Article

European Journal of Industrial Relations

European Journal of Industrial Relations
17(4) 315–331
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DOI: 10.1177/0959680111420208
ejd.sagepub.com
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The role of trade unions in European pension reforms: From 'old' to 'new' politics?

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Abstract
Trade unions played a substantial role in the 'old politics' of expanding pension systems in Europe; they are still active in the 'new politics' of pension reforms. Given the electoral impact and political veto points, governments may seek to overcome reform blockage in political decision-making and implementation by seeking social consensus with trade unions and employers. Various modes of social governance in addition to political interest politics allow trade union influence: institutionalized forms of self-administration of pension insurance, self-regulation via negotiated occupational pensions, institutional consultation of interest groups and tripartite concertation (or social pacts) between government and the social partners.

Keywords
interest groups, pension reform, social governance, trade unions, welfare regimes

Introduction

Trade unions played a substantial role in the 'old politics' surrounding the development of old age income security, and they are still active in the 'new politics' of pension reforms under austerity constraints. In many European countries trade unions 'share public space' (Crouch, 1993) with the state and employers in the making and implementation of social policy, they are part of 'social governance'. Organized labour has particular influence by using the electoral route and using veto points in political systems to oppose reforms. In these cases governments may seek to build societal alliances to overcome potential reform blockage. Trade unions have an interest in negotiating reforms or self-regulating policy adaptations in order to avoid more severe welfare retrenchment. However, if reforms remain impossible, governments (and employers) may seek to alter the governance structures to weaken labour's voice in order to allow more adaptability.

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Knowing this ultimate threat, trade unions may be more willing to compromise so as to circumvent severe social governance reforms. Thus much depends on the strategies and interactions between the state and the stakeholders. The social governance modes which help building societal consensus for pension reform are more important when organized labour has some veto power and when pension policies are based on shared policy-making between government and social partners. However, in case of continued failure, trade unions are likely to lose institutionalized veto power through attacks by governments or employers on their role in social governance.

The development of pension systems and their recent reforms indicate the importance of both political and social consensus-building. While in the past the strength of the labour movement often enabled major pension reforms expanding social rights, today governments need more than their own political majorities to provide sufficient momentum to overcome vested interests in reforming established pensions systems in an ageing society. The more responsibility for retirement income is divided between the state and society, the more possibilities there are for trade unions to influence political decision-making. Even if they have no formal institutional right or direct channel, trade unions may use non-institutionalized 'veto power', such as mass protests or even general strikes to fight unilateral pension reforms, as happened in France and Italy in the mid-1990s and again more recently in France in 2010 (and Greece in 2011). Such mobilization potential may in turn provide the rationale for governments to consult and even negotiate with trade unions (and employers) to reduce political and social conflict. When the social partners, trade unions and employers, share social policy implementation, unilateral state intervention can lead to blockage in the execution phase. Governments may thus be willing to cooperate with trade unions, and organized labour may be willing to concede for fear of otherwise more far-reaching reforms or even an overhaul of the governance structure.

Influence often derives from trade unions' involvement in policy-implementation. This occurs when the state devolves self-administrative functions in a semi-public agency with participation by the social partners, or when the bargaining partners assume self-regulatory functions without any state interference. In the case of self-administration, legitimacy derives from the state's delegation of public authority to a self-governing agency. By contrast, in the case of self-regulation the state abstains from encroaching on the autonomy of bargaining partners, according to the subsidiarity principle. Moreover, social partner involvement in policy-making ranges from institutionalized consultation of interest groups by policy-makers to concertation on 'social pacts' (Avdagic et al., 2011; Siegel, 2005) between the government, trade unions and employers on economic and social policy matters. Corporatist interest intermediation and social partners' participation in self-administration should be distinguished as different modes of social governance since the latter provides less scope for state interference than the former.

This article compares the influence of the social partners, in particular trade unions, in the area of pension politics in eight Western European countries. It first reviews the main theoretical perspectives that more or less explicitly conceptualize the 'old politics' of trade unions in developing pension policies, and then discusses the changes according to the 'new politics' of today's welfare state reforms in times of austerity. Comparing the specific legacies, the third section reviews the institutionalized forms of self-administration of public pension insurance and the self-regulation via collectively negotiated occupational pensions. The subsequent section investigates the social partners' influence via institutionalized consultation and tripartite concertation between governments and the social partners. Highlighting cross-national differences and recent trends, selected examples will be given from Scandinavia (Denmark and Sweden), the British Isles (Britain and Ireland) and Continental Europe (France, Germany, Italy and the Netherlands).

