Pension privatisation and the financialisation of retirement provision

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Stream 15: Reforms of pension system in the light of socioeconomic interdependencies

Stream convenors: Christine Lagoutte (University of Tours) and Anne Reimat (University of Reims)
Pension Privatisation and
the Financialisation of Retirement Provision

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Abstract
Privatisation is often at the centre of debates on welfare state reform in general, and of studies of changes in systems of retirement provision in particular. It therefore somehow comes as a surprise that only few attempts have been undertaken to define what exactly is involved in this form of institutional change. One of the problems seems to be that privatisation can mean a lot of things, or at least that it entails a number of quite different aspects, that only to some extent overlap with one another: (1) responsibility in provision; (2) possibilities of exit from statutory plans; (3) the transfer of the administration and management of schemes from public bodies acting in a unitary non-competitive administrative environment towards private sector actors acting in a more fragmented competitive market based environment; and (4) the financialisation of retirement risks that shift contingencies associated with retirement from the collective to the individual, not only involving a re-commodification that boosts the importance of a record of labour market participation as a precondition for pension entitlements, but also an increase of the reliance on financial markets to secure the resources necessary to pay for the liabilities that arise out of these entitlements. After devising a compound index of privatisation that seeks to tap into these different aspects and that is used to categorise OECD countries, the paper focuses on how differences in the governance and regulation of private pension institutions in a selected number of countries has varied consequences for the financialisation of everyday life of pension plan participants.
Privatisation is often at the centre of debates on welfare state reform in general, and of studies of changes in systems of retirement provision in particular. It therefore somehow comes as a surprise that only few attempts have been undertaken to define what exactly is involved in this form of institutional change. In this paper we will first discuss the different aspects of this form of institutional change. Second, we will develop an index to measure the extent to which pension schemes have been privatised in OECD countries. Next we will explore, more in detail, the institutional changes that are taking place within privatised pension systems that shift the risks for retirement from the collective to the individual and increasingly expose individuals to various kinds of market risks. Subsequently we will analyse the consequences of these changes for pension plan participants and demonstrate how privately funded pension transform the wage earning population into ‘financial citizens’. We will conclude by demonstrating how in this new institutional constellation workers and their political representatives become confused about their interests, and have become inadvertently stakeholders of a global finance system that wreaks havoc on the long term welfare-generating capacities of the firms that employ them, and of the governments whom they expect to protect them against the vagaries of the market.

1. The different aspects of privatisation

The concept of privatisation is often at the centre of debates on welfare state reform in general, and of studies of changes in systems of retirement provision in particular. It therefore somehow comes as a surprise that only few attempts have been undertaken to define what exactly is involved in this form of institutional change. To the extent that the main contours of the process have been spelled out, there hardly seems to have been attempts to develop a way of measuring the extent to which countries have changed the public/private mix of their system of social provision. One of the problems seems to be that privatisation can mean a lot of things, or at least that it entails a number of quite different aspects, that only to some extent overlap with one another.
This paper explores these issues by examining changes in national systems of retirement provision. After devising a compound index of privatisation that seeks to tap into these different aspects and that is used to categorise OECD countries, the paper focuses on how differences in the governance and regulation of private pension institutions in a selected number of countries has varied consequences for everyday life of pension plan participants. Those consequences will be framed in terms of what has come to be termed as the financialisation of everyday life, whereby the contract between the population and the state is gradually being replaced by various forms of financial intermediation that transforms the population into 'financial citizens' who rather than being the members of a solidaristic community are expected "to calculate, measure, and manage proliferating risks are increasingly strained by volatilities". This transformation is likely to result in "anxiety and insecurity [rather] than a sense of safety and control" (Langley, 2007: 81, see also Crook, 1999).

Privatisation can mean a lot of things, or at least it entails a number of quite different aspects, that only to some extent overlap with one another: (1) responsibility in provision; (2) possibilities of exit from statutory arrangements; (3) the transfer of the administration and management of schemes from public bodies acting in a unitary non-competitive administrative environment towards private sector actors acting in a more fragmented competitive market based environment; and (4) the financialisation of retirement risks that shift contingencies associated with retirement from the collective to the individual. In the next paragraphs I will elaborate these different aspects by examining what they entail for changes in the way of providing for old age pensions.

**Responsibility in providing**

A very broad definition of privatisation sees it as a general shift in the responsibility of who is responsible for providing retirement income protection. Responsibility in this context refers to who is expected to initiate, organise and govern a pension scheme. In
a public pension system, this is done by the state, which sometimes may decide to
delagate the actual implementation to some neo-corporatist non-profit actors, but even
than retains control over the overall orchestration of the scheme, including the decision
on who is required to join and pay for the scheme under what conditions, giving
entitlement to what kind of benefits. In a privatised system, by contrast, most of these
decisions become the direct responsibility of private sector actors: usually the
sponsoring employer and/or a financial firm. This shift in responsibility to provide
does not necessarily need to imply a complete retreat of the state from the world of
pensions. It rather involves a kind of change of the role played by public authorities:
instead of directly providing pensions, the state engages more in the role of regulator
and subsidiser of various forms of private provision (Hyde et al, 2004b:196).

The shift in responsibility for providing is often brought about by a retrenchment of
state provision, or by a failure to upgrade existing public pensions in line with rising
expectations or perceptions of need. This is said to create a ‘social protection gap’
(Bonoli et al, 2000: 46), which in turn is expected to lead to demands for compensation
through expanded private arrangements. In essence, the underlying idea behind this
form of privatisation is a reversal of the earlier thesis of ‘crowding out’ private
arrangements by generous public schemes (Künemund and Rein, 1999). It has in
common with that latter perspective the assumption that public and private pensions
are in essence substitutes in quantitative terms, and therefore form functional
alternative means to achieve the same ‘adequate’ income after retirement (for a critique
of the validity of the ‘crowding out’ thesis see Pedersen, 2004). State subsidies for this
kind of private provision can take on different forms. The most prevailing form of such
subsidies consists of tax exemptions. But some countries, most notably Germany, have
gone further by also taken recourse to directly paying out grants to encourage
individuals to conclude private pensions contracts to compensate for planned
reductions in statutory pensions.
Exit from statutory plans

A second aspect of privatisation consists of rendering the participation in a pension plan a matter of voluntary choice rather than of statutory obligation. Such defection from statutory programmes can be encouraged by introducing ‘opting out’ clauses, that allow the affluent winners of the increased inequality experienced in most industrial countries in the course of the past decades, to organise their own provision and pay less for the deprived sections of the population. As such it relieves them from their obligation to participate in the system of solidaristic risk redistribution. Offering more individual choice and increasing personal freedom is often presented as one of the main attractions by advocates of privatisation. But such a choice is often only an attractive option for a minority, and making it available tends to undermine the sustainability of the preferred alternative of a majority. A variation on this exit is a possibly deliberate under-provision by statutory programmes by keeping replacement rates for middle and high income groups and as such implicitly encourage them to supplement their public pension by private supplementary forms of provision on an individual or collective basis.

