A comparative analysis of mandated private pension arrangements

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Abstract

Purpose – According to one influential set of arguments, the privatization of public pensions has been informed by neoliberalism, and has thus been an integral element of a broader program of welfare retrenchment, which is inconsistent with social cohesion. The paper aims to take issue with this negative characterization of pensions privatization.

Design/methodology/approach – The argument is illustrated by a cross-national comparative analysis of the principal design features of 32 mandated private pension arrangements.

Findings – The market orientation of mandated private pension arrangements is generally ambivalent. Whilst the architects of these arrangements have embraced market principles, they have also accepted the principle of collective responsibility for retirement futures.

Research limitations/implications – While design is an important indicator of the nature of pension schemes, it does not translate automatically into retirement outcomes.

Practical implications – Collective responsibility for retirement may be pursued through distinctive forms of privatization.

Originality/value – In contrast to the central argument of much of the literature, the privatization of public pensions has not universally or unambiguously been informed by the tenets of neoliberal political economy.

Keywords Pensions, Privatization, Responsibilities, Design, Social policy

Paper type Research paper

Although neo-classical economics has undoubtedly driven the global privatization reform agenda, it does not provide an adequate framework for the reform of retirement-income protection … when confronted with the challenge of income maintenance for those in retirement, policy makers must necessarily tackle strategically important, values laden questions. This requires them to engage in policy discourses that are informed by competing welfare ideologies (Dixon and Hyde, 2003, p. 1).

Introduction

According to one influential set of arguments, the privatization of pensions is an integral element of a broader program of welfare retrenchment, informed by...
neoliberalism, which has been designed to divest the state of its responsibility for securing public interest objectives with regard to retirement futures. This diminution of collective responsibility for social security is unacceptable, we are told, because it will intensify retiree poverty in years to come (Martin, 1993; Klein and Millar, 1995; Bonoli et al., 2000; Trampusch, 2007).

Building on a conceptual framework that was originally developed in an earlier volume of this journal (Dixon and Hyde, 2003), this paper takes issue with this negative characterization of pensions privatization. First, we describe in some detail the principal arguments of those who maintain that pension privatization has converged, globally, around the core assumptions and values of the neoliberal welfare reform model. This usefully contextualizes our own contribution. Second, we assess empirically the extent to which the architects of 32 mandated private pension arrangements[1] have engaged with market principles. The findings of this assessment are clear: a strong-market orientation, as expounded by neoliberalism, is not a universal or unambiguous feature of pensions privatization. This might suggest that privatization can be consistent with the principle of collective responsibility for retirement futures.

Neoliberal convergence?
The shift from public to private (non-state) pension administration, which is inherent in recent privatization reforms, has suggested to a number of observers that pension policy has converged around the precepts of the neoliberal welfare reform model (Martin, 1993; Klein and Millar, 1995; Bonoli et al., 2000; Piñera, 2001; Rowlingson, 2002; Trampusch, 2007). This argument rests on two assumptions.

The first is that pension privatization has been informed, ideologically, by the anti-collectivist values of neoliberal political economy (Bonoli et al., 2000; Piñera, 2001; Borzutsky, 2002). For Martin (1993, p. 6), the privatization of welfare, including pension provision, has been guided by a global neoliberal alliance of:

... economists ... the big banks and management consultancies; the World Bank and the IMF; regional financial institutions ... Their broadly shared outlook is that the free market knows best and the private sector does best.

However, this belief is not confined to those on the left of the ideological spectrum. Jose Piñera, the Minister responsible for the privatization of the Chilean pension system in 1981, describes how the precepts and principles of neoliberalism “provided our guiding vision:” indeed, the reform “was introduced as part of a coherent set of radical free market reforms,” creating “a political and cultural atmosphere more consistent with free markets and a free society” (Piñera, 2001, pp. 3-4). But what about those countries where pension provision has been privatized by governments of the centre-left? This does not, we are told, contradict the notion that privatization has been informed by neoliberal political economy. The problem with the rhetoric of neoliberalism in its pure form is its naked endorsement of intensified social inequalities, which creates political barriers to the implementation of market reforms. The solution, we are told, has been to “seal the victory of the market” by preserving “the placebo of a compassionate public authority,” but, at the same time, “extolling the compatibility of competition with solidarity.” Pension privatization is now “carefully surrounded with subsidiary concessions and softer rhetoric” in order to “kill off
opposition to neoliberal hegemony completely” (Anderson, 2000, p. 11). In this view, centre-left values are merely an “ideological shell” for neoliberalism, which is now “dominant in the assumptive worlds of policy-makers” (Bonoli et al., 2000, p. 2).