The 'old politics' of trade union strength and welfare state development

Comparative studies of welfare state development emphasize the importance of the power of organized labour, state traditions and the political economy nexus. The power resource thesis postulates the importance of strong labour movements, often measured by union membership and centralization as well as the electoral and governmental success of left parties, especially those allied with trade unions (Esping-Andersen, 1990; Korpi, 1983). While this approach can explain the rise of universalist welfare states in Scandinavia by the electoral success of Social Democracy and the strong allied trade unions, it also claims that in countries with less powerful organized labour more residual welfare states will persist. Although this gives an explanation for the liberal tradition in anglophone welfare state development, the Continental European countries do not easily fit into such a monocausal view.

Esping-Andersen's threefold regime typology acknowledges that Conservative welfare states were neither Liberal residual nor Social-Democratic universalist, but regimes of their own type. Continental European societies with Christian-social orientation and worker wings of Christian-Democratic parties provided a favourable political context for the expansion of social transfers (van Kersbergen, 1995). Esping-Andersen and Korpi (1984) argue that the fragmented labour movements in Continental Europe led to Conservative occupationally based welfare regimes, and that this legacy derived from a divide-and-rule strategy by authoritarian states. These Conservative regimes are considered to be rather inert, following a path dependent logic of clientelist interests, particularly in Southern Europe (Ferrera, 1996).

State-centred approaches stress that the Conservative regimes have their origin in authoritarian state traditions and conservative elite policies that introduced social policy 'reforms from above' to legitimate the national state (Flora and Alber, 1981). Using a carrot-and-stick strategy, Bismarck enacted the first social insurances and the Anti-Socialist Laws in order to integrate the working-class into the paternalist German nation-state after 1871, but failed to stem the tide of the labour movement. However, Bismarckian welfare systems granted workers self-administrative representation rights on social insurance boards. This authoritarian corporatist legacy survived the reform of Bismarckian welfare systems in the postwar liberal democracies of Continental Europe; although such systems have been considered difficult to change, recent reform process indicate trends toward increased state intervention and market deregulation (Palier, 2010).

Adopting a more political economy approach, neo-corporatist theory conceives the post-war expansion of Continental and Nordic welfare systems as part of an implicit social pact: social protection was expanded in exchange for acceptance of the uncertainties of the market economy (Crouch, 1993). In export-oriented economies, social protection became an important buffer against the cyclical proclivity of the international market, thereby helping to maintain the social consensus typical in small corporatist European states. More recently, the Varieties of Capitalism approach (Hall and Soskice, 2001) linked the development of *coordinated* market economies in Germany and its neighbours to the emergence of social welfare institutions that were beneficial to maintain a skilled labour force. Recent historical research rediscovered the role of employers in providing corporate welfare, suggesting that it was not always against the interests of employers to support social policies (Mares, 2003).

The 'new politics' of welfare reforms in times of austerity

Once established, contemporary welfare states grew to their own limits, facing restrictions set by economic and financial constraints, socio-demographic challenges and political pressures to cut back public expenditure. Past explanations for welfare state expansion are insufficient to explain current reform processes that aim at retrenchment or recalibration. Prominently, Pierson (1996, 2001) argued that the 'new politics of reform' under austerity conditions does not mirror the 'old' politics of welfare state expansion. Despite the weakening of trade unions and a political shift toward the right, Pierson (1994) observed that social policy reforms under Reagan and Thatcher in the 1980s were not able to retrench as much as ideologically claimed. According to his view, this surprising inertia was not due to the traditional interest groups (such as the weakened trade unions) but the result of 'path dependency' (or policy feedback) as past social policies led to vested interests among those profiting from these programmes. The new politics thesis claims that this is due to the 'blame avoidance' (Weaver, 1986) of politicians who are afraid of electoral backlash against cutting popular social policies.

Particularly in Bismarckian welfare systems, the insured who paid into social insurance and are represented by trade unions in self-administrative bodies tend to defend contributory earnings-related benefits as 'deferred wages' (Myles, 1989); this holds especially for contributory old age and disability pensions. Myles and Pierson argue that 'unlike generic schemes for those in "need" or for "citizens", each individual has his or her own contract with the government with specific benefits attached to his or her specific work record, years of contribution, and earnings history' (2001: 321). Particularly in Continental Europe, trade unions have been active in voicing protest and blocking reform most effectively (Ebbinghaus and Hassel, 2000).

The new politics thesis also assumes that politicians are 'vote-maximizers', worried about the political costs of welfare retrenchment. Following Weaver (1986), Pierson argues that politicians can no longer claim credit for expanding social rights, but must now anxiously avoid blame for cut-backs. In particular, pay-as-you-go pension systems entail major problems for systemic reform when shifting to a funded scheme: the so-called double payment problem which entails that employees need to pay for current pensioners' acquired rights, while contributing to their own future savings. Thus Pierson argues that 'the politics of retrenchment is typically treacherous, because it imposes tangible losses on concentrated groups of voters in return for diffuse and uncertain gains' (1996: 145). One political strategy has been to exempt current retirees or obfuscate through invisible technical changes (Myles and Pierson, 2001). In Bismarckian pension systems, for example, reforms increased retirement age only slowly, if at all, affecting mainly younger cohorts, while current retirees are spared. These concessions are more palatable to trade unions that represent the more senior workers (Ebbinghaus, 2006).

