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## **Beyond coverage: the politics of occupational pensions and the role of trade unions. Introduction to special issue**

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### **Summary**

#### **Abstract**

As public pensions are being retrenched there is an ongoing shift towards occupational pension in Europe. But the trend is not uniform, and this special issue demonstrates the huge variation at play in occupational pension systems across the continent. In this introductory article we introduce the politics of this shift towards occupational pension. As a starting point, we outline how occupational pensions deviate from textbook social policy. Industrial relations and the challenges trade unions face feature more strongly. Also, the schemes themselves may take the shape of individual savings schemes, as opposed to the more redistributive collectivistic oriented arrangements of public social policies. We suggest that the theoretical approaches best suited to capture the varying nature of occupational schemes are the literature on embedded markets (inspired by Polanyi) which brings the financial industry and markets in, and the literature on the shifting nature of industrial relations as well as issue networks (inspired by Hecló). Furthermore, we give a brief overview of the state of knowledge, building on recent European comparative studies. We argue that it is time to move beyond comparisons of coverage rates and turn attention towards the many dimensions along which occupational pensions vary between countries and within countries. Towards the end, we introduce the six articles, which all illuminate these issues by the means of one- and two country case studies from across Europe.

### **Résumé**

## **Zusammenfassung**

### **Keywords**

Occupational pensions, industrial relations, trade unions, networks,

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## Introduction

Throughout Europe, private and occupational pensions are growing in importance as an alternative and supplement to state-run schemes. As pure public pension schemes are being retrenched, stronger second and third pillars are developing in many countries (Natali 2017, OECD, 2016; Ebbinghaus, 2011; Trampusch, 2013). These evolving multi-pillar private-public pension schemes alter both the governance structures of pension systems (e.g. the involvement of trade unions, employers' associations, the state and the market in providing and financing pensions) as well the adequacy of future pension benefits and their distributional consequences. Without doubt, occupational pension coverage, saving levels and programme quality vary significantly across countries, and the role played by private schemes in the overall pension system is far from uniform. Moreover, through the growing importance of occupational and private pensions, pension policy is increasingly a matter of state regulation of occupational programmes (Haverland, 2007; Mabbett, 2009) and of union and employer struggles over coverage and pension quality (Ebbinghaus and Wiß, 2011; Trampusch, 2007, 2013). These change processes seem to follow distinctive national paths (Ebbinghaus, 2011).

Nevertheless, the ambition of this special issue is to focus on occupational pension developments throughout Europe, increasing our understanding of the political process underlying the shift towards occupational pension schemes.

Research into the emerging occupational pension schemes has often focused on general patterns of governance for the second and third pillars (Ebbinghaus, 2011; Ebbinghaus and Wiß, 2011), the coverage and adequacy of private and occupational pensions (European Commission & Social Protection Committee, 2015) and the strategies of political parties to use occupational pensions as an instrument to cut public pensions (Myles and Pierson, 2001; Starke, 2006; Häusermann, 2010), but less on the role of trade unions, industrial relations and financial market actors. Our

aim in this special issue is therefore to focus on the dynamics of industrial relations (unions, employers and wage bargaining), while also acknowledging the support given to private schemes by the finance industry (on which see for example Naczyk, 2012). We wish, first, to examine the wide variety of occupational pension schemes established across Europe, looking *inter alia* at the shift from defined benefit (DB) schemes to defined contribution (DC) schemes, and the wide variation within DC and hybrid schemes. Occupational pension schemes vary in their coverage and design, and hence in their degree of risk-sharing and quality due to national modes of governance through legislative measures or collective bargaining. Secondly, we wish to enquire into the actor constellations driving various forms of occupational pension schemes, with an emphasis on the role trade unions take in an interplay with employer strategies.

To achieve this, the issue comprises a combination of one- and two-country case studies, allowing the authors to combine an eye to detail in occupational pension design with attention to the broader policy processes that have led to new and reconfigured pension systems. While not presenting a full overview of all occupational pension schemes in Europe, the articles offer country case studies representing different welfare and pension regimes that combine relatively detailed descriptions of schemes with reflections on the underlying policy processes. The countries covered are Austria, Denmark, Germany, Italy, the Netherlands, Norway, Serbia and the UK.

