

**Pension Reform, Population Ageing and
Distributive Conflicts:
Analysis of Age-Based Distributive Divisions in Six European Countries**

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Paper prepared for the CPSA 2006 Annual Conference,
York University, Toronto, June 1-3 2006.

Work in Progress
Draft Paper

Abstract

Population ageing is likely to create growing pressures on the finances of welfare systems in advanced industrial societies. These societies are facing pressures to spend more on pensions and services for the elderly, at the same time as they need to invest more in raising participation of younger population in the labor force and integration of immigrants needed to replenish the ageing labor force. This sets the stage for distributive conflicts between groups favoring different types of welfare spending. The paper argues that the strength and the nature of distributive conflict depend to a large extent on spending focus of the welfare system and the type of pension system. While in countries with occupation-based pension systems and welfare systems with spending tilted toward the elderly we can expect to observe the presence of age based divisions, in countries with universalist pension systems and welfare systems with more balanced spending patterns we can expect to see the prominence of distributive divisions based on class, income or the sector of employment. The paper tests these propositions using Eurobarometer data with two dependent variables measuring attitudes toward pension reform and attitudes toward spending on younger segments of the population. The analysis finds very weak support for the presence of age based distributive divisions with respect to both dependent variables. Furthermore, in countries with universalist welfare state and welfare systems with balanced spending, the paper does not observe any significant distributive divisions over the issues tested at all. In countries with occupational pension systems, and welfare systems with spending patterns biased toward the elderly the paper does find some evidence of presence of distributive divisions over pension reform that resemble divisions between insiders and outsiders, but this effect is clear only in Italy. This finding can be explained with sizable distributive differences produced by occupational pension system and significant changes in distributive outcomes of pension system faced by younger respondents as consequence of pension reform.

Introduction

Population ageing is one of the trends that are defining development of advanced industrialized societies for more than half a century. It is increasing the ratio of dependent to active population in the labor force and putting pensions systems of those countries under a great strain. It is also causing the increase in costs of health and elderly care services needed to accommodate growing demand of the ageing population. At the same time these societies need to maintain sufficient levels of spending on child care and education needed to support demographic reproduction and increase labor force participation among the younger population, as well as deal with the consequences of deindustrialization (see Iversen 2001). As population ageing is likely to be followed with increasing demand for immigrant labor these societies will also need to devote more spending to policies aimed at the integration of immigrants.

All these developments lead to significant pressure on contemporary welfare states at a time when they are operating under conditions that Paul Pierson (2001) calls “permanent austerity”. It is to be expected that modern welfare states will not be able to answer all demands placed on them while keeping the current level of benefits. Therefore, we could expect to see the emergence of a redistributive conflict between social groups that differ in their consumption of welfare transfers and services. In the light of demographic trends, current spending patterns and reform moves, age is likely to be the key explanatory variable for the analysis of redistributive conflicts in mature welfare states.

The emergence of intergenerational redistributive divisions is likely to be related, on the one hand, to developments in pension systems and, on the other, to the spending focus of the welfare state. Previous analyses demonstrated that the increase in pension spending over the last half of a century is not exclusively related to population ageing (see Castles 2004). Castles’ analysis shows that the largest impact on the increase in overall retirement spending is less due to population ageing than to steady increase in benefits over last several decades. This makes the level of current benefits the obvious target for reform.

Pension reform has been on the policy maker agenda for almost two decades and a number of countries have embarked on reforms of their retirement systems to a different degree. The reform of pensions systems, as it is argued in the literature, usually includes a combination of benefit cuts, increase in the retirement age, and changes in the distributive equity of the system by eliminating provisions that were favoring particular social groups (see Myles and Pierson 2001, Myles 2002, Castles 2004, Esping Anderson and Myles 2005). The reform is very likely to produce significant redistributive effects between, as well as within generations and could also mean that different generations might go into retirement under quite different pension systems. In such setting we could expect to see redistributive conflicts between the relative winners and losers of pension reform, both within and between generations.

Unlike distributive conflicts of the 20th century that were pacified through the creation of welfare state and the implementation of redistributive policies, the distributive conflicts of the 21st century will not be so easy to solve using similar policies given the strain on the public finances. The fact that in most western societies the extended family does not have a significant role as a care provider or a primary economic unit could substantially reduce the significance of family ties as a glue of solidarity between generations. Also, the fact that the current systems of pension and social security were introduced a generation or two ago, depending on the country, and are now being in the process of reform means that the experiences (or expectations) related to a particular form of social system and its redistributive effects are likely to differ between generations. The fact that the current members of old and young age cohorts are likely to face different pension systems when they

retire could cause variation in their preferences over pension reform and other distributive policies. In such circumstances, we could expect to see the decline in intergenerational solidarity indicated through support for intergenerational redistributive policies of most contemporary pension systems and stronger demands of younger segments of population for youth oriented social spending. Increase in the share of immigrant population could further affect the decline of intergenerational solidarity through the effect of the simple fact that immigrant population is likely to be young and not yet dependent on the pension system and at the same time in great need of support from welfare state programs oriented toward the young.

Since pension reforms are affecting distributive outcome within generations we could expect to see the emergence of distributive divisions between winners and losers of changes in pension systems. Such developments are more likely to take place in countries such as Germany, Italy, France or Austria that have highly segmented pension systems based on occupational schemes. These divisions are likely to resemble divisions between insiders and outsiders in the labor marker (see Schludi 2005, Natali and Rhodes 2004, Bonoli 2003).

The purpose of this paper is to investigate the attitudinal preconditions for the emergence of redistributive conflicts based on age and life-cycle position. The paper will try to answer the question whether we can observe differences in spending preferences based on age that could provide a basis for conflicts over distribution of income in advanced industrial societies. The analysis of preferences for social spending on specific social policy conducted by Kitschelt and Rehm (2004) did not find that younger and older segments of the population differ systematically in their preferences for social spending. However, our ability to observe the existence of distributive divisions depends on the dependent variable we use to measure them. Here I will focus on two types of distributive divisions. One is concerning distributive divisions related only to pension systems and changes in the level of benefits, contributions and retirement age. The second refers to the distributive division concerning spending oriented toward the younger segments of the population. The paper also takes into account the link between age on the one hand, and indicators of socioeconomic positions such as class and income on the other. I investigate whether age based divisions will develop independently or in interaction with class, income or sector of employment. The development of particular national patterns of distributive divisions is likely to be highly dependent on macro level variables, such as characteristics of the pension system and the spending orientation of the welfare system. These are the factors that in large part determine the position of particular social groups and through it the final distributive outcome.

