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ORIGINAL ARTICLE

Opportunity or threat? How trade union power and preferences shape occupational pensions

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Abstract

In this article, we discuss the role of trade unions in the evolution of occupational pensions in four countries: Austria, Belgium, Germany, and the Netherlands. In all four cases, important reforms have been made to the pension systems, including the consolidation of extensive occupational pensions in the Netherlands, substantial expansion of occupational pensions in Germany, and a continued marginal position of occupational pensions in Austria and Belgium. We show that the distinct developments in occupational pensions in the four cases since the 1990s can, to an important extent, be understood by the differences in the power resources and preferences of trade unions. The influence of unions on the development of occupational pension systems depends, on the one hand, on the extent to which they see them as an opportunity or a threat, and, on the other hand, on the extent to which they have the power resources to consolidate, oppose or shape these systems.

KEYWORDS

occupational pensions, occupational welfare, pension reform, power resource theory, preferences, trade unions

1 | INTRODUCTION

Occupational welfare, i.e., non-public, employment-based forms of welfare provided by employers and/or trade unions, has been growing in importance in the European Union (EU) since the 1990s. This is especially the case for occupational pensions, or the so-called second-pillar pensions: employment-based pensions organized at the level of sectors or firms. Occupational pensions, often based on collective agreements, have been at the heart of the European pension reform debate. Across the EU, governments have pushed for reforms aimed at the expansion of occupational pensions as a way to compensate for declining public pensions. This is particularly true for countries with Bismarckian welfare states, where employment-based benefits are already common and where collective bargaining often covers a large majority of workers. Also the European Commission has been arguing for almost two decades that both the need for public budget discipline and the aging of the population are undermining the sustainability of public (first-pillar) pensions and require the expansion of occupational pensions (e.g., European Commission, 2003, 2012).

This article discusses the development of occupational pensions since the early 2000s in four Bismarckian welfare states: Austria, Belgium, Germany, and the Netherlands.[1] In the first three, the national governments have all been trying to reform their pension systems in the past two decades from what were predominantly one-pillar systems into multi-pillar systems. In all three cases, the governments pointed to the inevitable shrinking of public pensions, resulting from the aging of the population, as well as the need for more budgetary discipline, as the main reasons to develop or expand second-pillar pensions, and offer tax incentives to foster such development. The Netherlands is one of the few European pension systems with a large and long-standing occupational pension pillar. However, the Dutch occupational pension system is not static and has experienced important changes in recent years, in particular related to the financial crisis.

The article focuses on the question to what extent and in what way trade unions have influenced the development of occupational pensions in these four countries. As social dialog and collective bargaining occupy a central place in this process, trade unions are key actors that can embrace or oppose the government's attempts to expand occupational pensions, and must negotiate implementation with employers and their organizations. Still, the unions' role in the development of occupational pensions has received only limited attention in academic research, possibly because of the decline of union membership that can be observed in almost all EU countries. However, here it will be argued that they have indeed played an important role in determining the fate of occupational pensions in the four countries, and that this role has depended on their preferences as well as their power resources. The article is based on four in-depth case studies that cover the period from 2000 to the present day.

In section 2, we discuss the literature on trade unions, occupational pensions, power resources, and preferences. Section 3 outlines the characteristics of the four cases. Section 4 discusses the role of trade unions in this development of occupational pensions, and section 5 concludes.

2 | OCCUPATIONAL PENSIONS AND TRADE UNIONS

2.1 | Power resources

Organized labor has historically been an important factor in shaping the welfare state (Esping-Andersen & Korpi, 1984; Korpi, 1983; Stephens, 1979). Differences between (families of) welfare states can to an important extent be traced back to variation in the extent and way the working class has had access to, or created, collectivized power resources through social-democratic or left-wing parties and/or trade union movements (Esping-Andersen, 1990). But while much recent scholarship has studied the role of politics and political parties in welfare state development (e.g., Armingeon, Guthmann, & Weisstanner, 2016; Häusermann, Picot, & Geering, 2013), less attention has been devoted to that of trade unions, possibly following from the gradual weakening of trade union movements. Here we argue that trade unions should not lightly be excluded from the analysis, in particular where occupational welfare is concerned.

The explanatory importance of trade unions for welfare state development is highlighted by the power resource theory (Korpi, 1983, 1998). It argues that variances in power resources between union movements are key to understanding differences in welfare state characteristics, i.e., in distributive outcomes and in the characteristics of the respective distributive institutions (Bradley, Huber, Moller, Nielsen, & Stephens, 2003; Kenworthy & Pontusson, 2005). Power resources here refer to factors such as the levels of trade union membership, the extent of centralization of union movements, the extent of coordination between unions, as well as the institutional positions unions occupy in collective bargaining and neo-corporatist institutions of interest intermediation. Unions can use these power resources to shape the welfare state through the market, i.e., in their interaction with employers, and through the state, by influencing public policy. The stronger the power resources of unions, the stronger their position towards both employers and the state, and the more they can influence institutions and outcomes. Unions can also find additional power resources in their ties with, often social-democratic, political parties, although in many cases these ties have weakened in recent decades (Allern & Bale, 2017).

