

Partisan Politics in the Long Shadow of the Golden Age: The Case of Pension Reforms in Sweden and Britain

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1. Introduction

In their state-of-the-art article *Rethinking Party Politics and the Welfare State*, Häusermann et al. (2013) identify different strands of welfare state research which have recently advanced partisan theory. Amongst other things, they highlight studies that emphasize “the role of context, notably electoral institutions, party competition and the configuration of party systems” (Häusermann et al. 2013, p. 221). However, one crucial part of the context in which parties operate is missing in this list, namely the institutional context of the welfare state itself. Based on the historical-institutionalist insight that policies often shape politics, the way welfare institutions structure partisan conflicts definitely deserves more scrutiny. Welfare institutions are of particular interest, as they are generally themselves the result of past political conflicts, thus adding a temporal dimension to the analytical perspective.

In this paper, I try to make a first step toward a historical-institutionalist framework to analyze the partisan politics of the welfare state. The framework emphasizes the mutual interaction of political parties and welfare institutions over time. On the one hand, partisan conflict patterns are shaped by established welfare institutions. This means that different institutional designs lead to different partisan conflicts, i.e. if and especially *how* parties matter differs considerably across welfare states. Since welfare state research assumes that individual welfare states and programs can be grouped along the lines of welfare regimes on the macro- and meso-level, the role of partisanship should be similar across welfare states belonging to the same regime type, leading to *regime-specific partisan effects*. On the other hand, welfare institutions and regimes are themselves the product of previous political conflicts and the resulting policies. From this follows that contemporary partisan battles are fought in the long shadow of reforms of the past. The welfare institutions structuring contemporary partisan conflict patterns are thus often themselves the result of previous partisan effects which have become institutionalized, i.e. political parties are constrained by *institutional partisan effects*.

Although applicable to all kinds of welfare programs, pensions promise to be a particularly well suited welfare program to illustrate the strengths of the framework. Pension systems are generally assumed to be highly path dependent, which is why they possess a high potential

for institutionalized partisan effects. The empirical analysis will concentrate on Sweden and Britain, two countries that, concerning their pension systems, started from similar starting points in the 1950s, but followed different trajectories thereafter. The contextual comparison will demonstrate how the diverging results of the ideological battles at critical junctures in the golden age shape Swedish and British pension politics until the present day. By putting partisan politics in context and time, the case studies will also help to solve some empirical puzzles, e.g. the observation that an expansion of private pensions was opposed by the Swedish Social Democrats but promoted by the Labour Party in Britain.

The paper is structured as follows: After discussing the core assumptions and limits of classical partisan theory (Section 2), I will outline an historical-institutional perspective on the partisan politics of welfare state in the two subsequent sections. Section 3 is dedicated to the structuring role of welfare institutions on partisan effects, while Section 4 discusses the partisan origins of welfare institutions. The framework is then illustrated on the basis of pension politics in Sweden and Britain (Section 5). The final section offers some concluding remarks about the further application of the presented framework.

2. Classical Partisan Theory and Its Limits

According to traditional partisan theory in its most basic, dichotomous form, the welfare policies of left-wing parties differ considerably from the policies pursued by right-wing parties, with the former being more generous and preferring higher social spending. At the bottom of this is a demand-side argument as well as a – less common – supply-side argument. Most proponents of partisan theory argue that parties make a difference because they design social policies in a way that meets the demands of their constituencies, with voters of left-wing parties generally favoring a stronger welfare state than right-wing voters (Castles 1982; Hibbs 1977; Schmidt 1996).¹ An alternative explanation puts a stronger emphasis on ideologies by claiming that a party's members share distinctive values and ideological convictions which separate them from members of other parties (Bandau 2015, pp. 35–40). Based on those values, parties offer distinct policy programs to voters which they try to implement if elected to office. This perspective is connected to the concept of party families whose labels mirror the affiliated parties' ideological origins and standpoints (Mair, Mudde 1998) Using the concept of party families, the key claim of classical partisan theory is that

¹ A more sophisticated version of this demand side argument takes post-industrial classes as well as different kinds of left-wing and right-wing parties into account (Häusermann 2010).

parties of the same color will, given their dependence on similar electorates and shared ideological convictions, generally pursue similar policies across Western welfare states.

Empirically, partisan theory has been put to the test in a large amount of cross-country studies, using mostly quantitative methods. While government partisanship has been shown to be a major factor in the golden age of the welfare state, partisan theory seems to have lost a lot of its explanatory power in the subsequent era of permanent austerity, especially regarding social spending (see the meta-study by Bandau 2017). A theoretical explanation for this finding is offered by the ‘new politics school’ which claims that permanent fiscal pressure on popular welfare programs turns politics into a game of blame avoidance (Pierson 1996, 1998). Under these conditions, the persistence of partisan effects is highly conditional on the institutional context. At the center of this strand of research are political institutions like electoral systems, party systems and broader configurations of partisan competition which substantially influence the policy latitude of office-oriented parties (Green-Pedersen 2001; Iversen, Soskice 2006; Kitschelt 2001).

While the impact of the political-institutional context on partisanship has been studied quite extensively and thus offered valuable insights, another crucial part of the institutional context of partisan politics, the welfare state itself, has gotten much less attention. This is a bit surprising, since proponents of the new politics school stress the constraining role of mature welfare programs on political actors who want to retrench the welfare state (Pierson 1994). More generally, historical-institutionalists have pointed to the mutual interaction of political actors and welfare institutions. On the one hand, existing welfare institutions structure politics by affecting the preferences of voters and political elites as well as the resources interest groups (Rothstein, Steinmo 2002b; Steinmo et al. 1992). On the other hand, welfare institutions are themselves the result of past reforms by more or less farsighted political actors (e.g. Jacobs 2010; Rothstein 1992). But though numerous empirical studies on all kinds of welfare programs have demonstrated that welfare institutions shape political actors’ preferences and vice versa, the wider implications for partisan theory have been rarely made explicit.