To answer those questions, the paper will rely on individual level survey data from Eurobarometer 56.1 (2001). This survey is especially designed for collection of data about attitudes toward pension systems, pension reforms and social inequality. The study includes six countries (Germany, Italy, France, the Netherlands, Sweden and United Kingdom). Data from each of these countries will be analyzed individually to control for numerous contextual differences between countries.

The paper proceeds by first outlining some important aspects of national welfare and especially pension systems and their distributive effects and then developing hypotheses about the impact of individual level variables in different national contexts. After that, these propositions are tested using statistical analysis with Eurobarometer data.

National Welfare Systems and Distributive Divisions

Welfare systems are complex mechanisms that provide services and distribute income between different social groups. Depending on the characteristics of particular welfare programs, the distributive results of welfare systems differ substantially between countries (Huber and Stephens 2004). Furthermore, it is argued that reform paths and future developments of national welfare systems are highly path dependent (see Pierson 2001, Manow 2001). Therefore, we could expect to see similar differences when it comes to redistributive conflicts between social groups. Since the focus of this paper is on redistributive conflicts based on age I will focus here on the characteristics of pension systems, system change as consequence of reform as well as the spending focus of the welfare system toward younger or older segments of the population. I will also take into account the strength of familiaristic links and the role of the family as a service provider and economic unit as it is likely that a stronger role of the family could have countervailing effects on the strength of intergenerational distributive divisions. Since details of such programs are highly complex and distributional effects sometimes difficult to identify, this paper will not go into the details of their effect. Instead I will focus only on broad differences between countries and their expected effects.

The spending focus of welfare regimes of advanced capitalist countries is highly dependent on the nature and size of different welfare programs (Lynch 2001). It is well known fact that welfare programs of countries belonging to Christian-democratic corporatist welfare regime such as Germany, Austria, Italy or Spain, are highly oriented toward spending for the old. The spending bias is mostly due to high spending on generous occupational pension schemes featuring high replacement rates and underdevelopment of services catering for the younger part of the population. On the other hand social-democrat welfare regimes are characterized by generous spending on service provision and transfers, such as child care, that are catering to the young segments of the population (Esping Anderson 1999).

It can be expected that the intergenerational distributive conflict will be stronger in countries that have a visible spending bias toward the elderly. As the sustainability of current spending levels is coming under question, reform moves in these countries are directed - albeit still only marginally in some of them (see Schludi 2005) - at reducing current level of entitlements and benefits. At the same time, these countries also need to divert more resources to services supporting demographic reproduction and increasing the participation of younger segments of the population, first of all women, in the labor force. To fulfill these aims, countries of continental Europe need to divert more resource to child care, both in pre-school and school segments, as well as provide for other services that would free women from their current caring duties.

It is therefore easy to expect that in those countries we will see very different spending preferences between old and young age groups. This does not necessarily mean that we will observe development of the structured distributional cleavage based on age in the foreseeable future. This will in part depended on the direction of future reforms and well as on the actions of political actors. However, it is likely that we will be able to observe significantly different patterns of attitudes toward social policy and spending between older and younger segments of the population.

In countries such as Italy and Spain family links are still very strong and younger generations are also partially benefiting from the high levels of social protection of the middle aged and the elderly (see Esping Anderson 1999). Yet on the other hand, social policies of those countries are the least favorable for the younger segments of the population. In Italy, to take just one example, unemployment benefits are almost fully biased toward insider segments of the workforce and social services supporting participation of young in the labor

market are undeveloped (Esping Anderson 1999). In Spain and Italy, pension systems are still heavily biased toward male, industrial workers, and early retirement was very prevalent among this group in 1980es and 1990es. In such context, the impact of intergenerational distributive divisions is likely to be muted by the dependence of younger segments of the population to benefits awarded to their older parents and relatives.

In countries where welfare spending oriented toward younger and older segments of the population is more equally balanced, it is likely that a distributive conflict based on generational divisions is likely to be less prominent than classic distributive divisions based on risk position, class, income or sector of employment.

Turning to differences in pensions systems, the picture here is much more complex. Pension systems in most countries are a complex mixture of a number of programs some of which are designed under very different distributional principles. Given this complexity, we do not have a single indicator that would allow us to compare pension systems in a meaningful and parsimonious way. However, if we focus on the basic features of pension systems and their distributive effects as well as their reforms and expected consequences of reforms, it should be possible to identify lines where we could expect distributive divisions to arise (see Natali and Rhodes 2004, Rhodes and Natali 2003, Schludi 2005, Galasso and Profeta 2003 and Rothenbacher 2004 for details)

Some of the most important features of the pension systems that we could expect to be the source of redistributive conflicts are the level of universalism, the importance of occupational programs, the existence of separate programs for the employees in public administration, participation of social partners in the administration of pension schemes and the existence of a substantial funded and/or private pillar. In addition, we should also take into account distributive features such as the differences in replacement rate between various segments, average and effective retirement age and contribution differences within national pensions systems.

Another likely source of redistributive divisions in pension systems is the nature of pension reform. To facilitate the sustainability of pensions systems, most reform packages proposed in advanced industrialized societies comprise some combination of contribution increases, benefit cuts, increases in retirement age, increases in the time of contribution needed to qualify for full pensions, change in benefit calculation formula and elimination of special provisions for some occupational groups or occupational pension programs (see Schludi 2005 for details). Most pension reform packages actually enacted have implemented, to a different degree, a certain mix of these measures (Schludi 2005, Myles 2002, Rhodes and Natali 2003). The implementation of these reforms creates a situation where future generation of retirees are likely to retire under a different system than the current generation of retirees, at lower benefit levels and at an older age, while at the same time paying transitions costs for still relatively comfortable benefit levels of the current retirees. It can be expected that such developments are likely to produce a distributive conflict between future and current retirees over the issues of contribution and benefits level and the nature of pension reform. Therefore, when forming expectations about the nature of attitudinal divisions based on age we have to take into account not only the characteristics of pension systems, but also the characteristics of pension reforms.

