare State*. Cambridge: Cambridge University.
Mácha, Martin. 2002. "The Political Economy of Pension Reform in the Czech Republic." Pp. 75-113 in *Pension Reform in Central and Eastern Europe: Case Studies of the Czech Republic and Slovenia. Vol. 2*, edited by Elaine Fultz. Geneva: International Labour Organization.
Maestri, Ezio. 1987. "La regolazione dei conflitti redistributive in Italia: il caso della politica pensionistica (1948-1983)." *Stato e mercato* 20:249-279.
—. 1994. *Rappresentanza degli Interessi, Partiti e Consenso: Giungla Pensionistica, Clientelismo e Competizione Politica in Italia*. Milano: FrancoAngeli.
Mahoney, James. 2004. "Strategies of Causal Assessment in Comparative Historical Analysis." Pp. 337-373 in *Comparative Historical Analysis in the Social Sciences*, edited by James Mahoney and Dietrich Rueschemeyer. Cambridge: Cambridge University Press.
Mandin, Chirstelle and Bruno Palier. 2005. "The Politics of Pension Reform in France: The End of Exceptionalism?" Pp. 74-94 in *Ageing and Pension Reform around the World*, edited by Giuliano Bonoli and Thoshimitsu Shinkawa. Cheltenham (UK): Edward Elgar.
Manza, Jeff, Michael Hout, and Clem Brooks. 1995. "Class Voting in Capitalist Democracies Since World War II: Delignment, Realignment, or Trendless Fluctuation?" *Annual Review of Sociology* 21:137-162.
Marier, Patrik. 2008. *Pension Politics: Consensus and Social Conflict in Ageing Societies.* London: Routledge.
Matsaganis, Manos. 2002. "Yet Another Piece of Pension Reform in Greece." *South European Society and Politics* 7:109-222.
McClosky, Herbert and Zaller John. 1984. *The American Ethos: Public Attitudes toward Capitalism and Democracy.* Cambridge, MA: Harvard University Press.
McHale, John. 1999. "The Risk of Social Security Benefit Rule Changes: Some International Evidence." *NBER Working Paper Series, Working Paper* 7031.
Mehrtens, F. John III. 2004. "Three Worlds of Public Opinion? Values, Variation, and The Effect on Social Policy." *International Journal of Public Opinion Research* 16:116-143.
Mill, John Stuart. 1950[1843]. *Philosophy of Scientific Method*. New York: Read Books.

Mincer, Jacob. 1974. *Schooling, Experience, and Earnings*. New York: National Bureau of Economic Research.
Ministerio de Trabajo. 1977. *Libro Blanco de la Seguridad Social*. Madrid: Ministerio de Trabajo.
Ministero del Tesoro. 1981. *La Spesa Previdenziale ei suoi Effecti sulla Finanza Pubblica.* Rome: Istituto Poligrafico e Zecca dello Stato.
—. 1994. "I Rendimenti Implicit della Previdenza Obbligatoria: Un'Analisi delle iniquità del Sistema." *Conti Pubblici e Congiuntura Economica* 2.
Mintrom, Michael. 2000. *Policy Entrepreneurs and School Choice*. Washington: Geortown University Press.
Mirkin, Barry Alan. 1987. "Early Retirement as a Labor Force Policy: an International Overview." *Monthly Labor Review* 110:19-33.
Monasterio, Carlos, Isidro Sánchez and Francisco Blanco. 1996. *Equidad y estabilidad del sistema de pensiones español*. Bilbao: Fundación BBV.
Monasterio Escudero, Carlos and Francisco Blanco Ángel. 2000. "La Reforma del Sistema de Pensiones: El Pacto de Toledo y su Desarrollo Posterior." *Hacienda Pública Española* Monográfico 2000:35-55.
Morcaldo, G. 1977. "Analisi della Struttura dei Tratamenti Pensionistici e della sua Evoluzione." *Contributi alla Ricerca Economica* 7:77-137.
Morley-Fletcher, Edwin. 1998. "An Overview of Welfare Reform in Italy." *Labour* 12:15-44.
Mota López, Rosalía. 1996. "Derechos Sociales y Pensiones en España." Pp. 289-321 in *Dilemas del Estado del Bienestar*. Madrid: Fundación Argentaria.
—. 2002. *Regímenes, partidios y políticas de suficiencia en pensiones de jubilación. La experiencia española.* Madrid: Centro de Estudios Avanzados en Ciencias Sociales. Instituto Juan March de Estudios e Investigaciones.
—. 2006. "La Política Socialista de Pensiones de Jubilación (1982-1996): entre Gradualismo y Redistribución." *Panorama Social* 4:32-46.
MTSS (Ministerio de Trabajo y Seguridad Social). 1985a. *Análisis Económico-Financiero del Sistema Español de Seguridad Social 1964-1985.* Madrid: Ministerio de Trabajo y Seguridad Social.
—. 1985b. *Documento Base sobre la Reforma de la Seguridad Social para la Comisión Tripartita del Acuerdo Económico y Social (A.E.S.).* Madrid: MInisterio de Trabajo y Asuntos Sociales.
—. 1996. *La Seguridad Social en el Umbral del Siglo XXI. Estudio Económico-Actuarial*. Madrid: Ministerio de Trabajo y Seguridad Social.
Mudge, Stephanie Lee. 2008. "What is Neo-Liberalism?" *Socio-Economic Review* 6:703-731.
Müller, Katharina. 1999. *The Political Economy of Pension Reform in Central-Eastern Europe*. Cheltenham: Edward Elgar.
—. 2002. "From the State to the Market? Pension Reform Paths in Central-Eastern Europe and the Former Soviet Union." *Social Policy and Administration* 36:156-175.
Murphy, Kevin M. and Finis Welch. 1990. "Empirical Age-Earnings Profiles." *Journal of Labor Economics* 8:202-229.