The second assumption underpinning the neoliberal convergence thesis is that pension privatization has been a part of a broader exercise in welfare retrenchment that has entailed a substantial and unambiguous shift away from “collective” to “individual” responsibility (Klein and Millar, 1995; Rowlingson, 2002). Collective responsibility may generally be defined as the assumption of obligations by a public authority to pursue ends that, arguably, cannot be achieved through private action alone. In terms of pension planning and provision, collective responsibility has been justified in terms of several distinctive normative principles, including need, citizenship and social justice (Hyde et al., 2007). This requires a:

... society working together for the good of the whole in a spirit which combines both altruism and self-interest. Individuals are taking collective responsibility for their welfare rather than individual responsibility (Rowlingson, 2002, p. 625).

Collective responsibility for social security has also been justified in terms of a particular assumption about human behavior when people are confronted with long-term risk and needs contingencies: “the maintenance of coherent beliefs and preferences is too demanding a task for limited minds” (Taylor-Gooby, 1998, p. 13). This diminished capacity for rational decision making is perhaps more evident in the area of retirement planning, where the connection between choices and outcomes may be obscured by the passage of time. A recent study of public attitudes regarding long-term saving, for example, found convincing evidence of deeply entrenched myopia, including a limited capacity to conceptualize and prepare for the future (Rowlingson, 2002). Typically, collective responsibility for the provision of retirement-benefits has taken the form of pay-as-you-go (PAYG) financed social insurance and tax financed social assistance programs.

In contrast, individual responsibility may be defined broadly as self-provisioning, or what Klein and Millar (1995) describe as “DIY [do-it-yourself] welfare,” a notion that rests on two sets of assumptions. The first is that individuals do have the capacity to act competently in the marketplace, which means that they are able to make suitable arrangements for their retirement (Friedman, 1999). This encompasses assumptions about: the motivation to be self-reliant; the cognitive capacity to consider retirement-income protection needs over the course of the life-cycle; the internal resources that are necessary to acquire relevant information to guide choices in pension markets; and the financial capacity to purchase retirement-income protection products. If we are to rely predominantly on individual responsibility to meet retirement-income needs, these capacities must be widely distributed (Rowlingson, 2002). The second set of assumptions concerns the capacity of the market to respond, effectively, to the decisions of purchasers (Friedman, 1999). Essentially, it is argued that self-regulated markets will, through the liberalization of market entry, maximize competition. By extension, this will promote choice and provide the corporate sector with the incentives necessary to be responsive to buyer preferences. Individual self-reliance will translate, axiomatically, but perhaps not immediately, into satisfactory market-led pension arrangements (Shapiro, 1998).
We are not concerned, here, with the veracity of these arguments, but with the sweeping assumption that pension privatization has, unambiguously and universally, entailed a shift away from collective to individual responsibility.

Is privatization market oriented?
Reflecting this concern, we turn to our quantitative assessment of the degree to which the design of mandated private pension arrangements is market orientated. Central to our approach is the distinction between “collective” and “market” orientations. A collective orientation is indicated by a high degree of collective responsibility for retirement futures, mediated through statutory rights and obligations. A market orientation, in contrast, entails a discernable reliance on market principles, such as freedom of choice, voluntary action and private pension industry self-regulation. Each national mandated private pension arrangement is judged in terms of eight dimensions of provision, and according to a four-point scale, ranging from a strong-collective orientation (score 1), through a weak-collective orientation (score 2) and a weak-market orientation (score 3), to a strong-market orientation (score 4). These dimensions were operationalized exclusively in terms of social security design features, thereby focusing on policy inputs, reflecting the aims and values of the architects of extant mandated private pension schemes, rather than policy outcomes or impacts. Our focus is entirely appropriate at the present time since a majority of the schemes under consideration are of recent origin. Outcomes will of course become a more salient issue when those who are affiliated to mandated private pension schemes begin to retire.