### **Occupational pension and social policy research**

Studying occupational pensions brings out a series of issues not typically raised when studying public pension schemes. First, while research into public pension policy (as within the general field of comparative social policy) tends to focus on party politics, studies of occupational schemes also need to consider more comprehensively the dynamics of industrial relations as well as financial markets. Secondly, and related to this, market regulations by the state, wage-bargaining dynamics, terms of competition between firms, the financial industry's profit interests, and interest rates / profits in funds play a key role when studying occupational pensions. These are issues rarely considered in public pension or general social policy textbooks. A related point is that, in occupational schemes, there is a distinction between those who pay, those who benefit and those who administer the

schemes, often separate pension funds or life-insurers, with economic risk divided between the three. Administration of welfare schemes is typically entrusted to dedicated bodies within the state administration – when however occupational schemes are administered in this way, it should be seen as a state subsidy and a privilege, not as the rule of the game. Thirdly, while almost all social policies involve some form of redistribution and risk-sharing, occupational pension schemes can also be shaped as pure saving schemes with all risks borne by the employee. They redistribute over the individual's life course, but not necessarily between individuals. This implies that in the design of occupational schemes, the pressing question is increasingly not the distribution profile, but the question of whether there should be any redistribution at all. And fourthly, occupational pensions involve actors often not involved in social policy: the social partners play a prominent role as they often 'own' the schemes, and the finance industry can play a key role as a lobbying group.

Occupational pensions are, as the name indicates, a system for pension accrual connected to employment relationships. Such pensions represent remuneration (deferred wages), (partly) decided by employers and financed by them, and organised independently of the company. Often defined as a second pillar system, occupational pensions come under labour relations and wage formation. The connection to the employment contract and the employer contribution are the two factors differentiating second pillar arrangements from individual third pillar programmes based solely on individual savings and possibly with state backing. Occupational pensions may serve social policy purposes, but are based on the labour market and, as a general rule, on capital funding securing the pension / saving promise. The accumulation of pension capital in separate institutions (such as a life-insurer) also brings in the finance industry as a pension policy actor, while subjecting pensions to market conditions. Therefore, occupational pensions must be understood as a relationship and risk distribution between employers, employees and financial / insurance providers. This interplay is structured by state regulation, as well as in some cases by collective agreements, making up a complex set of (not only tripartite, but in some cases even four-party) political relations.

The governance of occupational pension schemes can be complex and quite difficult to grasp both for the general public and the policy actors themselves. When it comes

to occupational pensions the devil is in the detail, and studies of such schemes may need to take a series of issues and details into consideration:

First, occupational pension coverage is closely related to how such schemes are regulated and, not least, the extent to which they are backed by a favourable tax regime or even made partly or fully statutory through legislative measures.

Secondly, and independent of how coverage is achieved, pension scheme generosity and thus future replacement rates are core issues. Generosity is first and foremost a matter of savings levels following from a defined benefit (DB) promise of a certain percentage of final wages, or a DC yearly saving promise. Defined contribution (DC) levels vary from no more than 1 per cent up to 15 to 20 per cent of annual wages across schemes and countries. Moreover, some schemes are based solely on employer contributions, others on both employee and employer contributions.

Thirdly, programme design and risk distribution can differ greatly. In pure DC schemes, there are no guarantees or insurance elements. Savings accumulate and the individual carries the full economic risk related to return on investment and longevity. However, in many hybrid DC schemes, pension accrual is subject to guarantees either to secure a certain nominal value or, more ambitiously, linked to wage increases. Moreover, schemes can have insurance elements *inter alia* to secure lifelong benefits, they can have higher contributions for women, and can redistribute between men and women to offer gender-neutral lifelong pensions. At the other extreme, some DC schemes offer just lump-sum payments at retirement age or shorter periods of payments.

Fourthly, occupational programmes may be organised either as individual company-based schemes or as multi-employer/industry-wide schemes typically established through collective agreements. These broader and more collectively oriented systems allow increased redistributive measures and risk-sharing. Redistribution and risk-sharing can be achieved through an average calculation of gender-neutral premiums, elements of wage regulation or other forms of guarantees across firms in collective multi-employer arrangements. The administration of pension assets in both single and multi-employer schemes may be organised by insurance companies or separate pension funds.