This paper fills this void by showing that historical-institutionalist insights have substantial consequences for the study of partisan politics and the welfare state. First, they cast a massive doubt on classical partisan theory’s search for uniform partisan effects across countries. Instead, this perspective calls for an analytical framework that is sensitive to differing partisan conflicts across advanced welfare states. Second, it adds a temporal dimension to partisan theory by stressing the partisan origins of many welfare institutions.

Consequently, a historical-institutionalist approach to the partisan politics of the welfare state has to put those politics in context and time. Building on recent work by Bandau (2015), Busemeyer (2015), Garritzmann (2016), I will outline a general historical-institutionalist framework by first making an argument for regime-specific instead of uniform partisan effects and by then turning to the partisan origins of welfare regimes.

3. Putting Partisan Politics in Context

In contrast to classical partisan theory, I start from the premise that it is not enough to know the position of a party on the left-right-scale respectively its party-family affiliation to hypothesize its preferences on social policy issues. Rather, the welfare context in which political parties operate has to be taken into account, as it structures partisan politics and reduces the policy options available to policy makers.

Established welfare institutions work as filters as well as constraints on political actors. First of all, welfare programs function as a kind of filter, i.e. the fact that advanced welfare states are faced with similar socioeconomic changes does not mean that those changes are automatically translated into similar problems (Rothstein, Steinmo 2002a). Rather, the specific nature of problems will vary considerably across countries with different welfare structures. Additionally and connected to the first point, welfare institutions substantially limit the number of realistic policy options available to political parties due to policy feedback. Political parties are affected by this policy feedback in three ways (Pierson 1993, 2000). First, welfare programs alter the preferences of voters which have to be taken into account by all parties interested in gaining political power. Second, the introduction of welfare programs often creates or strengthens interest groups whose support is later on needed to successfully implement reforms. Finally, due to the complexity and opacity of politics policy makers will strongly rely on the design of established welfare programs and generally prefer incremental over radical change. Political parties of all colors will be more or less affected by this normative kind of policy feedback. Taken together, the formative as well as the constraining effects of welfare institutions have a deep impact on partisan politics. Consequently, the *strength* of partisan effects but also the very *nature* of partisan effects will differ substantially among countries in which welfare institutions are designed differently.

Since each country is in a way unique in its design of the welfare state, this raises the question of how to cope with this institutional diversity without completely sacrificing partisan theory's claim to provide general insights on the role of partisanship across welfare states. Although there are no two welfare states that are completely alike, welfare state

research shows that individual welfare states can, based on particular properties, be grouped into welfare regimes. The most prominent welfare regime typology comes, as is well-known, from Gøsta Esping-Andersen (1990). According to Esping-Andersen, whose three worlds of welfare capitalism have been challenged, tested and expanded by numerous authors (see Arts, Gelissen 2002; Ferragina, Seeleib-Kaiser 2011), Western welfare states cluster along the lines of decommodification and stratification, which result from regime-specific institutional features like the prevalence of social insurance or means-tested programs (Esping-Andersen 1990, pp. 26–29). Based on the theoretical argument, parties' policy preferences should differ substantially between the three welfare regimes as parties are faced with quite different institutional starting points and problems. For instance, social democrats in a liberal welfare state like the United Kingdom may see the expansion of means-tested programs as the most viable way to tackle poverty, whereas their counterparts in a social democratic welfare state like Sweden may fight conservative initiatives to expand means-testing, in order to preserve the universalism of existing welfare arrangements.

While Esping Andersen's three worlds – or the similar popular and even broader varieties-of-capitalism typology (Hall, Soskice 2001) – offer a natural option to capture the welfare context in which parties operate, doing so will in many cases be problematic. The reason is that most welfare states are not homogeneous units but consist of individual programs on pensions, health care, unemployment benefits, and so on. Those programs not only follow different functional logics but their institutional design is often at odds with the guiding principles of the welfare state as a whole. This is demonstrated by the fact that the decommodification scores on pensions, sickness and unemployment insurance are far from consistent for many countries (Esping-Andersen 1990, p. 50). A comparison of Britain and the United States, two countries from Esping-Andersen's liberal world, highlights the heterogeneity of national welfare states: Concerning health care, the British National Health Service, which provides free services based on social citizenship, resembles the social democratic model, whereas the United States, at least prior to 'Obamacare', represents the standard case of a liberal, voluntary health care system (Giaino, Manow 1999). A different picture emerges when we turn to pensions. Here, the US have Social Security, a PAYG system dating back to the 1930s, while a similar system was not introduced in Britain until the end of the 1970s (Myles, Pierson 2001).

The main lesson for our framework is that an analysis of *regime-specific partisan effects* will often require leaving the macro-level of the welfare regime and turning to the meso-level of the policy domain of interest, i.e. health care, pensions, labor market policy, and so on.

Welfare state research provides us with a number of – sometimes competing – regime typologies on this level (see Tab. 1). According to the theoretical argument, emerging problems, policy constraints as well as the connected partisan conflict patterns should be similar among countries belonging to the same regime type of the relevant policy domain but differ among countries belonging to different regimes. For instance, policy issues and partisan conflicts are expected to differ considerably among welfare states with a national health service on the one side and welfare states with a private health insurance system on the other. The same should apply to Beveridge and Bismarck countries when it comes to pensions. In short, partisan effects will not disappear but take a different form across regime types on the meso-level.