The dimensions of provision that were used to establish the degree of market orientation were determined, and operationalized, by circulating an extensive list of social security design features to members of an international panel of acknowledged experts on private pensions. Agreement was reached on the following eight dimensions, and their specific mode of operationalization: the social security objective[2] guiding a particular reform, the type of scheme[3] introduced, the type of provision for the uncovered[4], the coverage[5] of the mandated private arrangement, the financing[6] arrangements adopted, eligibility[7] conditions, the form of benefits[8] provided, and the governance[9] arrangements for ensuring that mandated private provision complies with the requirements of the public interest. It should be acknowledged, of course, that while design is the most important indicator of the nature of pension arrangements, retirement outcomes may be influenced by a range of contingencies (Hyde et al., 2007).

The market orientation of extant mandated private pension schemes
Table I presents our findings. On an aggregate basis, we judge the degree of market orientation, as a percentage of the maximum possible score, at 62 percent, which, across the eight dimensions, ranges from 46 percent – for the coverage dimension – to 77 percent – for type of scheme dimension. A strong-market orientation score was achieved on at least one dimension in 21 countries (65 percent of countries), while a strong-collective orientation score was achieved on at least one dimension in 22 countries (69 percent of countries). Those countries achieving a market-orientation score in excess of 62 percent were located predominantly in Latin America (ten countries) and Central and Eastern Europe (six countries), with Hong Kong, Papua New Guinea and Sweden being the other countries. Those achieving a
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Notes: 1 – Strong collective orientation; 2 – weak collective orientation; 3 – weak-market orientation; 4 – strong-market orientation
market-orientation score below 62 percent were located predominantly in Western Europe (six countries), as might be expected, and Central and Eastern Europe (four countries), with Australia, the Dominican Republic and South Korea being the other countries.

More specifically, our findings give rise to two propositions. First, the market orientation of the design of extant mandated private pension schemes is generally ambivalent. Those dimensions of provision that achieved the strongest market-orientation scores were as follows:

- **Type of scheme (average score 3.09, 77 percent)** Ten countries demonstrated a strong-market orientation, while only South Korea demonstrated a strong-collective orientation. This should not be surprising given the preponderance of defined-contribution provision (88 percent of schemes).

- **Governance (3.03, 76 percent)** About 14 countries demonstrated a strong-market orientation, while only six countries demonstrated a strong-collective orientation. The architects of mandated private pension schemes have generally taken the view that once approved, the scheme operators should be largely self-regulated, subject to the requirement that they conduct their affairs in a responsible and prudent manner.

- **Benefits (2.91, 73 percent)** About 15 countries demonstrated a strong-market orientation, while eight demonstrated a strong-collective orientation. Again, this is not surprising, given that the most common forms of benefits are annuities (93 percent of schemes), programmed withdrawals (64 percent of schemes), or lump sum payments (64 percent of schemes).

- **Social security objective (2.63, 66 percent)** Eight countries demonstrated a strong-market orientation, but no country demonstrated a strong-collective orientation. Indeed, a large minority of mandated private pension schemes have either replaced a public program (25 percent of schemes), or provide an alternative to a publicly administered program (16 percent of schemes).

When considered in isolation, these findings might suggest that there is a strong degree of correspondence between the design features of mandated private pension schemes and the tenets of neoliberalism (Rowlingson, 2002; Ginn, 2003). However, four dimensions achieved relatively low-market orientation scores:

1. **Coverage (1.84, 46 percent)** Only Hong Kong demonstrated a strong-market orientation, while ten countries demonstrated a strong-collective orientation. This reflects the prevalence of broad employment coverage, irrespective of implications for administration costs and profitability.

2. **Eligibility (1.97, 49 percent)** Only Sweden demonstrated a strong-market orientation, while 14 countries demonstrated a strong-collective orientation. This is due primarily to the widespread practice of permitting access to accrued benefit entitlements prior to retirement (97 percent of schemes), and, to a lesser extent, the adoption of early retirement provisions (63 percent of schemes). It also reflects the refusal of the architects of many schemes to adopt deferred retirement provisions.

3. **Finance (2.03, 51 percent)** No country demonstrated a strong-market orientation, while ten countries demonstrated a strong-collective orientation.
This reflects the willingness of most governments to demand that employers contribute towards the cost of their employees’ retirement-benefits (59 percent of schemes) and/or to subsidize those benefits themselves (75 percent of schemes), particularly with respect to the most disadvantaged scheme members.

