

# **The future of the welfare state: paths of social policy innovation between constraints and opportunities**

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## **Marketising social protection in European welfare states and the mismatch of institutional constellations to construct the 'social citizen'**

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## **Introduction**

As a consequence of various endogenous and exogenous processes European welfare states face new financial challenges (Ebbinghaus 2007, Myles 2002, Sinn 2000). At the same time, discourses on the welfare state changed so that since the early 1990s perspectives arise to reduce welfare state interventions on market and society (Clasen 2002, Lessenich 2008, Schmid 2005, Schmidt 2002). In this context, ‘consumers choice’ and cost containment policies are being introduced in all European welfare states that outsource parts of the formerly public social insurances. As a result, marketised social protection has increased all over Europe and many of the formerly social contributions to the public purse are invested in market-related personal schemes (insurance market, stock market, etc.). Social protection policies changed, public social security schemes were altered and additional social protection schemes were introduced that were meant to substitute the reduced public schemes. These additional schemes are private schemes offered by profit-oriented providers and based on market principles (Meyer et al. 2007, Nullmeier et al. 2008, Rieger & Leibfried 2000, Seeleib-Kaiser 2008, Schmähl 2007). To enable citizens to meet this new logic of providing economic subsistence by long-term planning of social protection, a variety of personal savings accounts (PSA) are being introduced, which are subsidised, institutionalised and promoted by the welfare state. Taken together, these schemes are assumed to enable citizens to build up ‘adequate’ (EC-Report 2006) social protection.

Studies have shown that processes of privatisation and marketisation in social protection have consequences on the distribution of social risks among the population (Beck 1986, Bonoli 2005, Frericks et al. 2007, Hinrichs 2005). International and comparative studies have shown that institutional regulations based on economic principles on the one hand, and institutional regulation based on providing adequate social security on the other hand, might be non-complementary (Frericks et al. 2006 und 2008, Hills 2004, Hyde et al. 2003, Lamping & Schridde 2004, Minns 2001, Sen 1988 and 2009). A possible mismatch might be interpreted as a result of incompatible values (Mabbett 2008, Taylor-Gooby 2004). In this paper it shall be argued, however, that outsourcing public social protection partly to the market does not necessarily result in inadequate social protection for the social citizen. Country comparison will show that match respectively mismatch of the combined social protection schemes towards the social citizen depends on the way marketisation is institutionalised.

This contribution analyses the changes in the framing of European welfare state institutions since the 1990s in order to investigate the effects these have on individual opportunities to achieve social protection and on individual old-age investment behaviour. The aim is to analyse the match respectively mismatch between this newly institutionalised frame of social protection and an ‘adequate’ social protection of social citizens. The newly created hybrid form of social protection as an institutional constellation led, depending on national peculiarities, to a lack of complementarities between the institutional measures. The focus will be on the development of social protection in two very different social protection traditions, one with a contribution based social insurance system (Germany) and one with a tax-based people’s insurance system (The Netherlands). We will analyse the differences in the institutionalisation of the marketised compensation in terms of different (state) guarantees and (market) regulations that compose a hybrid form of social protection which neither strictly follows the traditional principle of social insurance nor that of ‘free’ markets. With this analysis, we expect to be able to show that the consumers of these combined forms of social protection face new and differently spread risks.

### **Aims and methods**

Based on the comparison of two very different social protection traditions for old age security, including the new forms of a certain marketisation, the analysis will centre on the question how the way of marketisation and the concrete linkage of market-related and public institutions in each constellation has produced a possible mismatch between the regulative systems and the quality of social citizenship. The concept of mismatch of institutional constellations with respect to a shared third was developed by Pfau-Effinger (2009). Our particular interest concerns the characteristics of the match or mismatch.

The potential mismatch will be investigated by studying the opportunities different social citizens have to use the combined social protection schemes. This elaboration and analysis of potential mismatch related to the social citizen is theoretically based on the concept of life-course ecologies. It combines the concept of the institutionalised life course as put forward by Kohli (1986), the concept of the social citizen as proposed by Marshall (1964), and the concept of the instituted economic process as put forward by Polanyi (2001, Dale 2008) in its extended and further developed version as delivered by Harvey (Harvey et al. 2008). The theoretical and methodological linkage of these concepts is preliminarily applied by Frericks (2007) and Maier (2008).

