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Setting the Agenda: The World Bank and International Labour Organisation's Battle to Shape Global Pension Policy

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Abstract

Throughout the 1990s and 2000s, the World Bank and the International Labour Organisation (ILO) competed to shape the global pension reform agenda. Inspired by the privatisation of Chile's pension system in 1981 and its spread across Latin America, the World Bank promoted a partial privatisation of public pension systems across the globe. It was vehemently opposed by the ILO. The World Bank was able to use its lending capacity as leverage into the pension reform debates of the countries of Central Eastern Europe during their transition to market-based capitalism. It supplanted the ILO as the dominant international organisation in the pension reform arena as most countries in the region adopted the World Bank's preferred pension model. However, at the onset of the of the global economic crisis, the trend went into reverse. Most countries in Latin American and Central and Eastern Europe either scaled back on their privatisation or completely abandoned it.

This thesis investigates the impact of these reversals on global pension policy. It draws on an analysis of 104 pension documents and 25 elite interviews from senior policy makers in the World Bank, ILO and Central and Eastern Europe to analyse global pension policy. It deploys an Agency, Structure, Institutions, Discourse (ASID) framework to explore the process of pension reform and counter-reform in Central and Eastern Europe, the development of the pension policies of the ILO and World Bank, and the relationship between them. The thesis tells the story of how the ILO has managed to reassert itself in the global debate and international agenda-setting process through the promotion of its flagship national social protection floors. It now works much more closely with the World Bank, which abandoned its pension privatisation campaign and works closely with the ILO to extend pensions coverage.

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Glossary

ASID	Agency, Structure, Institutions, Discourse
EU	European Union
GDP	Gross Domestic Product
ILC	International Labour Conference
ILO	International Labour Organisation
IFA	Individual Funded Account
IMF	International Monetary Fund
NDC	Notional Defined Contribution
OECD	Organisation for International Cooperation and Development
PAYG	Pay-As-You-Go Pension System
SGP	Stability and Growth Pact
USAID	United States Agency for International Development
UNCEB	United Nations Chief Executives Board
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNICEF	United Nations International Children's Emergency Fund
WHO	World Health Organisation
WTO	World Trade Organisation

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Chapter One

Introduction

In March 2018, Sebastián Piñera was re-elected to the presidency of Chile. This was despite being ejected by voters four years earlier, leaving office as one of the most unpopular presidents in the country's history (Mander, 2018). His cornerstone campaign promise, in his dramatic return to power in 2018, was to reform Chile's pension system – a system designed nearly four decades earlier by his older brother, José Piñera (Weyland, 2005). The privatisation of Chile's pension system in 1981, under the authoritarian leadership of Augustus Pinochet, was held up as a beacon for all pension systems by some international organisations, such as the World Bank (World Bank, 1994). It had been designed by a group of radical neoliberal reformers nicknamed the 'Chicago Boys'. These had studied under the tutelage of Milton Friedman at University of Chicago and upon their return to Chile, set up an affiliate institute at the Pontifical Catholic University of Chile. This institution was the laboratory for a number of neoliberal experiments, of which the most radical, was the complete privatisation of the public pension system (Borzutzky, 2005). The privatisation involved diverting pension contributions from taxpayers into individual fully-funded pension accounts (IFAs). By any means, this represented a radical redrawing of the social contract in Chile: from the state to the market and from a collective, societal responsibility to provide an income in retirement, to individual responsibility.

From the mid-1980s up until the Asian Financial Crisis of 1997, the Chilean economy grew at an average annual rate of 7.2 percent (Büchi, 2006). This impressive performance was argued to be a result of the development of the capital market that the pension privatisation had stimulated (Holzmann, 1997; World Bank, 1994). It aligned with the wider agenda of the World Bank and motivated it to lead a campaign to enact these reforms across the globe. The campaign persuaded thirty countries to fully or partially privatise their public pension system (Orenstein, 2011).