(4) Provision for the uncovered (2.47, 62 percent) Only Papua New Guinea demonstrated a strong-market orientation, while only Iceland demonstrated a strong-collective orientation. This reflects the co-existence of publicly provided social insurance (50 percent of schemes) and social assistance (75 percent of schemes) as alternative forms of retirement-income support for those who are not covered by the mandated private arrangement.

Overall, then, it is clear that a strong-market orientation is not unambiguously reflected in the design of mandated private pension schemes. The view that pension privatization is, comprehensively, informed by neoliberalism is at variance with our empirical evidence.

Our second proposition is that the degree to which individual country-specific mandated private pension arrangements are market orientated is variable. It is clear that our findings regarding the distinctive approaches adopted by the 32 countries do not sit comfortably with recent assessments of the degree of collective responsibility that is inherent in national pension systems. Esping-Andersen’s (1990, p. 53) seminal appraisal, for example, places Australia’s retirement system at the foot of his decommodification ladder, reflecting a dominant historically entrenched “legacy of institutionalized liberalism.” Yet as Esping-Andersen has acknowledged, Australia has long had a relatively powerful labor movement, which has been reflected, *inter alia*, in the emphases of its mandated private pension arrangement, the Superannuation Guarantee (introduced in 1992), on vertical income redistribution (through employer-only contributions), broad employment focused coverage, and stakeholder engagement, with extensive trade union involvement in the administration of individual schemes. This places Australia at the bottom of our market-orientation ladder, with an average market-orientation score of 1.5, and a weak or strong collective-orientation score on seven dimensions of provision. According to our assessment, and those that have been developed elsewhere (Mann, 2002), the design of Australia’s mandated private pension arrangement is consistent with a high degree of collective responsibility for retirement futures.

Similarly, the French pension system has been ranked highly on Esping-Andersen’s decommodification scale, but it is not among his top performers, because it belongs to a group of countries “with a long historical legacy of conservative and/or Catholic reformism” which, although circumscribing the scope of market engagement, rely on “powerful social control devices such as a proven record of strong employment attachment or strong familial obligations” (Esping-Andersen, 1990, p. 53). Yet, according to our assessment, France is second only to Australia in terms of the degree to which the principle of collective responsibility has influenced the design of its mandated private pension arrangement, the complementary regimes (introduced in 1972), achieving an average market-orientation score of 1.75, and a weak or strong collective-orientation score on six dimensions of provision: social security objective, coverage, financing, eligibility, benefits and governance. This reflects, *inter alia*,
its emphasis on vertical income redistribution (through employer contributions), the provision of a public first-tier PAYG financed social insurance program for those who are covered by the second-tier mandated private arrangement, and a strong tradition of stakeholder engagement through social partner administration, reflecting the widespread perception of social security as “something which belongs to the world of employment rather than to the state” (Blackburn, 1999, p. 17; see also Conseil d'Orientaiton des Retraites, 2001; Hyde et al., 2003). Although the basic principles of operation are approved by the state, the state does not interfere in the management and financing of complimentary pension schemes. This contrasts with Esping-Andersen’s (1990, p. 51) characterization of the French approach as “etatist.”

According to one assessment (Segalman and Marsland, 1989, pp. x-xi), the Swiss approach to social security, including retirement-income protection, provides an exemplar of the neoliberal welfare reform model, towards which all Western European retirement systems should be converging:

... the Swiss have managed to avoid overblown state welfare, and in consequence have escaped the destructive penalties other Western countries have paid... The canker of welfare dependency, which elsewhere threatens general prosperity and democratic freedom, is absent.

Although the reliance on the private sector to administer the distinctive Swiss private second-tier pension arrangement, the *Berufliche Vorsorge* (introduced in 1985), might suggest a degree of correspondence with the tenets of neoliberalism, our assessment suggests that its architects have embraced, substantially, the principle of collective responsibility for retirement futures. This is reflected in an average market-orientation score of 2.1, and the attainment of a weak or strong collective-orientation score on five dimensions of provision: social security objective, type of scheme, financing, benefits and governance. Undoubtedly, these achievements reflect the absence of competition – employers must make provision for their own employees, who are thus denied the right of exit; the engagement of stakeholders in the administration of individual plans, through the requirement for each to appoint an audit committee, comprised equally of employer and employee representatives; the imposition of intrusive statutory regulation by the canton and federal supervisory authorities; substantial vertical income redistribution, as evidenced by joint and equal employer and employee contribution liabilities; and the provision of a highly redistributive, universal publicly administered social insurance safety-net – the *Alters- and Hinterlassenenversicherung* (Tschudi, 1989; Suter and Mathey, 2002). Not surprisingly, the Swiss mandated private pension arrangement occupies a position near the bottom of our market-orientation ladder.