In large part, the characteristics of the pensions systems are expected to influence the direction of pension reform (see Myles and Pierson 2001, Lynch 2004). Not all pension systems are likely to be equally affected with pension reforms and distributive consequences of such reforms and not likely to be similar in all countries. But to be able to specify where we could expect to see what effects, we should first specify what kind of variation among pension systems we can observe.

The starting point here is the classification of pension systems developed by Rhodes and Natali (2003). They broadly distinguish between four types of pension systems in contemporary Western Europe. Those types are:

- Pure occupational systems (Austria and Germany)
- Occupational plus means-tested systems (France, Italy and Spain)
- Universal plus occupational systems (Netherlands and the UK)
- Pure universal systems (Sweden)

Pure occupational systems are characterized by pension benefits linked to labor market participation and are organized along occupational lines. The main goal of the pension system is status maintenance. These systems are financed through contributions by employees and employers whilst calculations of benefits are based on a PAYG system with relatively high replacement rates. Each occupational category has its own scheme managed by social partners with particular formula for the calculation of benefits and contributions. As a consequence of this particularism, replacement rates, age of retirement, periods of contribution needed for full pensions are very different between schemes.

Occupational plus means-tested systems in addition also include means-tested program aimed at the low-income segments of the population added to the original pure occupational system. Regarding the redistributive consequences of these pension systems, they are very different to those that can be found in pure occupational systems.

Universal plus occupational systems are characterized by hybrid multi-pillar systems where the first pillar is a universal scheme covering all citizens financed through contributions or taxes (Denmark). The second pillar is funded and organized along occupational lines with administration in the hands of social partners. In some countries such as the Great Britain there is an option of choosing between private or public segment of the second pillar.

Pure universal systems are characterized by public schemes managed by the state and financed through taxes and employers' contributions. These programs have first pillar that covers all residents under single rules and formula for the calculation of benefits. The second pillar, also administered by the state, is covering the employed population and provides earning related supplemental pensions financed by contributions from employers and self-employed.

In addition to these basic divisions, in most countries we can find separate systems for those employed in public administration. These systems usually feature high replacement rates and other very favorable benefits such as low or no contribution. We can find such schemes in countries belonging to any of the above mentioned types (see Rothenbacher 2004).

As mentioned above, the agenda of pension reform is directed at the reduction of benefits and increase in effective and legal retirement age and contribution period. This is pretty much affecting all systems equally. However, the reform is also directed towards the equalization of redistributive effects, between different occupational segments. This is likely to have a big influence on the income distribution in occupational pension systems. In addition, such reform measures are likely to heavily affect pension schemes for public employees. Because of such reforms labor market insiders and public sector employees are likely to come out as the relative losers of reforms since they will have to work longer for lower pension benefits (see Galasso and Profeta 2003). At the same time, distributive effects for labor market outsiders, such as women and unskilled, especially young are likely to improve marginally. The consequences for high income groups are likely to be less dramatic as these groups are more likely to have an option to switch to private pension schemes where such schemes exist.

Pension reforms in occupational systems would also bring significant discontinuity in the pension systems. Current pensioners and those that will become pensioners over the next decade are retiring under a different system than those that are just entering or have entered labor force recently.

In countries with universalist pension systems we are less likely to see changes of such scope. This is partly because reforms are less likely to change distributive outcomes in relative terms (Galasso and Profeta 2003). Moreover, universalist systems do not have a significant population of outsiders that exists in occupation based pension systems. In these countries we can expect that other socioeconomic differences will be translated into old age as well.

Starting from system differences and taking into account individual preferences we can now develop a set of expectations about the development of distributive divisions based on age and produced as the consequence of population ageing and changes in pension systems.

Hypotheses

This section proposes two sets of hypotheses to be tested in the paper. The first set of hypotheses deals with the expected effects of macro-level differences between countries. The second set of hypotheses focuses on the expected effects of individual level variables. Macro level variables include the spending focus of the welfare systems toward the young or the elderly and the type of the pension system.

Looking first at the spending focus of welfare systems we can state the following expectations:

- In those countries where social spending is heavily tilted toward the elderly segments of the population we can expect to observe the presence of strong age based divisions between younger and older segments of the population. These divisions are likely to cross-cut class, income or sectoral divisions, though they are likely to be more visible at the lower end on the income scale.
- In those countries where the level of spending on the elderly and younger segments of the population is relatively equal, we can expect to see the dominance of distributive divisions based on class, income or sector of employment.

Looking at pension systems we can state the following expectations:

- In those countries that had occupation-based pension system, we can expect to see the strongest presence of distributive divisions based on age. We can also expect to see the existence of distributive divisions between insiders and outsiders that will only partially overlap with age divisions.
- In those countries that had universal pension systems we can expect to see distributional divisions based on class, income and sector of occupation rather than on age.

Turning to individual level variables, I would argue that very rarely we would see pure age divisions at work. This is because we cannot expect that age divisions are equally strong on the high and low end of the income scale. I expect them to be stronger at the lower end of the income scale, and that most of their effects will come up as the product of interaction with other variables. Taking this into account we could state the following expectations:

- The strongest opposition to changes in pension systems and the strongest support for giving priority to spending on the elderly is likely to come from insider groups such as public sector employees and unionized manual and white-collar male workers.
- The strongest support for changes in pension systems and support to giving priority to spending on the young is likely to come from outsider groups, such as women, younger segments of the population, especially parents of younger children, non-unionized workers and those with high exposure to labor market risks and in precarious forms of employment.