However, the Chilean reforms had been highly controversial. Over time, the system generated sustained opposition, attacking its failure to pay adequate pensions to large proportions of the population (Mesa-Lago & Bertranou, 2016). The exorbitant fees were also attacked, as they siphoned off a large proportion of the accumulated funds of those drawing a pension from the new system, hence reducing retirement income (Mesa-Lago & Bertranou, 2016). In addition, the poor coverage of the system across the population of Chile offered further ammunition for its opponents (Gill, Packard, & Yermo, 2005). Reforms were undertaken in 2008 by President Michelle Bachelet to strengthen the retirement income of the poorest and to enhance gender equality – amidst calls for a complete abolishment of the private system (Kritzer, 2008). The forthcoming reforms, to be undertaken by President Piñera, will involve an even larger role for the state in providing pensions. They were also drafted by his successor and opponent, President Bachelet – signalling the political consensus on the need to reform the system. In 2014, President Bachelet launched a commission of national and international policymakers to advise on the reform. In a further example of the symbolism of the Chilean system, it included a senior adviser from the International Labour Organisation (ILO) advising on the reforms, but not one from the World Bank (Pensiones Comisión Asesora Presidencial sobre el Sistema de, 2015). The reforms will leave in place a role for the private sector in pension provision, but the role of the state in alleviating pensioner poverty, is no longer contested in Chilean politics (Mesa-Lago & Bertranou, 2016).

In many ways, the fate of the Chilean pension system, the transnational actors who have influenced it, and the debates within Chilean pension politics about the role of the state and the market help to tell the story of this thesis. It is a debate that has been played out at a global level over the past 25 years between various international organisations and transnational actors. This thesis tells the story of this global debate and its role in international agenda-setting. It outlines how it was shaped by political and economic events and how a consensus has begun to emerge between two previous opponents in global pension policy: The World Bank and the International Labour Organisation. The thesis demonstrates how these organisations came to be involved in the pension reform arena and the dynamics that shaped this involvement. It explores the development of their pension policies over time and how they were driven by both internal and external politics.

Motivations to Study Global Pension Policy and the Development of the Thesis Idea

I first encountered global pension policy in 2011 as a master's student in Social Policy and Administration at the University of Nottingham. As a mature student, returning to higher education, my main challenge appeared to be narrowing my vast interests in the field down to something focused enough to write a dissertation. Whilst reading a book on the financing of the welfare state, *The Welfare State as Piggy Bank* by Nicholas Barr (2001), I first discovered that Chile had privatised its public pension system. I was completely shocked. The implications of this became immediately clear to me. As will be discussed in detail in Chapter Two, it transferred responsibility for income security in old age completely to the individual. Reading around the subject some more, I discovered the privatisation of public pension systems had been a growing trend across the globe. The Chilean pension reform had been modified and diffused across most of Latin America (Brooks, 2005; Weyland, 2005). A coalition led by the World Bank had also played a crucial role in bringing Chilean style pension reform to Central and Eastern Europe in its transition from state-planned socialism to market-based capitalism (Müller, 1999; Orenstein, 2008).

I decided to write my dissertation on the partial-privatisation of the Hungarian and Polish pension systems. The discovery that these reforms had been inspired by transnational actors violated many of the theories on welfare state development, which have traditionally stressed domestic factors such as the growth in the power of the working class (Huber & Stephens, 2001) or openness to trade (Cameron, 1978). The privatisation of the public system also violated the assumption within theories on welfare state development that reforms are path-dependent on previous policies (Pierson, 1994). This literature on transnational pension politics formed part of a growing scholarship on global social policy: a branch of social policy that focuses on the role of transnational actors in shaping domestic welfare policies (Deacon, et al., 1997; Fergusson & Yeates, 2014; Kaasch, 2013; Orenstein, 2008). The reforms in Hungary and Poland were also part of the emerging literature on social policy in the transition countries of Central and Eastern Europe. This literature focuses on their unique process of undergoing the twin transition from socialism to capitalism and from one-party authoritarianism to liberal democracy (Cerami & Vanhuysse, 2009; Szikra & Tomka, 2009; Inglot, 2008; Fultz, 2006; Müller, 1999;). It seemed an interesting region to study given its propensity for neoliberal reforms.