Transfer of the administration of the pension plan

A third aspect of privatisation concerns the transfer of the administration and management of schemes from public bodies acting in a unitary non-competitive administrative environment towards private sector actors acting in a more fragmented competitive market based environment. This delegation can range from mandating the social partners to set up industry level arrangements through collective bargaining (as is the case for Dutch occupational pension plans) to the contracting out of the management of assets that are collected by a statutory agency (as can be observed in the case of the Swedish Premium Pension Authority) (Bateman, et al., 2001). Mandating social partners to establish their own institutions with their own entitlement rules and autonomous financing mechanisms ought to be distinguished,
though, from obliging employers and employees to jointly finance and jointly administer statutory schemes in which all the rules remain formulated and enforced by the state (such as is the case in most parity-based 'Bismarckian' social insurance bodies) (Rein and Turner, 2001).

In this context we adhere to the OECD’s point of view, as expressed in its most recent publication on this matter, where it is argued that a pension plan ought to be considered 'public' when "...statutory programs [are] administered by general government (that is central, state and local governments, as well as other public bodies such social security institutions)" (OECD, 2005: 12). Private pension plans, on the other hand, are those that are "administered directly by a private sector employer acting as the plan sponsor, a private pension fund or a private sector provider." (OECD, 2005: 12).

Financialisation of retirement risks

A final aspect of privatisation consists of shifting the risks of retirement from the collective to the individual. What is at stake here is to what extent individuals are exposed to various kinds of market risks: labour market risks that may result in an incomplete contributory history and thus erode the total entitlement accumulated over the life course, and financial market risks that may result in a substantial differences in the level of benefits produced by similar contributory or employment histories. In essence, this third aspect of privatisation involves a recommodification not only in terms of an increased importance of a record of labour market participation as a precondition for pension entitlements (Esping-Andersen, 1990), but also of an increased reliance on private financial institutions to secure the resources necessary to pay for the liabilities that arise out of these entitlements – in particular by counting upon the return of stock market investments to foot the bill of pension provision (Minns, 2001). The individualising of labour market risks has always been part of actuarially orthodox insurance systems that made earnings related benefits conditional
upon a lengthy employment or contribution history. Only insofar that those schemes granted extraneous insurance benefits was the link with the labour market career of beneficiaries weakened. In this respect, there has always been a contradiction in the operationalisation of the concept of decommodification: in order to score high on indices of decommodifying nature of pension schemes, national systems both had to provide generous unconditional benefits and offer high earnings-related replacement rates – the latter only being possible in case the level of benefits were linked to past labour market records (which increases the role played by markets). If during the post-war period the actuarial orthodoxy of many social insurance schemes has been dramatically watered down, the recent move towards a Notional Defined Contribution in countries such as Italy and Sweden, has again expanded the role of the labour market. But all this occurred still as part of a parametric reform of what essentially remain public pension systems. Financialisation, by contrast, does introduce a far more pertaining market contingency into the retirement system. It expands the role of financial motives, financial markets and financial institutions in the operation of the pension system. It is a change in funding retirement that also has far reaching repercussions in the way they pensions are governed (Whiteside, 2003).

*Other aspects of pension systems conflated with the public private divide*

In debates about privatisation, pensions systems tend to be presented as packages that consist of bundles of arrangements that inevitably have to go together or at least are institutionally complementary to one another (see for example World Bank, 1994). But the distinction between public and private is relatively independent from these other institutional or functional dimensions of pension regimes. This other dimensions include whether pension benefits are flat-rate or earnings related, with or without indexation to prices or wages; whether the schemes are organised on a defined benefits (DB) or on a defined contributions (DC) basis (even though this distinction is, as we argued, crucial in the privatisation of market risks); whether plans are externally
funded, run as an insurance, based on book reserves or are run on a pay-as-you-go (PAYG) basis (with or without a sizeable reserve buffer); and whether the scheme is provided as part of an employment relation, or whether it originates in a voluntary individual decision from the plan’s participant and/or the plan’s sponsor. Some of these dimensions, though, are intimately intertwined with the public private divide we are interested in. For example, most private pension plans tend to involve some kind of pre-funding (via external pension funds, through setting apart internal book reserves or by delegating the funding requirements to insurance companies). The only exception to this rule seems to be the French ARRCO and AGIRC schemes. But even these French occupational plans are only capable of guaranteeing their PAYG benefits because they are embedded in a long-term government mandate (and hence their 'privateness' has been contested which is one of the reasons why they are often presented as an integral part of the French public system). On the other hand, it must be recognised that ARRCO and AGIRC do use private asset managers to invest the limited reserves these schemes use as a buffer for their PAYG commitments.

This necessary condition does not seem to operate in the other direction though: funded schemes can be administered by general government, as the case of central provident funds in some Asian countries demonstrate (the most renowned example being Singapore’s CPF), and can be part of some transitional arrangements like the reserve funds in the ATP system in Sweden (until the most recent pension reform in that country) or the old age funds in Belgium (the Zilverfonds) and the Netherlands (the AOW-fonds) that solely invest in state bonds to anticipate costs for the statutory pension scheme when the peak of ageing will be reached around 2030.

However, in Europe, North America and Australia, publicly controlled funded schemes that invest their savings on the capital market, so far appear to be the rare exception, as governments in these parts of the world seem to be wary of giving the state such a strong leverage on investment capital. In these countries, funded schemes tend to take the form of autonomous pension funds or are administered by private sector insurance companies.
Another feature that is hard to separate from the public private divide is the granting of an unconditional indexation of benefits. This only can be assured in the shadow of the compulsive power of public authorities that can mobilise the necessary resources to back service the financing of these benefits over different generations, as full indexation (and for that matter the unconditional defined benefit schemes), introduce a PAYG element into even the most privately funded schemes. Without the looming shadow of the state and its capacity to impose a tax, private plans can only guarantee defined contribution plans.¹

2. Towards an index of pension privatisation

Given the multiple aspects to privatisation, operationalising the distinction between public and private forms of provision may be less clear cut than it might appear at first sight. In addition, it is sometimes impossible to obtain comprehensive cross national data on some of the institutional characteristics that are of central importance. We have decided to devise a compound index that consists of four variables, for which comparable cross national data are available, and that are expected to tap different aspects of the privatisation process.