The institutional regulations reflect on the one hand and co-determine on the other the construction of the 'normal citizen'. As a consequence, the opportunities to comply with the norm of an 'adequate' old-age security might be reduced in particular when classic economic principles are reinforced in the welfare institutions which frame old-age social security. Comparing the Dutch and the German development will be done by analysing policy documents (national and European ones) and by using interdisciplinary studies to understand the changes in the two regulative systems. To grasp the changing risks of social citizens with all the variations among them in the two countries due to privatisation, reinforcement of market logics and self-responsibility, consumerism and self-economisation, we will analyse different levels of social citizenship. These different levels, constituting life-course ecologies in the two countries, can be classified according to the following dimensions:

(a) the individual one (unemployment, problematic investments, administration costs, lack of information);

(b) the societal one (stronger polarisation of societies in outsiders and insiders, class distinctions, as well as the emergence or development of so-called new 'groups at risk', such as women, migrants, single-parent families, drop-outs, working-poor etc.).

In addition, changing ecologies of life courses imply new forms of regulated resource flows (redistribution in terms of family credits in private schemes, public guarantees of 'private' schemes by means of regulations and co-financing).

Limiting ourselves to the comparison of the characteristics of marketisation in two old-age social protection systems we try to deliver a first elaboration investigating which characteristics of institutional constellations result in a higher or lower degree of non-complementarity. These different systems are the contribution-based social insurance system in Germany and the pay-roll tax financed people's insurance system in the Netherlands in which entitlements are unrelated to labour-market participation. We will round-off this contribution by delivering an overview / categorisation of the characteristics of institutional constellations and their impact on different life-course ecologies.

## Analysis

1) In both the Dutch and the German systems, additional market-related old-age protection schemes were introduced or further marketised with the aim of compensating cuts in public pension provision by profit-oriented providers.

In the Netherlands, the absolute and relative pension coverage of the public people's pension (financed through fixed contributions from any form of income up to a certain level, and supplemented by general means when necessary) was indirectly reduced so that it is necessary to build up so-called second and third pillar entitlements to gain 'adequate' pensions which are interpreted in the Netherlands as 70 per cent of the average individual income. In the past, this pension norm was related to final wages. The so-called first pillar is independent of participation in the labour market. The proportion of the different pension schemes changed from up to 90 per cent covered by the people's pension in 1980 to 50 per cent covered by this pension scheme in 2004 (Bösch-Supran 2004). This means that about 50 per cent of current means of old-age protection is circulating in pension funds and in individual schemes. The pension funds' investment strategy is oriented towards the global financial markets, a development that gained impetus during the 90s.

In Germany, the contribution-based public pensions were explicitly partly outsourced, i.e. reduced to be replaced by "voluntary private investments", the so-called *Riester*-pension (*Altersvermögensgesetz* 2001) while the wage indexation was further eased by the pension insurance sustainability act (*RV-Nachhaltigkeitsgesetz* 2004). These outsourced pension investments are pension policies contracted by the individual employees, provided by private insurances and banks, and co-financed by the public purse by means of special subsidies (basic, spouse and children allowances) and tax incentives (tax deductible). Qualifying for the full subsidies presupposes an 'optimal' investment of now 4 per cent of the gross earnings. At the beginning of this decennium, about 82% of the employed were insured within the public scheme that covered about 78% of old age income (DRV45 2003) and the relationship between the schemes were 85% public schemes, 5% additional occupational schemes, and 10% private schemes. The *Riester*-reform, phased in as from 2002, was meant to change this ratio to 60- 70% public entitlements and up to 40% additional occupational and private entitlements (Rürup 2003). Aim of this public-private pension combination of "public, *Riester*- and/or private pensions" is to possibly even overcompensate losses of public pensions (BMAS 2008) and can theoretically entail higher net pension levels. Currently, the pension norm of 'adequate' pensions is 67% of the average income earner's life-time wages.