We could expect that both of the previously stated hypotheses will have different effects on the old and young end of the age distributions. Therefore:

- We could expect that elderly segments of any social group will in general be more opposed to pension reform and less supportive of giving priority to spending on the young.

A similar argument could be made concerning the distribution of effects along the income scale. High income groups are likely to be more supportive of pension reform and opposed to giving priority to spending on the elderly. Therefore, we could argue that:

- High income groups such as managers, professionals and self-employed will be more likely to support pension reform and will be more likely to be opposed to any spending, including spending on the elderly.
- Owners of private pension accounts or marketable assets are likely to be less dependent on a regular pension system, which is likely to make them more supportive of pension reforms than those respondents that do not have such assets and fully depend on regular pension systems.

Data, Variables and Method

Data

The data for the analysis are taken from the Eurobarometer survey number 56.1. This survey is especially designed to collect data on attitudes toward pension systems and pension reforms. For the purpose of this paper I selected samples from six countries representing a sufficient amount of variation regarding contextual characteristics. These countries are Italy, France, Germany, Sweden, the Netherlands and Great Britain. Selected countries not only differ in the type of their pension systems, but also in the spending focus and institutional characteristics of their welfare systems. Within the sample, there are countries whose spending focus is heavily oriented towards the elderly, such as Italy and Germany, and those whose spending focus is more oriented toward the young, such as Sweden and the Netherlands (see Lynch 2001). Concerning pension systems, Germany, Italy and France all have occupational systems where social partners play important role in system administration, Sweden has a pure universalist system and Great Britain and the Netherlands have a significant role for funded and private pillars in addition to universalist first pillar (Rhodes and Natali 2003). All countries have implemented pension reform of some type, but distributive consequences are likely to be largest in France, Italy and Germany (Rothenbacher 2004, Galasso and Profeta 2003, Schludi 2005). Within the sample, there are also countries whose welfare systems assign very different roles to families in the provision of welfare services. In Germany and Sweden this role would be very small and in Italy quite large (Esping Anderson 1999).

The size of every sample is around 1000 respondents and each sample is weighted by the original sample weight to make them representative of the population they are selected from. Respondents from Eastern Germany are excluded from the German sample to avoid potential problems of comparability in attitudes between samples from the Eastern and Western parts of the country, as respondents from the Eastern part of Germany were part of the system for only a decade at the time this survey was conducted.

Variables

The paper uses two dependent variables. The first dependent variable measures attitudes toward the reform of pension systems and spending on the elderly. The second dependent variable is measuring support for spending oriented toward younger segments of the population.

Both variables are calculated as factor scores of two items. Factor analyses yielded identical factor structure and very similar factor scores for all country samples. Correlation between the items used in the construction of both dependent variables is statistically significant in all samples and varies between 0.2 and 0.35 (detailed results are not shown here).

The first dependent variable is composed from items asking whether respondent agrees to maintain current levels of pension contribution even if that means lowering pension benefits and whether the respondent agrees that retirement age should be raised so that people contribute longer and draw benefits for shorter periods of time. The second dependent variable is composed of items asking whether the respondent agrees that government should make it easier for people to combine work and family and increase the number of women in the workforce, and whether the government should give greater support for people who want to have more children.

The items used in the construction of the first dependent variable are clearly formulated in a way that presents the respondent with a distributive trade-off. The wording of the items used in the construction of the second dependent variable, however, lacks this feature. This could reduce the ability of these items to capture differences in preferences that we are looking for. However, they are still measuring the orientation toward particular type of spending and it can be expected that they are still capable to capture the effects of differences in spending preferences between age groups.

The independent variables are all measures of respondent socioeconomic position and include variables such as age, sex, education, income, social class, union membership, public sector employment, ownership of assets or private pension accounts, risk of unemployment and the presence of young children in the family.

- Age is measured as ordinal variable where each respondent is placed in six age categories (15-24, 25-34, 35-44, 45-54, 55-64 and 65+).
- Education is measured through variable recoded from the variable asking respondents when did they finished their regular education and indicating three levels of education corresponding roughly to elementary, high school and university education.
- Income is measured as position of a respondent in income quartiles in national income distribution.
- Social class is measured through five categories: managers and professionals, self employed, lower professionals and service workers, skilled manual workers, unskilled workers and special category for those that are not classified. More detailed classification is not needed as this classification is capturing most relevant distinctions

between classes concerning their market position and position within pension schemes.

- Union membership is measured with dummy variable that is 1 for union members and 0 for others. Unfortunately, the data about union membership are available only for employed and this could reduce the ability of this variable to capture the effect of union membership in some countries where significant fraction of union membership comes from the ranks of retired workers.
- Employment in the public sector is measured as dummy variable that is 1 for the employed in the public sector and 0 for others.
- Ownership of assets and private pension accounts is measured by counting whether the respondent owns any of the alternative sources of retirement income such as private pension accounts, financial assets such as shares and bonds or income from property.
- Risk of unemployment is measured by the number of times the respondent was unemployed in last five years.
- Presence of young children in the respondent's household is measured by a dummy variable that is 1 when indicating the presence of at least one child less than six years old in the family and 0 otherwise.

Method

To control for a large number of contextual variables each country sample is analyzed separately using two models. The first model is estimated using all independent variables in their original form. The purpose of the first model is to assess the strength of age compared to other indicators of socioeconomic position such as class, income, sector of employment or labor market risk. The second model includes interaction terms of age on the one hand, and occupation dummies, income, sex, sector of employment, union membership and exposure to unemployment on the other. The purpose of the second model is to estimate whether we can observe distributive divisions between different age groups within the same social classes and income groups, public sector employees or union members.

Given the nature of the dependent variable all models are estimated using OLS regression. Overall there are 24 individual regressions included in the analysis.

Findings and Discussion

The results of regression analyses are presented in tables 1 through 4 provided at the end of the text. Tables 1 and 2 show the results of regression with basic model, table 3 and 4 the results of regression with interaction model. Table 1 and 3 present the results of regressions with attitudes toward pension reform as dependent variable and table 2 and 4 present the results of regression with attitudes toward youth oriented spending as dependent variable.