Our index does not capture some of the aspects we are interested in, however important they may be, because so far these aspects have not been documented in a systematic way for many countries. For example, the privatisation of market induced risks could best be measured by the extent to which pension plans are genuinely defined benefit systems, and deviate from an orthodox defined contribution model, as the latter individualises both labour market and financial market risks. The problem is that data on the distinction between DB and DC plans is only available for a few

¹ This also is illustrated by the fact that private sector DB schemes either have to be backed up by public reinsurance companies such as the PBGC in the US and the Pension Protection Fund in the UK, or have to embedded in a system that gives public authorities a power voice in imposing funding requirements upon private sector funds (as is the case in for instance the Netherlands). And even under such conditions, indexation of private sector plans (which is the Achilles heel of any average pay DB scheme) is at best conditional upon investment performance.
countries. In addition, the application of this distinction is far from straightforward. It is not really a dichotomous distinction, but rather ought to be seen as a continuum, as there are many different ways of giving additional guarantees on benefits going beyond the orthodoxy of a defined contribution model. In other words, contrary how it is often presented, the DB-DC distinction ought to be more conceived of as a continuum between two polar extremes rather than a binary classification.

But even the variables we will be using for the construction of our index, which have been reasonably well documented by organisations such as the OECD, are still marred with manifold measurement problems and ambiguities in terms of classification. This is particularly of countries, such as Finland, that developed a hybrid pension system that is hard to classify. But it is our expectation that by combining four different variables into a single index, we might succeed to iron out some of these ambiguities. In part this can be expected because most of the data involved are provided by national governments, some of whom seek to present their national systems in the most favourable light, in view of the kind of benchmarking that the OECD or the European Union and its Open Method of Coordination of the EU encourage. Thus, when one looks at data on public spending on pensions, one can expect governments to seek minimizing the cost problem, by labelling as much spending as possible as 'private' (as part of an exercise for which that Noel Whiteside has coined the term financial profiling). On the other hand when governments report on the quality of their systems, including such aspects as offering generous replacement rates, one can expect them to bend to rules so that as much as possible is attributed to the 'public' category.

In what follows we will give some examples of such practices, and how, by including both variables, we indeed might succeed to iron out some of these forms of creative accounting and impression management.
Replacement Rates of Statutory Pensions

As a first variable we will use the standard replacement rates offered by statutory pension schemes. The idea behind this indicator is that generous statutory schemes will ‘crowd out’ private forms of provisions (for a critical assessment of this argument, see Pedersen, 1999), and form an indicator of the implicit option of exiting out of statutory programmes. Calculating replacement rates, however, turns out to be a complicated matter, which is reflected in the very different estimates that can be found throughout the literature. Some estimates include only the first pillar of strictly public pensions, whereas others seem to treat the sum of public and mandated schemes as statutory benefits.

The problem is that such additions are not done in a consistent way for different countries in one and the same cross national study. Thus, for the Netherlands, the OECD (2005) adds the public basic pension (the AOW) and the benefits of the mandated occupational funds (even if it its expenditure data base, as will argue further on, the OECD considers the latter not to be 'mandated', but to be part of 'voluntary' private programmes). For Switzerland, on the other hand, the OECD only takes into account the basic pension of the AHV (even if in its SOCX expenditure data base, the benefits paid by Swiss occupational schemes are considered to be part of the ‘mandated’ category). Only in the most recent issue of Pensions at Glance, the OECD has started to calculate separate replacement rates for public programs, mandated programs and voluntary programmes (OECD, 2011).

In some of its internal reports the European Commission (EC) also has tried to estimate separately the replacement rates of statutory ('first pillar') and occupational ('second pillar') schemes (see SISG SCP, 2006). But the EC and the OECD only provide a more or less comparable basis for average incomes (the so-called ‘average earnings’ in the case of the EC, and the ‘average production worker wage’ in the case of the OECD). If one wants to estimate the replacement rates for those earning more than the APW, the OECD uses fixed multiplications of the APW as a reference income (for example, 'twice
APW’), while EC relies upon complicated dynamic income models (such as ‘income growing from 100% of average earnings to 200’

As a consequence these OECD and EC replacement rates cannot be compared. Moreover, the pillar-specific replacement rates of the EC are gross rates, whereas what in the end matters for our argument are the net replacement rates, which are calculated by the OECD. Finally, the EC does not break down replacement rates for Austria France, Germany, Greece, Italy, Luxembourg, Portugal and Spain, because they formed what it refers to at as a ‘negligible proportion’ (European Commission, 2006). The five countries where the EC does report separate ‘first’ and ‘second’/‘third’ pillar replacement rates show rather inconsistent figures if compared with the OECD estimates. For some countries, in particular the Netherlands and Switzerland, the OECD rate not only seems to take into account the statutory pensions but also the private occupational schemes (making it not a very good indicator for the room for occupational provisions).\(^{2}\) Whereas in the case of Denmark and Ireland both the OECD and the EC only appear to have taken into account the basic pension.

In spite of these caveats, we decided to use the OECD net rates for our compound indicator. In Figure 1 we report the OECD replacement rates for someone who earned one time the average wage and someone who earned 50 per cent or 150 per cent of this wage. The countries are ranked on the basis of the average of these three rates, and it is that average we will retain for our compound index. The bars for each country stack the replacement rates for the three wage groups.

\(^{2}\) In addition, the replacement rates reported by the OECD (for 2005) are quite different from the rates that Lyle Scruggs has calculated for 2002. In Scruggs calculations some countries have much lower replacement rates than the ones reported by the OECD. In some cases like the Netherlands and Switzerland (both 40\% lower) this is likely to be related to the aforementioned problems of including or not the private occupational schemes. In other cases it is more difficult to account for the differences: France (24\% lower), Finland (22\% lower), or Australia (43\% lower). But Scruggs also reports for some countries significantly higher replacement rates than the OECD: the US (21\% higher), the UK (20\% higher) or Belgium (19\% higher). Finally for some countries Scruggs rates are pretty similar to the OECD’s ones (e.g. Italy, Germany, New Zealand, Ireland).
On top of the figure we also have reported the replacement rates for countries that on top of public pensions also have a mandated tier. But we have not retained those rates for our index, because countries tend to differ in the extent to which these mandated pillars are standardised. It is obvious though that including the mandated arrangements would reduce the expected room for privatisation dramatically for those countries. But than, as we will argue below, the very practice of mandating funded pensions can be considered to bed part of promoting the financialisation of pensions.