2) It is important to notice that both the public and the private social protection changed in considerable ways. The public schemes increasingly adopt criteria of efficiency and sustainability, traditionally attributed to the market, whilst the new market of social protection products, the now-called welfare- or semi-market, tremendously changes its characteristics by increased state subsidies as well as by new regulations (Frericks 2007, Nullmeier 2001, Streeck 2009). As a consequence, criteria for redistribution and principles of resource flows change, possibly in contradictory ways.

In the Netherlands, it is possible to reduce the public pension scheme. Each year, the Ministry of Social Affairs decides (after consultation of the social partner) whether the public pension is 'coupled' or not with average wage increases. Those who participate in the labour market build up so-called 'additional, occupational' pensions, constituting the second pillar of the Dutch pension system. The part of the population not participating in the labour market nor investing in private schemes depend exclusively on the people's pension which was designed as a unified guarantee to a minimum income in old age. This level, however, changed dramatically due to the de-coupling of the public people's pension from the real wage growth between 1980 and 1998. Therefore, the value of the basic pension decreased by 25 per cent between 1980 and 1998 (Delsen 2000).

The so-called additional, occupational pension, is financed through contributions from wages, with fixed percentages for the contributions of employers and employees of the gross wage up to a certain limit. Participation in this additional pension is compulsory and almost all employees do participate. The management of this pension system (called 'second pillar') is organised by economic sector, and realised by the organisations of employers and employees of the sector. There are hundreds of pensions funds in the Netherlands, some restricted to a single firm, while others manage the funds of a great number of employees, such as for example the pension fund for public employees, or the pension fund for employees in the health sector. The funds are invested and the investment strategies were regulated, with stricter regulations after the financial crisis of the so-called 'internet-bubble' at the beginning of this century. For example, every year, the pension funds are obliged to submit actuarial and liability studies to a state control organ. The pension funds are, in principle, free to invest their resources as they see fit, on the proviso that no more than 5% of the assets are invested in one's own company should a pension fund be restricted to a single company. Moreover, pension funds are obliged to cover 105% of all the pension obligations, for current pensioners and for future ones. If this is not the case, a readjustment plan must be submitted to redress the situation within a few years. Such a readjustment plan must be accepted by the state

supervisor. For example, due to the recent financial crisis, the percentage of coverage of many pension funds was less than 105 % at the beginning of 2009. Therefore, the necessary readjustment plans that have been submitted and implemented during the last months make use of the three possible strategies to redress the coverage. Firstly, the pension levels are frozen, in other words, the level of pension does not follow possible wage increases or percentages of inflation. This strategy is widely used at the moment by a majority of the pensions funds. In case, they reach again the norm of 105 %, they can re-introduce the indexation, or even increase the pension level substantially. Secondly, it is possible to increase the level of contributions. And indeed, a majority of the pension funds (for example for public employees and for all employees in the health sector) have increased the level of contributions; a decision increasing indirect labour costs. A third possible measure is to reduce the level of pensions paid to actual pensioners. This measure has been taken in some limited cases of rather small pension funds.

Another Dutch regulation demands that pension funds with many old participants (already retired or close to retirement) must avoid risky investments.

Next to the additional occupational pension pillar, also a so-called third pillar exists in the Netherlands, consisting of individual pension schemes. There is an enormous variety of schemes, quite often offered by the employer or by the economic sector, or by the pension funds having made arrangements with particular insurance companies. This informal collectivisation of third pillar individual pension schemes offers some guarantees against problematic products. However, it should be clear that any employee, or more in general, any citizen is free to choose an individual old age pension scheme outside of this offered possibilities. In fact, a high percentage of Dutch citizens (and many employees) have third pillar products. There are no serious data, estimations vary between 60 and 90 percent.