However, the dissertation proved to be far more dramatic than I had originally envisaged. Just two weeks before the deadline, I discovered that Poland was in the process of scaling down its private system and that Hungary had just completely abandoned it, by renationalising it (Fultz, 2012). After the initial shock on the implications for my dissertation, it became clear this process represented an enormous opportunity. First, my dissertation had already hinted these reforms might not be stable, given that it was only a partial-privatisation, and that it generated significant upfront costs (which will be discussed in more detail throughout the thesis). It therefore only required a small rewrite to incorporate the counter-reforms that were taking place. Second, Hungary and Poland were not alone. As will be shown, reversals to pension privatisation were being carried out across the globe in the wake of the global economic crisis (Arza, 2012; Datz & Dansci, 2013; Drahokoupil & Domonkos, 2012; Holzmann, 2012). I now had a topic that I was certain warranted further investigation. The master's dissertation would not be the end of my engagement with pension privatisation or multi-pillar pension reform, as others call it, but rather the beginning, as there was a need to further understand these developments.

The Positioning of the Thesis

This is a thesis about global social policy, with a specific focus on pensions. It contributes to the literature on the role of transnational actors in setting reform agendas. The reform of welfare systems – including pension reforms – from a global perspective, remains an under-explored aspect of social policy. In the rapidly growing literature on globalisation and its impact on the welfare state, the focus has often been on economic and technological forces, rather than ideational ones (Ervik et al., 2009; Yeates, 2002). This thesis is explicitly concerned with the role of ideas, promoted by actors within international organisations.

Within the study of pensions, the field is still dominated by studies that prioritise national policy making processes, such as debates between national representatives of labour and employees, with the state either mediating these processes, or actively intervening for political advantage. The thesis seeks to challenge this “methodological nationalism” with an approach that fosters “methodological transnationalism”. It focuses on international organisations as a specific type of political actor which have been shown to have a considerable influence over national social policies, in particular in developing and middle-income countries (Armingeon & Beyeler, 2004; Deacon 2007; Ervik, 2005; Müller, 1999; Queisser, 2000; Orenstein, 2008). The emphasis on international organisations involves focusing on them as institutions and their organisational makeup, alongside the actors within them and the policies they promote. It also focuses on the political and economic context in which they operate and in which they also shape and influence.

Global social policy was born out of the analysis of Deacon et al. (1997), who observed the growing influence of international organisations in social policy-making. They characterised this contestation as:

> “something a ‘war of position’ between those agencies and actors within them who have argued for a more selective, residual role for the state with a larger role for private actors in health, social protection and education provision and those who take the opposite view” (Deacon, 2007 p. 171).

In their seminal work in the field, Deacon and colleagues (1997) painted global social policy as a battleground, with the International Monetary Fund (IMF) and World Bank on one side arguing for a liberal approach to social policy, against the corporatist approach favoured by the ILO and European Union (EU). Kaasch (2013) has challenged this approach to global social policy as an arena solely characterised by contestation. In the field of health policy, there is not one dominant model for international organizations to promote as a beacon for others to aspire to. In addition, international organisations are pressured to justify their own activities in the field. There are therefore better incentives for cooperation rather than competing for the exclusive right to shape policy. The policy environment portrayed in this thesis demonstrates evidence of both conflict and cooperation within and between organisations.

Moreover, where Deacon characterised international organisations as monolithic blocs, this thesis finds they are open systems, which respond to the global and regional policy environment they operate in, and furthermore, respond to the institutional environment in which their policies are implemented, and adapted. As a consequence, the World Bank and IMF cannot simply be labelled as neoliberal and the ILO cannot be assumed to be corporatist or social-democratic. There are competing views inside international organisations, both between the separate departments and policy areas, and within them.