European welfare systems are often seen as 'frozen' not only because of strong public support but also through institutionalized 'veto points' (Immergut, 1991) that provide particularistic interest groups, that is 'veto players' (Tsebelis, 2002), with potential veto power. However, to substantiate such claims we need to consider more carefully the veto points in the political decision-making process in pension systems as well as in policy implementation. Do the social partners, in particular trade unions, have an effective veto power? Some political systems provide numerous veto points for interest groups to influence policy-making, if not to block major changes detrimental to their own interests. According to Immergut and Anderson, a 'veto' can be of significance for two reasons: 'First, it indicates how difficult it is to pass legislation – and hence to introduce policy change. Second, the more difficult it is to change existing policy, the more opportunities there are for interest groups opposed to particular legislation to demand concessions' (2007: 7). Thus veto points provide a potential opportunity to veto players such as political parties allied to trade unions to block or negotiate changes. Whether interest groups, here trade unions, actually use institutional veto points to pursue their interests depends on the strategy of the veto players vis-à-vis their contenders but also on the opportunities given in a policy area.

In the non-political realm it is difficult to assess institutionalized veto points and real veto power, depending often on informal channels of influence on political decision-makers as well as on occasional threats or actual use of protests (political or economic strikes, mass demonstrations). It was less union membership strength than the institutionalized role unions play in corporatist industrial relations and participatory social insurance that led to the expansion of conservative pension systems in Continental Europe. Moreover, today trade unions (and to a lesser degree employers' associations) have lost membership compared to the period of expansion, yet collective bargaining coverage and institutionalized corporatist participation has been less affected. Since it is often more assumed than demonstrated that the social partners have 'veto power' through their self-administrative role in the governance of welfare systems, the next section will compare the influence social partners have in policy implementation and policy-making in selected European pension systems, highlighting the anglophone, Scandinavian and Continental legacy for social governance.

Self-administration and self-regulation in pension systems

Among the four different modes of social governance, self-administration and self-regulation are two in which social partners can influence policy-implementation directly and policy-making indirectly. On the one hand, trade unions (and employers) may actually find more opportunities to influence pension policy through their role in the self-administration of social insurance (Reynaud, 2000). On the other, social partners might perform self-regulatory functions in (private) occupational pensions, involving not only employers, but also unions through collective bargaining. There are major differences between self-administration and self-regulation with respect to old age and disability pension policies. In contrast to Beveridge-type basic pensions for all citizens (Marshall, 1950) in the British Isles or Scandinavia, which are financed by general (or payroll) taxes and publicly administered, Bismarckian pension schemes are financed and self-administered by both the employer and the insured (Palier, 2010). Private occupational pensions play a more important role in many Beveridge-type systems than in Bismarckian systems (Ebbinghaus, 2011), thereby providing more scope for employer and union self-regulatory responsibility for non-state pensions.

Where old age pensions were introduced as social insurance for industrial workers, benefits tended to be financed and self-administered by both employer and employees. In Beveridge-type systems, voluntary self-help was displaced by state-provided social benefits to all citizens (Marshall, 1950) or residents, financed by general or payroll taxes and administered by public agencies. In addition, social partners perform self-regulatory functions in (private) occupational pensions, involving not only employers but also unions through collective bargaining, most notably in France and the Netherlands. Although these main differences in pension systems still hold, there have been some path departures under demographic and financial pressures (Ebbinghaus, 2011; Hinrichs, 2000; Palier, 2010).

While self-administration by the social partners has been part of the Bismarckian social insurance tradition, this is not the case in the Beveridge-type systems (Palme, 1990). The Scandinavian universalist welfare states do not delegate self-administrative functions; the basic pension schemes are under the control of the ministry. Swedish trade unions are, however, represented among the main parties on the Social Insurance Board (RFV). In both Denmark and Sweden, labour market pensions funds (ATP) were set up in the 1960s to supplement public basic pensions. The Swedish pension reform of the 1990s integrated the basic and ATP pensions into a new scheme that allows the insured to decide personally on an investment fund (whether commercial or union-run) for a portion of their pension contributions (Wadensjö, 2000). In addition, the Swedish collective bargaining partners run collective supplementary schemes for four main groups: private blue-collar workers, private white-collar employees, central government employees and local government employees. While in Sweden these collective schemes emerged as comprehensive systems relatively early (before the mid-1970s), the Danish trade unions were initially more reluctant and divided until the 1990s when they became more active in negotiating supplementary occupational pensions.