Myles, John. 1989. *Old Age in the Welfare State. The Political Economy of Public Pensions.* Kansas: University Press of Kansas.

Myles, John and Jill Quadagno. 1997. "Recent Trends in Public Pension Reform: A Comparative View." Pp. 247-273 in *Reform of Retirement Income Policy. International and Canadian Perspectives*, edited by Keith Banting and Robin Boadway. Kingston: Queen's University Press.

Myles, John and Paul Pierson. 2001. "The Comparative Political Economy of Pension Reform." Pp. 305-334 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.

Mylonas, Paul and Christine de la Maisonneuve. 1999. "The Problems of Prospects Faced by Pay-As-You-Go Pension Systems. A Case Study of Greece." *OECD Economics Department Working Papers* No. 215.

Natali, David. 2002. *La Ridefinizione del Welfare State Contemporaneo: La Riforma delle Pensioni in Francia e in Italia.* Doctoral Thesis, Florence: European University Institute.

—. 2004. "The Hybridization of Pension Systems within the Enlarged EU: Recent Reforms in Old and New Members." *Revue Belge de Securité Sociale* 46:353-378.

—. 2007. *Vincitori e Perdenti. Come Cambiano le Pensione in Italia e in Europa*. Milano: Il Mulino.

Natali, David and Martin Rhodes. 2004. "The 'New Politics' of the Bismarckian Welfare State: Pension Reforms in Continental Europe." *European University Institute Working Papers SPS* No. 2004/10.

National Research Council. 2000. *Beyond Six Billion: Forecasting the World's Population.* Washington: National Academy.

Newton, Kenneth and Maria A. Confalonieri. 1995. "Politics, Economics, Class, and Taxation." Pp. 149-165 in *The Scope of Government*, edited by Ole Borre and Elinor Scarbrough. Oxford: Oxford University Press.

Ney, Steven. 2000. "Are You Sitting Comfortably... Then We'll Begin: Three Gripping Policy Stories About Pension Reform." *Innovation* 13:341-371.

—. 2004. "Pension Reform and Active Ageing in Austria." in Interdisciplinary Centre for Comparative Research in the Social Sciences. Vienna.

Niemelä, Heikki and Kari Salminen. 2006. *Social Security in Finland*. Helsinki: KELA.

Nieuwbeerta, Paul and Wout Ultee. 1999. "Class Voting in Western Industrialized Countries, 1945-1990: Systematizing and Testing Explanations." *European Journal of Political Research* 35:123-160.

North, Douglass. 1990. *Institutions, Institutional Change and Economic Performance*. Cambridge: Cambridge University Press.

—. 1995. "Five Propositions about Institutional Change." Pp. 15-27 in *Explaining Social Institutions*, edited by Jack Knight and Itai Sened. Ann Arbor: The University of Michigan Press.

O´Loughlin, Anne. 1999. "Social Policy and Older People in Ireland." Pp. 221-243 in *Contemporary Irish Social Policy*, edited by Patricia Kennedy Suzanne Quinn, Anne O'Donnell and Grabiel Kiely. Dublin: University College Dublin.