The power resource perspectives on the role of unions in shaping the welfare state can also be applied to particular sections of the welfare states. For example, Gordon (2015) shows that varieties of trade unionism, expressed in union density, union centralization, and union involvement in the administration of unemployment benefit administration, are central to explaining cross-national differences in unemployment policy in rich democracies. Here we focus on the development of pension systems and in particular on occupational pensions. Power resource theory predicts that where trade unions have more power resources, their ability to shape the introduction, expansion or modification of occupational pensions according to their interests is greater. Trade unions with higher levels of membership, that are more centralized and stronger at coordination have more power resources to influence these processes. This power is further strengthened if they have stronger institutional positions in terms of higher coverage of collective agreements or participation in strong neo-corporatist interest intermediation structures. These provide institutional means to influence pension reform and the weight and characteristics of occupational pension arrangements.

Where power resources vary substantially between sectors or occupations, major inequalities in the existence and shape of occupational pensions may occur within countries as well, with some parts of the labor market being covered by occupational pensions and others not, or with differentiated levels of contributions and benefits across sectors (Wiß, 2015a).

Whereas power resource theory convincingly links the influence of trade unions on welfare state institutions and outcomes to their respective power resources, it has less to say about what kind of welfare state in general, or occupational pensions more specifically, unions pursue. It often implicitly assumes that the respective preferences of union movements are similar across countries, given their similar structural position in a capitalist economy (Gordon, 2015). Gordon convincingly argues that this is not the case where unemployment policies are concerned, and argues that this can be generalized to the welfare state in general and its various policy areas. For the present analysis, this begs a discussion of the possible preferences of trade unions concerning occupational pensions.

2.2 | Preferences

In recent years, a number of authors have argued that, for trade unions, the introduction or expansion of occupational welfare constitutes a way to respond to gaps in the welfare state related to newly emerging social risks or, as is of particular interest here, insufficient or declining public welfare (Johnston, Kornelakis, & Rodriguez d'Acri, 2011; Yerkes & Tijdens, 2010). Especially during the crisis, when public welfare came under increasing budgetary pressure, several types of occupational welfare have helped to alleviate the deterioration of social protection (Glassner with Keune, 2012; Johnston, Kornelakis, & Rodriguez d'Acri, 2012). Occupational welfare, including most importantly occupational pensions, then acts as a collectively organized substitute for insufficient or declining public welfare, which prevents an increasing dependency of (certain groups of) individuals on the market. Because of their key role in occupational pensions (except possibly for company pensions), unions can exercise a certain amount of control over the pension system, secure decent pension incomes, and possibly occupy new institutional positions that can strengthen their position within the welfare state and allow them to address new constituencies, an issue of particular importance in the context of declining union membership (Johnston et al., 2011; Trampusch, 2007a, 2007b). In this line of argument, expanding occupational pensions is seen as in the interest of, and an opportunity for, trade unions and their constituents.

However, unions and workers may well see occupational pensions as a threat. First, instead of developing occupational pensions, unions may rather be interested in avoiding the decline of public pensions and choose to oppose the government's intentions in this direction (Trampusch, 2013). Indeed, trade unions are often pictured as defenders of the pension status quo and as obstacles to reform (Ebbinghaus, 2011). This may follow from an alternative interpretation of the shift from public to occupational pensions, i.e., not as an equivalent of public welfare, but as the privatization and individualization of social risks (Ebbinghaus, 2015; Hacker, 2004; Naczyk, 2016). This perspective gives rise to more critical questions on occupational pension systems. From the perspective of solidarity, a traditional trade union value, one question is whether occupational pensions, in comparison with public pensions, offer complete and equal protection (Hacker, 2004). In occupational pensions, solidarity elements may be more limited, and the weight of individual employment and wage histories of individuals may be larger than in public systems. They may strengthen inequalities between groups with higher and lower wages or with contracts providing different pension rights (e.g., permanent, fixed term or temporary agency contracts), or play to the disadvantage of persons who take career breaks due to maternity, care tasks, etc. (Pavolini & Seeleib-Kaiser, 2016). This will be a concern in particular for trade union confederations with a predominantly national outlook and that are part of a unified national trade union movement that aims to represent all workers. Unions representing certain groups of workers (e.g., certain sectors or occupations) that do not belong to strong national union confederations may be less interested in solidarity between all workers and may, as an alternative to declining public pensions, try to secure good occupational pensions only for their own constituency.

Also, the preferences of trade unions will depend on the way in which the introduction or expansion of occupational pensions, and the corresponding changes in employer and employee contributions, will affect wages. If workers and unions expect occupational pension contributions to result in lower wages or lower wage growth, their support for occupational pensions will depend on the size of this effect, on the available total wage sum, and on the perceived importance of short-term wages or long-term pension payments. Hence, in periods of economic and wage growth, unions are more likely to support investment in occupational pension systems than in periods of low economic and wage growth. Also, the higher the tax incentives the state offers, the higher the interest of trade unions in occupational welfare is likely to be, since it would limit the negative wage effect.