*Pensions scheme assets*

A second indicator that measures the extent of pension privatisation, builds upon the observation made above private pensions tend to be pre-funded. Funding pension plans renders pension entitlements more contingent upon financial market performance and hence reinforces the financialisation of retirement risks. The magnitude of private pensions thus can be measured in terms of their financial assets.
as a percentage of a country’s GDP. Here again our indicator is marred by a number of methodological and interpretation problems. A first problem is which assets are to be included. Most studies only take into account funding by autonomous pension funds. That would leave out most of the assets accumulated in countries that use pension insurance contracts as the main financing vehicle for funded pensions (e.g. Denmark, Sweden, Norway, Ireland and Belgium) or that also rely upon book reserves (e.g. Germany, Austria, Luxembourg and Canada). Recently, the OECD has finally started to report in its financial markets statistics the magnitude of these other financing vehicles, but reporting remains incomplete.

Another problem is that some if one takes this indicator at face value, some schemes that in our first indicator were classified as ‘public’, now end up in our ‘private’ category. This is for example the case for the funds accumulated by the TEL scheme in Finland, which though legislated (and hence in that respect can be considered as statutory), relies on a form of pre-funding where the accumulate assets are administered by private investment companies (and from this perspective can be considered to amplify the role of private markets in the country’s pension provision).  

Finally, a third problem is that our second indicator is sensitive to two factors that are not directly related to the differences in the current role of markets. The size of assets as much reflects (i) the maturity of the funded schemes (and not only the current setup of the pension arrangements); and (ii) the strictness of the rules the legislator or the regulator imposes upon those schemes (with more strictly regulated – and hence less privatised – schemes having more assets than less regulated regimes). It therefore does not come as surprise that countries, where both factors play an important role (such as the Netherlands and Switzerland), come out on top of our ranking, whereas countries where pre-funding is of recent origin (like Finland, or for that matter Germany) have sizeable but less impressive assets. It also explains that the Netherlands, Switzerland and Denmark score higher in terms of this index of ‘privatisation’ than more

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I would like to thank Oli Kangas for his very useful comments an earlier draft of this paper that directed attention to some of the mixed hybrid characteristic of the Finish system.
archetypical liberal market economies such as the USA and the UK. On the other hand, this kind of bias operates opposite to the one we expected in our first indicator (and might compensate some of its inadequacies). Figure 2 rank-orders countries on the basis of the volume of their financial assets broken down according to the type of investment vehicle, in the year 2006.⁴

Figure 2. Assets of private pensions according to investment vehicle in 2007

Source: OECD Global Pensions Statistics

The type of investment vehicle is also to some extent indicative of the degree of financialisation: autonomous pension funds tend to be complementary to a system of financial market intermediation, whereas book reserve finance allows companies to access finance without issuing stocks. In other words, book reserves, though a funded form of pension finance is less likely to reinforce the role of capital markets and are more complementary to a coordinated market economy (Hall & Soskice, 2001). Pension insurance can be seen as sitting somewhere in between these two poles.

⁴ For Luxembourg and Italy, data on size of book reserves are missing.
Private pension expenditure

As a third indicator of the importance of private pensions we use the ratio between public and private expenditure as reported by the OECD (SOCX). This ratio can be considered to indicate to what extent the administration of pension benefits has been transferred to private sector actors. As we will argue later more in detail, there are some problems with the OECD’s classification of expenditure. Thus even if the earnings related part of the Finish pension system is administered by private insurance companies, the OECD considers the expenditure that is involved as ‘public’, because it is the state that mandates inclusion into the scheme as well as the conditions of entitlement. The private administration of the Finnish scheme only affects the sponsors of the scheme, i.e. primarily the employers: in so far that the larger the income that the provider (who is selected by the employer) achieves, the greater the amount it is capable of granting employers in bonuses, that reduce the final pension contribution (Risiku, 2003: 88). Paradoxically, what in Figure 3 is represented as ‘private’ expenditure for Finland, actually are expenditures paid to former civil servants by autonomous state sponsored funds (i.e. VEL, KVTEL and KIEL). This peculiar classification is a consequence of the application of the guidelines for System of National Accounts (SNA93): "... social insurance schemes organised by government units for their own employees, as opposed to the working population at large, are classified as private funded schemes ... and are not classified as social security schemes." (SNA, 1993 § 8.63) In other words, if pension payments for former civil servants go via autonomous funds (such as separate pension and/or insurance companies) and the government "does not make up the deficit on a regular basis" (Queisser, et at., 2007: 553), they are considered to be a form of private expenditure (even if the state is the sponsor of those funds and the beneficiaries are former civil servants). On the same grounds, the OECD categorises civil servant pensions in

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5 In 2003, employees paid about 4.6 per cent of their wages, whereas the employers’ share varied between 13 and 35 per cent of wages, depending upon the pension provider (Lindell, 2003: 73).
Australia, Canada, Denmark, Sweden, the UK and the Netherlands as a form of ‘private’ social expenditure.

Using expenditure data has two drawbacks. On the one hand the OECD only takes into account the spending on benefits, and leaves out the costs of administering the schemes. Even though private pension plans normally should be able to cover a significance part of the costs of paying out benefits from the returns on investment, spending data may underestimate the share of the private sector in total pension expenditure, as private scheme tend to marred by administrative inefficiencies that are due to their fragmented nature and to the management costs charged by the financial industry (Orszag, 1999). A second problem is that as was the case with the funding rate, expenditure on benefits say more something of the structure of retirement position in the past, rather than how the current active population is accumulating private as % of public expenditure for old age and survivor pensions.

Source: OECDstat and OECD Global Pension Statistics
pension rights. This is why we added a fourth component to our compound index, that is to measure the degree to which the current population is building up private pension entitlements.