OECD (Organization for Economic Cooperation and Development). 1986. *The Tax/Benefit Position of Production Workers 1979/1984*. Paris: OECD.
—. 1988a. *Reforming Public Pensions*. Paris: OECD.
—. 1998b. *Ageing Populations. The Social Policy Implications*. Paris: OECD.
—. 1988c. *OECD Economic Surveys for Switzerland 1987/1988*. Paris: OECD.
—. 1991. *OECD Economic Surveys for Belgium 1990/1991*. Paris: OECD.
—. 1995. *OECD Economic Surveys for Finland 1995*. Paris: OECD.
—. 1996. *OECD Economic Survey for Portugal 1995/1996*. Paris: OECD.
—. 1997. *OECD Economic Surveys for Finland 1997*. Paris: OECD.
—. 1997. *OECD Economic Surveys for Greece 1996/1997*. Paris: OECD.
—. 1998. *Ageing Populations. The Social Policy Implications*. Paris: OECD.
—. 2000a. *Economic Surveys for Finland 2000*. Paris: OECD.
—. 2000b. *OECD Economic Surveys of Switzerland 1999/2000*. Paris: OECD.
—. 2001a. *Ageing and Income. Financial Resources and Retirement in 9 OECD Countries*. Paris: OECD.
—. 2001b. *OECD Economic Survey for Norway 2001*. Paris: OECD.
—. 2002. *Taxing Wages 2001-2002*. Paris: OECD.
—. 2003. *OECD Economic Survey for Portugal 2002/2003*. Paris: OECD.
—. 2005. *Pensions at a Glance. Public Policies across OECD countries*. Paris: OECD.
—. 2006a. *Taxing Wages 2005/2006*. Paris: OECD.
—. 2006b. "National Accounts of OECD Countries. Volume IV. General Government Accounts." Paris: OECD.
—. 2007a. "Labour Market Database." OECD.
—. 2007b. "Social Expenditure Database (SOCX), 1980-2003." Paris: OECD.
—. 2007c. "OECD Economic Outlook Database (Interactive Edition)." OECD.
—. 2007d. *Pensions at a Glance: Public Policies across OECD Countries*. Paris: OECD.
—. 2008a. *Growing Unequal? Income Distribution and Poverty in OECD Countries*. Paris: OECD.
—. 2008b. "Revenue Statistics." OECD
Ogawa, Naohiro and Norriyuki Takayama. 2006. "Demography and Ageing." Pp. 163-183 in *Oxford Handbook of Pensions and Retirement Income*, edited by Gordon L. Clark and Alicia H. Munnell. Oxford: Oxford University.
Oishi, Akiko and Takashi Oshio. 2007. "Fiscal Implications of Social Security Reforms in Japan." Pp. 295-327 in *Social Security Programs and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago.
Ólafsson, Sfefán. 2001? "The Icelandic Pension System. Characteristics and Prospects." University of Iceland.
Olsson, Sven E. 1987. "The People's Old-age Pension in Sweden: Past, Present and Future." *International Social Security Review* 40:361-373.
Orloff, Ann Shola. 1993. "Gender and the Social Rights of Citizenship: The Comparative Analysis of Gender Relations and Welfare States." *American Sociological Review* 58:303-328.

Oshio, Takashi and Akiko Sato Oishi. 2004. "Social Security and Retirement in Japan." Pp. 399-461 in *Social Security Programs and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.

Overbye, Einar. 1994. "Convergence in Policy Outcomes: Social Security Systems in Perspective." *Journal of Public Policy* 14:147-174.

Palacios, Robert J. 1996. "Averting the Old-Age Crisis. Technical Annex." *World Bank Policy Research Working Paper #1752*.

Palacios, Robert, Montserrat Pallarés-Miralles. 2000. "International Patterns of Pension Provision." *Social Protection Discussion Paper Series* No. 0009.

Palme, Mårten and Ingemar Svensson. 1999. "Social Security, Occupational Pensions, and Retirement in Sweden." Pp. 355-403 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago.

Palme, Joakim. 1990. *Pension Rights in Welfare Capitalism: The Development of Old-Age Pensions in 18 OECD Countries, 1930 to 1985*. Stockholm: Swedish Institute for Social Research.

Palmer, Edward. 2002. "Swedish Pension Reform: How Did it Evolve, and What Does It Mean for the Future?" Pp. 171-211 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press.

—. 2006. "What is NDC?" Pp. 17-35 in *Pension Reform: Issues and Prospects for Non-Financial Defined Contribution (NDC) Schemes*, edited by Robert Holzmann and Edward Palmer. Washington: World Bank Press.

Pampel, Fred and John B. Williamson. 1985. "Age Structure, Politics, and Cross-National Patterns of Public Pension Expenditures." *American Sociological Review* 50:782-799.

Papadakis, Elim and Clive Bean. 1993. "Popular Support for the Welfare State: A Comparison between Institutional Regimes." *Journal of Public Policy* 13:227-254.

Paramio, Ludolfo. 1992. "Los Sindicatos y La Política en España, 1982-1992." in *La Década del Cambio: Diez Años de Gobierno Socialista, 1982-1992*, edited by Alfonso Guerra and José Félix Tezanos. Madrid: Sistema.

Peillon, Michel. 2001. *Welfare in Ireland: Actors, Resources and Strategies*. Wesport: Praeger.

Pennacchi, Laura. 1997. *Lo Stato Sociale del Futuro: Pensioni, Equità, Cittadinanza*. Rome: Donzelli.

Pereira, Alfredo and Pedro G. Rodrigues. 2001. "Ageing and Public Pensions in Portugal: A Snapshot Before the Reform." *European Economy - Reports and Studies* 4.