The success of these third pillar individual pension schemes is due partly to the informal collectivisation already mentioned. However, there are two other reasons which explain the success of these products. Firstly, to contract a personal pension savings scheme was and still is, as already explained, substantially subsidised through taxation (in fact, through deductions on taxes, which is only possible after having paid the contribution to such a scheme). Secondly, in the 90s, the government promoted a personal savings scheme, called 'spaarloon'. It became possible to save money from gross wages, before taxation, with the condition to freeze the amount saved for at least five years. After five years one can spend it as one wants. Financial organisations have profited to

offer a particular third pillar product, an individual pension scheme, financed by this ‘spaarloon’, with two advantages: to begin with, the contribution to such a scheme comes from ‘untaxed’ income, and secondly, as a contribution for old-age security, it is deductible from taxes.

Calculations have shown that in such a way, any employee converting the ‘spaarloon’ into a third pillar pension, gets this pension almost for free (Cox, 2000). However, as Cox already concluded, one has to have a sufficient level of income for generating such a ‘free’ additional pension.

In Germany, the public scheme, which is a contribution based, i.e. occupational one, is after various changes more strictly linked to a continuous individual labour-market biography. Although some pension credits for care tasks were introduced and further developed<sup>1</sup>, the calculation norm now bases on defined contributions as a kind of personal savings account for old age (Frericks et al. 2008). The additional *Riester*- or other private pensions are subject to increasing regulations. These regulations also apply to the -first abandoned and now reinstalled- investment in home-ownership, but also to all kinds of other old-age investments and their allowed form of usage and take-up. Regulations concerning pension savings schemes constituted a variety of state certified private products. The criteria for these products are listed in the “old age investment contract certification act” (*AltZertG*, 2001). Since 2006 (*Alterseinkünftegesetz*), these criteria were reduced and simplified, with a guarantee of nominal value of the contributions as well as the obligation to pay out benefits as life-long unisex annuities. The various regulations, however, result in a rather complex differentiation of the products of which some are evaluated as being ‘supportable’, i.e. they may be tax subsidised (*riesterfähig*), and others are guaranteed to be ‘non-deductible’ investments, i.e. also in the case of long-term unemployment these schemes do not have to be used before being entitled to means-tested unemployment benefits (*hartzsicher*). These classifications do not necessarily include the same products, i.e. ‘non-deductible’ schemes are not necessarily ‘supportable’.

3) The form of marketisation and the concrete linkage of institutions to a constellation that frames old-age social protection have very different impacts on the different social citizens.

In the Netherlands, it is first of all the pension funds that form the “additional and occupational” ones to the people’s pension. These occupational schemes are compulsory; and apart from the so-called white spot of very few employees (those with disastrous labour contracts or some self-employed) all employees are participating in pension funds. Depending on the sector one works in

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<sup>1</sup> This twofold strategy to subsidise ‘human capital investment’ and ‘real capital investment’ is discussed in Sinn (2000).

and depending on the quality of employment contract and employer's contributions, people have better or worse respectively bigger or smaller pension funds investments. Since these funds are arranged and partly managed by one's own company or sector, membership in these occupational schemes is, in a way, a collective insurance or investment. Dutch pension funds are currently highly marketised or financial-marketised and after periods of financial market difficulties highly regulated so that, despite the current crisis of the financial market and some necessary adjustments in the pension schemes, they are still quite wealthy, as data on the impressive ratio of pension funds in the GDP show: at the end of 2006 it was 1.8 times the value of the GDP (CBS 2007), and although it shrank with the financial crisis, it is since some months increasing again. The individualising component of the Dutch pension combination can be found in so-called third pillar pensions, which are much less regulated and depend on the willingness to invest, the literacy in taxation and financial products, the personal decision for a more or less risky product, and last but not least on the disposition of funds to be invested, either from personal wealth or from labour or other income. Special tax incentives were provided for those who did not reach the pension norm of 70 per cent (SZ 2003) up to 2006. Since 2006, the tax subsidies for the third pillar products have been reduced, and depend on the level of contributions during the preceding years up to a certain limit, which is much less than the previously very generous subsidies, which profited mainly employees with a high salary. In principle, this could be advantageous for people with shorter work biographies, i.e. with less than the obligatory 40 years of paying contributions in the pension funds. They are not, however, very helpful for lower income earners, because of the limited disposition of funds for supplementary pension investments.