The Beveridge public pensions of Britain and Ireland provide no statutory role for the social partners. In Britain, the introduction of a second state pension gave employers the option to opt out and provide an occupational pension, while individuals were later allowed to choose also a personal pension (Bonoli, 2001). With the exception of occupational pensions in the public sector, trade unions were unable to influence these second-tier pensions. The unions traditionally lobbied for better conditions in the public pensions, though the Trades Union Congress (TUC) established its own private fund under the stakeholder pension scheme, introduced by the Labour government in 2001. In Ireland, although occupational pensions remain voluntary additions to the public basic pension, by law employers have to consult recognized trade unions about the terms of the plan.

Since Bismarck's pension reform in 1889, German trade union officials and employer representatives were elected onto self-administration boards, although the social insurance funds were fragmented along occupational lines until 2005. However, union and employer representatives have rather limited influence since the main parameters are set by legislation. Until recently, unions or works councillors played a limited role in occupational supplementary pensions except for a collective agreement in the public sector. Nevertheless, the recent pension reforms of 2001 and 2004 granted legal precedent to collectively negotiated pensions, allowing unions the opportunity to develop a new self-regulatory role at the collective bargaining table (Ebbinghaus, 2011; Schludi, 2005). Following the Bismarckian model, Italy introduced fragmented public pensions for blue- and white-collar employees as well as separate schemes for self-employed and public sector employees. These public pensions are governed by a bipartite board, but the government uses parliamentary acts or administrative decrees to change pension policies, often after negotiations with the trade unions. More recently, Italian unions and employers have begun to negotiate collective agreements on occupational pensions, which have first been limited to few sectors but took off since 1998 following the transfer of end-of-service-pay at firm level into occupational pensions (Ferrera and Jessoula, 2007).

In contrast, the French and Dutch social partners play a more direct role in social insurance – at least in their self-regulatory function outside the basic public schemes (see Clegg and van Wijnbergen, in this issue). French unions and employer representatives sit on hundreds of social insurance funds at national, regional and local levels. A reform of self-administration in sickness and pension funds introduced in 1996 full parity of social partners, but also more power for the state-nominated directors, new supervisory councils and parliamentary budget approval. In 1999, employers chose to leave these social insurance funds, provoking a debate on the governance of social insurance, weakening the role of social partners in the sickness and old age insurance funds. State influence is more limited in the mandatory second-tier supplementary pension funds run by the collective bargaining partners, while the introduction of voluntary funded pension has been less important thus far.

The Dutch postwar pension system is similarly divided into a public and private pillar: a tax-financed basic state pension and (quasi-)mandatory occupational pensions negotiated by the collective bargaining partners. Although the social partners are involved in the tripartite administration of the state pension, the second tier (private) occupational pensions are either employer-led or industry-wide funds run by the social partners, based on collective agreements that can be extended by the labour ministry. Following a public debate on the collusion of the social partners in using disability pensions for labour shedding, the bipartite self-administration of sector-wide insurance boards was radically remodelled in the late 1990s (Visser and Hemerijck, 1997). Under pressure from the government, the collective bargaining partners agreed to change their occupational pension funds and early retirement schemes in order to control costs, increase coverage and mobility and reduce gender biases. Despite these changes, 'the social partners have considerable freedom to negotiate the details of their pension

Table 1. Self-administration/self-regulation in pension insurance in Europe

	Union strategy before 1990s	
Public pension	Expansion of public pension	Negotiated supplementary pension
Beveridge-type basic pension	*Britain* *Ireland* I: Public administration II: Employer decision	*Sweden* *Denmark* *Netherlands* I: Public administration II: Self-regulation
Bismarckian social insurance	*Germany* *Italy* I: Self-administration II: Employer decision	*France* I: Self-administration II: Self-regulation

Notes: I: First pillar (public pension); II: Second pillar (occupational pension).

arrangements, and they are negotiated as part of collective agreements' (Anderson, 2007: 728). Although the Dutch social partners lost influence in public schemes, they were able to maintain their self-regulatory leeway in the occupational pension funds that cover about 90 percent of all employees. However, underfunding problems of pension funds following the financial market crisis of 2008 led to government intervention in favour of longer recovery periods (Anderson, 2011).

There are significant cross-national differences in the degree to which the social partners, particularly the trade unions, assume a self-administrative role in publicly mandated social insurance and/or perform self-regulative functions in private occupational pensions. While participation in self-administrative bodies can provide some decision-making power and control over implementation, the degree to which the state can regulate benefits and conditions of social insurance schemes varies considerably across welfare regimes (Reynaud, 2000). The main patterns are summarized in Table 1. The social partners have traditionally had the most say in the Dutch negotiated second-tier pensions and the French mandatory supplementary pension. These schemes are mandatory by *erga omnes* extension in some industries in the Netherlands or legally mandatory for all workers in France. The influence of German and Italian social partners through self-administration is more symbolic, leaving responsibility for setting financial and regulatory parameters largely to the government, while the occupational pension had traditionally been employer-provided.