It has been suggested that recent economic and social transitions in the countries of Central and Eastern Europe have been driven by the neoliberal reform model (Martin, 1993; Clarke, 2004). Reflecting on the experiences of Hungary, Ferge (2004, p. 16) acknowledges that public debate during the transition from communism to capitalism was influenced by a plurality of philosophical discourses, but each did not carry:

... the same weight. A slightly domesticated variant of the Neoliberal... orthodoxy seems to occupy a dominant place. It is espoused also by political parties which – on the basis of their name – belong to the political left. There is therefore practically no force which would tame
the interests enforcing individualism in the name of economic growth. This happens at the expense of solidaristic solutions, and breaks bonds within and between generations.

Taken at face value, this argument would suggest that Hungary’s defined-contribution mandated private pension arrangement, the Mandatory Private Pension Fund (introduced in 1998), should be at a point near the bottom of any decommodification scale, yet our assessment suggests that its design features endorse a significant degree of collective responsibility. This is reflected in an average market-orientation score of 2.38, and the attainment of a weak or strong collective-orientation score on five dimensions of provision: social security objective, coverage, financing, eligibility and benefits. This reflects, inter alia, the exclusion of commercial-for-profit organizations from the definition of those who may act as scheme operators, broad employment focused coverage, and the provision of a public first-tier PAYG financed social insurance program for those who are covered by the second-tier private arrangement (Augusztinovics et al., 2002). It may also be noted that the defined-contribution mandated private pension arrangements of Poland (introduced in 1999) and Slovenia (introduced in 2001) achieved low-market orientation scores (2.13 and 1.89, respectively). Clearly, all three countries have refused to accept the austere market-driven reforms that, we are told, have been thrust on the countries of Central and Eastern Europe.

In spite of a “promising start,” expressed in the strong degree of universality that characterized the design of its retirement system, the UK is placed near the bottom of Esping-Andersen’s (1990, p. 54) scale of decommodification, reflecting its status as an “incomplete” social democratic reform project: “Labor’s record of post-war power was too weak and interrupted to match the accomplishments of Scandinavia.” This is echoed by more recent assessments of the UK which have characterized its pension system as “neoliberal” (Ginn, 2003). In contrast, the UK’s mandated private pension arrangement (which is comprised of two elements: defined-benefit and defined-contribution occupational pension schemes – introduced in 1961 – and defined-contribution personal pension plans – introduced in 1988), is situated near the foot of our market-orientation ladder, reflecting an average market-orientation score of 2.00, and the attainment of a weak or strong collective-orientation score on five dimensions of provision: coverage, financing, eligibility, benefits and governance. This scoring is influenced, inter alia, by the UK’s emphasis on vertical income redistribution (through employer contributions), broad employment focused coverage, the provision of a public first-tier PAYG financed social insurance program, and extensive statutory requirements regarding fees and commissions, investment, marketing, insolvency and malfeasance (Ginn, 2003; Hyde et al., 2003). Clearly, the design of the UK’s approach is consistent with a significant degree of collective responsibility for retirement futures. This contrasts with the Swedish defined-contribution mandated private pension arrangement, the Premium Pension (introduced in 1999), which is placed in the top half of our market-orientation ladder, achieving an average market-orientation score of 2.63, and a weak or strong collective-orientation score on only 3D of provision: social security objective, coverage and financing (Government Offices of Sweden, 2001). This may surprise those who look back with nostalgia to the halcyon days of the Nordic welfare state, but times and circumstances have indeed moved on.

At the other end of the spectrum is, of course, Chile, which some have regarded as exemplifying the neoliberal approach to the privatization of pension provision.
It is perhaps not surprising that Chile’s defined-contribution mandated private pension arrangement (introduced in 1981) occupies a position near the top of our market-orientation ladder, reflecting an average market-orientation score of 2.88, and the attainment of a weak or strong market-orientation score on five dimensions of provision: social security objective, type of scheme, financing, benefits and governance. Still, Chile’s approach attains a weak or strong collective-orientation score on three dimensions: provision for the uncovered, coverage and eligibility, suggesting that it departs in significant ways from the precepts of neoliberalism.