The results of the regression analysis show that the model fit for both models and both dependent variables is very low. This finding suggests that the presence of hypothesized divisions is relatively weak. This is not unexpected as other studies, most notably the study conducted by Julia Lynch (2006) on Eurobarometer data from 1992, found that there are no significant links of being a beneficiary of pension systems and opposition to pension reform.

Looking at regression coefficients, we can see only a relatively weak support for stated hypotheses. The magnitude of coefficients suggests that the substantive effects of

independent variables are relatively small. By and large we can conclude that we can not observe the presence of hypothesized distributive divisions in these six countries. However, we can see weak, but still visible pattern, of differences between countries. It is possible that this pattern would have been clearer had better measures of distributive preferences been available, namely questions facing respondent with a clear distributive trade-off.

As is expected, in countries with universalist pension systems and welfare systems with spending oriented toward younger segments of the population, we can not observe significant distributive divisions based on age. Furthermore, in these countries the impact of other variables such as class, income or sector of employment is also insignificant. This is valid for both dependent variables equally. It seems that in these countries pension reform and spending on younger segments of the population are not causing distributive divisions among the public. We could only speculate whether the reason for the absence of such divisions is related to the characteristics of the pension systems and spending orientation of the welfare state or to some other factors.

In Britain, however, we can observe a puzzling finding (though the substantive effect is also rather small) that the owners of private pension assets are likely to hold negative attitudes toward pension reform. This effect can be explained by the already high level of privatization of British pension system and high frequency of reforms in last several decades (Schludi 2005, Galasso and Profeta 2003).

In countries with occupational pension systems and welfare systems with spending oriented toward older segments of the population we can observe attitudes toward changes in pension systems that follow the hypothesized pattern. This pattern is clearly visible in Italy where the only significant effects are registered for manual workers and union members. Furthermore, the interaction model for Italy reveals the presence of significant interaction of class and union membership with age. The interaction model shows that the opposition toward pension reform is concentrated at the older end of the age scale, namely among older union member, manual workers and older women. This closely corresponds to insider-outsider pattern of divisions, as does the fact that we can register significant effects for elderly women. This particular group is less likely to be employed and therefore more dependent on their husband's benefits. Interaction model also reveals that younger professionals and self-employed are more supportive of pension reform than older segments of these classes. This is not surprising since these are the groups most likely to be affected by rising contribution rates and taxes needed to finance Italian pension system had it not been for recent reforms (Galasso and Profeta 2003). The fact that we can observe relatively clear pattern of divisions in Italy is most likely also helped by the high salience of pension issue in Italy within last decade as several reforms were implemented within this period (Natali and Rhodes 2004, Schludi 2005).

In Germany and France we can also observe elements of division between insiders and outsiders but in a less clear form than those in Italy. In both countries we observe that older respondents and high income groups are more likely to be opposed to pension reform. Since both countries have strong occupational pension system this finding could be explained by very favorable public pension arrangement that professional groups enjoy in such systems. At the same time, private pension assets are not as widely held as in countries such as Sweden, Denmark or Netherlands, which means that professional groups and high income earners depend much more on public pension systems. In fact in Germany we can observe that professional groups are actually least likely to support pension reform, though differences with other occupational groups are not statistically significant. In France this is not the case since the opposition is concentrated mainly among middle level and skilled workers. Those that own private pension assets in both countries are however supportive of reform, but only in France does this effect reach statistical significance.

What is unexpected is that in both countries we register support to pension reforms among public sector workers; however, only in Germany this effect reaches statistical significance. The reason could be that the variable measuring overall public sector employment might be actually failing to capture the effects that are expected to be concentrated only among civil servants. The finding in both countries, that higher recent exposure to unemployment is more likely to produce opposition to reform, can be explained as a consequence of reform proposals that are aiming at increasing the contribution time needed to qualify for a full pension, and the linking of benefits to life-long earnings. Given the high rates of long term unemployment in both countries, it is evident that the substantial segment of the population could be affected by these changes.

When it comes to spending on the programs oriented toward the younger segments of the population, we can not observe effects that could indicate the existence of very clear differences between countries. Age, sex and the presence of a young child in the family show similar effects across most countries. Again in Italy, country that features one of the weakest child care systems in Europe we observe very clear effects for young women and members of families with small children. Similar results are found in France, country that features child care system that provides significantly better coverage than the one in Italy (Esping Anderson 1999). However, this still does not amount to the visible presence of hypothesized differences between countries. Also in most countries and we do not observe significant and systematic effects of interaction between age and other independent variables. The fact that the age has substantively and statistically insignificant effects in Italy could be partially taken as the sign of support for the claim that familiaristic orientation of the welfare system is likely to dampen distributive conflict based purely on age.

How can we explain the presence of divisions over pension reforms only in some countries and almost the total absence of divisions over spending oriented toward the younger segments of the population? Explanation already provided in this paper is that some pension systems are likely to cause less equal distributive outcomes and therefore are likely to facilitate stronger distributive divisions. But the reason could also be in the fact that in the salience of reforms and the potential of reforms to affect distributive outcomes. In countries such as Germany, Italy and France, the potential of reforms to affect distributive outcomes is quite large, and so is the salience of pension reform (Natali and Rhodes 2004). In Sweden and the Netherlands, the stakes for groups comparable to insider groups in Italy, France and Germany are much smaller since pension systems are less biased toward insiders. Also in these countries, recent pension reforms did not have similar level of salience in the public.

Similar logic could potentially explain the absence of distributive conflict over the spending on programs catering predominantly toward young or the elderly. It could be the case that because in most countries the public is not faced with visible trade-off when it comes to youth oriented spending such as child care, education, and elderly oriented spending such as elderly care and particular forms of health care, we do not observe the existence of distributive divisions based on age. We could speculate that the emergence of such division in the future will depend on the measures policy-makers and the way the distributive consequences of reforms are presented to the public.

Conclusions

By and large we can conclude that distributive divisions based on age do not exist in advanced industrial societies, at least those that are included in this sample. It seems that issues of pension reform and spending on the younger segment of the population do not cause

any significant distributive divisions in countries with universalist pension systems and welfare systems with balanced spending patterns.