## Theoretical perspectives

Overall, as noted by several contributors in this issue, the growth and variety in occupational pensions are difficult to explain using the dominant theoretical approaches in social policy studies. Regime theory (Esping-Andersen, 1990) can at best be used to sketch some overarching categories (Greve, 2007). Upon closer scrutiny, the regimes tend to fall apart. Two examples are provided in the comparative articles in this issue. Pedersen et al. (2018) compare Norway and Denmark, both in the social democratic cluster, while Wiß (2018) compares Germany and Austria, two archetypical examples of the conservative-corporatist regime. In both articles, crucial differences are found in the role played by occupational pension schemes as well as in their development. Regime theory does little to explain the differences within the regimes. This is further emphasised in the article by Bridgen and Meyer on the UK (Bridgen and Meyer, 2018): in this 'liberal' country, recent efforts have attempted to re-collectivise the pension system. Bridgen and Meyer argue forcefully that this cannot be understood solely on the basis of temporary shifts in the power balance (the long period under Labour government), but rather relates to other aspects of UK institutions not equally well captured in welfare regime theory.

Historical institutionalism, with its emphasis on self-reinforcing 'paths' in social policy, is another approach that has inspired much research over the past two decades (Myles & Pierson, 2001; Pierson, 1996; Starke, 2006). The relevance of this perspective is particularly salient in research into pension systems, as argued by Myles and Pierson (2001): once a pay-as-you-go (PAYG) system is established, it is extremely difficult to make a transition to a funded system. The main reason for this is the problem of 'double financing': those unfortunate enough to be of working age during the transition will have to pay for the pensions of those with entitlements in the PAYG system, while at the same time contributing to their own pension entitlement in the emerging fund. Past decisions thus dictate future developments. What is currently happening in Europe is that funded second and third pillar pensions are increasingly supplementing PAYG schemes (Natali, Pavolini & Vanhercke, forthcoming). This echoes the criticism of historical institutionalism found in the rapidly emerging literature on institutional change (Mahoney & Thelen, 2010; Streeck & Thelen, 2005): change happens, but often incrementally and stealthily. Institutional change happens when new arrangements are layered onto old ones, or when old arrangements take

on new meanings. The establishment of occupational pension schemes can be a form of layering, possibly changing the function of first pillar pensions.

The literature on institutional reform however says little about which actors initiate 'layering' and 'drift', under what circumstance they are most likely to do so, and how state institutions may intervene in such processes. Hence the literature on institutional change at present offers relatively little with regard to understanding and reforming occupational pension schemes, although it can be a valuable starting point for analyses of the interplay between the first and second pillar. Ebbinghaus (2011) has taken the institutional change perspective a step further by 'considering the role of non-state actors, especially employers, trade unions, financial institutions and the individuals'. He views changes in occupational pensions as adapted to changes 'from above', i.e. changes in state pension systems. However, as both the Danish and Norwegian cases illustrate, changes in occupational programmes can be triggered from 'below' by collective union action without state reform or a retrenchment of public systems as a trigger.

A promising route is found in industrial relations (IR) literature on the role of social partners and collective bargaining. First of all, it has been increasingly argued in analyses of occupational pensions that labour relations systems play an important role in shaping occupational pensions. Both Trampusch (2006, 2007, 2013) and Ebbinghaus (2011) highlight how 'collective bargaining partners seize opportunity' to create policy shifts and to 'reconsider the role of labour relations and pointing to interdependencies between industrial relations and social policy' (Trampusch, 2006). This integration of IR perspectives into the study of the private/public mix of pensions allows us also to analyse the shaping of employer preferences.

Secondly, perspectives and findings from the IR literature are becoming increasingly important for studying the private-public interplay in pensions. Developments in union density, employer organisations, collective agreement coverage and shifts in bargaining systems and legal cultures, all of which are dependent variables in IR research (Visser, 2015, 2016, can be introduced as independent variables in analysing occupational welfare. One main point relevant to the discussion on occupational pensions is that there are large differences between such countries as Denmark, Germany and Italy, in the type and extent of decentralisation and in the

resulting institutional framework for collective bargaining. Differences that, in this issue, are vital for explaining why for example Denmark has been able to develop and expand its collective occupational pension system over the last decades.