Moreover, occupational pensions are often based on investments of pension contributions in financial markets, leading to the financialization of occupational pensions (Engelen, 2003; Van der Zwan, 2014). In this way, retirement incomes become more and more dependent on long-term financial market performance (Ebbinghaus, 2015; Naczyk, 2016). These investments in financial markets bring opportunities to increase the available pension capital, but also pressures for short-term gains, as well as risks that investments go sour. Such risks may in theory be limited by government regulations (e.g., guaranteed minimum returns or limits to the share of funds that can be invested in shares) and the involvement of employee representatives and members in the development and administration of funds, as they may foster a more long-term and conservative investment strategy, including lower rates of return, but also less volatility and higher predictability of benefits (Wiß, 2015b). However, with the recent crisis, the risks of dependency on the volatile global financial system have become apparent for all types of occupational pension systems, with enormous capital losses (Ebbinghaus & Wiß, 2011). These risks, and the distribution thereof between employers, workers, pensioners, the state, and the financial institutions, may constitute another consideration for unions not to support a shift from public to occupational pensions.

From the above we may conclude that the preferences of trade unions concerning the introduction, expansion or modification of occupational pensions are not to be seen as a basic conviction or static, but as context-dependent. Preferences depend on the opportunities and threats unions associate with occupational pensions in their particular economic, social, political, and institutional environment. If over time this context changes, so may the unions' preferences. One major recent contextual factor that has been crucial in this respect is the financial crisis, with its detrimental effects on public budgets, financial markets, and space for wage increases. Another is pension reform by governments. If unions that did not favor occupational pensions previously are confronted with major reforms of public pensions, they will have to re-evaluate the advantages and disadvantages of occupational pensions.

3 | OCCUPATIONAL PENSIONS IN FOUR COUNTRIES: POWER RESOURCES AND EVOLUTION

In this article, we discuss the role of trade unions in the evolution of occupational pensions in four countries: Austria, Belgium, Germany, and the Netherlands. All four are Bismarckian welfare states, although the Netherlands includes also certain universal elements, in particular its universal, residence-based public pension. The article is to a large extent based on four country case studies that were produced in the context of a comparative EU-funded research project (for the case study reports, see Blank, 2016; Ghailani & Peña Casas, 2016; Keune & Payton, 2016; Wöss, Reiff, & Gruber, 2016). These case studies included extensive document and data analysis, drawing on legal texts, ministerial policy documents, collective agreements, social pacts, strategic and analytical documents from trade unions and employers' organizations, documentation from pension funds, and national and sector statistics. They also involved between six and 12 semi-structured interviews per country with representatives and experts of trade unions and employers' organizations at the national level and in two sectors: metal and retail (and in Austria and Belgium also two interviews at large companies). The four cases were selected based on two dimensions. One is that in all four trade unions traditionally have been strong actors, but in two of them (Germany and the Netherlands) they have seen their power resources substantially weakened in recent decades. The other is that they differ in the contribution of their occupational pension systems to overall pension provisions: marginal in Belgium and Austria, substantial in Germany, and extensive in the Netherlands. Here we discuss these two dimensions in more detail.

Although in all four countries trade unions traditionally have been important actors in the labor market and have enjoyed substantial power resources, some significant differences exist (Table 1). Belgium enjoys almost complete coverage of collective agreement, highly centralized and coordinated wage negotiations, high union membership and union centralization (expressed by the authority of union confederations), and substantial involvement of unions in government policy-making. Austria is similar, including a strong neo-corporatist or social partnership tradition, but with only medium-high union membership and slightly less centralized wage setting. The Netherlands deviates from these two because of its much lower level of union membership (only 18%) and slightly less centralized unions, but also because of its long tradition of concluding central social pacts. Germany has relatively low union membership and low union centralization, with the main union actors operating at the sectoral level. The coverage of collective agreements has declined rapidly in the past decade or so and is now below 60%. German unions also have a more limited involvement in corporatist type policy making. These differences suggest that Belgian and Austrian unions will have the most influence on the development of occupational pensions in line with their preferences, and German unions much less.

Concerning the evolution of occupational pensions, out of the four countries, the Netherlands is the only one where public pensions are residence-based flat-rate pensions and where the pension system has already had a large earnings-related occupational component for many decades (Keune & Payton, 2016). Participation in occupational pension schemes is quasi-mandatory and has gradually increased to around 90% of employees today. In 2015, occupational pensions were responsible for 42% of all the pension payments and had, on average, a replacement rate of 30.2% (72% for total pensions). Employers (15.9%) and employees (9.4%) together pay 25.3% contributions into the schemes (AWVN, 2014), which are then invested on the financial markets. The state offers tax incentives for

TABLE 1 Union power resources in four countries, 2015 (or latest available)

	Coverage collective agreements (CCA)	Coordination (CO)	Centralization wage bargaining (CWB)	Union density (UD)	Authority union confederations (AUT)	Corporatism	Social pacts
Austria	98	4	3.1	27.4	0.7	2	0
Belgium	96	5	4.6	55.1	0.7	2	1
Germany	57.6	4	2.9	17.7	0.1	1	0
Netherlands	84.8	4	2.9	18.0	0.5	2	6

Source. ICTWSS database.