Staying at this end of the spectrum, Hong Kong’s approach to economic and social policy has, heretofore, been characterized by a striking resemblance to the neoliberal welfare reform model. Although a British colony until 1997, the Hong Kong Government has been consistently hostile to social insurance programs of the kind embraced in Western Europe. Now, as a special administrative region of the People’s Republic of China, Hong Kong’s public authority has maintained its deeply entrenched commitment to the laissez-faire market governance tradition: “the Hong Kong government is more committed to nineteenth century policies of allowing the free play of market forces than is the case anywhere else in the world” (Miners, 1995, p. 470). This is clearly reflected in the design of its defined-contribution mandated private pension arrangement, the Mandatory Provident Fund (introduced in 2000), which is located near the top of our market-orientation ladder, reflecting an average market-orientation score of 3.0, and the attainment of a weak or strong market-orientation score on five dimensions of provision: type of scheme, provision for the uncovered, coverage, benefits and governance. However, the Hong Kong arrangement achieved a weak collective-orientation score on three dimensions, social security objective, financing and eligibility, reflecting, inter alia, a degree of vertical income redistribution, through the imposition of joint and equal employer and employee contribution liabilities, and the maintenance of a State Compensation Fund, should indemnity insurance be insufficient to accommodate benefit losses arising from fraud and malfeasance (Ngan et al., 2001). This clearly frustrates any attempt to characterize Hong Kong’s mandated private pension arrangement, unambiguously, as a variant of the neoliberal welfare reform model.

Overall, then, our assessment of individual countries is clear. The degree to which the design of extant mandated private pension arrangements is market oriented is variable, with some demonstrating a relatively high degree of collective responsibility. The argument that pension privatization has been informed by the market-oriented principles of neoliberalism is not supported.

**Conclusion**

It follows from our analysis that the belief that privatization is inconsistent with the principle of collective responsibility for needs satisfaction should not necessarily be regarded as an insurmountable obstacle to such reform. Indeed, the case for some acceptable public-interest-sensitive form of privatization is compelling. It is now widely accepted that pension arrangements that rely predominantly on PAYG financing are, in the long term, unsustainable (Hyde et al., 2004). Publicly administered pension arrangements are characterized by a strong degree of “political risk,” because the contract between the state and the individual that is implicit in such provision may
be changed arbitrarily, without notice, to the detriment of scheme members. It is clear, of course, that those who are covered by publicly administered pension arrangements are provided with few, if any, opportunities to engage in decision making regarding scheme design and administration (Papadikis and Taylor Gooby, 1897). Reflecting these problems, a number of recent attitude surveys have suggested that public pension arrangements have failed to sustain the trust of national publics (Hyde et al., 2007). However, it is not clear that this may be addressed to the satisfaction of the public by merely reforming state pension systems. According to recent attitude surveys (Forma and Kangas, 1999), national publics increasingly endorse regulated forms of private mandatory pension provision, where the risk of market failure is minimized. This is a view that is shared by a growing number of national governments, as we have seen, and by international agencies engaged in the reform of social security. Instead of rejecting any and all forms of privatization, we believe that pension analysts of all intellectual and ideological hues should engage with this growing consensus, thereby developing arguments for public-interest-sensitive privatization that accords with the collectivist social justice aims of an inclusive society.

Notes

1. We are concerned with a specific form of privatization, where statutory measures have been adopted to give a role to the private (non-state) sector in the administration of mandatory pension schemes: specified individuals are required by law to join a private-pension plan, operating within the framework of a state-mandated private-pension scheme, instead of, or in addition to, participating in a publicly administered program. This approach, which may encompass first- and second-tier provision, may be distinguished from “privatization-by-stealth,” where the retrenchment of publicly administered provision creates a “social protection gap,” which encourages individuals to voluntarily affiliate to a third-tier private-pension scheme (Bonoli et al., 2000).

2. The degree of market orientation was judged as follows: a strong-collective orientation, where there is only public provision of retirement-income protection (score 1); a weak-collective orientation, where private provision compliments public provision (score 2); a weak-market orientation, where private provision is an alternative to public provision (score 3); and a strong-market orientation, where private provision replaces public provision (score 4).