- Table 1 -

4. Putting Politics in Time: The Partisan Origins of Welfare Institutions

Thus far, I have highlighted the impact of welfare institutions on partisan politics. But appreciating the impact of welfare regimes on partisan politics leads directly to another question: What role did political parties play in the formation of welfare regimes on the macro- as well as the meso-level? In other words, a comprehensive historical-institutionalist framework of the partisan politics of the welfare state cannot stop with contemporary partisan effects but has also to deal with the partisan origins of welfare institutions.

In order to integrate the partisan origins of welfare regimes into our framework, it makes sense to return to Esping-Andersen's three worlds. Esping-Andersen's regime typology is rooted in power resource theory, according to which social institutions are always the result of social and political conflicts:

“Social institutions [...] can thus be seen as outcomes of recurrent conflicts of interest, where the parties concerned have invested their power resources in order to secure favourable outcomes. Such institutions thus need not be viewed as neutral or objective arrangements for conflict resolution. Instead, the ways in which they were created and function reflect the distribution of power in society“ (Korpi 1983, p. 19).

Based on this logic, Esping-Andersen emphasizes the role of social classes for the creation and design of welfare institutions. Since welfare programs have to be created through legislative action, political parties as representatives of social classes played a crucial role in this process. Esping-Andersen (1990, pp. 105–143) shows that the strength of social democratic, confessional and secular conservative parties was an important factor in the

formation of welfare regimes. The fitting between party ideology and the design of the welfare state is strongest when a party was able to gain a hegemonic position within the political system. This is illustrated by the Swedish case, where social democratic hegemony fostered the social democratic welfare state per se (Esping-Andersen 1985; Huber, Stephens 2001, pp. 117–131). In other places like Germany, where parties like the Christian democrats were able to become the ‘natural party of government’ but had to share power with social democrats, results regarding the design of the welfare state were more mixed (Huber, Stephens 2001, pp. 146–156). The crucial point is that the permanent or at least frequent control of government gave certain parties a huge influence on the design of welfare institutions.

But parties may have been able to have a long-lasting impact, even if they do not hold a hegemonic position. This is mainly due to the existence of critical junctures which can be defined as “relatively short periods of time during which there is a substantially heightened probability that agents’ choices will affect the outcome of interest” suggesting that “their choices during the critical juncture trigger a path-dependent process that constraints future choices” (Capoccia, Kelemen 2007, p. 348). Applying this concept to welfare state development, we have to look for historical moments where political parties had the opportunity to implement far-reaching welfare reforms. In general, critical junctures often arise during or in the aftermath of economic and political crises. Concerning the development of Western welfare states, the postwar years have proven to be a period of major reforms which have shaped many welfare programs until the present day (Busemeyer 2015, pp. 51–53; Esping-Andersen 1990, pp. 31–32; Huber, Stephens 2001, pp. 113–201). While many of the welfare reforms of this period have been the result of political compromises including all major parties, other reforms have come after bitter conflicts between left-wing and right-wing parties. Such partisan reforms at critical junctures may be one important reason for the deviation of individual welfare programs from the regime type at the macro-level.

Returning to the regime-specific partisan conflicts of our time, we can now see that contemporary partisan battles are fought in the long shadow of reforms of the past, many of them dating back to the postwar years or even further. The welfare institutions structuring contemporary partisan conflict patterns are often themselves the result of previous partisan effects which have become institutionalized, i.e. today’s political parties are constrained by *institutional partisan effects* of the past.

5. Applying the Framework: The Case of Pension Reforms in Sweden and Britain

As Table 1 demonstrates, the outlined framework can be applied to almost every policy domain of the welfare state. Furthermore, by using a mixed methods design that combines quantitative analyses with case studies it is possible to cover a substantial number of welfare states and thus provide some general insights on regime-specific partisan effects (see Conclusion). The scope of my own empirical application is more limited in the sense that I will concentrate on pension politics in two countries, Sweden and Britain. Comparing those two cases allows for a perfect illustration of the strengths of the outlined historical-institutionalist framework, as both countries started from similar starting points in the 1950s but followed different trajectories thereafter (Ebbinghaus, Gronwald 2011; Hinrichs 2000). The process-oriented analysis not only demonstrates how the regime-specific partisan effects of today are shaped by ideological battles of the golden age but also reveals how policy makers, often intentionally, reduced the future policy options available to their political opponents.

5.1 At the Crossroads: The Struggle for Earnings-Related State Pensions

Concerning the pension systems of the early 1950s, Sweden as well as Britain can be classified as Beveridge countries (cf. Tab. 1). The Beveridge model is characterized by universal, tax- or contribution-financed basic pensions. Flat-rate insurance benefits (and if necessary supplementary means-tested benefits) are intended to guarantee all pensioners an income above the subsistence level (Hinrichs 2000, pp. 356–360). In order to maintain their living standard in old age, employees are dependent on additional occupational or personal pensions. Because most blue-collar workers were excluded from those schemes in Sweden and Britain in the early 1950s, pressures for pension reforms rose (Heclo 1974, pp. 232–239, 259–263). Though politicians of all parties were confronted with this problem, the reform pressure was especially felt by the parliamentary representatives of the working class, the social democrats: “We are developing two classes in our society; a class dependent on the national pension and more and more National Assistance, and another class gaining from private superannuated schemes” (Labour Party 1957: 107). The late 1950s marked a critical juncture in both countries, as social democratic reform proposals for earnings-related state pensions faced the bitter opposition of right-wing parties.