Among the Beveridge-type welfare states, the British, Irish and Nordic public pensions but also the Dutch basic pension are government-administered and controlled, with no (or limited) self-administrative functions delegated to the social partners. But the obverse of public basic pensions are private ones. Voluntary agreements on supplementary pensions are now common in Scandinavia, giving the social partners an amplified role in negotiating not only wages, but also occupational benefits. A similar trend could develop in Bismarckian systems, following recent reforms since the late 1990s that foster a 'second pillar' of private occupational pensions and efforts by unions to enhance their bargaining role (Germany, Italy). Nevertheless, the state can use regulatory power and incentives through taxation policy to influence private pensions and thus encroach into social partner self-regulation (Ebbinghaus, 2011). Thus, while shared responsibilities in the social policy arena have made reforms more difficult, particularly their implementation, the state has considerable authority over important parameters with respect to the public pension system. Moreover, the government can influence occupational pension development by using regulatory measures.

Consultation and social pacts over pension reforms

More direct impact on policy-making can be expected through social consultation or concerted action, that is, through more or less formal consultation of organized interests by policy-makers or through social pact negotiations between social partners and government. Institutionalized consultation via formal tripartite bodies or more informal consultative practices has been more common in Continental Europe and Nordic countries, while in anglophone pluralist countries organized labour's influence is more remote. Particularly in Continental Europe, conventions or legal mandates ensure that statutory advisory bodies are routinely consulted. In Nordic countries, not formal bodies but consultation procedures (hearings and commissions) are common in the policy-making process, providing ample opportunities for organized interests to influence policies.

Formal consultation is more common in Continental European countries, given past state corporatist traditions (Crouch, 1993). French and Italian consultation bodies remain rather symbolic postwar institutions that provide fora for deliberation, but largely fail to enhance consensus-building because of their heterogeneity. On contentious matters, governments seek either unilateral action or direct negotiations with the social partners. In the Scandinavian countries, political actors increasingly bypass the long-standing tradition of social consultation in committees and parliamentary hearings. In the Netherlands, government initiatives, bipartite consensus-seeking within the *Stichting van de Arbeid*, and ad hoc tripartite concertation increasingly replace the statutory *Sociaal-Economische Raad*. In Germany, inter-party consensus-building and parliamentary commissions ended with the last consensual pension reform in 1989, thereafter the influence of the trade unions and employers remained more indirect, often circumvented by governmental parties through handpicked commissions.

In general, institutionalized consultation is hardly sufficient for providing the social partners veto power because their advisory role remains limited, and they are often consulted at a late stage in policy-making. Traditional statutory advisory fora seem too cumbersome and heterogeneous to foster consensus and initiate reforms in social policy areas, whereas more informal institutions appear to be more flexible. The most important function of consultation institutions is to develop a shared understanding of particular policy problems and deliberate on joint solutions with long-term positive results for all sides (Visser and Hemerijck, 1997).

In contrast to mere consultation, social concertation – the negotiation of social pacts between governments and social partners – plays an important role in pension reforms where public policy is traditionally shared or when governments do not have the capacity to push through unilateral reforms (Avdagic et al., 2011; Siegel, 2005). Since the 1990s, concertation on pension reform or other social security issues has been a significant part of single- or multi-issue pacts across Europe (Visser and Rhodes, 2011). However, the scope for concertation depends partly on the exiting public-private pension arrangements (Ebbinghaus, 2011). If a pension system is based on an earnings-related pay-as-you-go model, attempts at radical reforms can provoke resistance by workers and their organizations as it would alter an 'earned' social right (Myles and Pierson, 2001). Bismarckian pension systems with dominant pay-as-you-go financing should thus provide the most noticeable veto power opportunity, while Scandinavian unions would have also the organizational strength and institutional role in negotiated supplementary pensions to be a major player. Lastly, the Anglo-Irish dual pension systems with liberal basic pension and voluntary occupational pensions provide the least opportunity for union influence, while employers have more leeway. The past reforms indicate the differences in the role of unions in influencing pension policy.