Coverage rate of private pension plans

In order to capture the accumulation of future entitlements we combined two variables: the percentage of the active population covered by a private pension plan, and the contribution rates imposed by the most important private pension plans schemes (OECD, 2007b: 77). This is somehow indicative of to what extent private sector actors are responsible for providing future retirement income. The OECD data only seem to take into account funded 'private' schemes: for France, for instance, the figure does not take into account the ARCO and ARGIC schemes. For a country like Finland, on the other hand, the privately managed pension fund assets are part of the statutory earnings related 'public' benefits, which explains the low score of this country on our fourth indicator (in other words schemes like TEL are not included here). In case the OECD reports variable contributions rates we use the average of the minimum and maximum rate. In Figure 4 the countries are ranked on the basis of a factor, that was calculated by multiplying contributions by coverage (i.e. the two factors depicted in the figure). It is that factor that will be incorporated into our compound index.

Otherwise coverage would not close to 100 per cent compared to the mere 17 per cent mentioned in Pensions at Glance (the higher figure stems from a study by Daily & Turner, 1992).
In a way this fourth component is the flip side of our first component: it also tells us something about the way in which the current generation is provided for by measuring to what extent private schemes have not been 'crowded out'. Of course in neither case, one can assume for sure that those entitlements will be granted in the end: pension rights in public schemes can be curtailed by the time people reach their retirement and there is no guarantee that what is paid into private funded schemes actually leads to benefits paid out as the assets may be eaten away by a greedy financial service sector or by a financial crisis.

The compound indicator

Because each of our four indicators is marred with measurement reliability and classification errors for some of the countries, we decided to develop a compound
index, which should at least reduce this problem. As we argued, two variables (REPLACE and CONTRICOV) measure (the crowding out of) the building up of future private entitlements, whereas the two other variables (FUNDING and EXPENDITURE) measures aspects related to how in the (recent) past private entitlements have been accumulated for the current generation of pensioners. For estimating the compound index we standardised each of our four indicators on a scale from 0 to 10 (as to maintain the relative distance between our cases) and subsequently calculated the mean of theses four scores into one single score (thus attributing to each indicator the same weight) (for the replacement rate indicator we reversed the values, so that the lowest value reflected the least room for privatisation). Figure 5 stacks the four scores, but ranks countries on the basis of the average of the four components.

Figure 5. The compound indicator for the importance of private pensions

![Figure 5](image_url)
Table 2 gives an overview of the original non-standardised values of the four components of the compound indicators, the sum of the standardised values and the compound score that average the scores of the four aspects.
Table 2. The composition of the compound index of pension privatisation

<table>
<thead>
<tr>
<th>Country</th>
<th>Replacement Rates of Public Pensions Mean (0.5(1)(1.5) APW</th>
<th>Assets of Funded Pensions as % of GDP</th>
<th>Private Expenditure as % of Public Expenditure</th>
<th>Contribution Rates multiplied by Coverage Private Pensions</th>
<th>Compound Index of Pension Privatisation (average score)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Luxembourg</td>
<td>96,0</td>
<td>1,2</td>
<td>0,07</td>
<td>80</td>
<td>0,3</td>
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<tr>
<td>Spain</td>
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<td>12,2</td>
<td>0,05</td>
<td>76</td>
<td>0,8</td>
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The fact that it are not always the most liberal welfare states that score the highest in terms of the privatisation of their retirement system at first may come as a surprise. But the high scores of countries such as the Netherlands and Switzerland is to a significant extent due to non-liberal practices such as the administrative extension of collective agreements in the former or of mandating in the latter (a practice that also prevails in other respects liberal Australian welfare state). Such practices have forced ordinary people, who otherwise probably would refrained from taking part in an equity culture, to put (a part of) their own old age security at the mercy of financial markets. In the case of Denmark and to a lesser extent Sweden, the state even hardly used its coercive power to sway the population into private schemes, and the (relative) high degree of 'privateness' of their pension regime seems to have been the result of high collective bargaining coverage brought about by high trade union density rates. In the countries that score high on our privatisation index, these non-liberal practices have been in place for some time and hence have contributed to maturation of their private pension pillars. But the compulsive and persuasive power of the state also seems increasingly used as a policy tool to transform Social Democratic or Conservatives welfare states. Thus the 1999 pension reform in Sweden "was intended universalise equity ownership" (Belfrage, 2008: 283); and the Riester reforms in Germany seemed to be more geared towards boosting the position of Germany as a financial centre then contributing to solving the politically demographically induced imbalances in the German PAYG pension system (De Deken, 2002). Within a decade, such a policy contributed to a doubling of the total amount of pension assets relative to GDP in Sweden (from 26.38 per cent of GDP in 1998 to 56.36 per cent in 2009). The fact that the German reforms were less successful in this respect can in part be attributed to what in essence remained a voluntary nature of the state induced drive towards capital funding: in spite of the massive federal direct and indirect subsidies, the German government never went for a true form of mandating and over a period of 10 years the size of pension assets only marginally changed (from 3.35 per cent of GDP in 1999 to 5.20 per cent in 2009) (OECD Pension Indicators). Sweden now scores almost as high on
pension privatisation as classical Liberal welfare states such as the US and Canada, while Germany remains closer to the group of countries where private plans play only a very subordinate role.

3. Pension privatisation and financialisation

The index of privatisation we developed in the previous section gives a good indication of the comparative magnitude of private pension provision relative to public schemes and hence how in some countries pension provision has become intimately intertwined with financial markets. But it is less appropriate to capture the consequences of this privatisation for everyday life of pension plan participants. We already pointed out how the embeddedness of private pension plans in systems of industrial relations and labour market regulation in some cases has contributed to their relative importance. Such regulations also are important to mediate how developments in financial markets end affect income security of (future) pensioners and income inequalities amongst pensioners and between pensioners and the active population.

Ewald Engelen already has pointed towards how the Dutch occupational pension system combines different varieties of capitalism scoring high on both financialisation and neo-corporatist coordination (Engelen, 2010). But as we have shown the Netherlands is by far not the only case of such an 'institutional hybridity'. Moreover, the basis of the coordination that made possible for what Belfrage has coined the term 'universalisation financialisation' (Belfrage, 2008) can be quite different, ranging from direct unilateral mandating by the state (the Obligatorium in Switzerland) over a concerted effort by trade unions and the state (the Australian Superannuation) or the administrative extension of collective agreements negotiated between employers associations and trade unions (the industry-wide pension plans in the Netherlands), to the numerical strength of trade unions (occupational collective pension insurance in Denmark). In all these cases, non institutional arrangements that in principle are alien to a Liberal Market Economy (LME) have boosted a form of pension provision that
normally is considered to be part of the Liberal world of welfare capitalism and that is complementary to LME type of economic institutions in such areas as corporate governance and corporate finance.