Backed up in this issue, another important insight from the IR literature is that trade unions are no homogenous body, and that different unions can pursue different interests. Though union fragmentation (Häusermann, 2010) may weaken unions as an overall political force, it also offers opportunities for bargaining, and strategic coalitions, and allows different parts of the economy to move forward at different speeds or even in different directions. In the Scandinavian countries, for instance (Pedersen et al., 2018), steelworker unions have at critical moments pushed for individualised occupational pension systems with little risk-sharing, mirroring the sector's male dominance and its prevalence of continuous working careers. Female-dominated unions, typically clustered in the public sector, have preferred higher degrees of risk-sharing. This is a tension within the trade union movement. The degree to which different unions have the freedom to pursue their own agendas varies dependent on how centralised the unions are (see Wiß, 2018), and, obviously, union influence varies according to the design of the negotiations between the social partners, and the relationships between the social partners and the state.

Another promising route, advocated by Bridgen and Meyer (2018), is found in the literature on embedded markets (Leisering, 2011) which is inspired by Karl Polanyi's book *The Great Transformation* (2001). This approach involves moving beyond the notion of states and markets as separate and competing spheres, instead focusing on how the two spheres are intertwined in modern societies. In the field of occupational pensions, the interconnections are often very clear. In the Nordic countries, it can be a matter of strategic choice whether unions push for negotiated, business-wide solutions, or whether they prefer to call on the state to pass a law mandating the arrangement they want (as happened in Norway in 2005, see Pedersen et al., 2018). This is possible in a country where unions are centralised and have close connections with influential Labour parties. The UK story, as told by Bridgen and Meyer (2018), mimics this, though here the powerful players were found in the finance industry.

Moreover, policy-making in many cases is reminiscent of what Hugh Hecló described in his seminal article on ‘issue networks’ (Hecló, 1978): pensions is a complex field, and given the interplay of three pillars it is also complex to govern. In many countries pension policies are in reality worked out by close-knit networks – persons who know each other, who may move between organisations and positions, but who remain the ‘pension experts’. Typically, such networks include people from the ministries / public administration, the social partners, and the finance industry (see Bridgen and Meyer, 2018; Grødem and Hippe, 2016). In these networks, politics (in the form of the public administration) and markets meet and find solutions that are acceptable to everyone. In principle, they have access to a wide range of measures. They are made up of those who formulate the demands in negotiations between the social partners, those who influence the priorities and policies of the social partners, and those who inform politicians and write governmental papers. However, the entry of finance industry actors can also destabilise established tripartite relations, as is the case in Jessoula’s account of the Italian pension reforms (Jessoula, 2018). When these players pushed for stronger supplementary pillars, policy-making took on a more pluralistic and conflictual shape, with the government and the finance industry on one side and the unions and employers’ associations on the other.

### **What do we know about occupational pensions?**

As already pointed out, research into occupational pensions is often focused on coverage patterns and, to a certain extent, on pension adequacy (European Commission and Social Protection Committee, 2015). In recent years, greater attention has been paid to establishing comparative data on occupational pensions, and a new line of comparative research supplementing cross-national studies on coverage is emerging. Typically, the OECD has strengthened its focus on collecting private pension data. Even so, there is still limited systematic, reliable, up-to-date information on occupational pension schemes in different countries, probably due to the large country variations in their organisation and administration and very limited national register-based data on individual occupational pension accrual. A good illustration of data quality is a classic comparison of pension fund assets and GDP, where traditionally the Netherlands and Denmark rank as the top two, while Norway is far down the list (OECD, 2016). The problem in this example is that, when only measuring growth in terms of pension fund assets, countries like Norway which

organise occupational pensions as life insurance fall behind. Nevertheless, despite the many data challenges, four strands or insights can be identified in current studies on occupational pension developments:

First, occupational pension coverage stands out as one issue where some general conclusions can be drawn. In countries where membership is decided voluntarily by employers, often at company level, coverage tends to be limited, i.e. significantly less than 50 per cent of the workforce. Higher rates of coverage are found primarily when membership is made partly or fully obligatory by legislation, collective agreements or through mechanisms such as legal extension (see Ebbinghaus, 2011). The PROWELFARE project, chaired by the OSE and funded by the European Commission, confirms this in its analysis of occupational welfare in nine European countries (Sweden, the Netherlands, the UK, Germany, Belgium, Austria, Italy, Spain and Poland), and probably offers the most up-to-date overview of the topic (Natali et.al, forthcoming). The project focuses on occupational welfare, a broader concept than occupational pensions also covering unemployment protection, health care and work-family reconciliation. However, occupational pensions constitute the best-established form of occupational welfare in most countries and is carefully dealt with. Three clusters are identified with regard to occupational pension schemes: countries with broad occupational pension coverage (Sweden, the Netherlands), countries with substantial occupational pension coverage (the UK, Germany, Belgium) and countries with limited occupational pension coverage (Austria, Italy, Spain, Poland). Coverage levels are closely related to institutional and regulatory measures such as collective bargaining or national-level legislation in Sweden and the Netherlands. Alternatively, the main decision-making level may be either the sector or the company (or, as in Germany, a mix of the two). In the first case, they are governed by bipartite negotiations, while in the second case they are either managed unilaterally by the employer (the UK, Poland), or by bipartite negotiations (Austria, Spain). Only in three of the countries does the state occupy a more active role, promoting occupational pension schemes through auto-enrolment (the UK, Italy) or legal extensions (the Netherlands).

Secondly, more evidence is presented on the outcomes of occupational pension growth. One can today find OECD data on private pensions and their share in future total pension income and on individual replacement rates accumulated in

occupational pensions. OECD studies show that occupational pensions have greater importance in total retirement income when they have a mandatory nature (43 per cent in the Netherlands, 24 per cent in Norway), but also when voluntary private pensions have a longstanding history in the country (36 per cent in the UK and the USA) (OECD, 2013). Moreover, data on pension adequacy in the form of replacement rates also including occupational pensions are now being presented by the OECD for selected countries. These data indicate that the growing importance of occupational pensions might have significant distributional effects. First, public sector employees tend to accumulate higher occupational pensions and, dependent on the regulatory system, variation in replacement rates in the private sector may be dependent on gender, income levels and industry. Moreover, younger generations may suffer lower replacement rates than their older counterparts in many countries, since occupational pensions are not fully compensating for reduced public pension generosity and increasing retirement ages (OECD, 2014). Natali et.al. (forthcoming) show that coverage varies widely – between countries, but also within countries; between industries; and by type of contract, gender and migration background. There is therefore undoubtedly a risk that occupational pensions may contribute to increasing inequality among pensioners (see also European Commission and Social Protection Committee, 2015). On the other hand, occupational welfare also represents opportunities: it can give access to better social protection for workers, increase trade union involvement in company organisation, and provides a path for companies to invest in their staff.

Thirdly, one of the core findings and discussions related to occupational pensions is the general shift from DB to DC pension programmes and, hence, the tendency to transfer economic risk from the employer to the employee. In Europe and the USA there seems to be a general move towards more DC-like arrangements. In Norway, for example, nearly 90 per cent of private-sector employees are members of an active DC scheme. It should be underlined, however, that despite the shift towards DC, DB plans (measured in assets) still play an important role because of their important historical role as the favoured arrangement. According to the OECD, traditional DB assets accounted for most of the pension capital in countries such as Germany and Norway as well as in the USA, while DC assets were largest in many Eastern European countries without a history of DB (OECD, 2016). Therefore,

regardless of the general move towards DC schemes, the most heated debate in many European countries is related to the sustainability of the old DB promises and the increasing capital requirements due to low interest rates and increased longevity. These debates matter typically for the older core constituencies of the trade unions with a history of DB coverage. In other words, many unions see themselves as fighting a war on two fronts: a DB war for their older members and a DC war for their younger members.

In addition, it should be taken into consideration that DC schemes come in many forms, often including features of DB programmes such as various forms of guarantees and insurance elements. However, we know relatively little about the details of DC programme design across countries. In a study by the OECD, the USA is said to have the highest proportion of pure DC schemes (OECD 2016). In this issue, the comparison of Norway and Denmark demonstrates that DC schemes may vary significantly with respect to the level of risk distribution, with relatively solidaristic Danish schemes compared to the fully individualised pure saving schemes in Norway.