3. The degree of market orientation was judged as follows: a strong-collective orientation, where there are occupational defined-contribution and/or defined-benefit schemes, or employer-financed defined-contribution schemes (score 2); a weak-market orientation, where there are personal and/or occupational defined-contribution and/or defined-benefit schemes (score 3); and a strong-market orientation, where there is only personal defined-contribution provision (score 4).

4. The degree of market orientation was judged as follows: a strong-collective orientation, where the uncovered are eligible for public social allowances (score 1); a weak-collective orientation, where the uncovered are eligible for public social insurance (score 2); a weak-market orientation, where the uncovered are only eligible for public social assistance (score 3); and a strong-market orientation, where the uncovered are only able to make voluntary provision in the absence of any public retirement-income protection provision (score 4).
5. The degree of market orientation was judged as follows: a strong-collective orientation, where coverage extends beyond all employees and the self-employed to include other population categories (score 1); a weak-collective orientation, where most employees and the self-employed are covered, and where at least one-third of the following employee categories are exempted – temporary employees, casual employees, part-time employees, guest employees, limited contract employees, contract employees, domestic servants, employees over the retirement-age, and low-income employees (score 2); a weak-market orientation, where specific categories of private-sector employers are exempt, where the self-employed only have voluntary access, and where at least one-third of the following employee categories are exempted – temporary employees, casual employees, part-time employees, guest employees, limited contract employees, contract employees, domestic servants, employees over the retirement-age, and low-income employees (score 3); and a strong-market orientation, where an income ceiling is imposed for benefit or contribution purposes (score 4).

6. The degree of market orientation was judged as follows: a strong-collective orientation, where benefits are financed by employers only, where joint employer-employee contributions are centrally collected, where there is partial funding or PAYG financing, and where government subsidies apply (score 1); a weak-collective orientation, where retirement-benefits are fully funded by joint employer and employee contributions, or where government subsidies apply (score 2); a weak-market orientation, where retirement-benefits are fully funded by employee contributions only, and where employee contributions are centrally collected, or where government subsidies apply (score 3); and a strong-market orientation, where retirement-benefits are fully funded by employee contributions only, where employee contributions are collected by pension funds, and where there are no government subsidies available (score 4).

7. The degree of market orientation was judged as follows: a strong-collective orientation, where eligibility conditions permit no deferred retirement, early retirement, gender discrimination, or payment of pre-retirement-benefits (score 1); a weak-collective orientation, where eligibility conditions permit deferred and/or early retirement, and specify pre-retirement withdrawal contingencies (for defined-contribution schemes) (score 2); a weak-market orientation, where eligibility conditions specify pre-retirement withdrawal contingencies (for defined-contribution schemes), and permit deferred retirement (score 3); and a strong-market orientation, where eligibility conditions permit no early retirement, but permit deferred retirement, and specify no pre-retirement withdrawal contingencies (for defined-contribution schemes) (score 4).

8. The degree of market orientation was judged as follows: a strong-collective orientation, where only earning-related pensions are paid (score 1); a weak-collective orientation, where retirement-benefits are determined by pension points, and where mandatory supplementary benefits are provided (score 2); a weak-market orientation, where retirement-benefits take the form of mandatory annuities or programmed withdrawals (score 3); and a strong-market orientation, where retirement-benefits are a matter of choice, or where combinations of benefit forms are permitted (score 4).

9. The degree of market orientation was judged as follows: a strong-collective orientation, where a statutory monopoly has been granted to a non-profit organization, or where at least one-third of following have been adopted – competition measures, statutory rights, trust accounts, a cap on commissions and charges, stakeholder representation on regulatory agency boards, a public appeals process, government-sponsored pension funds, government underwriting in the event of insolvency and mandatory investment requirements (score 1); a weak-collective orientation, where at least one-third of following have been adopted – competition measures, statutory rights, employee or trade union representation on regulatory agency boards, mandatory disclosure of commissions and charges, pension funds sponsored by trade unions or social partners, industry, government or insurance guarantees
in the event of insolvency and prohibited or restricted investments (score 2); a weak-market orientation, where at least one-third of following have been adopted – statutory rights, industry representation on regulatory agency boards, pension fund guarantees in the event of insolvency, prohibited or restricted investments (score 3); and a strong-market orientation, where at least one-third of following have been adopted – pension funds must have acceptable financial, corporate governance and ownership structures, no statutory rights are granted, there are no mandatory investment requirements and there is no public appeals process (score 4).

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