The major Swedish pension reform of the 1990s is an example of a merely indirect consultation. After a decade of advisory commissions with union participation, the main governing and opposition parties hammered out the final compromise in 1994 (Wadensjö, 2000). The *Socialdemokratiska Arbetareparti*, given its ties to the blue-collar LO unions, was receptive to their concerns, while the white-collar unions could not make their opposition heard as much. While the final compromise was largely in the hands of politicians, the trade unions were still able to influence, though not to block, the reforms. Moreover, the social partners maintain their self-regulatory role in the negotiated supplementary schemes, though largely agreeing to reform their occupational pension financing. In contrast to Sweden, the Danish public pension remained untouched, while occupational supplementary pensions expanded through collective bargaining from the 1980s. In 1999, despite opposition by unions and loss in popularity, the Social Democratic government pushed through a reform package that included a change in early retirement and disability pensions, but mainly the general workers' unions remained critical.

Given the Westminster system, the British government is empowered to decide unilaterally on pension reforms, helped also by the weakness of trade unions and the absence of social partners' involvement. Nevertheless, plans by the Thatcher government to abolish the state earnings-related scheme failed because of employers' fear of the consequences for the existing occupational pensions (Bonoli, 2001), and instead it reduced future benefits and granted an opt-out for personal pensions in 1986. After the Maxwell pension fund scandal, more stringent regulatory reforms were introduced in 1995. The 'New Labour' government added a 'stakeholder pension' with lower administrative costs for individuals with lower and medium incomes. Although employers, and the financial industry, had considerable influence in shaping the privatization efforts, the British trade unions could not prevent these reforms but eventually provided their own pension fund. British unions play hardly any role in negotiating second-tier occupational pensions outside the public sector, while private sector employers are increasingly retreating from the defined benefit to defined contribution pensions that shift financial risks on to individuals (Bridgen and Meyer, 2009). Labour's Pension Acts of 2007 and 2008 were enacted after 'national consultation', making the state pensions fairer to women, and enforcing in the future better standards for occupational pensions (Bridgen and Meyer, 2011). The

Table 2. Social consultation and concertation and pension reform in Europe

	Corporatist tradition	
Reform mode	Weaker	Stronger
Government - induced reform	*Britain* Unilateral intervention	*Sweden* *Denmark* *Germany* Limited consensus
Negotiated reforms	*Ireland* New reforms through concertation (spillover)	*Italy* Political exchange between government and unions
Governance reform	*France* Employer-led *réfondation sociale*	*Netherlands* State-led reform of social governance

current Conservative–Liberal Democrat government intends to phase in a pension age of 68 more quickly and to cut back on public sector occupational pensions, both issues causing conflict with trade unions.

Ireland also has a two-tier pension system with a public basic pension and private supplementary pensions, but the latter were not made compulsory (only half of the workforce is covered). The 1990 Pension Act extended tax regulation of pension funds and introduced a new Pensions Board (on which the social partners are represented). Based on recommendations by the social partners, the government reformed the basic pensions and will promote extending the coverage of supplementary pensions. Irish tripartite concertation also facilitated an increased role for unions in bargaining an extension of private pensions, in return for wage moderation. New plans in 2010 phased in an automatic enrolment for private pensions (unless occupational pensions are offered by the employer), which is thought to increase coverage in supplementary pensions. Moreover, the state pension age will increase from 65 to 68 by 2028.

Table 2 summarizes these trends. In Bismarckian pension systems, the social partners can play an important role in pension reforms because of their role in self-administration of social insurance (in all four countries) and self-regulation in occupational pensions (particularly in France and the Netherlands). The reform pressures are particularly severe in Bismarckian systems with pay-as-you-go financing (Bonoli and Palier, 2008): the German and Italian old age and disability pensions, the French dual-tier basic and supplementary pensions, and the Dutch disability pension (not the public basic pension). In these countries pension policy is traditionally shared between governments and social partners, therefore the government has very limited capacity to push through unilateral reforms against the opposition of the social partners, in particular trade unions. Governments may therefore seek to engage in concertation with the social partners on pension reform to overcome reform blockage.

Traditionally, pension reform in Germany was consensual between the main political parties and social partners until the pension reform passed in 1989 which phased out multiple pathways to early retirement (Ebbinghaus, 2006). Since unification in 1990, East Germans' pension rights are being paid out of current contributions, putting additional pressure on pension sustainability. Facing increasing social costs and the Maastricht deficit criteria, the Kohl government advanced the planned measures and introduce a 'demographic factor', but these were stopped by the 'red-green' government after winning the 1998 election. The new government soon innovated with the Riester Reform (2001), introducing further cuts in public pensions combined with a new voluntary privately funded pension (with tax incentives for lower income groups) to fill the future gap in old age income. The unions' influence was rather limited, circumvented by an independent commission. Moreover, despite union protests, the subsequent Grand Coalition passed a reform in 2007 to increase the retirement age from 65 to 67 between 2012 and 2029, causing much debate in union circles. With the exception of the new collective bargaining route for collectively negotiated occupational pensions, German trade unions have lost much of their influence in affecting pension policy-making, but they now use the bargaining route to advance occupational pensions (Wiß, 2011).