Finally, the issue of how public pension schemes affect occupational programmes has been at the core of the scholarly debate. Occupational pensions interact with state pensions, but not necessarily in a way that occupational schemes grow as state schemes are retrenched. This 'substitution effect' is, according to Natali et.al. (forthcoming), too simple – a point also made more than two decades ago when the issue of the public-private pension mix surfaced as a discussion of 'crowding out', i.e. does state programme growth substitute occupational pension coverage and generosity or is the public-private interplay more complicated, even in Nordic-styled welfare states? (See Shalev, 1996; Kangas and Palme, 1992). In the same vein, a recent study (Natali et.al. forthcoming) points out that the complex interactions between a state and the social partners blur the boundaries between state pensions, voluntary occupational pensions and mandatory occupational pensions. State interventions can aim to transform voluntary schemes into (quasi-)mandatory ones. In some cases, supranational interventions also help shape occupational pensions, typically in the interest of creating equal competition and functioning markets. The maybe best example of this is the impact that recent EU solvency regulation has had on dismantling DB pension schemes by requiring increasing levels of capital to secure future pension promises. The PROWELFARE publication also makes the

interesting observation that, rather than owning the field of occupational pensions, trade unions often feel squeezed between the state and financial actors. Their room for manoeuvre is constrained by a dense institutional context of fiscal rules, market regulations and financial resources provided by authorities at national, regional and supranational levels.

Taken together, studies of occupational pensions show that occupational provisions do not necessarily fill the vacuum when state programmes are rolled back. Levels of coverage, benefit quality, risk distribution and governance of occupational pensions vary significantly between countries.

### **Beyond coverage: analysing the politics of occupational pensions**

This special issue contains six articles (in addition to this introduction) outlining developments in eight countries. Our aim has been to add to the images of variation in occupational pension schemes, emphasising the challenges facing trade unions. Building on the PROWELFARE findings, our approach is more actor-centred and more geared towards variations in the set-up of occupational pension schemes. It should be noted that, while there is a long tradition of research into occupational welfare and fiscal welfare, occupational pensions are still a relatively young research field. The context for such pension arrangements has changed over the last 15 to 20 years, and, as we have shown, theories of welfare regimes and path dependency only explain the variation to a certain extent. We are clearly not aiming to come up with a grand theory of occupational pensions and how they interact under shifting political and macroeconomic circumstances, and taking account of patterns of industrial relations and welfare regimes. Indeed, we suggest that such a theory may never be established, with the contributions in this issue all showing how complex the design of such schemes are. Obviously, there is logic at play, but, with so many factors involved, it is near-impossible to predict longer-term outcomes in individual cases.

Most social policy studies concentrate on policies made by politicians, designed in ministries and confirmed by parliaments. In many cases, positions have at least historically been relatively predictable: politicians on the left want to redistribute, politicians on the right want to limit expenditure and consequently design limited, targeted welfare schemes. Trade unions, if they get involved at all, typically support



the left, while employers support the right. Ministries want predictability and financial sustainability.

When attention is turned to occupational pensions, however, the standard expectations do not work. Other actors enter the stage, and their positions are not always predictable, but highly context-dependent.

The social partners typically have very strong voices in debates on occupational pensions, and in many cases pursue the matter far more eagerly than politicians. Trade unions have both supported and opposed the introduction of occupational pension schemes. In both Denmark and Norway, for instance, the trade union movement went from opposing occupational pensions to embracing and promoting them. In both cases, the change of heart can be explained by failing expectations in state pensions: the first priority for the trade unions was to secure pensions for all with a high replacement rate within the state pension system. When it became clear that this was not going to happen, they embraced occupational pensions as a second-best option. Something similar happened in Germany, as shown by Wiß (2018). Rather than a straightforward 'for this, against that' agenda, trade unions have a hierarchy of priorities, and may very well mobilise in support of their second-favourite option. Moreover, the hierarchy of priorities will be different in different contexts, and may also change over time. Similar reflections apply to employers (Mares, 2001, Bridgen and Meyer, 2018). Neither trade unions nor employers' associations can be assumed to be unified, so the hierarchy of priorities may be contested even internally.

The policy-making field is thus highly complex when it comes to occupational pensions. Adding to this complexity is the fact that the finance industry often appears as an independent and frequently influential player which can be as heterogeneous in its pension preferences as industrial firms (Naczyk, 2012). The finance industry's agenda also differs from that of trade unions and employers' associations, and will be centred on maximising the market and reducing providers' economic risk. Most of the articles in this special issue contain stories about how the finance industry has lobbied for pension fund regulations suiting their interests.