But in countries with occupational pension systems and welfare systems that exhibit spending bias toward the elderly we do observe some elements of distributive divisions. However, these divisions are not primarily based on age and could be more precisely described as opposition of insider groups to pension reform. This pattern is the clearest in Italy. This can be attributed to the fact that Italian pension system was exhibiting the strongest bias toward insider groups and welfare system was exhibiting similar bias toward the elderly. Also in recent decade and a half, pension reform in Italy went further than in other countries with occupational pension system and it had larger distributive effects.

It could be the case that, as pension reforms in other countries with similar pension system and spending orientation go forward, we could be able to observe clearer distributive divisions. However, the findings in this paper suggest that those are not likely to be predominantly based on age. Still, if at some point in the future the direction of reforms brings out the trade-off between spending on pensions and health care for the elderly on the one hand, and spending on the child care, education and integration of immigrants on the other, distributive divisions based on age could emerge.

Tables: Results of Regression Analysis

Table 1.

The results of the regression analysis with attitudes toward pension reform as dependent variable. The model includes all independent variables in their original form. Entries are regression coefficients with standard errors in parentheses. Significant coefficients are indicated in bold

Country	Britain	France	Germany	Italy	Netherlands	Sweden
	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)
Constant	-0,386 (0,236)	-0,648*** (0,229)	0,096 (0,213)	-0,318 (0,238)	0,006 (0,212)	-0,118 (0,205)
Sex	0,037 (0,067)	-0,048 (0,068)	-0,071 (0,068)	0,113* (0,067)	-0,025 (0,070)	0,180*** (0,067)
Age	0,060*** (0,022)	0,041* (0,021)	0,044** (0,020)	-0,009 (0,022)	0,018 (0,020)	0,039* (0,022)
Education	0,068 (0,057)	0,057 (0,052)	-0,135*** (0,049)	0,019 (0,048)	-0,055 (0,051)	-0,028 (0,045)
Union membership	0,031 (0,103)	-0,014 (0,148)	0,214** (0,103)	0,429*** (0,120)	0,010 (0,103)	0,112 (0,090)
Unemployment risk	0,003 (0,050)	0,123** (0,061)	0,125* (0,069)	0,065 (0,069)	0,119* (0,063)	0,050 (0,047)
Public sector	-0,130 (0,088)	-0,014 (0,094)	-0,182** (0,084)	-0,108 (0,091)	-0,190** (0,096)	0,034 (0,096)
Presence of children in the household	-0,172* (0,089)	-0,061 (0,093)	0,044 (0,105)	0,029 (0,131)	0,087 (0,099)	0,100 (0,108)
Ownership of private Pension assets	0,090** (0,040)	-0,112*** (0,043)	-0,052 (0,033)	-0,002 (0,046)	0,004 (0,035)	0,001 (0,037)
Income	0,008 (0,038)	0,095*** (0,034)	0,072** (0,035)	0,021 (0,038)	-0,004 (0,036)	-0,052 (0,037)
Managers and Professionals	ref -	ref -	ref -	ref -	ref -	ref -
Self employed	-0,162 (0,219)	-0,043 (0,159)	-0,265 (0,225)	0,041 (0,152)	-0,138 (0,204)	-0,042 (0,177)
Lower professionals and technicians	0,106 (0,130)	0,284** (0,135)	-0,005 (0,129)	0,165 (0,132)	0,186 (0,116)	-0,052 (0,116)
Manual workers	-0,088 (0,135)	0,321** (0,140)	-0,132 (0,140)	0,430*** (0,148)	0,116 (0,138)	0,037 (0,125)
Unskilled workers	-0,060 (0,141)	0,333* (0,193)	-0,153 (0,159)	0,256 (0,182)	0,012 (0,212)	-0,168 (0,178)
Non employed	-0,040 (0,138)	0,229 (0,152)	-0,113 (0,143)	0,130 (0,141)	-0,003 (0,124)	0,001 (0,136)
R ²	0.037	0.033	0.035	0.032	0.017	0.020

***p<0.01, **p<0.05, *p<0.10

Table 2.

The results of the regression analysis with attitudes toward spending on the young segments of the population as dependent variable. The model includes all independent variables in their original form. Entries are regression coefficients with standard errors in parentheses. Significant coefficients are indicated in bold

	Britain	France	Germany	Italy	Netherlands	Sweden
	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)
Constant	-0,477** (0,235)	-0,369 (0,228)	0,210 (0,213)	0,155 (0,238)	-0,052 (0,212)	-0,004 (0,205)
Sex	-0,042 (0,067)	-0,177*** (0,067)	-0,135** (0,068)	-0,271*** (0,067)	-0,111 (0,069)	-0,121* (0,068)
Age	0,081*** (0,022)	0,046** (0,021)	0,012 (0,021)	-0,023 (0,022)	0,046** (0,020)	0,017 (0,022)
Education	0,034 (0,056)	0,156*** (0,052)	0,104** (0,049)	-0,044 (0,048)	0,026 (0,050)	0,054 (0,045)
Union membership	-0,148 (0,103)	-0,026 (0,147)	0,080 (0,103)	0,139 (0,120)	-0,018 (0,103)	0,023 (0,090)
Unemployment risk	-0,042 (0,050)	0,070 (0,060)	-0,121* (0,069)	0,059 (0,069)	-0,120* (0,063)	-0,030 (0,047)
Public sector employment	0,019 (0,088)	-0,158* (0,094)	0,137* (0,084)	-0,053 (0,091)	-0,010 (0,095)	-0,032 (0,096)
Presence of children in the household	-0,125 (0,088)	-0,267*** (0,093)	-0,099 (0,105)	-0,292** (0,131)	-0,149 (0,099)	-0,041 (0,108)
Ownership of private Pension assets	0,069* (0,039)	0,048 (0,042)	-0,004 (0,033)	-0,013 (0,046)	-0,003 (0,035)	-0,068* (0,037)
Income	0,033 (0,037)	-0,013 (0,034)	-0,130*** (0,035)	0,043 (0,038)	-0,018 (0,036)	0,019 (0,037)
Managers and Professionals	ref -	ref -	ref -	ref -	ref -	ref -
Self employed	0,360* (0,218)	0,007 (0,158)	0,030 (0,226)	0,050 (0,152)	0,027 (0,203)	0,044 (0,177)
Lower professionals and technicians	0,089 (0,130)	0,041 (0,134)	-0,059 (0,129)	0,071 (0,132)	-0,093 (0,115)	-0,088 (0,116)
Manual workers	0,067 (0,134)	0,079 (0,140)	-0,046 (0,140)	0,144 (0,148)	0,060 (0,138)	-0,151 (0,125)
Unskilled workers	-0,074 (0,141)	0,092 (0,192)	-0,102 (0,159)	0,068 (0,182)	-0,237 (0,211)	-0,094 (0,179)
Non employed	0,099 (0,138)	-0,080 (0,151)	-0,112 (0,144)	0,032 (0,141)	0,039 (0,123)	0,027 (0,136)
R ²	0.043	0.040	0.031	0.034	0.024	0.014