Notes. CCA: adjusted bargaining coverage rate: proportion of all wage earners with right to bargaining; CO: coordination of wage-setting (1–5 scale); CWB: 1–6 scale; UD: net union membership as a proportion of wage earners in employment; AUT: authority of union confederation over its affiliates (0–1 scale); Corporatism: routine involvement of unions and employers in government decisions on social and economic policy (0–2 scale); Social pacts: number of social pacts signed in 2000–2014/15).

pension fund contributions. Hence, occupational pensions have a long history, high coverage and a high replacement rate, build on high contributions and tax incentives, and make up a large share of total pension expenditure.

In the other three countries, the situation is quite different. First, the public pension has traditionally been earnings-related in all three, with much higher replacement rates than in the Netherlands. Until the early 2000s they amounted to up to 70% of the last wage in Germany, up to 60% (single person) to 75% (single earner household) of average past earnings in Belgium, and up to 80% in Austria. In Belgium, there is no upper earnings limit for contributions, while the maximum wages taken into account to calculate benefits are capped at a low level. Hence, for the higher earner groups replacement rates can be as low as 30%. Second, until the 1990s, occupational pensions played a limited role both in terms of coverage and of replacement rates. They were mainly company occupational pensions functioning as a human resource management tool and aimed at retaining the (highly) skilled workforce and/or white-collar workers (e.g., Ebbinghaus, Gronwald, & Wiß, 2011).

In Belgium, the public sector is excluded by law from occupational pensions because it has a higher public pension. In the private sector, until the 1990s, some 25% of employees (mainly white collar workers) were covered by company occupational pensions. This percentage increased in the past two decades to some 75% (Ghailani & Peña-Casas, 2016). However, contribution rates are very low, around 1.00–1.75%, leading to very low, largely insignificant replacement rates, further underlined by the fact that they are mainly lump-sum payments. Also, there has been a rapid growth of third-pillar individual pension plans and life insurances.

In Austria, occupational pension funds were established in the 1990s, covering some 250,000 employees by 2000. This increased to 34% of employees by 2015 but, like in Belgium, the contributions are very low, around 1.1% of the wage sum of enterprises (Wöss et al., 2016). As a result, occupational pension payments will be very low and a large number of employees currently covered by an occupational pension scheme may never get a pension, since, at the age of retirement, in many cases accumulated capital will be below the pension funds' ceiling for lump sum payments, which was €12,000 in 2016 (Horvath & Url, 2013).

In Germany, the entire public sector has been covered since 1966 by its own occupational scheme, and civil servants have a separate statutory arrangement. In the private sector, however, coverage was low until the 1990s and restricted largely to groups of skilled workers in core firms (Blank, 2016). Today, coverage of the private sector has increased to over 50%, and private occupational schemes can be organized in five different ways (Blank, 2016). Where contributions are concerned, in 2012, data from the Federal Statistical Office, referring to companies with 10 or more employees, show that the average contribution amounted to €4,466 annually (€3,385 employer contribution and €1,081 employee contribution) (Blank, 2016). This is equal to some 10% of annual gross wages in that year. This remains far below the Dutch contributions, but is substantially higher than in the Austrian and Belgian cases. Also, third-pillar individual pension plans fostered by state subsidies and tax exemptions (in particular the so-called “Riester” pensions from 2002) grew rapidly since the early 2000s, and today around one-third of employees have such a personal pension.

From the above we can conclude that occupational pensions have played a major role in the Netherlands for decades, that they have grown to play a substantial role in Germany both in terms of coverage and contributions, and they have remained marginal in Belgium and Austria, because although coverage has increased (particularly in Belgium), their value is entirely marginal. In three countries we therefore observe path-dependent developments with limited changes in occupational pensions. The Netherlands has preserved and gradually expanded its occupational pension system, while Austria and Belgium have developed only marginal occupational pensions. In the German case we can start to speak of path departure, from marginal to meaningful occupational pensions (cf. Ebbinghaus et al., 2011).

4 | THE ROLE OF TRADE UNIONS

Here we show that the distinct developments in occupational pensions in the four cases since the 1990s can, to an important extent, be understood by the differences in the power resources and preferences of trade unions.

4.1 | The Netherlands

In the Netherlands, with its long history and very high level and coverage rate of occupational pensions, trade unions have strong vested interests in the occupational pension system. The vast majority of Dutch workers have been building up very substantial entitlements under this system, which are indispensable to retire with a decent and status-maintaining pension, given the relatively limited and flat-rate public pensions. The system also provides the unions with important institutional positions since they, together with the employers, manage the pension funds. The Dutch unions are therefore strongly committed to maintaining the occupational pension system as a common cause for all workers. They do so in a cross-class coalition with the employers and with tax incentives of the state, and the system as such is not seriously questioned by any actor and has not suffered path-breaking changes.