Here, a very special scheme should be mentioned, that did not have the aim to provide pension entitlements in the first place. It is the so-called Life Course Savings Scheme (LCSS), introduced in 2006. The primary aim of this LCSS was to offer a possibility of "time off" during the 'peak hour' of life, in other words during the period ranging from roughly 30 to 50 years; a period when children are born, and when women and men are engaged in work and life-long learning. This life course savings scheme is offered to every employee (every employer is obliged to offer this Scheme), but it is a personal choice to participate. The scheme is highly regulated, but it is managed by private financial firms, such as insurance companies. In short, it is not a compulsory scheme, such as the additional occupational pension. This scheme permits to save a bit more than 200 % on one's yearly gross salary, and offers the possibility to have up to two years 'time off' from work without losing the employment status (however when this time off is taken has to be negotiated

with the employer). The 'free' time can be used for any purpose, such as care tasks, learning, or just an extended holiday. Once used, every employee can start again to save with this scheme.

The original aim has not been completely realised, because in a package deal between the government, employers and employees organisations, it was also made possible to use this scheme for early retirement, which was not the intention to begin with. Using the Life Course Savings Scheme for early retirement was a condition of the unions because at that period the government abolished the possibilities of early retirement which were introduced during the 80s (Maier et al. 2007). Some of the uses of this scheme, such as parental leave, is moreover subsidised in a substantial way. At the moment less than 10 % of Dutch employees have chosen to participate in this scheme. However, prospective studies have shown that women will probably use this scheme primarily for care tasks, whereas men will use it primarily for early retirement, with a possible exit from the labour market two and a half years before the mandatory retirement age. In case, an employee chooses to continue to work until the mandatory retirement age (at the moment 65 years, but there are serious plans to extend this age), it is possible to use the saved amount within this Life Course Savings Scheme for increasing the pension level.

In Germany, the outsourced part of the public scheme to the private *Riester*-pensions is voluntary. For the first years, very few of such pension contracts were signed, however in recent years the percentage increased due to several reasons. First of all, there was a massive promotion by the Ministry of Work and Social Issues and different banks and insurance companies. Secondly, after changes in 2006 (*Alterseinkünftegesetz*), insurance agents were more motivated since they could spread their profits over 5 instead of 10 years, and, finally, the simplification of certification criteria for customers and providers increased the motivation to sell and buy *Riester*-contracts (Bösch-Supran et al. 2008). However, there are obstacles in investing into this 'necessary' private pension (necessary, because only with the help of it one can compensate the losses of the public scheme entailed by the recent reform of 2001): 90 per cent of all Germans above 18 said that they did not enter into a *Riester*-contract by the end of 2008 (SOEP 2009). This is probably the case because regulations are not at all transparent and also very complex in the sense that customers don't really understand which policy is regulated in what way (the unawareness and reluctance of the citizens is much discussed in the newspapers and proved by many representative polls ordered by banks and insurances). The state certificates do not say much about the pros and cons of the different policies of private providers. And there are no public advisors free of charge as they exist in Italy or Sweden

to help the citizen who is forced to invest into old age individually to find the best fitting product.<sup>2</sup> While *Riester*-pensions were explicitly created as an outsourced part of the public pension insurance, other additional and subsidised pensions, such as the *Rürup*-pension and the *Eichel*-pension (each called after the minister in charge) were introduced rather for self-employed or for the better-off. They are nonetheless sold to every customer, if they are willing to listen to the profit-oriented advisor who gains from each contract. There is a huge frustration especially among the younger employees about the lack of transparency and the over-challenge<sup>3</sup>, in particular after some scandals on advisor costs, administration costs and problems on the financial market (Eurobarometer 2007). As a matter of course, it is particularly the better-paid who can and do afford additional state subsidised pensions. To make *Riester* also attractive for lower and low paid employees, specific subsidies and regulations were introduced, for instance to offer incentives to employees with a so-called Mini-job. However, the minimum additional contribution of low income earners who work continuously in a full-time job amounts to € 30 per month for 30 years continuously, just to balance the losses of the 2001 reform (Schmähl et al. 2003: 7).