***p<0.01, **p<0.05, *p<0.10

Table 3.

The results of the regression analysis with attitudes toward pension reform as dependent variable. The model includes interactions between independent variables and age. Entries are regression coefficients with standard errors in parentheses. Significant coefficients are indicated in bold

Country	Britain	France	Germany	Italy	Netherlands	Sweden
	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)
Constant	-0,396** (0,162)	-0,202 (0,163)	0,047 (0,150)	-0,092 (0,155)	-0,012 (0,159)	-0,040 (0,161)
Sex*age	0,015 (0,017)	-0,009 (0,017)	-0,010 (0,017)	0,034** (0,017)	-0,010 (0,018)	0,043*** (0,017)
Age	0,004 (0,003)	0,001 (0,003)	0,004 (0,003)	0,000 (0,003)	0,002 (0,003)	0,000 (0,003)
Education	0,065 (0,056)	0,062 (0,052)	-0,132*** (0,049)	0,042 (0,048)	-0,043 (0,051)	-0,032 (0,046)
Union membership*age	0,040 (0,033)	-0,012 (0,041)	0,095*** (0,032)	0,129*** (0,035)	0,002 (0,031)	0,025 (0,024)
Income*age	0,005 (0,009)	0,015* (0,009)	0,012 (0,008)	-0,007 (0,009)	0,006 (0,009)	-0,001 (0,009)
Unemployment risk*age	0,005 (0,015)	0,046** (0,021)	0,055** (0,023)	-0,002 (0,024)	0,044** (0,020)	0,009 (0,016)
Presence of children in the household	-0,187** (0,088)	-0,049 (0,093)	0,053 (0,102)	0,051 (0,129)	0,081 (0,097)	0,099 (0,107)
Public sector*age	-0,052** (0,026)	-0,009 (0,027)	-0,029 (0,024)	-0,029 (0,026)	-0,037 (0,028)	-0,007 (0,027)
Ownership of private Pension assets	0,105*** (0,039)	-0,095** (0,042)	-0,036 (0,033)	0,002 (0,045)	0,010 (0,034)	-0,009 (0,037)
Managers and Professionals*age	0,011 (0,030)	-0,071** (0,031)	0,007 (0,030)	-0,061* (0,034)	-0,040 (0,027)	-0,011 (0,025)
Self employed*age	-0,038 (0,054)	-0,070*** (0,026)	-0,052 (0,050)	-0,039* (0,024)	-0,073 (0,049)	-0,023 (0,034)
Manual workers*age	-0,015 (0,022)	0,010 (0,021)	-0,015 (0,022)	0,068*** (0,023)	0,029 (0,028)	0,014 (0,021)
Unskilled workers*age	-0,001 (0,023)	0,004 (0,039)	-0,050* (0,028)	-0,017 (0,031)	-0,013 (0,045)	-0,044 (0,042)
R ²	0.033	0.028	0.036	0.037	0.016	0.015

***p<0.01, **p<0.05, *p<0.10

Table 4.

The results of the regression analysis with attitudes toward spending on the young segments of the population as dependent variable. The model includes interactions between independent variables and age. Entries are regression coefficients with standard errors in parentheses. Significant coefficients are indicated in bold

Country	Britain	France	Germany	Italy	Netherlands	Sweden
	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)	B/(s.e)
Constant	-0,400** (0,162)	-0,581*** (0,163)	-0,208 (0,150)	0,208 (0,155)	-0,220 (0,159)	-0,028 (0,162)
Sex*age	0,009 (0,017)	-0,021 (0,017)	-0,017 (0,017)	-0,066*** (0,017)	-0,006 (0,018)	-0,011 (0,017)
Age	0,007** (0,003)	0,006** (0,003)	0,006** (0,003)	-0,002 (0,003)	0,006** (0,003)	-0,001 (0,003)
Education	0,021 (0,056)	0,166*** (0,052)	0,094** (0,049)	-0,047 (0,048)	0,028 (0,051)	0,051 (0,046)
Union membership*age	-0,026 (0,032)	-0,005 (0,041)	0,021 (0,033)	0,048 (0,035)	0,001 (0,031)	0,018 (0,024)
Income*age	0,002 (0,009)	-0,005 (0,009)	-0,028*** (0,008)	0,011 (0,009)	-0,010 (0,009)	0,009 (0,009)
Unemployment risk*age	-0,009 (0,015)	0,043** (0,021)	-0,050** (0,023)	0,013 (0,024)	-0,029 (0,020)	-0,010 (0,017)
Presence of children in the household	-0,142* (0,087)	-0,274*** (0,092)	-0,163 (0,103)	-0,304** (0,130)	-0,175* (0,097)	-0,066 (0,107)
Public sector*age	0,002 (0,026)	-0,050* (0,027)	0,056** (0,024)	-0,006 (0,026)	-0,009 (0,028)	-0,026 (0,027)
Ownership of private Pension assets	0,080** (0,038)	0,061 (0,042)	-0,012 (0,033)	-0,010 (0,046)	-0,003 (0,034)	-0,078** (0,037)
Managers and Professionals*age	-0,018 (0,029)	0,007 (0,031)	0,020 (0,030)	-0,026 (0,034)	0,016 (0,027)	0,026 (0,026)
Self employed*age	0,079 (0,054)	0,007 (0,026)	0,045 (0,050)	0,003 (0,024)	0,012 (0,049)	0,014 (0,034)
Manual workers*age	-0,010 (0,022)	0,020 (0,021)	0,010 (0,022)	0,020 (0,023)	0,025 (0,028)	-0,006 (0,021)
Unskilled workers*age	-0,046** (0,023)	0,021 (0,038)	-0,005 (0,028)	-0,011 (0,031)	-0,056 (0,045)	0,011 (0,042)
R ²	0.039	0.035	0.029	0.032	0.018	0.009