In Sweden, the partisan conflict on pension reform is best illustrated by the parties’ proposals formulated in the face of a public referendum on superannuation held in 1957 (see Heclo 1974, pp. 228–253; Molin 1965). The Swedish Social Democratic Party (SAP)

proposed the introduction of a compulsory, earnings-related state pension (ATP) financed by employer contributions on a PAYG basis. Initial financial surpluses of the ATP system should be administered by state funds (AP funds). This proposal was vigorously opposed by the three bourgeois parties, which favored the expansion of funded pensions but where on their part split on the issue.² The referendum did not yield the hoped-for unambiguous result³ and a pension bill introduced by the SAP minority government after the referendum was blocked by the bourgeois parliamentary majority.

The conflict culminated in 1959. The newly elected Riksdag saw a stalemate between the SAP and the communist Left Party on the one side, and the bourgeois parties on the other. Thus, the SAP government's pension proposal seemed again doomed to fail. But in this tense situation, one Liberal renegade made all the difference.⁴ His abstention was enough to push the bill through parliament and to introduce the ATP pension in 1960. But the fight was not over yet. In the 1960 election campaign, the bourgeois parties promised to modify (Liberals) or abolish (Conservatives) the newly introduced ATP system in case of a victory. As the ATP system was still in its infant state, its abolishment was still feasible at that time. But the SAP's clear electoral success in 1960 blocked such efforts and meant that the ATP system started to mature. Due to the well-known 'double payment problem', i.e. the problem that a shift from PAYG to funded pensions means that current workers will have to pay for retired people and save for themselves at the same time, the dismantling of the ATP system became more difficult with each year, as more and more people became entitled to ATP benefits. In short, the Swedish Social Democrats had finally succeeded.

The way the policy feedback triggered by the social democratic ATP reform constrained the right-wing parties on pensions is illustrated by the next big reform debate in the 1990s. At that time, the number of ATP recipients had risen to more than 1.2 million (see Fig. 1), making a switch to a funded system nearly impossible. Thus, a working group including members of the bourgeois parties concluded:

“[T]he most important argument for organizing the pension system as a mandatory, state run system is that the present general pension system is mandatory. The premises made within the framework of the current system

² The Conservatives and the Liberals advocated an expansion of occupational pensions through collective contracts. Pension funds would be administered by the companies. A third proposal, supported by the Farmers' Party, advocated a substantial increase of the basic pension and an expansion of occupational pensions through private agreements.

³ While the SAP emphasized that its proposal gained the strongest support (45.8%), the bourgeois parties pointed out that a majority of voters (50.3%) had voted for one of their proposals and thus against the introduction of an earnings-related state pension.

⁴ Coming from a working-class background, the Liberal Ture Königson later on justified his decision on the basis that he could not vote against a proposal that was so beneficial to workers.

must be kept. It is therefore impossible to replace the current system with an entirely voluntary system at a certain date” (Ds 1992:89 quoted in Green-Pedersen, Lindbom 2006, p. 251).

What made things worse for right-wingers is that the great majority of the Swedish population at that time supported a public pension system financed by taxes and contributions (Svallfors 2011, pp. 810–813), indicating that the ATP system also generated strong normative support. In short, demands for replacing the ATP system with a funded system would have been political suicide. In terms of institutional partisan effects, the bourgeois parties’ grudging acceptance of the mandatory, state-run system in the reform negotiations of the 1990s must be seen as a late result of the SAP’s victory in the late 1950s.

- Figure 1 -

In Britain, the partisan struggle for an earnings-related state pension took a different turn. In 1957, the Labour Party presented its reform plan for ‘National Superannuation’. The similarities to the SAP’s proposal are obvious. Labour aimed at securing 50 percent of workers’ former income by introducing an earnings-related state pension based on PAYG-financing. Like in Sweden, the British Conservatives strictly opposed this plan and answered with their own reform proposal. Their plan also promised a public earnings-related pension scheme, but merely by name. The state pension proposed by the Tories was not only less generous, but it also excluded high-income earners. Moreover, in order to strengthen private pension provision, employers were provided with the option to contract out of the state scheme (O’Higgins 1986, pp. 111–112; Timmins 2001, pp. 195–196). In other words, the Conservatives’ proposal was deliberately designed to prevent a strong state pension and protect insurance companies.

While things look quite familiar up to this point, this is where the British case deviates: Labour lost the 1959 election and the Conservatives were able to implement their plan. As noted by a number of observers, the reform came at a crucial moment concerning the future development of the British pension system, since the feedback effects of the Beveridge system started to kick in thereafter:

“Occupational pensions by now already covered a third or more of the work-force, and many employers were considering introducing, upgrading or expanding schemes. This did, then, probably represent the last practical moment at which a state earnings-related pension scheme could have wiped out the bulk of demand for private provision in Britain” (Hannah 1986, p. 56).

“The most propitious time to implement any change was arguably in the 1950s when there may have been enough flexibility to ease the path of new legislation. Thereafter, the feedback effects generated by the Beveridge model gathered momentum” (Fawcett 1996, p. 23).

The reform not only averted the crowding out of funded pensions by a strong state pension but the option of crowding out of the state scheme strengthened private pensions even further. Thus, the share of the workforce covered by occupational pensions rose from 34 percent in 1956 to 50 percent in 1967 (O'Higgins 1986, p. 110). The records show that this is what the Minister of Pensions at that time, John Boyd-Carpenter, had hoped for:

“The introduction of a wage-related system provided an opportunity to stimulate the development of pension schemes in the private sector. The instrument for this was the right to ‘contract out’. [...] In the event, it [the reform] did exactly what was expected of it. The great growth in occupational pension schemes [...] began soon after the legislation took effect in 1961” (Boyd-Carpenter 1980, p. 135; see also Timmins 2001, p. 196).