Pérez-Díaz, Víctor, Berta Álvarez-Miranda y Elisa Chuliá. 1997. *La Opinión Pública ante el Sistema de Pensiones*. Barcelona: Servicio de Estudios de "la Caixa".

Pesmazoglu, John. 1972. "The Greek Economy since 1967." Pp. 75-109 in *Greece under Military Rule*, edited by Richard Clogg and George Yannopoulos. New York: Basic Books.

Pestieau, Pierre and Jean-Phillippe Stijns. 1999. "Social Security and Retirement in Belgium." Pp. 37-73 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.

Petersen, Trond. 1995. "Analysis of Event Histories." Pp. 453-519 in *Handbook of Statistical Modeling for the Social and Behavioral Sciences*, edited by Gerhard Arminger, C. C. Clogg, and M. E. Sobel,. New York: Plenum Press.
Pettersen, Per Arnt. 1995. "The Welfare State: The Security Dimension." Pp. 198-234 in *The Scope of Government*, edited by Ole Borre and Elinor Scarbrough. Oxford: Oxford University Press.
Pierson, Christopher. 1991. *Beyond the Welfare State? The New Political Economy of Welfare*. Pennsylvania Pennsylvania University Press.
Pierson, Paul. 1994. *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment*. Cambridge: Cambridge University Press.
—. 1996. "The New Politics of the Welfare State." *World Politics* 48:143-179.
—. 1997. "The Politics of Pension Reform." Pp. 273-295 in *Reform of Retirement Income Policy. International and Canadian Perspective*, edited by Keith G. Banting and Robin Boadway. Kingston: Queen's University Press.
—. 2000. "Increasing Returns, Path Dependence, and the Study of Politics." *American Political Science Review* 94:251-267.
—. 2001a. "Coping with Permanent Austerity: Welfare State Restructuring in Affluent Democracies." Pp. 410-457 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.
—. 2001b. "Post-industrial Pressures on the Mature Welfare States." Pp. 80-107 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.
—. 2006. "Public Policies as Institutions." Pp. 114-135 in *Rethinking Political Institutions: The Art of the State*, edited by Ian Shapiro, Stephen Skowronek, and Daniel Galvin. New York: New York University Press.
Pitruzzello, Salvatore. 1997. "Social Policy and the Implementation of the Maastricht Fiscal Convergence Criteria: The Italian and French Attempts at Welfare and Pension Reforms." *Social Research* 64:1589-1637.
Pizzuti, Felice Roberto. 1998. "Pension Reform and Economic Policy Constraints in Italy." *Labour* 12:45-66.
Ploug, Niels. 2003. "The Recalibration of the Danish Old-A Pension System." *International Social Security Review* 56:65-80.
Plümper, Thomas, Vera E. Troeger, and Philip Manow. 2005. "Panel Data Analysis in Comparative Politics: Linking Method to Theory." *European Journal of Political Research* 44:327-354.
Polanyi, Karl. 1957. "The Economy as Instituted Process." Pp. 243-269 in *Trade and Market in Early Empires*, edited by Karl Polanyi. Glencoe, ILL: Free Press.
Ponza, Michael, Greg J. Duncan, Mary Concoran and Fred Groskind. 1988. "The Guns of Autumn? Age Differences in Support for Income Transfers to the Young and Old." *Public Opinion Quarterly* 52: 441-466.
Preston, S. H. 1984. "Children and the Elderly: Divergent Paths for America's Dependents." *Demography* 21:435-457.
Przeworski, Adam and Henry Teune. 1970. *The Logic of Comparative Social Inquiry*. Malabar: Robert E. Krieger Publishing Company.

