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Non-State Pensions and Distributive Justice**

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Review Article

Non-State Pensions and Distributive Justice

INGO BODE

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Hyde, M. and Dixon, J. (eds) (2010) *Comparing How Various Nations Administer Retirement Income: Essays on Social Security, Privatisation, and Inter-Generational Covenants*, Lewiston, NY: Edwin Mellen Press, 288 pages, ISBN13: 978-0-7734-3727-2

Introduction

To the extent that it has engaged with the philosophical debate on distributive justice, comparative social policy analysis has emphasised the importance of social solidarity. It is asserted that vast disparities in income and wealth are destructive of the mutual obligations that root the individual in the community. A fraternal society, we are told, requires statutory measures to circumscribe differentials in the distribution of material resources (Esping-Andersen, 1990; Korpi and Palme, 1994; Rothstein and Uslaner, 2005; De Deken *et al.*, 2006). According to a prominent architect of social policy as an academic discipline, publicly administered services and income transfer programmes should be regarded as “manifestations, first, of society's will to survive as an organic whole and, secondly, of the expressed wish of all people to assist the survival of some people” (Titmuss, 1976, p. 34). In particular, solidarity requires publicly administered services and income transfers that cohere around the principle of universality, which can be defined in terms of equality of treatment regarding access and benefit entitlements. Privately administered services and transfers, where access is determined in terms of the cash nexus, reinforce social divisions and are therefore fundamentally incapable of sustaining solidarity. The dominant normative paradigm in the comparative social policy literature, then, holds that there is a single model of pensions that is capable of realising egalitarian distributive ends, and that alternative models, particularly those that rely on private provision, should be rejected (Rein and Anderson, 2008). Hyde and Dixon's book takes issue with this argument, first by highlighting the range of normative ideals that can inform the design and evaluation of pensions, and second by illustrating the ways in which privately administered retirement schemes can address the concerns that are important to distributive justice.

A positive role for the private sector?

This is an exciting undertaking which is approached from a multi-disciplinary perspective, with a focus on the pension provision that exists in the space between the two worlds of private and state retirement systems. This intermediate sphere is rarely addressed by the wider literature dealing with retirement provision, either from an economic or from a social policy perspective. For this volume—which is well-written and easily accessible to the non-expert—the Editors have brought together scholars from far around the globe, all distinguished experts in the field, and each with an impressive record of academic experience that is highly relevant to the aims of the book.

A particular theme discussed throughout the volume is the role of non-market/non-state actors and agencies in the organisation and administration of pensions, which is an important issue both empirically and theoretically. A central premise of the book is that once we consider this role, we begin to understand that the private organisation of retirement provision (with “private” meaning that pension saving is devolved to non-statutory agencies running funded plans) does not necessarily result in the problematic outcomes that are commonly associated with free unregulated markets.

This volume includes several normative contributions which discuss questions of adequate retirement provision in a controversial manner. Eloquent written historical accounts of pension systems are included as well, shedding light on the inherent dynamics of systems that exhibit strong tendencies towards marketisation, past and present (the United States, the United Kingdom, and Chile), on the one hand; and of (long established or more recently established) multi-pillar systems in the European welfare states, on the other (Switzerland and Germany, for instance). Analyses of such dynamics are of particular value, as few scholars have tackled them thus far in a sophisticated way (but see Arza and Kohli, 2008; Bode, 2008).

While it could be suggested that any book which embraces contributions from a wide range of disciplinary perspectives, with distinctive and divergent methods of enquiry (such as the historical, the normative, the policy orientated) risks losing coherence, the multi-faceted character of this volume should be welcomed, as it provides a rich illumination of what is at stake when appraising the re-organisation of retirement provision throughout the Western world. The introductory chapter, authored by the two Editors, makes these stakes quite clear by setting the analytical frame to which the other contributors refer in the subsequent chapters. This is very useful, regardless of the overall normative character of their arguments, stressing the potential social, economic and democratic benefits of self-administered, funded, pension plans which they think score better than state pensions, particularly with regard to the “social dimension”—that is, the achievement of distributive justice and material equality.

This argument is explored and amplified more broadly in a further chapter contributed by the Editors.

The chapter by Shapiro, a prominent libertarian political philosopher, defends a certain kind of private pension provision from an ethical point of view, presenting a forceful—but well-structured—appraisal of privatised social security. Etzioni and Brodbeck take a different stance, arguing (from a communitarian perspective) that pension systems are embedded in a moral order which in their eyes requires the public organisation of retirement provision. The two chapters set the scene for the subsequent contributions, including those that confront their normative position with hard empirical facts—that is, problems and shortcomings regarding the real worlds of pension provision, including private or market-based systems. A particular merit of these chapters is their inclusion of an assessment of the complexity of regulated and mixed pension regimes, developed against a range of evaluation criteria. This pertains to the role of trades unions as market players (Hebb and Beeferman, with reference to the United States) or as political brokers of pension reform (as argued by Leisering with reference to Germany); or the role and impact of occupational pension plans (discussed in an international comparative way by Trampusch), with an eye on recent dynamics in the field—that is, the transition from final salary defined benefit (DB) schemes to defined contribution (DC) plans, which exposes eventual pension entitlements (more directly) to the volatility of financial markets (Ring, with reference to the United Kingdom; Mann, with reference to Australia, the United Kingdom and the United States). Finally, the readership is offered some fresh theoretical thinking concerning, for instance, the application of the “regulatory state” to the pension field (Leisering), and the appropriate sociological foundations of trust-building in the pension industry (Ring).