In 1978, more than 20 years after the first proposal, Labour was finally able to introduce a ‘State Earnings-Related Pension Scheme’ (SERPS).⁵ But even with SERPS the feedback effects of the 1961 reform showed. Though SERPS actually deserved its name, it also set new incentives for the private, occupational pension market (Schulze, Moran 2007, p. 60). By keeping the employers’ right to contract out of the state pension and even strengthening this right by granting employers national insurance rebates, the reform was favorable to insurance companies as it “created a structure within which private provision could compete with state provision on more-than-equal terms” (O'Higgins 1986, p. 139). In other words, though Labour finally succeeded in introducing an earnings-related state pension, the interests of the pensions industry, which had grown stronger and stronger since 1961, were respected.

The late introduction of SERPS made it vulnerable for attacks of a radicalized Conservative Party in the 1980s. Though the double payment problem frustrated Conservative plans to abolish SERPS (Bonoli 2000, pp. 72–74), the Tories fundamentally weakened SERPS by altering the underlying incentive structure. Not only was benefit generosity reduced, but the incentives for contracting out were increased. In addition, the Conservatives enabled the establishment of personal pension plans independent of the employer, which were massively subsidized by the state (ibid.: 78-79). The immediate results of the Conservative reform

⁵ The delay was mainly due to permanent changes in government but further complicated by the fact that the introduction of a comprehensive PAYG system financially conflicted with public demands to increase the basic pension.

measures implemented in 1986 can be seen in Figure 2. Within less than a decade, SERPS registered a net loss of more than four million people, while almost six million people opted for a personal pension. In terms of institutional partisan effects, the hollowing-out of SERPS fundamentally changed the institutional context in which future Labour governments would have to operate: “Now that a large number of people have made sizable contributions to private pensions, the ‘privatization constituency’ will be politically powerful [...] Efforts to reverse the expansion of personal pensions are unlikely” (Pierson 1994, p. 64). In other words, besides further strengthening an already powerful insurance industry, the Conservative reforms created a kind of ‘reverse double payment problem’, i.e. forcing people with established private pension schemes to pay additional contributions to finance the PAYG system would be highly unpopular with the ‘privatization constituency’ (cf. Green-Pedersen, Lindbom 2006, pp. 247–248)

- Figure 2 -

In sum, the comparison of the Swedish and British cases reveals that partisan politics at the critical juncture in the late 1950s and early 1960s had a crucial impact on the development of pension insurance in both countries. In Sweden, the Social Democrats were successful in establishing a PAYG system in 1960 which in the following decades massively constrained right-wing parties favoring private pension provision. In contrast, the British Conservatives fended off Labour’s push for a PAYG system at the critical juncture, instead making sure that private pensions prospered. The resulting policy feedback complicated Labour’s efforts for pension reform and watered down the party’s subsequent pension proposals. This is also true for SERPS which was delayed for such a long time that it was comparatively easy to dismantle by the Tories in the 1980s. The Conservative reforms of the 1980s were the final nail in the coffin of a universal British PAYG system, almost irrevocably setting the British pension system on the path of a partially privatized pension system.

5.2 Sweden: Partisan Politics in a Mature PAYG System

In the 1990s, the main problem of the Swedish PAYG system was its financial sustainability in the face of demographic changes and stagnating economic growth (Anderson, Immergut 2007). Since 1984, pension contributions had ceased to cover current expenditures and the AP funds created in 1960 had to cover the shortfall. To confront the problem, a parliamentary working group was appointed, whose results led to the major Swedish pension reform of the

1990s. This reform was adopted in two steps, the first coming under a bourgeois government (1994) and the second under a SAP government (1998). Besides cost-saving changes to the ATP pension, which was renamed ‘income pension’, like raising the retirement age and the shift to a defined-contributions lifetime earnings formula, the major institutional change was the introduction of the funded ‘premium pension’ which would be mandatory and financed out of pension contributions (for a summary of all reform measures see Anderson, Immergut 2007, pp. 372–386). But what were the contentious issues? Since the reform was the result of a compromise between the SAP and the four bourgeois parties, we have to analyze the partisan conflicts *within* the reform process to reveal the partisan effects at the heart of the reform.

Partisan conflicts mainly centered on three aspects, with the general conflict concerning the general character of future Swedish pensions, i.e. the extent to which the funded component should replace the income pension. This question resulted from the fact that the new funded premium pension was financed out of contributions which were also needed to finance the income pension. Consequently, the main partisan struggle concerned the question which amount of pension contributions should be dedicated to the premium pension. While the bourgeois parties demanded channeling as much money as possible into funded pensions, the Social Democrats wanted to use pension contributions to stabilize the reformed PAYG system (Lundberg 2005). In a way, this mirrored the partisan conflicts of the 1950s, but with the Social Democrats now profiting from a ‘structural advantage’ (Lindbom 2001, p. 57), which forced the right-wing parties to adjust to the matured and popular PAYG system. The final compromise, ironically facilitated by the substantial assets of the AP funds⁶, consisted in dedicating 15 percent of pension contributions to the funded premium pension.