This does not mean, however, that the system is static or that there are no disagreements or conflicts between the actors. The unions (as well as the employers), in line with the Dutch neo-corporatist tradition, have traditionally been at the center of pension policy, often through social pacts concluded by their confederations with employers and government. However, over the years they have suffered continuous membership declines, reducing membership to only 18% today, which has weakened their functioning in the neo-corporatist institutions as well as the collective bargaining processes (de Beer & Keune, 2017). Also, not all governments have been equally interested in sharing reforms with the unions. Most noticeably, in 2004, the Conservative-Liberal government proposed a drastic social security reform, including severe limitations of early retirement possibilities, without consulting the unions. The unions then staged a very large protest in Amsterdam, which got them back to the table and allowed them to achieve a softening of the reforms. However, this has turned out to be the last large union mobilization since, and the union victory was temporary as, in the following years, the earlier-proposed reforms were implemented anyway.

More recently, internal struggles between unions further undermined their capacity to negotiate and enforce worker-friendly reforms (Keune, 2016). As a result, since 2010, they have lost much of their leading role in pension reform, while the state and the financial sector have been increasing their control over the occupational pension system (Keune & Payton, in press). When in 2010, the leadership of the Confederation Federatie Nederlandse Vakbeweging (FNV), the main union confederation, agreed on a social pact on pension reform, it was not able to protect the established rights of workers. Subsequently, in an unprecedented way, this pact was rejected by the largest member unions of the FNV, breaking union unity. The member unions objected both to the non-transparent decision-making process and to the agreed deterioration of the pensions of workers. This internal revolt undermined the position of the FNV leadership and resulted eventually in the breakup of the FNV, which subsequently got caught up in a difficult and long process of reinventing itself. The political initiative then moved to the government, which introduced a series of reforms that worsened the position of workers even further than in the original pact. It decided to gradually raise the pension age to 67 and subsequently make it dependent on developments in life expectancy, and to reduce tax incentives and accrual rates (Keune & Payton, in press).

Also, in the 1990s, when the stock markets seemed to grow without limits, the occupational pension funds started to increase their investments in shares. However, the dot-com crisis of the early 2000s started to challenge some of this confidence, and the 2008–09 financial crisis dealt it another blow. Losses on the stock market combined with low interest rates have substantially reduced the future value of the funds. As a result, many funds have seen the coverage rates of their (future) obligations decline. Each fund has a required coverage rate for its obligations and the higher the risks in a fund's portfolio, the higher the required coverage rate. The central bank of the Netherlands (De Nederlandsche Bank) and the Financial Markets Authority monitor these coverage rates and funds that fail to meet their rate are forced to adjust their practices. Many funds are currently experiencing serious problems in this respect, resulting in cuts in present and future pension payments and sometimes also increases in worker pension contributions. The employers have successfully maintained that they cannot increase their contributions anymore without risking job losses. The unions have been trying to soften the coverage rate criteria the pension funds have to meet, but they do not have the power to impose their demands.

Despite the context of systemic continuity, in recent years the Dutch unions have suffered from a low capacity to defend their interests within the system. The gradual loss of membership and the collapse of union unity in 2010 have weakened their capacity to steer pension reforms and to determine the criteria for the functioning of the occupational pension funds. This has further been aggravated by the crisis, which has put pressure on the occupational pension funds. The state has imposed a series of reforms and, through public agencies, also imposes adjustments in pension payments and contributions on these funds, which affect pension payment for present and former workers and pension contributions by present workers. The employers, on the other hand, have managed to remain largely unaffected by these measures.

4.2 | Austria

In Austria, the focus of the trade unions, unified in the ÖGB confederation, has for decades been to maintain good public pensions. So when in 1990 the government introduced legislation to allow for private occupational pension funds, the Austrian unions did not reject these funds as such, but they fiercely opposed the idea of replacing part of the public pay-as-you-go pensions by occupational pensions (Wöss et al., 2016). In 2000–06, when Austria was governed by a Conservative-far right coalition, a number of reforms to the pension system were made by the government, which were, contrary to the Austrian social partnership tradition, not discussed with the unions and employers. The trade unions, represented by the ÖGB, the peak level union confederation, opposed many of the government's reform plans and staged a number of protests, including a massive general strike in 2003, the largest since the Second World War. In spite of these protests, the government did make a number of changes leading to a reduction of the replacement rate of contributions and an increase in the number of years of contribution required to reach the 80% replacement rate goal of public pensions. Still, the public pension remained, and remains, very generous in international comparison (Blank, Logeay, Türk, Wöss, & Zwiener, 2016; Pavolini & Seeleib-Kaiser, 2016). This is, to an important extent, due to the strong position of the unions. In 2003, they clearly demonstrated their mobilization power and their readiness to use it on the pension issue. Also, after 2006, social partnership was reestablished and in the following decade unions have again been closely involved in pension reforms. Since 2007, reforms have largely been aimed at increasing Austria's effective retirement age, which according to all relevant actors was too low, through limitations on early retirement and invalidity pensions (Allinger, 2013). Under union pressure, a further reduction of the public pension has not returned to the reform agenda (Wöss et al., 2016).