Given the richness and originality of the volume, and reflecting the themes running explicitly throughout the whole book, it represents an extremely valuable contribution to the current debate on the development and reform of pension systems. As the debate on (non-public) pensions (in particular) is often dominated by economists, a book tackling the issue by drawing upon insights from a range of scholarly disciplines, with an international focus, is certainly overdue.

Some concerns

Despite these merits, critics may identify some shortcomings. To begin with, the volume would have benefited from a re-arrangement of the chapters and a more clear-cut suborder, with a sound separation of normative issues, historical accounts, country reports, and theory-oriented chapters. In addition, a short concluding section on what the various chapters have brought to the fore (concerning the issues raised by the editors at the outset) would have helped readers make greater sense of the complex world of “intermediate” pension provision. In this conclusion, moreover, some reflections on the hard facts

provided throughout the book could have been scrutinized against the backdrop of the recent financial crisis which might have (had) an impact on those intermediate solutions the editors are proponents of (raising issues such as the decline of defined benefit schemes, the adverse consequences of financial markets for retiree welfare, and the rise of inequalities even where state regulation on private pensions is rather strong, etc). At the very least, a comparative chapter on the consequences of privatisation *so far* would have helped convince the readership of the overall (if sometimes implicit) argument in favour of a greater deal for non-state pensions.

In general, empirical developments of non-statutory pension schemes are poorly addressed by the volume. However, these would have been helpful for scrutinizing the soundness of the “intermediate solutions” defended by the editors and many other authors in this volume. Two examples have to suffice here. First, the book does not sufficiently take into account the erosion of those forms and elements of occupational pensions which are major cornerstones of the model defended by the editors (and some other contributors) (Meyer *et al.*, 2007). On an international scale, differentiated DC schemes, even when organised under a collective umbrella, seem ever more to carry the risk of undermining both collective stakeholder participation and pension security for the greatest number. This at least is a lesson to be drawn from the contributions about Chile, the U.S. and the UK. Hence, within the analytic framework set out in the introduction, the political economy dimension of the pension industry remains somehow in the dark, notwithstanding the huge body of scientific work devoted to it.

Secondly, greater attention could have been given to the issue of stakeholder participation in retirement provision. In many countries, labour unions are unlikely to be regarded by the public as “representative” stakeholders of social security institutions, and they often have not had a decisive influence on the design of existing private pension schemes, including those of recent origin. Rather, their political influence on the pension system has *diminished* overall, even though some try to make the best of the bad job of public pension retrenchment (this is the case of France and Germany, for instance). It should be acknowledged furthermore that (in these two and in some other countries) unions have been *associational* stakeholders of (pay-as-you-go) *public* pension schemes, too. Indeed, corporatist welfare regimes bear witness to the possibility that associational governance, in formal terms, can work well within a *public* pension framework guaranteed by the state. True, existing governance frameworks in state pensions arguably lack robust mechanisms for direct democratic participation, but is the private sector any better? Regardless of the importance that Hyde and Dixon’s new book assigns to the notion of stakeholder engagement with pensions, it provides little evidence of democratic participation in existing self- or co-administered private retirement schemes. Incidentally, given recent economic turmoil, these schemes may not be very keen to take a greater “democratic burden” on board – rather, the challenge consists of swift decision making in the

struggle against the vicissitudes of international financial markets. Overall, a plea for a greater role of associations in pension provision requires deeper analysis of the political sociology of civil society, and of its current dynamics.

Finally, there may be voices arguing that this volume engages uncritically with the complex *economic* debate around which pension scheme will eventually turn out to be the most sustainable against the background of demographic ageing. In view of recent financial crises and the wave of occupational pension schemes that have become insolvent, mainstream arguments from economics that present PAYG schemes as inherently unsustainable should not be taken for granted (as do some of the contributions to Hyde and Dixon's volume). The same applies to what is referred to in the book to as "intergenerational conflict" which is not given any sociological foundation. The allusion to the role of work incentives as a cornerstone of a sound organization of retirement provision (in the introduction) is similarly problematic. Against the evidence of growing labour market segmentation throughout the Western World, it would have made sense to better explore the inner (deferred wage) logics of employer contributions and the impact they may have concerning a greater differentiation of the worker status.

Conclusion

Of course, one sole book cannot deal with all these questions and queries in an elaborate way. The fact remains that there is scarcity of academic work on mixed pension systems, on institutions and organizations relevant to their regulation, and to ideas concerning issues of governance and interest intermediation. To have tackled these issues much more than others have done it before is not the least merit of the book. Above all, in a field of analysis that has been dominated by a "single model" of retirement provision, this book suggests convincingly that there are several models that are able to address the core concerns of distributive justice.

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