A second complex of conflicts concerned the income pension itself, especially its funding. One contentious issue was the introduction of an income ceiling on contributions. Pointing to the existence of a benefit ceiling, the Conservatives and Liberals demanded an upper limit on contributions, whereas the SAP rejected the introduction of a contribution ceiling, as this would reduce the redistributive character of the pension system (Anderson, Immergut 2007, p. 375). In the end, the parties agreed to a compromise proposed by the Christian Democrats. A ceiling on contributions was introduced, but only one-half of contributions would have to be paid above the ceiling. Another issue was if pension contributions should, as before, come solely from employers or be divided evenly between

⁶ This is an excellent example of unintended consequences, since the AP funds were originally created by the Social Democrats to stabilize the ATP system (and allow for state investments in the economy).

employers and employees, as proposed by the bourgeois parties. Pressured by the unions, which feared wage reductions, the SAP was able to impede higher employee contributions by conceding more financial means for the premium pension (Anderson, Immergut 2007, pp. 379–382).

Finally, there were a number of highly contentious issues concerning the design of the new premium pension. In contrast to the bourgeois parties, who demanded the premium pension to be mandatory, the SAP favored the funded pension scheme to be voluntary, in order to reduce the amount of money flowing into private pensions. From this perspective, the fact that the SAP in the end accepted the mandatory solution must be seen as a major concession on part of the Social Democrats. The last issue concerned the administration as well as the regulation of pension funds. The SAP wanted the state to play a strong role, while the bourgeois parties favored market solutions and emphasized the freedom of choice. In the end, both sides had to make concessions. While the SAP gave in on the creation of individual investment accounts and the wage-earners' freedom to choose among mutual funds, the bourgeois parties grudgingly accepted the establishment of a state agency to administer the premium pension as well as the creation of state-led fund as default option for those who did not actively choose a fund (Weaver 2003/04).

In sum, we can see that the partisan conflicts in the major pension reform of the 1990s mirrored the ideological battle of the 1950s but alleviated by the established PAYG system. The fundamental conflict about the character of the pension system had been transformed into a conflict about how much money should stay in the PAYG system and how much should flow into funded pensions. While the Social Democrats defended the PAYG system, the bourgeois parties – constrained by the popular state pension – no longer demanded its abolishment but aimed at expanding funded pensions as far as possible. Besides this structural conflict, the conflicts about the concrete design of the income pension and the premium pension mirror ideological differences (regulation of premium pension) as well as distributional conflicts (contribution ceiling)

4.3 Britain: Partisan Politics in a Partially Privatized Pension System

Mainly as a result of the Conservative reforms and blockades since the late 1950s, British parties operated in the context of a partially privatized pension system in the early 1990s (Bridgen, Meyer 2011). Because of the peculiar design of the pension system, policy makers in Britain faced a particular kind of problem: “Unlike the rest of Europe [...] the UK’s pension problem is not about containing cost, but about extending coverage” (Bonoli 2000,

p. 81). The problem about coverage was twofold. First, the British pension system failed miserably in lifting the elderly out of poverty. In 1990, the poverty rate among Britons older than 65 years was almost 45 percent compared to a poverty rate of about 20 percent in similar European countries (Ebbinghaus, Neugschwender 2011, pp. 399–403). Second, a great number of British employees was excluded from occupational and personal pensions which were, given the low generosity of SERPS, necessary for income maintenance in old age (Bridgen, Meyer 2011, pp. 274–281).⁷ So how did the Conservatives and Labour try to tackle these problems and can we identify regime-specific partisan effects?

Turning first to the problem of old-age poverty, it is possible to identify some substantial partisan effects. The problem to a certain extent originated from the Conservatives' decision in 1980 to decouple the basic pension from wages, resulting in a benefit reduction of 20 percent until 1988 (Pierson 1994, p. 59). While the Tories did nothing to counter the deterioration of the basic pension until 1997, Labour reacted with a couple of reform measures. Remarkably, Labour dismantled SERPS, a project the party had fought for for decades, and replaced it by the flat-rate 'State Second Pension', which resulted in higher pension benefits for low-wage earners. Furthermore, a minimum income guarantee was introduced that lifted benefits for the elderly to 20 percent of average earnings (Timmins 2001, p. 573). In 2007, Labour finally stopped the devaluation of the basic pension by linking it to earnings. Although the Conservative-led coalition retained the link (and even guaranteed a minimum annual benefit rise of 2.5 percent), Labour's stronger efforts to fight old-age poverty are generally in line with partisan theory. But that Labour was willing to sacrifice the earnings-related state pension to do so is at odds with the Swedish case and needs further discussion.

As we know, SERPS was originally supposed to maintain people's income in old age. So what solution did Labour offer to fight the exclusionary character of the British pension system regarding income maintenance? In contrast to Sweden, the Labour Party generally agreed with the Conservatives that a solution to this problem had to come through funded pensions. The corresponding debate about the right policies to expand the coverage of funded pensions can be divided into two phases. The first phase lasted from 1990 to the first years of the new millennium. In this period, both parties aimed at strengthening the voluntary system, although by different means. The Tories applied their traditional approach of encouraging contracting out of SERPS by introducing additional tax incentives and deregulating

⁷ Additionally, a number of financial scandals and bankruptcies as well as bad or even fraudulent counseling shattered the trust in private pension plans.

occupational pensions. Labour chose a different approach by introducing the so-called ‘Stakeholder Pension’, which aimed at improving pension coverage by offering pension schemes that not only had to fulfill higher standards, but were attractive to low-income earners due to low contributions and low administrative costs (Schulze, Moran 2007, pp. 74–79). In the end, both approaches failed as the coverage of private pensions constantly declined and fell below 50 percent in the private sector in 2010.