Quadagno, Jill. 1989. "Generational Equity and the Politics of the Welfare State." *Politics and Society* 17:353-375.
—. 1991. "Interest-Group Politics and the Future of U.S. Social Security." Pp. 36-59 in *States, Labor Markets, and the Future of Old-Age Policy*, edited by Jill Quadagno and John Myles. Philadelphia: Temple University Press.
Queisser, Monika and Dimitri Vittas. 2000. "The Swiss Multi-Pillar Pension System." *World Bank Policy Research Working Papers* 2416.
Radaelli, Claudio. 2002. "The Italian State and the Euro: Institutions, Discourse, and Policy Regimes." Pp. 212-238 in *European States and the Euro: Europeanization, Variation and Convergence*, edited by Kenneth Dyson. Oxford: Oxford University Press.
Rationarium Generale Ecclesiae. several years. *Annuarium statisticum Ecclesiae*. Roma: Civitas Vaticana.
Redecillas López de Sabando, Antonio. 2001. *El Mutualismo Laboral como Medio de Protección Social.* Madrid: Consejo Económico Social.
Regini, Marino and G. Regionini. 1981. "La Political delle Pensioni in Italia: il Ruolo del Movimento Sindicale." *Giornale di Diritto del Lavoro e di Relazioni Industriali* 10:217-242.
Regini, Marino and Ida Regalia. 1997. "Employers, Unions and the State: The Resurgence of Concertation in Italy?" *West European Politics* 20:210-230.
Regonini, Gloria. 1984. "Il Sistema Pensionistico: Risorse e Vincoli." Pp. 87-115 in *Welfare State All'Italiana*, edited by Ugo Ascoli. Rome: Laterza.
—. 1996. "Partiti e pensioni: legami mancanti." Pp. 73-139 in *Il gigante dai piedi di argilla. La crisi del regime partitocratico in Italia*, edited by Maurizio Cotta and Pierangelo Isernia. Bologna: Il Mulino.
Reynaud, Emmanuel (Ed.). 2000. *Social Dialogue and Pension Reform*. Geneva: International Labour Organization.
Rhodebeck, Laurie A. 1993. "The Politics of Greed? Political Preferences among the Elderly." *Journal of Politics* 55:342-364.
Rhodes, Martin. 2001. "The Political Economy of Social Pacts: 'Competitive Corporatism' and European Welfare Reform." Pp. 165-197 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.
Rodríguez Cabrero, Gregorio. 2002. "The Reform of the Public Pension System in Spain." *Unidad de Políticas Comparadas (CSIC) Working Paper* 02-13.
Rodrik, Dani. 1994. "Comment." Pp. 212-216 in *The Political Economy of Policy Reform*, edited by John Williamson. Washington: Institute of International Economics.
—. 1998. "Why Do More Open Economies Have Bigger Governments?" *Journal of Political Economy* 106:997-1032.
Ross, Fiona. 2000. ""Beyond Left and Right": The New Partisan Politics of Welfare." *Governance: An International Journal of Policy and Administration* 13:155-183.
Rossi, Salvatore. 2007. *La Politica Economica Italiana 1968-2007*. Roma: Editori Laterza.

Rothstein, Bo. 2000. "Trust, Social Dilemmas and Collective Memories." *Journal of Theoretical Politics* 12:477-501.
Rull Sabater, Alberto. 1974. *Instituciones y Economía de la Seguridad Social Española*. Madrid: Confederación de Cajas de Ahorros.
Rürup, Bert. 2002. "The German Pension System: Status Quo and Reform Options." Pp. 137-171 in *Social Security Pension Reform in Europe*, edited by Martin Feldstein and Horst Siebert. Chicago: University of Chicago Press.
Sáinz de Baranda, Pedro. 2001. *Social Security Reform in Spain*. Boston: MIT. Unpublished Thesis.
Sánchez Navarro, Domingo A. 2003. *La Gestión de la Seguridad Social en España*. Madrid: Consejo Económico y Social.
Sánchez Sánchez, Antonio. 2000. "Pensiones y Redistribución de la Renta en España. ¿Qué sabemos Hasta Ahora?" *Hacienda Pública Española* Monográfico 2000:127-149.
Scarbrough, Elinor. 2000. "West European Welfare States: The Old Politics of Retrenchments." *European Journal of Political Research* 38:225-259.
Scharpf, Fritz. 1997. *Games Real Actors Play. Actor-Centered Institutionalism in Policy Research.* Boulder: Westview Press.
—. 2000. "Economic Changes, Vulnerabilities, and Institutional Capabilities." Pp. 21-125 in *Welfare and Work in the Open Economy. Volumen I. From Vulnerability to Competitiveness*, edited by Fritz W. Scharpf and Vivien A. Schmidt. Oxford: Oxford University Press.
Scherer, Peter. 2002. "Age of Withdrawal from the Labour Force in OECD Countries." *OECD Labour Market and Social Policy Occasional Papers* 49.
Scheve, Kenneth and David Stasavage. 2006. "Religion and Preferences for Social Insurance." *Quarterly Journal of Political Science* 1:255-286.
Schludi, Martin. 2005. *The Reform of Bismarckian Pension Systems. A Comparison of Pension Politics in Austria, France, Germany, Italy and Sweden*. Amsterdam: Amsterdam University Press.
Schneider, Volker and Frank M. Häge. 2008. "Europeanization and the Retreat of the State." *Journal of European Public Policy* 15:1-19.
Schulze, Isabelle and Martin Schludi. 2007. "Austria: From Electoral Cartels to Competitive Coalition-Building." Pp. 555-605 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University.
Schulze, Isabelle and Michael Moran. 2007. "United Kingdom: Pension Politics in an Adversarial System." Pp. 49-97 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University.
Schulze, Isabelle and Sven Jochem. 2007. "Germany: Beyond Policy Gridlock." Pp. 660-713 in *Handbook of West European Pension Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University.
Schwarz, Anita M. and Asli Demirguc-Kunt. 1999. "Taking Stock of Pension Reforms Around the World." *World Bank's Social Protection Discussion Paper Series* #9917.