The growth of private pension provision has turned a majority of employees into de facto owners. Of course this is not to imply that in those countries a kind of ‘pension fund socialism’ has emerged (Drucker, 1976). Peter Drucker may well have been proven correct in anticipating the dramatic increase of pension capital assets, of which labour indeed is the ultimate beneficial owner, but he hardly could have been more wrong in his predictions of its effects regarding control over corporations and their management. The development of occupational pension funds might have significant broadened share ownership, but this passive beneficial employee ownership has had little impact on the operation of capital markets. As Tessa Hebb has argued “the source of capital has little bearing on its deployment across investment opportunities … the fundamental shift in the ownership of capital has not resulted in a corresponding shift in the control of capital.” (Hebb, 2001: 2).

One of the problems is that the regulatory framework for the pension fund industry denies the members of a pension fund genuine ownership rights. In the US, in particular the Employee Retirement Income Security Act of 1974 (ERISA) stipulates that the assets of an American pension fund belong neither to the employees nor to the sponsoring employers, but to the pension trust. In the UK, legal ownership also lies with the trustees of a pension plan. Some have argued though that pension fund liabilities and assets of defined benefit schemes in these countries can also be considered as an extension of the balance sheets of the sponsoring companies7, and that the shareholders of these corporations are the ultimate owners (Watson Wyatt, 2007). What is not disputed, though, is that under the trust form, the members of a pension plan have at best beneficial ownership rights, which often takes the form of some contractual claim against the pension entity (Yermo, 2002: 15). In the US the board of

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7 Which would not make them – in terms of ownership rights – that different from book reserve pension schemes that were once popular in Rhineland capitalist countries?
trustees normally is appointed by the employer alone. Only in the case of multi-
employer plans (which only cover a minority of the workforce8), trustees are equally
divided between the employers and the employees (or their union representatives).

In the Netherlands and Switzerland, for the vast majority of pension funds are
established as independent foundations that are endowed with the formal ownership
rights of pension fund assets. Those foundations are administered jointly by employers
and employees or trade unions. Just like the board of trustees, the board of the
foundation is expected to manage the pension fund in the best interest of the plan’s
participants. The trust or the foundation may be formally responsible for ‘owing’ the
pension assets, this does not necessarily imply a responsibility for investing those
assets, as that might be (and often is) delegated to other fiduciaries (who are supposed
to have more actuarial, legal, administrative and investment experience). Even though
the codetermined foundation model of pension governance might in theory have the
potential to give workers more control, in practice they operate, as we will argue, not
that different compared to the Anglo-American trusts. René Maatman has discussed at
length the similarities between Dutch pension fund foundations and American trusts
and advocates the use of trustee law to clarify some of the ambiguities in Dutch
legislation on foundations (Maatman, 2004).

In either case, the actual involvement of the pension fund trustees into the investment
of assets, leave aside the decisions of the companies in which those assets are invested,
is constrained by the regulatory framework and by considerations of a trade-off
between the costs and the benefits of monitoring. Mary O’Sullivan has succinctly
documented how the decision making process evolves in the event of the kind of
financial intermediation typical of the mediated ownership of pension fund capitalism.
In most cases the pension fund board does little more than choosing a consulting
company, which in turn selects a fund manager (O’Sullivan, 2000). This selection

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8 According to IRS data of 1994, multi employer plans accounted for only 3 per cent of all defined
benefit plans, covering 20 per cent of the workforce with such a plan (Weinstein & Wiatrowski,
1999). Since the 1990s defined benefit plans have been phased out in the US private sector, so current
coverage is bound to be even significantly lower. Thus in 2005, only 21 per cent employers reported
that their employees participated in a defined benefit plan (Ghilarducci, 2006).
procedure is guided by standardised criteria of the finance industry related to past financial performance in which rating agencies play a crucial role. In the United Kingdom, this whole process is arbitrated by a tightly-knit structure of a handful of consultants "who, in their turn have a network of relationships with the larger financial houses.” (Blackburn, 2006: 164). In the case of the Netherlands, Ewald Engelen has pointed to the "striking inroads that Anglo-American asset managers like Morgan Stanley, Barclays, State Street Boston, and Goldman Sachs have made in the business of managing mandates from Dutch pension funds." (Engelen, 2010: 67). Using data of Bureau Bosch, he estimates that over 50 per cent of Dutch pension savings are managed by financial service providers in London, Boston and New York (Bureau Bosch, 2007). As a consequence, the enormous financial pools that were formally accumulated on behalf of wage earners, paradoxically even end up boosting the leverage of traditional financial institutions and subordinates their daily life to the mercy of the finance industry. These processes have increased economic power of financial interests at the expense of other stakeholders in companies or in the economy at large. It has dramatically eroded the power of the wage earning population, also for example when it comes to wage bargaining and employment conditions.

The passivity of wage earners in their capacity pension fund members seems almost to be inevitable in that they face the same collective action problems that small individual shareholders of the classical Berle and Means corporation faced (Berle and Means, 1991[1932]): in both cases it is simply not worth the time to exercise a 'voice' and to act as a 'responsible' owner. However, compared to most individual shareholders in a corporation, individual pension plan participants usually have a stake in their fund that is far larger in relation to their overall portfolio: if shareholders investment in any single firm rarely constitutes anything like a substantial portion of their entire portfolio (which is a sensible strategy for limiting the risks of investment), then pension fund participants generally only have an interest in one particular pension fund, and hence for them it might be more worthwhile to invest time in exercising a 'voice'.
The main reasons behind the passivity of pension fund members seem to have more to do with the regulatory framework governing the pension fund industry. Thus, in the US, for instance, ERISA the federal statute that regulates corporate pensions concentrates control exclusively in the trustees of the fund. According to Robert Clarck, the regulatory framework and the resulting concentration of discretionary power merely respond to the "efficiency advantages of role specialisation" (Clarck, 1981: 568). Gregory Alexander, by contrast, argues that this passivity is a result of a social and political vision that "assumes that the appropriate role of pension owners is that of passive investors, rather than self-governing and responsible owners" (Alexander, 1993: 124). He argues that in order to relieve the trustees of a pension fund from the liability of mismanagement, ERISA has stripped the trustees office from its investment function. Pension funds thus are encouraged to delegate the acquisition, management and liquidation of plan assets is delegated to an investment specialist, the so-called 'investment manager': "any fiduciary ... who is registered as an investment adviser under the Investment Advisers Act of 1940" (ERISA Sec. 1002. Definitions [38] [B]). These professionals have the real responsibility for controlling the use of the pension fund property.