In fact, opportunities to build up ‘adequate’ old-age protection are different in Germany and in the Netherlands with their specific mix of various pension schemes. The institutional constellation works rather well in the Netherlands, it does not so in Germany. Differences in the design of partly outsourced and marketised pension provisions determine the degree of social protection of the various social citizens in the two countries. The differences hold for the following points: (1) the coverage of the population, (2) the kind of guarantees of the investments, (3) the marginalisation of some groups, and (4) the redistributive effects of this type of social protection.

Firstly, it is the coverage which differs in both countries. While in the Netherlands, nearly all employees are covered (cf. Frericks et al. 2006), in Germany, the coverage is still quite low. While German citizens increasingly see the need of additional investments for old age protection, they are not at all convinced by the product. This is due to the complex political and media discourse in public space, often dominated by experts accused for their conflicting interests (e.g DRV 2009) and to insurances and banks adopting a very offensive promotion strategy.

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<sup>2</sup> The statement of the ministry of work and social issues (BMAS) simply advises: “Get informed at your pension insurance or at your bank if you are satisfied with it, or ask to an insurance agent whom you trust. [...] Get independent information. The Journal ‘FINANZtest’ [...] gives advises”. (translation by author, BMAS 2009a. The independence of the journal’s advises might be challenged given the salesmen character of its articles.)

<sup>3</sup> So-called independent advisors go so far to present young employees calculations of investments needed to maintain only their current income level (taking inflation and so forth into account) saying that they need to invest at least half of their current net-income to the different “private” old-age products.

Secondly, the guarantees differ in the two countries. Although there is no financial guarantee given by the Dutch state for the level of additional pensions of third-pillar pensions, there is a highly regulated state supervision, supplemented with sanctions. In addition, customers are not as highly individualised as they are in Germany since it is the employer or the sector which offers the pension fund and the Life Course Savings Scheme, and in many cases also the third pillar individual schemes. In Germany, guarantees are given towards life-course risks, i.e. some of the certified products, chosen by the individual, cannot be reduced in case of receiving means-tested welfare benefits. The market risks, however, vary per policy and depend on the individual choice for more or less risky products.<sup>4</sup>

Thirdly, some groups of citizens are differently marginalised in the two additional pension designs. In the Netherlands, additional occupational pension provisions through pension funds, the Life Course Savings Scheme or state subsidised ‘third pillar investments’ are disadvantageous for low income earners and part-time employed. In particular, this disadvantage is due to the threshold for additional occupational pensions, called *Franchise* (Frericks et al. 2006), still applied by many pension funds. This threshold points to the level of wage, which must be superior the minimum income for building up pension entitlements financed by the employer and the employee. The introduction of this threshold was justified by the fact that any citizen has a right to a public people’s pension corresponding to the minimum income. And while this minimum income was reduced in the past two decade, employees with a limited wage (or working part-time) do not build up any pension entitlement in the second pillar. In Germany too, the lower paid employees are marginalised, as are those being less well-informed.

Fourthly, redistribution within the current pension design differs between the two countries. In the Netherlands, the better-off gain by tax incentives (Cox 2000), however, to a lesser degree since 2006. Redistribution measures hardly exist and pensions are assumed to be increasingly individualised (abolishing partners allowances et cetera). In Germany, it is all those disposed to invest (let’s say the well-paid and well-informed), as well as the non-working spouses (‘housewives’), families (child allowances), and the lowest paid; although the minimal amount of the own investment is, as a percentage for low wages rather high and therefore quite unrealistic.

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<sup>4</sup> The ministry simply states: „Independent of age one might say: Only someone who is willed to accept a higher risk for possibly higher returns should consider to invest in stocks, equity funds or a unit-linked life-insurance. Private pension schemes, endowment policies, bank savings plans, fixed-interest securities on the other hand are relative secure products of old-age provisions.” (translation by author, BMAS 2009b)

Indeed, only a small ratio of low income earners is participating in *Riester*-schemes (SOEP 2009, Bösch-Supran et al. 2008, Corneo et al. 2009).