The Dutch welfare reforms proved very difficult despite a corporatist tradition. While basic pension remained less contentious, contributory early retirement and disability pension benefits had become contentious welfare restructuring areas since the 1980s. The government pushed through further retrenchment in 1991, despite massive protests by trade unions (and severe electoral losses in 1994). 'As long as the social partners were in control of the self-administration of social insurance and voluntary schemes, and counteracted the *public-regarding* intention of welfare reform policies by *rent-seeking* externalization strategies, no solution to the crisis could be expected' (Visser and Hemerijck, 1997: 119). After a report on mismanagement, the new left-liberal government imposed a radical governance reform in the late 1990s in order to enforce public responsibility and a policy reversal.

The most prominent example is the Italian pension pact negotiated in 1995 by the centre-left government with the major union confederations, but without employer participation (Regini and Regalia, 1997). Italy's public pensions were among the most expensive and generous in Europe, having contributed substantially to the public debt. Facing the severe Maastricht criteria, the Italian government attempted to reform pensions in the early 1990s. In 1994, welfare retrenchment plans by the Berlusconi government led to widespread strikes by the Italian unions (which also had substantial membership among pensioners), ultimately causing the right-wing coalition to break apart. The incoming centre-left government was then willing to negotiate with the unions because it needed both political and social consensus. The negotiated reform brought some limited immediate relief and phased-in long-term systemic changes. Subsequent concertation efforts led to less paradigmatic changes and the subsequent Berlusconi government became more ambivalent between unilateral action and consultation. The regulation of the transfer of end-of-service pay into occupational pensions provides some pathway for union involvement.

Pension reforms in France have been a contentious issue, given the unions' stake in social administration and the tradition of political strike mobilization. However, the 1993 reform for private sector pensions did not cause widespread protest as the Balladur government consulted the social partners informally, including as a concession to the unions to guarantee their role in social administration (Bonoli, 2000). In November 1995, unions largely opposed Juppé plan that applied similar changes in public sector pensions and a governance reform, and led a wave of mass strikes, forcing a partial government backtrack. Moreover, the Socialists won the next election and did not attempt a new reform despite recommendations by expert reports. With the 2003 Raffarin Reform, the subsequent right-wing government divided the union movement, as it entered dialogue over pension reform for public employees with two moderate unions (Conceição-Heldt, 2007). Again in 2010, major strikes and mass protests were launched against Sarkozy's pension reform to raise the retirement age by two years from 60 to 62 by 2018, but the right-wing majority in parliament passed the law.

During recent years, concertation does not necessarily follow corporatist traditions: some corporatist countries have moved away from social concertation, while others with a weak tradition have opted for it (Molina and Rhodes, 2002). Concertation *and* social conflict have been present in Europe. The strikes against the pension reform of the Berlusconi government in 1994 and the Juppé government in 1995 indicate that at least in countries with contentious labour relations, unions remain able to muster a political strike (Ebbinghaus and Hassel, 2000). The recent reforms to raise retirement age in Britain and Ireland as well as France and Germany indicate that governments do have the ability to overcome union protest in phasing-in reforms to make pensions financial sustainable in ageing societies. The success of mass protest thus depends on the immediacy of welfare retrenchment, the unions' mobilization capacity and the political veto opportunities. In many cases, governments had good reasons to opt for consensual reform in order to avoid large-scale conflict. Concerted reforms were undertaken by government and unions in Italy in 1995 and 1997, an all-party consensus led to the German 1992 reform (but limits were set thereafter), and the Balladur government made concessions in 1993 that prevented such mobilization in France. Bringing the trade unions into reform coalitions entails phased-in reforms and *quid pro quo* side-payments (Bonoli, 2001).

Concertation does not seem to be limited to countries with self-administrative involvement of the social partners. Scandinavian trade unions have some influence in political decision-making, in particular the blue-collar unions with special corporative links to the Social Democratic parties. However, policy-makers have increasingly circumvented the social partners. Consensus on pension reforms was more limited over the 1990s than earlier. Trade unions have the least institutionalized veto power in the UK, though employers and the financial sector had some impact on the privatization of pensions under the Conservative government in the 1980s and on the Labour government's Pension Commission recommendations in the 2000s (Bridgen and Meyer, 2011).

Conclusion

Retirement income systems affect the interests of nearly everyone, in particular of the retired as well as of the employees and employers. Consequently, these groups have mobilized to influence pension policies in the past and will continue to do so in the future. Trade unions have often been singled out as the main defenders of the status quo and as obstacles to a redesign of sustainable retirement income systems in an ageing society. The pressures of providing financially sustainable and adequate pensions have pushed governments to seek reforms. Yet only rarely are governments in the comfortable position of facing no veto points institutionalized in political systems or to have no need to share policy implementations with diverse stakeholder groups. To the degree that they have to overcome blockage by organized interests and to the degree that they have to rely on social partners' cooperation in pension regulation, governments need to consider the possibilities for building political and societal consensus. In this comparative analysis, the role of social partners, in particular trade unions, in four modes of social governance were analysed for eight European countries.