Similarly, in the UK, pension funds in essence are governed according to a trustee law dating back to the seventeenth and eighteenth century, which initially was designed to govern the management of the property of those who were deemed incapable of taking care of their own affairs – such as minors, lunatics, and at the time women (Blackburn, 1999). As a consequence, policyholders presently have no leverage over the funds that are invested in their name. They cannot direct trustees to limit their investment to particular branches of industry or to specific geographic areas. The trustees are required to act for the 'exclusive benefit' of the participants. But in this context, the meaning of 'benefit' is limited to maximising the (short term) monetary returns of the fund. Even if they would want to, trustees would not be allowed to take into account other considerations such as safeguarding the environment, encouraging unionisation, improving work conditions, or promoting employment in the area of the policy
holders: they are only allowed to invest according to such criteria to the extent that this will not negatively affect the financial rate of return.

The Dutch and Swiss regulatory frameworks with their parity-based governance boards (that are more prevalent in the Netherlands than in Switzerland) do have the potential of endowing pension plan participants with more 'voice', but here too the regulatory framework renders this 'voice' in practice very weak, or at best one-dimensional. In the end the Dutch Pensions Act (Pensioenwet or PW) is hardly different from Anglo Saxon trust law, in terms setting a frame for investing pension fund assets. At the centre is the so-called 'prudent person' rule which has the rather vague condition that "all value must be invested in the interests of the pension beneficiaries" setting limits on the composition of the portfolio (no more than 5 per cent invested into a single enterprise or 10 per cent in case of an enterprise group); and requires to value investments on the basis of their market value (PW, article 135). The same article also states that the pension agreement can formulate further specifications on how the 'prudent person' rule is to be implemented. In addition to the PW article, there is also the so-called Financial Assessment Framework (Financieel Toetsingskader FTK) that formulates certain requirements with which the investment strategies need to comply. Most of these prescriptions again are rather vague using such phrases as "guaranteeing the security, the quality, the liquidity and the return of the portfolio", "maintaining technical provisions that are in line with the expected future pension benefits", "reasonably diversifying assets I order to limit dependence or trusts in certain assets, or in the assets of one particular firm", "prevent risk accumulation in the portfolio", or allowing "investment in derivates as long as they contribute to a reduction of the risk profile" (FTK § 13). Such hazy prescriptions reinforce what Lukes has termed the 'third dimension' of power (Lukes, 1974), by setting the primacy of a

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9 Wet van 7 December 2006 houdende regels betreffende pensioenen (Pensioenwet), which is the successor of the Pension and Savings Act (Pensioen- en Spaarfondswet) of 1954.

10 Besluit van 18 december 2006, houdende regels met betrekking tot het financiële toetsingskader op grond van de Pensioenwet en de Wet verplichte beroepspensioenregeling (besluit financieel toetsingskader pensioenfondsen).
secure financial return as the sole criterion for investment on to the agenda of pension fund governance and forcing pension plan participants into a logic of financialisation.

The FTK also goes at length about the obligation to provide information, which again illustrates the underlying idea that what the regulator primarily aims at is to make a market work, where it is not expected to work. By requiring pension funds to abandon to use the actuarial interest rates (rekenrente) for the valuation of assets they need to be able to meet future pension claims, and instead impose a 'marked to market' assessment of their assets (using the so-called 'fair value accounting' method or marktwaardering), the value of pension funds reserves now closely follows the vagaries of market trends and fluctuations in interest rates. This encourage the managers of pension funds to opt for investments that yield immediate returns and to prefer short-term speculation over long-term investments (Blackburn, 2006). Most of these measures thus have reinforced the primacy of financial interests over strategic interests in the investment policies of pension funds. As a consequence, the most important agent in the pension fund governance structure has become the asset liability manager. This trend is illustrated by the personnel changes in the board of the largest pension fund in the Netherlands, ABP: in 2007 John Neerveens, a trained sociologist who worked his way up through the board of the pension fund of the construction industry, and who had sought to balance various stakes in the direction of ABP, was replaced by the former Chief Financial Officer of the public sector fund, Dick Sluimers, who became renowned as the main architect of the reforms that had to restore the financial position of ABP (following the stock market crash of the late 1990s) and meet the tightened requirements of the DNB.11

Apart from the national regulatory framework, the agency relations of pension fund capitalism are also embedded in lower levels systems of norms and rules. In the Netherlands these are the pension agreements between the social partners at industry or enterprise level. These regulatory frames in turn are embedded in the institutional

framework of the Dutch industrial relations regime. Eduard Ponds has argued that until recently, Dutch pension agreements have been characterised by poorly formulated property rights (Ponds, 2008). Only recently, have such agreements started to include explicit rules about the granting of indexation and its financing, about who has a claim on windfall profits or who has to back service the plan in case of investment losses. Regarding the latter, though, Ponds points out that this is still not or only incompletely specified. Ponds defends the position that property rights should be linked to risk bearing. But again risk bearing is limited by Ponds to the risk of generating an insufficient financial return to guarantee future pension entitlements. In this respect he adopts the same line as those who have criticised a stronger voice of plan participants in pension investment practices such as Bruce Wolk, who argue that in DB plans, it are the sponsoring employers and, in the case of the United States, the PBGC:

"Why should employees have a major voice in how the defined benefit plan's funds are invested? If below market-returns are received because investments are targeted to certain firms or communities or are simply mismanaged due to mistaken investment choices, it is he employer in the first instance, and then the PBGC, who must pay, not the workers" (Wolk, 1993: 144)

4. The individualisation of collective private pensions and financialisation of everyday life

If privatisation of pensions dramatically enlarges the population whose daily life has become much more subject to the whims and woes of financial markets and effectively has turned them into captive stakeholders in the financialisation process; the lack of genuine stakeholding rights has made possible dramatic change in the governance strategies of the private schemes. Since the late 1980s there was not only an extension
of private pensions, but also a dramatic shift in the (1) the kind of entitlements and (2) the investment strategies pursued by pension funds. The first change concerns the formal shift of DB to DC plans (first in the US and Australia, but now also in other countries such as the UK).