Apart perhaps from times of deep recession, occupational pension funds build up massive amounts of capital through contributions and returns on capital, making

them institutional investors of major political and financial importance, and giving rise to such terms as ‘pension fund capitalism’ (Clark, 2000) and the ‘welfare-finance nexus’ (Naczyk, 2016: 205). This also means that not only the finance industry, but also the social partners and other policy players become stakeholders in investment strategies.

Asset maximisation is obviously the primary objective of pension fund management, but occupational schemes can also have national or other ambitions guiding investment policies. Pension funds can promote social goals through socially responsible investment strategies. In our Serbian case study, Altiparmakov and Matković look at state regulations restricting pension funds from investing internationally, with a view to stimulating domestic growth. This fits in with recent research into the fiscal and economic motivations of governments in fostering private pensions (Trampusch, 2017). Whatever the case, decisions must be made on who should manage these funds, the kind of risk and ethical profile to be taken, and so on. Stakeholders also have an interest in influencing state regulation of pension funds.

As shown particularly in the UK study (Bridgen and Meyer, 2018), the complexity of pension politics implies that small groups of experts can be highly influential (see also Grødem and Hippe, 2017). These expert groups can include dedicated politicians, government officials, social partner representatives, representatives from the finance industry, and others. As discussed by Altiparmakov and Matković (2018), in Central and Eastern Europe in particular international expert bodies such as the World Bank have also been highly influential. Important premises for the public debate are thus laid down in groups that typically work behind the scenes – subterranean policies, to use Bridgen and Meyer’s words. This further promotes variation, as insight into behind-the-scenes politics is limited and may vary from one country to the next, especially as regards who is included in these groups. In Norway, the central level in the dominant trade union LO was strongly represented (Grødem and Hippe, 2017), while in the UK, representatives from the finance industry played this role (Bridgen and Meyer, 2018).

Finally, the performance of financial markets matters, as emphasised by both Jessoula (2018), and Altiparmakov and Matković (2018) but also by the literature on the effects of the financial crisis on pension fund capitalism (e.g. Ebbinghaus and

Wiß, 2011). It is extremely difficult for occupational pension funds to succeed in times of recession, when interest rates are low and stock markets render little surplus. In boom times, on the other hand, weaknesses in the schemes may be papered over by the general affluence, as illustrated by the demise of DB schemes, whose cost was relatively easily shouldered by companies in times of high interest rates, but became too expensive and too unpredictable in times of low interest rates and increased longevity.

The articles in this special issue demonstrate the variety of paths being taken by occupational pension schemes, and the different speeds at which they are changing. There is no uniform move towards DC schemes, but rather a variety of developments that have emerged in tandem with changes and deficiencies in public pension systems.

The authors present a variety of analyses of the factors driving these developments. In most of them, trade unions play a significant role, but increasingly these are political processes taking place in an interplay between collective bargaining, state regulation and more or less informal interventions on the part of the finance industry.

Wiß' (2018) comparative analysis of Germany and Austria underlines the continued significance of trade unions and their organisation in explaining their strategies towards occupational pension development. The more centralised and cohesive structure of Austrian trade unions explains, in Wiß' account, why Austria has not seen the level of occupational pension scheme development witnessed in neighbouring Germany. Unions here are less centralised, thus opening the door for cross-class coalitions where unions have pressed for collective occupational pension schemes with minimum guarantees in order to avoid the further expansion of individual private pensions.

In another two-country study of similar countries, Pedersen et al. (2018) analyse the changing strategies of Norwegian and Danish trade unions, both of which switched in the early 1990s from opposing to actively promoting the expansion of occupational pension schemes. The mechanisms of expansion however have been different, reflecting divergent national institutional legacies: collective bargaining has been the main mechanism in Denmark, while full coverage in Norway has been achieved through legislation. Internal divisions within the union movements characterised both

processes. In both countries (in Germany the chemical workers' union played a similar role), the metalworkers' unions united with employers to press for change. If we compare Denmark and Germany on the one side with Norway on the other, we see that in the first two countries the role of the state in wage bargaining and labour relations is very limited, while the Norwegian government has more possibilities to intervene directly.