Thus, following the recommendations of a non-partisan Pensions Commission (2005), Labour abandoned the voluntary approach and introduced legislation that obliged employers to enroll their employees in a funded pension scheme. In addition, a publicly administered, non-profit ‘National Employment Savings Trust’ was established as the default pension scheme for automatic enrollment (Bridgen 2010). After 2010, the Conservative-led coalition clung to the introduction of the compulsory system, with one important qualification. The minimum income above which employers are obliged to enroll their employees was raised (DPW 2010), which means that many low-income earners, especially part-time workers, were excluded from the new system. Thus, it is important to note that, in clear contrast to the SAP in Sweden, the Labour Party opted for a comprehensive funded pension system, whereas the British Conservatives reduced the scope of this system.

To sum up, we can see that the British parties were not only faced with different problems than their Swedish counterparts but that partisan effects in Britain’s partially privatized pension system also differed substantially from the Swedish case (see Tab. 2). First, Labour supported the expansion of private pension plans, going even further in this direction than the Tories, while the SAP tried to constrain the premium pension proposed by the bourgeois parties. Second, the Labour Party abolished the earnings-related state pension, whereas the Swedish Social Democrats fiercely defended the Swedish counterpart. How can we explain these almost opposite partisan effects in Sweden and Britain? The answer has, of course, to do with the different welfare contexts. Both social democratic parties aimed at preventing old-age poverty but depending on the pension system, they had to adopt different strategies to pursue this goal: In Sweden, the SAP could use its structural advantage to defend the quite universal ATP pension. In Britain, Labour had to adjust to the institutional context substantially shaped by the Tories, which made an expansion of SERPS illusory. Consequently, Labour used SERPS to bolster the basic pension and turned to an expansion of private pensions for income maintenance.

6. Conclusion

This paper has outlined a historical-institutionalist framework for the analysis of the partisan politics of the welfare state. This framework is based on the premise that partisan effects are not uniform across advanced welfare states but that the strength and even the nature of partisan effects differs substantially among welfare states belonging to different welfare regimes. Furthermore, the framework emphasizes that the welfare institutions structuring contemporary partisan conflicts are themselves the result of past political conflicts and the resulting welfare reforms. Today's partisan battles are thus often fought in the long shadow of ideological battles fought in the postwar years or even further back in history.

The framework was then applied to pension politics in Sweden and Britain. Choosing these cases, allowed for a perfect illustration of the strengths of the outlined framework, as both countries started from similar starting points in the 1950s but followed different trajectories thereafter. The contextual comparison demonstrated how the diverging results of the ideological battles at critical junctures in the golden age have shaped Swedish and British pension politics until the present day. The intensity and nature of partisan conflicts are highly dependent on the pension regime which resulted from previous reforms. By putting partisan politics in context, I was thus able to explain why social democratic parties chose almost opposite policies in both countries when it came to the earnings-related state pension and private pensions. The British case furthermore highlights that even in the absence of open partisan conflicts strong institutional partisan effects can be at work.

As indicated in Table 1, the outlined framework is neither restricted to pension politics nor to comparative case studies. Rather, by applying mixed methods it is possible to cover a substantial number of welfare states and thus arrive at more general results. An excellent example is presented by Garritzmann's (2016) study on the political economy of higher education. Combining quantitative analyses of OECD countries with case studies, Garritzmann not only shows how partisan effects contributed to the emergence of four worlds of student finance (institutional partisan effects) but also demonstrates that the four worlds have frozen due to policy feedback, with neither left-wing nor right-wing parties daring to leave the chosen paths (regime-specific partisan effects). As shown by Busemeyer (2015), the mutual interaction of partisan politics and welfare institutions is not restricted to higher education but also present in education and training reforms.

Both studies corroborate one of the central claims of this paper: Instead of looking for uniform partisan effects as proposed by classical partisan theory, we have to take the relevant welfare context into account if we want to understand how parties matter today.

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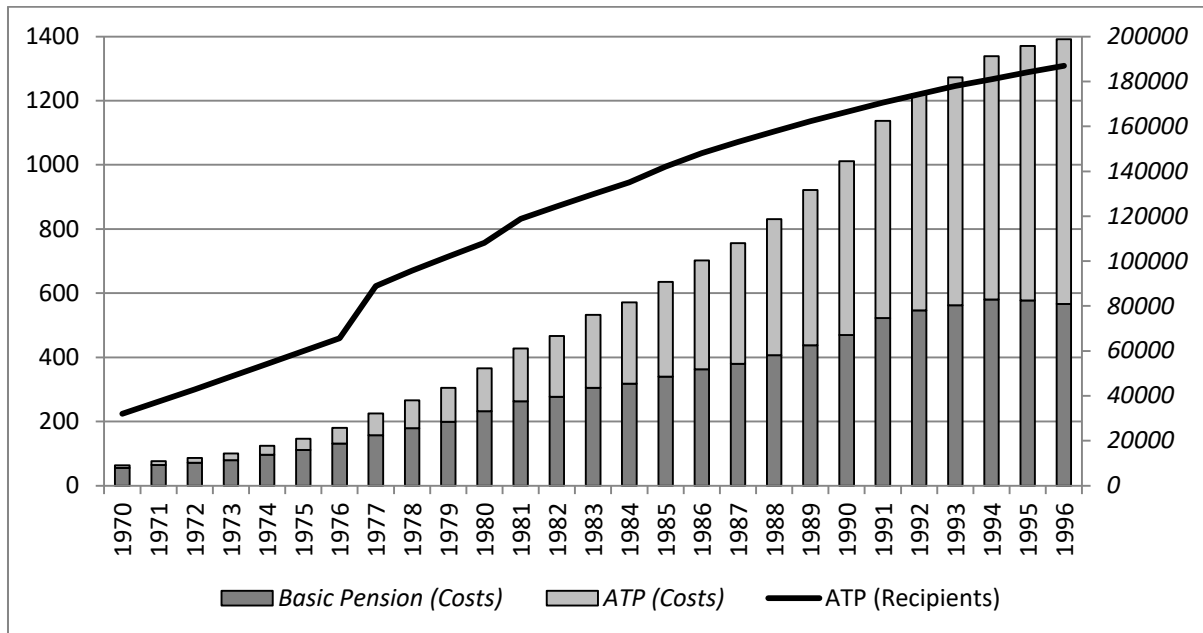
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Figures and Tables