***p<0.01, **p<0.05, *p<0.10

Appendix 1

Descriptive statistics of variables used in regression analysis.

	Britain					France				
	N	Min	Max	Mean	S.D.	N	Min	Max	Mean	S.D.
Sex	999	0	1	0,518	0,500	1002	0	1	0,519	0,500
Age	999	1	6	3,485	1,733	1002	1	6	3,433	1,736
Education	999	1	3	1,791	0,659	1002	1	3	2,140	0,716
Union membership	999	0	1	0,122	0,327	1002	0	1	0,054	0,226
Unemployment	999	0	4	0,308	0,663	1002	0	4	0,201	0,547
Public sector	999	0	1	0,185	0,388	1002	0	1	0,167	0,373
Child in the H.	999	0	1	0,174	0,380	1002	0	1	0,143	0,351
Private pension	999	0	4	0,926	0,902	1002	0	4	0,661	0,811
Income	999	1	4	2,598	0,885	1002	1	4	2,509	1,100
Occupation 1	999	0	1	0,080	0,271	1002	0	1	0,072	0,259
Occupation 2	999	0	1	0,028	0,166	1002	0	1	0,099	0,299
Occupation 3	999	0	1	0,241	0,428	1002	0	1	0,292	0,455
Occupation 4	999	0	1	0,216	0,412	1002	0	1	0,272	0,445
Occupation 5	999	0	1	0,189	0,391	1002	0	1	0,054	0,227
Occupation 6	999	0	1	0,247	0,431	1002	0	1	0,210	0,408
Dependent 1	999	-3,030	1,689	0,000	1,000	1002	-1,411	3,398	0,000	1,000
Dependent 2	999	-1,853	2,886	0,000	1,000	1002	-3,034	1,771	0,000	1,000
Valid N (listwise)	999					1002				

	Germany					Italy				
	N	Min	Max	Mean	S.D.	N	Min	Max	Mean	S.D.
Sex	1000	0	1	0,518	0,500	992	0	1	0,519	0,500
Age	1000	1	6	3,559	1,694	992	1	6	3,530	1,747
Education	1000	1	3	1,946	0,702	992	1	3	1,927	0,799
Union membership	1000	0	1	0,120	0,325	992	0	1	0,083	0,276
Unemployment	1000	0	4	0,179	0,487	992	0	4	0,136	0,482
Public sector	1000	0	1	0,211	0,409	992	0	1	0,183	0,387
Child in the H.	1000	0	1	0,113	0,317	992	0	1	0,065	0,246
Private pension	1000	0	4	1,277	1,028	992	0	3	0,538	0,732
Income	1000	1	4	2,448	1,020	992	1	4	2,425	0,956
Occupation 1	1000	0	1	0,074	0,262	992	0	1	0,074	0,262
Occupation 2	1000	0	1	0,026	0,160	992	0	1	0,125	0,331
Occupation 3	1000	0	1	0,369	0,483	992	0	1	0,289	0,454
Occupation 4	1000	0	1	0,238	0,426	992	0	1	0,163	0,370
Occupation 5	1000	0	1	0,104	0,306	992	0	1	0,066	0,248
Occupation 6	1000	0	1	0,189	0,391	992	0	1	0,283	0,451
Dependent 1	1000	-1,437	3,821	0,000	1,000	992	-1,809	3,938	0,000	1,000
Dependent 2	1000	-3,163	2,041	0,000	1,000	992	-2,945	2,078	0,000	1,000
Valid N (listwise)	1000					992				

	Netherlands					Sweden				
	N	Min	Max	Mean	S.D.	N	Min	Max	Mean	S.D.
Sex	1006	0	1	0,509	0,500	1000	0	1	0,510	0,500
Age	1006	1	6	3,382	1,670	1000	1	6	3,593	1,738
Education	1006	1	3	2,205	0,703	1000	1	3	2,262	0,763
Union membership	1006	0	1	0,124	0,330	1000	0	1	0,440	0,497
Unemployment	1006	0	4	0,154	0,511	1000	0	4	0,289	0,715
Public sector	1006	0	1	0,165	0,371	1000	0	1	0,252	0,434
Child in the H.	1006	0	1	0,127	0,333	1000	0	1	0,105	0,306
Private pension	1006	0	4	1,021	0,972	1000	0	4	1,181	0,920
Income	1006	1	4	2,424	1,011	1000	1	4	2,115	0,932
Occupation 1	1006	0	1	0,105	0,307	1000	0	1	0,100	0,300
Occupation 2	1006	0	1	0,031	0,174	1000	0	1	0,048	0,214
Occupation 3	1006	0	1	0,329	0,470	1000	0	1	0,403	0,491
Occupation 4	1006	0	1	0,131	0,337	1000	0	1	0,204	0,403
Occupation 5	1006	0	1	0,032	0,177	1000	0	1	0,051	0,221
Occupation 6	1006	0	1	0,371	0,483	1000	0	1	0,194	0,395
Dependent 1	1006	-3,336	1,587	0,000	1,000	1000	-1,293	3,647	0,000	1,000
Dependent 2	1006	-1,846	2,602	0,000	1,000	1000	-3,689	1,357	0,000	1,000
Valid N (listwise)	1006					1000				

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