Where occupational pensions are concerned, the maintenance of generous public pensions means that they are not key to having a decent pension in Austria. Still, the unions have participated in the expansion of the coverage of occupational pensions, which has taken place especially in the public sector, as a way to bring the total value of regular public sector pensions in line with the more generous civil servants' public pension schemes (Wöss, in press). In general, however, union interest in occupational pensions has remained limited, the coverage has remained restricted and the value of contributions is low. Apart from the high levels of public pensions, two additional reasons explain the limited interest of the Austrian trade unions in occupational pensions. One is the fact that they see little benefit in converting wages into pension contributions, especially in light of the strict rules determining when such contributions are free from income tax. With the deep decline of gross domestic product at the start of the crisis and the low growth rates of subsequent years, the unions do not see sufficient other sources than wages to finance higher contributions to occupational pensions. In addition, they underline the risks related to the investments of pension funds, that became apparent first during the dot-com crisis and more recently in 2008–09 (Wöss et al., 2016). Here it did not help that successive governments eased the risk-reducing regulations in pension fund governance over time, making pension payments increasingly insecure. Again, the unions prefer wages over uncertain investments in crisis-prone financial markets.

Summarizing, Austrian unions have been interested first and foremost in maintaining generous public pensions and they have used their power resources to largely achieve this goal, in particular through dialog but also using the shadow of their mobilization capacity. They have been less interested in occupational pensions, with the exception of the public sector, and their respective coverage and value has remained marginal. Developments in Austria can therefore be characterized largely as path-dependent, with changes staying within the system rather than changing the main characteristics of the system. Contrary to the Dutch unions, their stronger Austrian counterparts have been much more successful in shaping these within-system reforms.

4.3 | Belgium

In Belgium, occupational pensions were marginal for many years, limited largely to company plans for white collar workers. However, in 1999 and 2000, voluntary supplementary pensions were set up in a number of important sectors by collective agreement, most importantly in the metal sector covering some 100,000 workers (Ghailani & Peña-Casas, 2016). These were seen by the unions as a way to strengthen collective bargaining and enlarge the total wage sum, since wage moderation had been imposed by government by law in the mid-1990s. In 2003, as part of a larger pension reform, the government amended the legislation on occupational pensions to better regulate these emerging agreements and to promote the growth of the second pillar through, above all, tax incentives. The justification offered for the promotion of occupational pensions built on the aging of the population and the expected difficulties for the state budget to maintain decent public pensions in the future. Apart from the state, also the financial industry and the employers have been pushing strongly for the expansion of occupational pensions, sensing possibilities for profit or for a reduction of labor costs (Ghailani & Peña-Casas, 2016).

The Belgian unions, however, much like their Austrian counterparts, first of all want to maintain the public pensions system, which they see as the best way to guarantee a decent old-age income (Ghailani & Peña-Casas, 2016), even if their pension system is not among the most generous ones.[2] Ever since the early 2000s, they have opposed changes in the public pensions. As a result, whereas in the 1990s reforms were based on consensus also with the unions, in the early 2000s this consensus started to crumble and reforms have been made without the unions' consent. What is more, since 2000, the unions have used their substantial membership and mobilization capacity to stage a large number of manifestations and (general) strikes against government reforms of the social security system in general and the pension system in particular. For example, when in 2005 the government proposed a Generation Pact, aimed basically at getting more people into jobs and raising the effective retirement age, the three large union confederations called a one-day general strike. These types of protests have continued until the present day. Pension reform has proved to be an extremely contentious issue on which the successive governments have been able to agree with the employers but not with the unions. Union opposition has been key to the fact that in the past 15 years or so, there has been much talk about profound pension reform in Belgium, but actual reforms have been much less dramatic. Reforms have mainly tightened the criteria for early retirement and for the so-called “bridge pension” (a facility for older workers losing their job, consisting of a fixed unemployment benefit plus a company supplement). Recently, it has also been decided that the pension age will increase to 67 in 2030. But the core of public pensions remains in place (Ghailani & Peña-Casas, 2016), demonstrating the weight of union power.

With their focus on the public pension, the Belgian unions have been much less interested in occupational pensions. This position is further strengthened by a number of factors. One is that the public sector is by law largely excluded from occupational pensions (as they have higher public pensions). Second, the unions favor the maintenance of wage levels, especially in the context of the crisis, and reject the conversion of wages into occupational pension contributions. With wage growth having been meagre for quite some years now, they argue that wages today are more important for workers than occupational pensions in the future, in particular in low wage sectors (Ghailani & Peña-Casas, 2016). Third, they underline the risks related to occupational pensions that depend on volatile financial markets. Most occupational pension schemes are delegated to insurance companies and consist of lump-sum payments (and not of annuities). Initially, these schemes were bound by law to a guaranteed minimum return of 3.25–3.75% but this has been reduced to 1.75% more recently. These considerations have led the unions to strongly limit the occupational pension contributions as discussed above. At the same time, they try to ensure an even spread over the economy, in which they are quite successful, considering the 75% coverage of the private sector. In some sectors where they are weak, such as supermarkets, they have failed to establish occupational schemes (Ghailani & Peña-Casas, 2016).

