



The Pension Dilemma in Italy, Germany and Sweden – A Common Challenge, Different Outcomes

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Abstract: By taking a combined look at policymaking and policy performance, the aim of this thesis is to improve our understanding of how national pension systems have evolved and how welfare states react to the challenges of population ageing and fiscal stress – a problem which is referred to as the pension dilemma. On-the-ground outputs are assessed with a particular attention to redistribution across age groups and generations. The working hypothesis is that the burden of adjustment falls disproportionately on the young. While current and soon-to-be retirees have seen their pension rights largely unaffected, current labour market entrants will receive less in return for contributions paid, are more likely to experience career interruptions, and will, consequently, have more difficulties in obtaining full pension rights.

Apart from being important in its own right, the hypothesis serves to tease out similarities and differences between countries. A look at demographic trends, the composition of social spending, and the socio-economic status of the aged across the OECD, reveals that diversity dominates among advanced welfare states. Studying the evolution of pension policy in Italy, Germany and Sweden – which all have Bismarckian pension systems – we see, furthermore, that despite some similar policy responses, there is continued diversity with regard to how reforms are carried out and how these systems actually function. That is, trajectories continue to be separate even though institutional architectures are becoming more alike.

Going beyond the Bismarckian label, the Italian pension system is characterised as incoherent, the German as a classical and, finally, the Swedish as an egalitarian Bismarckian system. Even in the context of significant reforms, they continue to be distinct from each other, and the thesis offers an explanation of why we see this pattern of continued diversity. Most importantly, it is argued that we need to situate the pension systems in their proper context taking account of their different socio-economic and institutional starting points.

By studying the development of three modern pension systems over time, it becomes evident that previous policies form the most fundamental roadmap to new policies. Positive and negative policy feedbacks coexist. In some instances the cost of deviating from old principles renders certain policy options unfeasible (positive feedback). At other times they facilitate change through problems associated with old policy (negative feedback). Hence, actual policy output is more likely to be dictated by existing policies than exogenous shocks. If you begin with a more uniform and egalitarian system, the odds of reforming the system into a continued uniform and egalitarian system are rather good. By the same token, it is a difficult task to turn an incoherent and fragmented system into a coherent and uniform one. The effects of changes made to an incoherent system are much more difficult to predict. A classical

system will be somewhere in-between these two extremes.



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Mi Ah Schøyen graduated from the University of Edinburgh with a degree in Economics and Politics in 2004 and subsequently obtained an MA in Contemporary European Studies from Humboldt Universität zu Berlin and the University of Bath (2006) With financial support from the Norwegian Research Council she joined the EUI doctoral programme in 2006 and was awarded the degree of MRes in Political and Social Sciences the following year. During her PhD she also spent some time working as a research assistant for Professor Sven Steinmo and as an administrative assistant at the Academic Service, EUI. Furthermore, she represented the EUI research students on various university administrative and governing committees. Before starting her PhD she worked as a credit officer at BNP Paribas Oslo and as an intern at the mayor's office in Berlin-Mitte. Her research interests lie at the intersection of political science, sociology and economics and are particularly related to the welfare state, theories of institutional continuity and change and comparative political economy.