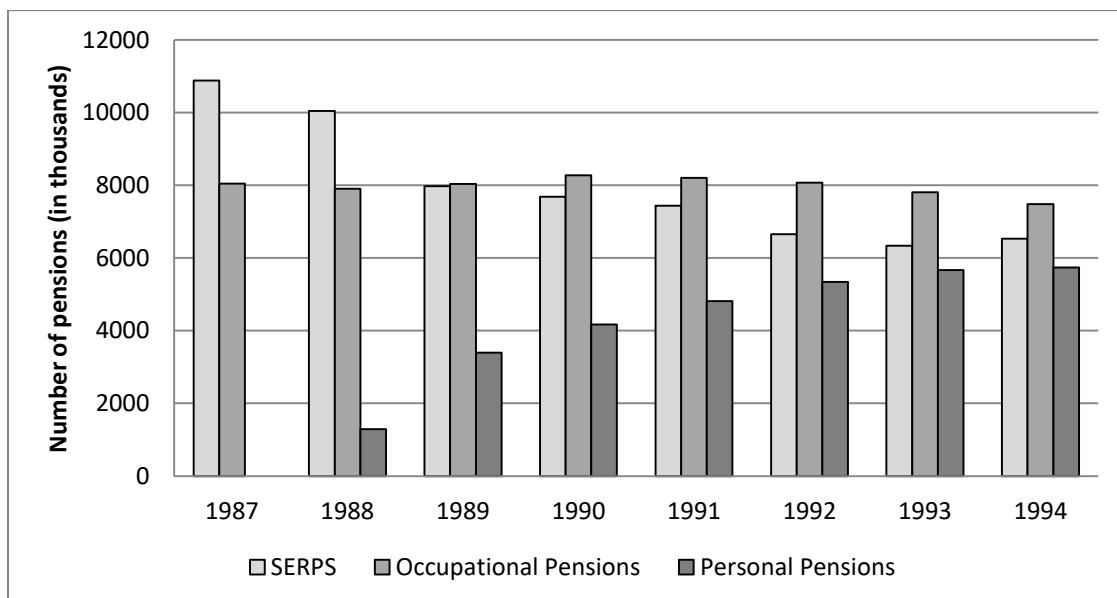
Figure 1: Maturing of the Swedish ATP System, 1970-1996



Notes: Number of recipients in thousands (left axis), costs in million SEK (right axis).

Source: Statistiska centralbyrån (own figure).

Figure 2: Public, Occupational and Personal Pensions in Britain, 1987-1994



Source: Department for Work and Pensions (own figure).

Table 1: A Selection of Regime Typologies on the Macro- and Meso-Level

	Regimes Types
	Macro-Level
Esping-Andersen 1990	1) Social democratic, 2) Conservative, 3) Liberal
Hall/Soskice 2001	1) Liberal market economies, 2) Coordinated market economies
	Pensions
Hinrichs 2000	1) Bismarck, 2) Beveridge
Pierson/Myles 2001	1) Mature PAYG, 2) Latecomer
Bonoli 2003	1) Social Insurance, 2) Multipillar
Ebbinghaus/Gronewald 2011	1) Dominant public pillar, 2) Emergent multipillar, 3) Mature multipillar
	Health Care
Stevens 2001	1) Beveridge, 2) Bismarck, 3) Semashko
Burau/Blank 2006	1) National health service, 2) Social insurance, 3) Private insurance
Wendt 2009	1) Health service provision-oriented, 2) Universal coverage-controlled access, 3) Low budget-restricted access
	Work and Skills
Dingeldey 2007	1) Workfare state, 2) Enabling state
Gallie 2009	1) Market, 2) Dualist, 3) Inclusive
Busemeyer 2015	1) Statist, 2) Collective, 3) Liberal
	Education
Kerckhoff 2000	1) Standardised and stratified, 2) Unstandardised and unstratified
Green et al. 2006	1) Nordic, 2) Germanic, 3) Mediterranean, 4) Anglophone
	Higher Education
Triventi 2014	1) Continental, 2) Nordic, 3) Anglo-Saxon, 4) North-American
Garrizmann 2016	1) Low-tuition/high-subsidy, 2) High-tuition/low-subsidy, 3) Low-tuition/low-subsidy, 4) High-tuition/high-subsidy
Dobbins/Knill 2017	1) State-centered, 2) Market-oriented, 3) Academic self-governance

Table 2: Partisan Conflicts in Swedish and British Pension Politics since 1990

	Sweden	Britain
Pension Regime	Bismarck (matured PAYG)	Beveridge (partially privatized)
Problems	Financial sustainability	Old-age poverty
Constraints	Double-payment problem	Reversed double-payment problem, powerful insurance companies
Contentious Issues	Structure of pension system (PAYG vs. funded pensions)	Level of minimum pension, regulation and scope of private pensions
Conflict Intensity	High	Low
Social Democratic Pension Policy	- Stabilization of earnings-related state pension - Restriction of private pensions	- Abolishment of earnings-related state pension - Expansion of private pensions