Like in Austria, developments in Belgium can be characterized largely as path-dependent, within-system changes rather than changes in the main characteristics of the system. Belgian unions have also been reasonably successful in shaping these within-system reforms. and where their Austrian counterparts have, with a short exception, been part of the policy process, in Belgium the unions exercised more power through mobilization.

4.4 | Germany

In Germany, in 2001, the then Red-Green government started to strongly promote voluntary occupational pensions as a substitute for declining public pensions, making maintaining adequate pensions partially a private responsibility instead of solely a public responsibility (Ebbinghaus et al., 2011). It started a pension reform which is to reduce the replacement rate of the public pension for an average worker gradually from 70% to about 55% in 2030 (Pavolini & Seeleib-Kaiser, 2016). The government argued that a substantial decrease in public pensions is inevitable because of the aging of the population and the consequent pressure on public budgets. In a more general sense, the German budget was also under pressure from the high costs of German reunification. Hence occupational pensions became an object of social policy, whereas previously they were rather a human resource management instrument (Blank, 2016). The government offers tax breaks on the conversion of earnings into pension contributions to promote the growth of occupational pensions, and collective agreements are the main way to establish these new occupational pensions. According to the government's intentions, by 2030, public and occupational pensions should together provide a 70% replacement rate, meaning that it expects occupational pension to provide a 15% replacement rate by then. The reform concerns mainly the private sector since the public sector has its own mandatory occupational pension dating back to 1966.

Initially, most German unions in the private sector opposed any comprehensive reforms of the public pension. Contrary to the other three cases, however, since union centralization in Germany is limited, the unions did not channel their protests through the trade union confederation DGB but through the sectoral unions. And responses indeed differed. The Chemical Union (IG BCE) did not oppose the 2001 reform, mainly because it already had an initial sectoral occupational pension agreement in place, based on which it set up its present pension fund in 2002, the first of its kind in Germany. Also, the metalworkers union (IG Metall) found it hard to oppose the reform (which they did not favor) actively because the labor minister proposing the reforms was Walter Riester, previously deputy chairman of IG Metall. While most of the other unions opposed the reform, the union movement, already weakened by declining membership, was divided, with two of the most powerful sectoral unions with relatively high membership not joining the protest, and it did not manage to significantly alter the plans of the government.

Like IG BCE, also IG Metall started to negotiate collective agreements to regulate occupational pensions in its sector soon after the reform. It aimed to achieve encompassing, sector-wide schemes, and to make workers less dependent on their individual employers as to the type and level of second-pillar pensions, in particular in small and medium-sized enterprises (Naczyk & Seeleib-Kaiser, 2015). In this way, the new occupational pensions became part of the German pension landscape and IG Metall and IG BCE were followed by a large number of other unions, resulting in a coverage rate of some 50% of the private sector, where it has stabilized (Blank, 2016). Furthermore, the level of contributions (around 10%) is still substantially below the Dutch level, but much higher than the Austrian and Belgian contributions. Hence, the occupational pension has become a significant part of the German pension system, leading to path departure from an essentially single-pillar system to a multi-pillar one. This was further aided by the fact that, whereas in the other three countries the crisis put substantial pressure on wages and on the capacity to pay into new occupational pension schemes, the crisis was more short-lived in Germany, and the country returned to substantial economic growth soon after 2009. This created more space for occupational pension contributions, in particular in the successful export-oriented sectors.

If we consider the new occupational pensions to be largely a substitute for the decline in public pensions, the stabilization of the growth of its coverage, combined with the scheduled decline in public pensions, suggests the emergence of new inequalities or of a dualization of pension insurance. These inequalities emerge both between and within sectors, between those who compensate the decline of public pensions with new occupational pensions, and those who do not and will consequently suffer a serious deterioration of their pensions. Coverage differs substantially per sector and ranges from 23% in "other private services" and 26% in hotels and restaurants, to 63% in manufacturing and 84% in financial and insurance services (Blank, 2016, p. 30, Figure 3). This coverage coincides, to an important extent, with the coverage of collective bargaining, the core instrument in most occupational pension schemes.

5 | CONCLUSION

In all four cases discussed in this article, important pension reforms have been made in the past two decades. In three of the cases, these reforms have been path-dependent, in the sense that they concern within-system adaptations and not systemic changes. One is the Netherlands, where the traditional multi-pillar system consisting of a universal flat-rate public pension combined with a large occupational pension pillar remains intact, but where important within-system changes have been made, in particular in the occupational pillar. The other two are Belgium and Austria, where, in spite of the sobering of early retirement regulations and an increase in the pension age, the public pension remains largely intact and occupational pensions remain marginal. Only in Germany can path-departure be observed, with the public pension decreasing in importance, while occupational pensions have become an important component of the pension system in the private sector, albeit for only half of the workers in this sector.