Scott, W. Richard. 1995. *Institutions and Organizations*. Thousand Oaks: Sage.
Scruggs, Lyle. 2004. "Standard Pension Replacement Rate Data Set, Welfare State Entitlements Dataset, Version 12." University of Connecticut.
—. 2006. "The Generosity of Social Insurance, 1971-2002." *Oxford Review of Economic Policy* 22:349-364.
Sempere Navarro, Antonio V. and Francisco Javier Fernández Orrico. 2003. "Modernización y Universalización de la Seguridad Social: De la Ley 26/1985 a la Ley 24/1997." Pp. 43-62 in *El Sistema de Pensiones en España. Conformación, Consolidación y Adaptabilidad a los Cambios*. Madrid: Insituto Nacional de Seguridad Social.
Serrano Pérez, Felipe, Miguel Ángel García Díez and Carlos Bravo Fernández. 2004. *El Sistema Español de Pensiones. Un Proyecto Viable desde un Enfoque Económico*. Barcelona: Ariel.
Shalev, Michael. 1983. "The Social Democratic Model and Beyond: Two Generations of Comparative Research on the Welfare State." *Comparative Social Research* 6: 315-351.
Shinkawa, Toshimitsu. 2005. "The Politics of Pension Reform in Japan: Institutional Legacies, Credit-Claiming and Blame Avoidance." Pp. 157-182 in *Ageing and Pension Reform around the World. Evidence from Eleven Countries*, edited by Giuliano Bonoli and Toshimitsu Shinkawa. Cheltenham: Edward Elgar.
Siebert, Horst. 1998. "Pay-as-You-Go versus Capital-Funded Pension Systems: The Issues." Pp. 3-35 in *Redesigning Social Security*, edited by Horst Seibert. Tübingen: Mohr Seibeck.
Silverstein, M. T. M. Parrott, J. J. Angelelli and F. L. Cook 2000. "Solidarity and Tension Between Age-groups in the United States: Challenge for an Aging America in the 21th Century." *International Journal of Social Welfare* 9:270-284.
Sinova, Justino. 1993. *Un Millón de Votos. 6-J: La Verdadera Historia de las Elecciones que Alumbraron un Nuevo Orden Político en España*. Madrid: Temas de Hoy.
Skocpol, Theda and Margaret Somers. 1980. "The Uses of Comparative History in Macrosocial Inquiry." *Comparative Studies in Society and History* 22:174-197.
Skocpol, Theda. 1992. *Protecting Soldiers and Mothers*. Cambridge, MA: Harvard University.
Snijders, Tom A. B. and Roel J. Bosker. 1999. *Multilevel Analysis: An Introduction to Basic and Advanced Multilevel Modeling.* London: Sage.
St. John, Susan. 2001. "Pension Provision in New Zealand." Pp. 260-296 in *Pension Systems and Retirement Incomes across OECD Countries*, edited by Richard Disney and Paul Johnson. Cheltenham: Edward Elgar.
Stergiou, Angelos. 2000. "Greece." Pp. 87-111 in *Social Security and Solidarity in the European Union*, edited by Joop P.A. van Vugt and Jan M. Peet. New York: Physica-Verlag.
Stephens, John D. 1980. *The Transition from Capitalism to Socialism*. Atlantic Highlands: Humanities Press.
Streeck, Wolfgang and Katheleen Thelen. 2005. "Introduction: Institutional Change in Advanced Political Economies." Pp. 1-40 in *Beyond Continuity: Institutional Change*

in Advanced Political Economies, edited by Wolfgang and Katheleen Thelen Streeck. Oxford: Oxford University Press.

Street, Debra and Jeralynn Sitting Cossman. 2006. "Greatest Generation of Greedy Geezers? Social Spending Preferences and the Elderly." *Social Problems* 53:75-96.

Subsecretaría de la Seguridad Social. 1977. *Libro Blanco de la Seguridad Social*. Madrid: Ministerio de Trabajo.

Svallfors, Stefan. 1997. "Worlds of Welfare and Attidues to Redistribution: A Comparison of Eight Western Nations." *European Sociological Review* 13:283-304.

—. 2003. "Welfare Regimes and Welfare Opinions: A Comparison of Eight Western Countries." *Social Indicators Research* 64:495-520.

—. 2007. "Introduction." Pp. 1-30 in *The Political Sociology of the Welfare State: Institutions, Social Cleavages, and Orientations*, edited by Stefan Svallfors. Stanford: Stanford University Press.

—. 2008. "The Generational Contract in Sweden: Age-Specific Attitudes to Age-Related Policies." *Policy & Politics* 36:381-396.

Swank, Duane. 2001. "Political Institutions and Welfare State Restructuring: The Impact of Institutions on Social Policy Change in Developed Democracies." Pp. 197-237 in *The New Politics of the Welfare State*, edited by Paul Pierson. Oxford: Oxford University Press.