De Deken (2018) analyses a process whereby the uniquely inclusive and generous Dutch occupational pension system has been significantly eroded through a series of incremental reforms. He depicts the ambivalent dual role of trade unions, not only negotiating occupational pensions, but also participating in the governance of the pension funds. This, according to De Deken (2018), has turned unions into stakeholders of financialisation, accepting increased risks as the only viable means to preserve reasonable pensions in the future.

Italy provides us with a rather different picture. The expansion of occupational pension schemes here has been limited and uneven, despite both considerable public pension retrenchment and ambitious government plans (supported by unions) to build a multi-pillar system. The voluntary mode of affiliation chosen, in combination with the specific structure of the Italian economy dominated by small firms with low union presence, explains the gaps and variations in coverage. The article by Jessoula (2018) also provides insights into how the entry of the financial sector has contributed to transforming tripartite bargaining into a more conflictual and political mode of policy-making.

Altiparmakov and Matković's (2018) analysis of Serbia provides yet another example deviating from the picture of a general move to occupational and private pensions. This is unexpected in light of the strong World Bank recommendations in this area and their major impact on CEE countries. Unions here have played a limited and passive role, viewing the issue as of importance mainly to high income earners. This allowed national experts, documenting the costs of second pillar expansion and finding resonance for their negative stance in the bureaucracy, to put an end to any such plans.

The UK by contrast has reversed trends of risk individualisation, establishing measures that enhance the compulsory character of second pillar pensions. This has

taken part with only a limited contribution and pressure from trade unions, and must thus be explained through processes of preference formation beyond the political left. The authors report on longstanding inter-personal and inter-organisational connections between the policy experts of business organisations and policy-making bodies, enabling a level of communication that promoted consensus building around policy changes that would not have been predicted by standard social policy regime theory.

### **Conclusion: implications for union strategy**

Despite this overall picture of variation in strategies and impact, there are some shared tensions and dilemmas that unions across Europe are faced with as occupational pensions move up the agenda.

Much of the debate on occupational pensions centres on coverage levels. As public pension replacement rates shrink, the degree of 'outsiderness' in an occupational pension regime can open up and deepen welfare dualism (Seeleib-Kaiser et al., 2012). But coverage itself says little about the adequacy of the pensions people receive. Indeed, there may be a trade-off between coverage rates and the quality and adequacy of the benefits pension schemes provide. High quality schemes, particularly DB schemes, are costly for businesses and can also introduce an unwelcome lack of predictability. If trade unions (or other players) want to press for comprehensive schemes with high coverage rates, they may have to limit themselves to demanding minimum DC schemes. Statutory schemes tend to provide low savings levels. For trade unions, this can be a dilemma, and also a source of tension within their own constituencies: should strong trade unions in profitable industries support meagre schemes for all, or should they prioritise promoting much better schemes for their own members?

The initiative to establish an occupational pension scheme (or to widen existing schemes) can come from various sides. Trade unions can push for them to improve retirement security for their members, employers can want them as a means to attract and retain skilled labour, states can call for them to supplement state pensions in times of retrenchment, and supranational organisations like the EU and the World Bank can push nation states to pursue occupational pension strategies. Regardless of where the initiative comes from, actors must decide whether such schemes are

subject to collective bargaining by the social partners or mandated by the state. Legislated schemes take control away from the social partners and expand the market for pension plans. Negotiated schemes provide unions with more power and an argument for membership, but as they do not cover all firms in all sectors, unions may have to trade coverage for influence. In pushing for legislated schemes, unions may find themselves in partnership with strange bedfellows as this also implies expanded markets for the finance industry.

Nevertheless, as the importance of occupational pension funds grow, unions are faced with the need to develop pension fund investment strategies and policies for ethical and sustainable investments. Moreover, unions across Europe are faced with a challenge to develop policies and strategies related to distributional mechanisms and solidarity being built into occupational schemes. The issue of lifelong and gender-neutral financing and its risk distribution across companies and sectors are of crucial importance.

Our findings indicate that the development of common European strategies on multi-pillar systems is likely to be extremely difficult, given the apparently strong path dependence within countries and the divergent interests of the various players. Further hindrances to common European strategies include reduced union density and slipping collective bargaining coverage in many countries. Nevertheless, given the increasing emphasis on the 2<sup>nd</sup> pillar, a dialogue between national trade unions at the European level on strategies in this area may be a necessary next step as the importance of occupational pensions grow in Europe.

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