Trade union preferences and power resources are crucial to understand these developments. They differ substantially between countries, and also between unions within countries, in particular in Germany, and these differences are reflected in the development of occupational pensions. In the Netherlands, the unions have been locked into the multi-pillar system for many decades and do not question the importance of the second pillar. They are mainly concerned with maintaining the value of occupational pensions in the context of the turbulent financial market of the past decade, but because of their limited power resources they have had to accept government-induced reforms in this area which lead to lower and riskier occupational pensions.

In Austria, the strong unions have extensively and relatively successfully campaigned against the substantial decline of public pensions. Their priority is the public pension which they see as fairer and more secure, and they are much less concerned with the occupational pension, which they see as more uncertain given the turbulent financial markets and possibly leading to a reduction in wages. Since the public system still provides a good pension they give limited priority to the second pillar, which is reflected in the marginal position of occupational pensions in Austria. Similarly, in Belgium, the possibly even stronger unions have been able to limit reforms of the public pension and to keep the occupational pension marginal, for quite similar motives as their Austrian counterparts. Additionally, the two countries are characterized by high union unity, centralization and coordination, allowing them to act as a single front vis-à-vis the government and employers, as opposed to the Netherlands (internal strife) and Germany (higher fragmentation of unions).

In Germany, low union membership and the lack of union unity resulted in weak opposition to government reforms and the implementation of a substantial decline of the public pension. Subsequently the stronger sectoral unions have been negotiating substantial occupational pensions to compensate for this decline, benefiting from the relatively favorable economic circumstances in Germany. However, half of the private sector workers still lack access to these occupational pensions, resulting in a dualization of (future) pension benefits.

Hence, we see that the role and influence of unions on the development of occupational pension systems depend, on the one hand, on the extent to which they see them as an opportunity or a threat at a particular moment in time, and, on the other hand, on the extent to which they have the resources to oppose or shape these systems. We find evidence for this by contrasting the Dutch legacy of longstanding and high union involvement in occupational pensions, which leads them to fully support a strong second pillar, with the Belgian and Austrian legacies of relatively generous (Belgium) to very generous (Austria) earnings-related public pensions, which are more likely to cast the expansion of occupational pensions as a threat, especially in the present times of crisis and low growth. Moreover, the Belgian and Austrian unions have had the chance to learn from the Dutch experience of the dot-com crisis and the recent financial crisis to become more wary of financial market-dependent occupational pensions. In Germany, we see the more powerful unions in the economically better off sectors seizing to oppose reforms and starting to adopt occupational pensions as a substitute for public pensions, while the weaker, lower-wage sector unions continue to reject the reforms, also because they are not able to achieve comprehensive occupational pensions. The extensive power resources of the high membership and centralized Austrian and Belgian unions made effective opposition to government reform plans also possible, while the limited power resources expressed in low union membership and in low union centralization (Germany) or internal strife (the Netherlands), compromised the Dutch and German unions' ability to effectively oppose government reforms.

CONFLICT OF INTEREST

None declared.

ENDNOTES

[1] Bismarckian welfare states are characterized by employment-related social insurance principles financed by contributions by employers and workers, which contrasts with the universal model of the Nordic welfare states, where entitlements are based on citizenship and which is mainly funded through taxation, and liberal welfare states, characterized by means tested programmes, modest universal benefits and an important role for the market as a co-provider of benefits, (Esping-Andersen, 1990). Whereas Austria, Belgium, and Germany are clear-cut cases of Bismarckian welfare states, the Netherlands is harder to classify. By origin it is indeed Bismarckian, but it also includes certain universal elements, most importantly a universal public pension based on residence and universal family benefits. Still, the Dutch occupational pension is a clear example of Bismarckian welfare.

[2] The generosity of Belgian public pension is a matter of some debate. In OECD statistics, the net replacement rate of total pension entitlements of a person having an average wage amounts to 60.9%, which is substantially higher than in Germany (50%), but substantially lower than in Austria (91.6%) and the Netherlands (95.7%) (data for 2014 from OECD.stat). Official Belgian sources, however, give *for the public pillar only*, average net replacement rates of 71% for persons with yearly salaries of €0–30,000, 69% (€30,000–40,000), 67% (€40,000–50,000), 60% (€50,000–65,000), 47% (€65,000–100,000) and 30% (€100,000 and more) (Ghailani & Peña-Casas, 2016, p. 30, Tables 6 and 7). When supplementary source of pensions are included, the range of the net replacement rate is from 76% for the lowest earnings group to 56% for the highest earnings group where defined contributions apply, while these rates increase substantially for the highest earnings groups (68% for the highest group) if defined benefits apply (Ghailani & Peña-Casas, 2016, p. 30, Tables 6 and 7). Hence, while pensions are not very high in comparative terms, they are certainly not low. Also, differences with for example the Netherlands are to some extent compensated by the fact that outright home-ownership in Belgium is very high, but very low in the Netherlands (see elsewhere in this issue).

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