—. 2007. "Comparative Political Parties Dataset." Marquette University.

Szélenyi, Ivan. 1978. "Social Inequalities in State Socialist Redistributive Economies-Dilemmas for Social Policy in Contemporary Socialist Societies of Eastern Europe." Pp. 63-83 in *Policy Research*, edited by Amitai Etzioni. Leiden: E. J. Brill.

—. 1983. *Urban Inequalities under State Socialism*. Oxford: Oxford University.

Takayama, Noriyuki. 1998. *The Morning After in Japan: Its Declining Population, Too Generous Pensions and a Weakened Economy*. Tokyo: Maruzen.

Taylor-Gooby, Peter. 1985. *Public Opinion, Ideology, and the State Welfare*. London: Routledge.

—. 2001. "Sustaining State Welfare in Hard Times: Who Will Foot the Bill?" *Journal of European Social Policy* 11:133-147.

—. 2008. "The New Welfare State Settlement in Europe." *European Societies* 10:3-24.

Thelen, Katheleen. 1999. "Historical Institutionalism in Comparative Politics." *Annual Review of Political Science* 2:369-404.

—. 2004. "How Institutions Evolve: Insights from Comparative Historical Analysis." Pp. 208-241 in *Comparative Historical Analysis in the Social Science*, edited by James Mahoney and Dietrich Rueschemeyer. New York: Cambridge University Press.

Torgerson, Carole. 2003. *Systemic Reviews*. London: Continuum.

Triantafillou, Polyxeni. 2007. "Greece: Political Competition in a Majoritarian System." Pp. 97-150 in *Handbook of West European Politics*, edited by Ellen M. Immergut, Karen M. Anderson and Isabelle Schulze. Oxford: Oxford University Press.

Tsebelis, George. 1995. "Decision Making in Political Systems: Veto Players in Presidentialism, Parliamentarism, Multicameralism and Multipartyism." *British Journal of Political Science* 25:289-325.

—. 2002. *Veto Players: How Political Institutions Work*. Princeton: Princeton University Press.
Turner, John. 2007. "Social Security Pensionable Ages in OECD Countries: 1945-2035." *International Social Security Review* 60:81-99.
UGT and CCOO. 1990. "Propuesta Sindical Prioritaria." *Política y Sociedad* 5:73-87.
United Nations. 1982. *Demographic Indicators of Countries: Estimates and Projections as Assessed in 1980.* New York: United Nations.
—. several years-a. *Demographic Yearbook.* New York: United Nations.
—. several years-b. *World Population Prospects. Estimated Projections as assessed in...* New York: United Nations.
USSSA (United States Social Security Administration). 1979. *Social Security Programs Throughout the World 1979*. Washington: Social Security Administration.
—. 1985. *Social Security Programs Throughout the World 1985*. Washington: Social Security Administration.
—. 2002/3. *Social Security Programs Throughout the World 2002/2003*. Washington: Social Security Administration.
—. several years. *Social Security throughout the World*. Washington: Social Security Administration.
Usui, Chikako. 1994. "Welfare State Development in a World System Context: Event Hisotry Analysis of First Social Insurance Legislation among 60 Countries, 1880-1960." Pp. 254-278 in *The Comparative Political Economy of the Welfare State*, edited by Thomas Janoski and Alexander M. Hicks. Cambridge: Cambridge University Press.
van den Noord, Paul and Richard Herd. 1993. "Pension Liabilities in the Seven Major Economies." *OECD Economics Department Working Papers* No, 142.
van Kersbergen, Kees. 1994. "The Distinctiveness of Christian Democracy." Pp. 31-51 in *Christian Democracy in Europe: A Comparative Perspective*, edited by David Hanley. Coven Garden: St. Martin
—. 1995. *Social Capitalism: A Study of Christian Democracy and the Welfare State.* London: Routledge.
van Oorschot, Wim. 2000. "Who Should Get What, and Why? On Deservingness Criteria and the Conditionality of Solidarity Among the Public." *Policy & Politics* 28:33-48.
—. 2006. "Making the Difference in Social Europe: Deservingness Perceptions among Citizens of European Welfare Staes." *Journal of European Social Policy* 16:23-41.
Velarde, Juan. 1990. *El Tercer Viraje de la Seguridad Social en España*. Madrid: Instituto de Estudios Económicos.
Venieris, Dimitris. 2003. "Social Policy in Greece: Rhetoric versus Reform." *Social Policy & Administration* 37:133-147.
Vernière, Laurent. 2002. "Norvège : richesse pétrolière et financement des retraites. Le rôle du fonds de réserves “Pétrole”." *Questions Retraite* 48:1-29.
Visco, Ignazio. 2000. "Welfare Systems, Ageing and Work: an OECD Perspective." *Banca Nazionale del Lavoro Quarterly Review* No. 210.
Visser, Jelle. 2006. "Union membership statistics in 24 countries." *Monthly Labor Review* January: 38-49.