Delegated self-administration has a long tradition in Continental Europe; it plays a lesser role in Nordic universalist or anglophone liberal pension systems. Self-administration provides limited influence on policy-making since the government (or law-maker) sets most of the crucial parameters, while the social partners may enjoy more autonomy in the implementation process. Self-administration as such does not lead to much direct veto power in policy-making, but can entail some blockage at implementation stage. Diffused responsibility and uncoordinated decision-making prevail in systems with decentralized structures, fragmented institutions and diverse interest representation. Moreover, the social partners defend their role in self-administration (and the resources that come along with it) against any state imposed organizational reforms.

In the case of self-regulation, the social partners enjoy much greater autonomy. This has been the case in those Beveridge-type systems with occupational pillars, and the current trend toward privatization in pension governance will increase the scope also in Bismarck systems (Ebbinghaus, 2011). In the occupational pension systems, the state's power is less direct, depending on its regulatory capacity, financial clout, and credible threat of far-reaching interventions. The self-regulatory route has the potential to create significant tensions between state and social partners since the bargaining partners may use it to externalize costs onto the public or counteract welfare reforms. In this situation, the government may seek to negotiate with the social partners, particularly trade unions, to come to a common solution; this usually involves considerable *quid pro quo* unless the government is capable and willing to intervene unilaterally. Yet intervention may not only entail the state taking responsibility, it could also provoke negative 'spillover' into other areas of self-regulation, such as collective bargaining on wages.

This comparative analysis has shown that consultation does not provide the social partners with real 'veto power' vis-à-vis the policy-makers. Only rarely do these fora actually build consensus on contentious reform issues (the Dutch case being a partial exception, see also Johnston et al., this issue), given their often indirect and heterogeneous interest representation. When governments do seek to build reform coalitions, they have increasingly shifted their efforts from more formal and permanent consultative forums to more ad hoc but direct concertation with the social partners' organizations.

Governments may seek social concertation as a means to circumvent the obstacles to reform resulting from the veto power of social partners. The advantage of social concertation is that it increases the societal legitimacy of reforms, it circumvents conflict-prone mass mobilization, it lowers the potential for implementation problems, it devolves implementation and monitoring to the social partners and it allows coordination and package deals across policy areas. However, successful reforms usually entail considerable *quid pro quo* deals and phased-in changes (Bonoli, 2001). In countries with social pacts, concertation has become an institutionalized policy-making process, building trust and spreading from one policy area (such as wage bargaining) to others (such as pension policy). Social concertation depends less on structural conditions of centralized and strong interest representation than is commonly assumed by corporatist theories (Molina and Rhodes, 2002). There are significant cross-national differences in the proliferation of social concertation; these do not necessarily overlap with the traditional classification of neo-corporatist income policies of the 1970s (Ebbinghaus and Hassel, 2000).

Where pension reforms led to stalemate, social governance reform seemed the ultimate ‘meta-reform’ to boost reform capacity. Governments may either change self-administration or the division of responsibilities, including financing modes (Palier, 2010). The Dutch government has undertaken both strategies by reorganizing the social partners’ involvement in self-administration and shifting responsibilities to private actors (Visser and Hemerijck, 1997). Similarly, the French government has altered self-administration and budget control, increasingly assuming financial responsibility, thereby gaining more control over policy instruments and circumventing the social partners’ interests (Bonoli and Palier, 2008). New governance in pension policy entails often increased privatization, shifting responsibilities to employers and employees. Privatization of pension governance (Ebbinghaus, 2011) may increase the potential scope for social partners’ self-regulation – similar to the trend in Scandinavian countries, France and the Netherlands, where social partners have negotiated supplementary benefits. Thus, in countries in which private pensions have gained importance, such as Germany and Italy, the social partners may utilize the opportunity to negotiate private pension improvements in exchange for wage moderation. In the two countries with traditional employer-provided occupational pensions (Britain and Ireland), unions have only recently embraced an increased role in private pensions. Depending on the strength of the collective bargaining parties as well as on legal and general frameworks, unions can seize this opportunity and negotiate comprehensive occupational pensions.

Acknowledgements

Research for this article was conducted as part of the project ‘The Governance of Supplementary Pensions in Europe’ at the Mannheim Centre for European Social Research (MZES) funded by the *Deutsche Forschungsgemeinschaft* (DFG grant EB 434/1).

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