4) The design of the combined pensions has an impact on the trust citizens have in their future pensions. As the Eurobarometer-data of 2007 show, Germans have very little trust in their future pensions while the Dutch are quite confident about their old-age financial situation. 72 per cent of the Germans (a bit more in the former East than in the former West) are not confident or rather not confident about the future of one's pension, against only 28 per cent of the Dutch. 66 per cent of the Dutch are very confident or rather confident about the future of one's pension (only the Finns and the Danes show even more trust into their future pensions) against only 25 per cent of the Germans, by far the lowest mark in EU 27 comparison (Eurobarometer 2007). There is also a slight difference in citizens' acceptance to help guaranteeing the financial sustainability of their pension system. The Dutch are, more than the Germans, willing to work longer for the sake of their pension system's sustainability (25 per cent of the Dutch, 16 per cent of the Germans) as well as to pay higher social security contributions (37 to 33 per cent). Here is not the place to discuss the reasons for these pessimistic respectively optimistic views; moreover, it is not the expertise of the authors to analyse the influence of media and political discourse on opinions. Fact is, firstly, that Germans distrust their pension systems much more than their western neighbours do. Secondly, they invest in the outsourced (and therefore necessary) semi-private pension scheme much less than the Dutch into private additional pension schemes. This is the case, even though the Dutch on average are already 'well' covered by the people's pension and the obligatory additional occupational pension.

To sum up, one might say that the Dutch combined pension design guarantees a high coverage (although benefits might differ tremendously between individuals), and participation in pension funds is almost universal for employees. This, of course, increases shared identities and interests, and, thereby, political power. The German combined pension design, on the contrary, creates a low coverage, low levels of trust into old-age pensions in total, very little collective consciousness and shared (positive) social identities. Therefore, and as a consequence of little transparency, there are hardly any interest groups and, consequently, little political power.<sup>5</sup>

## Conclusions

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<sup>5</sup> Interestingly, it is first and foremost Germany, which has the highest number of pensioners' parties in the European elections.

The design of the institutional constellation providing pensions for old-age security determines (1) to what degree social citizens, with all their differences, have the opportunity to build up 'adequate' pensions and (2) in how far citizens trust the combined pension system that increases or decreases the willingness to support the national pension system and, if necessary or desirable, to invest in additional old-age provision.

For working out, as announced in the part 'aims and methods', an overview and a categorisation of the characteristics of institutional constellations and their impact on different life-course ecologies, it is necessary to develop more in detail the integration between the life-course theory, the instituted economic process theory and the social citizenship theory. In this preliminary version, we limit ourselves to indicate some evident points of such a categorisation.

First of all, provisions for old age, in order to be adequate have to offer some basic guarantee or level of means, which should be above the poverty limit. This problem has been solved in the Netherlands with the public people's pension, corresponding to the level of minimum income. In Germany, there is at the moment no serious problem of poverty, however the reforms of the public pension scheme entailing substantial reductions in the future, might increase the fear that such a problem can arise in the future. In any case, many Germans don't trust individualised pension investments as a supplement to the assumed insecure public pension. This distrust into the institutional constellation of social protection creates a so-called savings trap of not investing at all and consequently ending up below "adequate" pension levels.

Secondly, it seems necessary that provisions for old age are structured and organised in a comprehensive way. Any pension system is very complicated, and it can only inspire trust when being instituted with the participation of collective actors. These might focus on labour related rights (such as unions, employers associations) or more in general on social citizen rights (the state), possibly participating in the management of the pension system and being involved in reforms of the system. These actors can help to create trust of the individual participants, whether they are employees and/or citizens.

Thirdly, contextual factors, such as a financial crisis, a recession, or a sudden significant political transformation, can entail serious problems for a pension system. According to the institutional set-up of country-specific pension systems, one can indicate the potential fault-lines of each system, which might be affected by one or the other of these contextual factors.

A more detailed elaboration of these points presupposes first some theoretical developments, which will be offered in a further version of this paper.

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