Vording, Henk and Kees Goudswaard. 1997. "Indexation of Public Pension Benefits on a Legal Basis: Some Experiences in European Countries." *International Social Security Review* 50:31-44.

Walker, Alan. 1993. "Intergenerational Relations and Welfare Restructuring: The Social Construction of an Intergenerational Problem." Pp. 141-167 in *The Changing Contract Across Generations*, edited by Vern L. Bengtson and W. Andrew Achembaum. New York: Aldine de Gruyter.

—. 1999. "Attitudes to Population Ageing in Europea. A Comparison of the 1992 and 1999 Eurobarometer Surveys." University of Sheffield, unpublished manuscript.

Wartonick, Daniel. 1983. "Slowing Down Pension Indexing: The Foreign Experience." *Social Security Bulletin* 46:9-16.

Weaver, R. Kent. 1998. "The Politics of Pensions: Lessons from Abroad." Pp. 183-229 in *Framing the Social Security Debate*, edited by R. D. Arnold, M. J. Graetz and A. H. Munnell. Washington: National Academy of Social Insurance.

—. 2002. "New Zealand: The Supreme Political Football." *Center for Retirement Research at Boston College Working Papers* 2002-12.

—. 2005. "Public pension reform in the United States." Pp. 230-252 in *Ageing and Pension Reform around the World. Evidence from Eleven Countries*, edited by Giuliano Bonoli and Toshimitsu Shinkawa. Cheltenham: Edward Elgar.

Weber, Max. 1949. *The Methodology of the Social Sciences*. New York: Free Press.

Weir, Margaret. 2006. "When Does Politics Create Policy? The Organizational Politics of Change." Pp. 171-187 in *Rethinking Political Institutions: The Art of the State*, edited by Ian Shapiro, Stephen Skowronek, and Daniel Galvin. New York: New York University Press.

Whiteford, Peter and Edward Whitehouse. 2006. "Pension Challenges and Pension Reforms in OECD Countries." *Oxford Review of Economic Policy* 22:78-93.

Whitehouse, Edward. 2006. "New Indicators of 30 OECD Countries' Pension Systems." *Journal of Pension Economics and Finance* 5:275-298.

—. 2007. *Pension Panorama. Retirement-Income Systems in 53 Countries*. Washington: World Bank.

Wilensky, Harold L. 1975. *Welfare State and Equality*. Berkeley: University of California Press.

—. 2002. *Rich Democracies: Political Economy, Public Policy, and Performance.* Berkeley: University of California Press.

Will, Jeffry A. 1993. "The Dimensions of Poverty: Public Perceptions of the Deserving Poor." *Social Science Research* 22:312-332.

Williamson, John and Fred C. Pampel. 1993. *Old-Age Security in Comparative Perspective.* New York: Oxford University Press.

Williamson, John and Stephan Haggard. 1994. "The Political Conditions of Economic Reform." Pp. 525-597 in *The Political Economic of Policy Reform*, edited by John Williamson. Washington: Institute for International Economics.

Wise, David A. 2001. "United States: Support in Retirement: Where We Are and Where We Are Going." Pp. 111-139 in *Pension Reform in Six Countries. What Can We*

Learn from Each Other?, edited by Axel Börsch-Supan and Meinhard Miegel. Berlin: Springer.
World Bank. 1994. *Averting the Old Age Crisis. A World Bank Policy Research Report*. Washington: World Bank.
—. 2006. "World Development Indicators". Washington: World Bank.
Yamaguchi, Kazuo. 1991. *Event History Analysis*. Beverly Hills: Sage.
Yang, Philip and Nadine Barrett. 2006. "Understanding Public Attitudes towards Social Security." *International Journal of Social Welfare* 15:95-109.
Yashiro, Naohiro and Takashi Oshio. 1999. "Social Security and Retirement in Japan." Pp. 239-269 in *Social Security and Retirement around the World*, edited by Jonathan Gruber and David A. Wise. Chicago: University of Chicago Press.
Zysman, John. 1994. "How Institutions Create Historically Rooted Trajectories of Growth." *Industrial and Corporate Change* 3:243-283.

Newspapers and Magazines

Il Corriere della Sera
La Stampa
El País
El Mundo
Temas para el debate

Public Hearings

Congreso de los Diputados. 1995. "Ponencia Constituida en el Seno de la Comisión de Presupuestos para el Análisis de los Problemas Estructurales del Sistema de la Seguridad Social y de las Principales Reformas que Deberán Acometerse." Madrid: Congreso de los Diputados.

Surveys

International Social Survey Program (ISSP). 2008. "International Social Survey Program: Role of Government IV, 2006 [Computer Bibliographic Citation: file] ": Cologne, Germany: Zentralarchiv fuer Empirische Sozialforschung.