Figure 6. Trends in the distribution of participants according to type of plan in the US 1975-2008

![Graph showing trends in the distribution of participants according to type of plan in the US 1975-2008](image)

Source: Own calculations based on data from US Department of Labor, Employee Benefits Security Administration, January 2010 “Private Pension Plan; Bulletin” and February 2009 “Private Pension Plan Bulletin Historical Tables and Graphs.”

In other cases one can observe the hollowing out of DB promises (the suspending of indexation of pension benefits and pension accruals and the move from final salary schemes to average salary schemes instead of back servicing pension obligations in the Netherlands).
The financial crisis of 2008 has only accelerated these trends (with a formal move from DB to so-called ‘Collective Defined Contribution’ (CDC) schemes in the Netherlands)\textsuperscript{12}. All these changes in entitlements have shifted the investment (yields and fluctuation in the value of assets) and labour market risks (ruptures in employment history, including labour market exit for work incapacity reasons) from the sponsoring employer to the individual pensioners. At the same time, the investment strategies of pension funds have become much more risky and the value of pension assets much more contingent upon financial market performance. In Figure 8 we have plotted changes during the period 1986-2010 in the relative share of shares, bonds, loans, real estate and derivatives in the portfolio of Dutch pension funds.

\textsuperscript{12} In its statistics, the Dutch regulator DNB still does not distinguish this type of pension agreement in its statistics as a separate category, but rather seems to consider a variant of average salary DB schemes.

\begin{figure}
\centering
\includegraphics[width=\textwidth]{figure7.png}
\caption{The Development of the Type of Dutch Pension Agreements}
\end{figure}
Within a period of two decades the risk structure of the portfolio Dutch pension funds completely changed: if in 1986 loans made up the vast bulk of investments, by 2010 shares made up two thirds of investments; and whereas during the 1980s real estate and mortgages on average still made up 14 per cent, towards the end of the period their share was down to less than 4 per cent, whereas news exotic investments like derivatives started to appear on the balance books of the funds.

These kind of changes may have consequences for the class coalitions underpinning corporate control (Gourevitch and Shinn, 2005). Under the new pension fund capitalism, workers do not become collective owners as once envisioned by the proponents of the pension fund socialism thesis, they probably not even about to become the responsible owners some have hoped for. Rather, they "have staked their long-term welfare on the ability of their pension funds to reap high returns on investment" (Engelen, et al, 2008: 631). Because domestic capital markets are simply to shallow to absorb the national pension savings, workers become willy-nilly part of a
coalition driving globalisation and financialisation. In this respect, the Netherlands and the other countries scoring high on our privatisation index, might well hold the future of many other countries that have embarked upon privatising their pensions. Privately funded pension schemes may end up rendering workers and their political representatives confused about their objective interests, by turning them unintentionally into stakeholders of global finance who pursue the same goals as activist investors. The more a pension system is privatised, the wage earning population in a country can be expected to be part of a ‘transparency coalition’ in which workers and owners jointly push for shareholder value. Because of the transition from PAYG to privately funded pension schemes, the majority of employees may end up being the ultimate owners of a significant slice of productive assets as once advocates of pension fund socialism predicted, but "they do so in ways that render them vulnerable to hedge funds and other financial houses, which are better informed and more nimble." (Blackburn, 2006: 175) and hence they can hardly benefit from the transparency they demand. To the extent that privatisation unfolds and pension funds mature, they need to push the existing investment norms and practices in order to balance the worsening liability structure. As a result "ever more specialised and sophisticated asset categories are demanded and constructed, setting in motion a gradual externalisation of investment management" forcing governments "to tailor the institutional, legal and physical infrastructure to the needs of a financial industry that wreaks havoc on the long term welfare generating capacities of firms, cities, regions and national economies." (Engelen, 2002:30-34).

Conclusion

Pension privatisation entails a number of different aspects ranging from the responsibility in providing and the authorisation not to shoulder the burden of a common risk pool by allowing to exit from statutory programmes, to the transfer of the administration of pension schemes to private sector actors and the financialisation of
the risks related to retirement. In this paper we have sought to develop an index to measure these different aspects that included the replacement rates of statutory plans as proxy for implicit exit from public forms of provision; private as a percentage of public social expenditure as indicative of how far the administration of pensions of the current generation of pensioners is already controlled by private sector actors; the coverage of the active population and the contributions they pay into private second pillar plans as reflecting to what extent private sector actors are responsible in providing the future retirement income of the population; and finally the magnitude of the assets of prefunded pension schemes as a measure of how far the process of financialisation has proceeded. All these indicators tap not only to some extent different aspects of pension privatisation, but they also unfortunately turned out to be marred by a series of measurement- and reliability problems. That is why we combined them into a compound indicator that on the one hand is to tap into the multidimensionality of pension privatisation, and on the other hand is to reduce the impact of the measurement problems.

Judging on their scoring on our compound indicator, the process of pension privatisation appeared to have proceeded the furthest not only in Liberal welfare regimes (what was to be expected), but also in a number of conservative corporatists and social democratic welfare states (what came somehow as a surprise). However on closer examination, the high scores for countries such as the Netherlands and Denmark can be attributed to the paradoxical effect of non-liberal practices such as mandating, the administrative extension of collective agreements or even broad enrolment in occupational pension plans brought about by high trade union density, that contributed to a universal financialisation of retirement provision. This goes much beyond interpretations that see these outcomes as reflecting the 'institutional hybridity' of the social policy regime in some countries. The sheer magnitude of private pensions, as measured by our compound indicator, may tell us something about how pensions have become intimately intertwined with financial markets. But in order to fully grasp the effects of this institutional embeddedness upon the everyday life of the population,
we took a closer look at the governance structures and regulation of private pensions. It is at this level that we documented far reaching changes in the way in which private pensions are being organised. In the past pension entitlements remained relatively immunised from the vagaries of financial markets, because pension agreements guaranteed benefits independent from investment performance, and in some countries even smoothened labour market fluctuations. But the gradual abandonment of defined benefit principles for a defined contribution logic and the simultaneous shift towards much more short-term oriented investment portfolio, not only made pension entitlements far more uncertain, it also made workers inadvertently into stakeholders of a global finance industry that wrecks the long term welfare generating capacities of governments and national economies.
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