Bøås & McNeill (2004) take the view that powerful international organisations are predisposed to neoliberal policy prescriptions, with very little room for others to challenge this. They argue that:

> "Powerful states (notably the USA), powerful organisations (such as the IMF) and even powerful disciplines (economics) exercise their power largely by 'framing': which serves to limit the power of potentially radical ideas to achieve change" (Bøås and McNeill, 2004 p. 1).

This thesis challenges this dominant view of the global policy process. Firstly, the role of the US in global pension policy is ambiguous. As Béland & Orenstein (2013) note, multi-pillar pension reform was rejected by Congress in 2005. It therefore is not logical to assert this type of reform is an American idea. Secondly, the thesis shows that the power balance between international organisations and the recipients of their funding is not fixed. It will be shown that the World Bank lost leverage in the countries where it promoted its pension model and had to adapt as a consequence. It also shows how the ILO, which is not as well-resourced as the World Bank, was able to reassert itself into the global pension policy debates. The thesis therefore contributes to the international political economy literature by challenging the realist assumptions that only powerful states matter in the global economy and that the International Financial Institutions they finance are the only influential organisations in the global economy.

In many ways, the thesis is a sequel to the work of Orenstein (2008), who analysed the role transnational actors had played in persuading a number of countries across the globe to partially privatise their pension system. His analysis showed how the World Bank supplanted ILO as the dominant global actor in pension reform. Following the publication of its seminal document on pension reform titled *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth* in 1994, it led a coalition, which included the Cato Institute, the United States Agency for International Development (USAID) and the pensions industry, to campaign for countries to partially privatise their pension systems. Instead of a full privatisation, like Chile, most countries opted for a multi-pillar system whereby the public pension pillar was reduced in size to focus on poverty relief and the remaining funds diverted into a second pillar – a private pillar – which had the aim of smoothing income over the life course (World Bank, 1994).

A rival coalition led by the ILO and International Social Security Association (ISSA) fought to contain this spread of pension privatisation, but in the mid-1990s it was fighting a losing battle. As Chapter Five shows in detail, the global political and economic environment was favourable for this type of reform. In total, more than thirty countries either fully, or partially, privatised their pension system. Most of these were in two regions: Latin America and Central and Eastern Europe. Orenstein made a significant contribution: transnational actors had shaped an important area of social policy. However, just as his book was published, the whole process of pension privatisation went into reverse.

In 2008, Argentina became the first country to renationalise its private pension system, when President de Kirchner authorised the nationalisation of $30bn of pension assets (Datz & Dansci, 2013). In the immediate global economic crisis period, as a response to being locked out of international capital markets, it subsumed the private pension assets into the state coffers. In 2010, Hungary did the same thing. Viktor Orbán's supermajority enabled the swift nationalisation of pension assets. At first this looked like the isolated actions of two authoritarian leaders struggling to raise international finance (Arza, 2012). However, the trend spread. Bolivia, Kazakhstan, and Poland also renationalised their private pension pillars in the years that followed (Naczyk & Domonkos, 2016). Moreover, the Baltic States and Russia temporarily suspended payments into private pensions, diverting the contributions back into the public pillar in order to alleviate the fiscal crisis (Drahokoupil & Domonkos, 2012). Slovakia did the same but on a permanent basis. The case of the Czech Republic, however, is an unusual one. Whilst the rest of the region had privatised their pension systems in the late-1990s and early-2000s, the Czech Republic had kept its public system unreformed. In 2011 though, it bucked the trend and partially privatised its pension system. However, it was short-lived. By 2013 the private pillar was closed down, bringing the Czech system into line with the others.

The thesis analyses global pension policy in light of these recent developments. It focuses on the World Band and ILO, as these are the only two organisations that have dominated global pension policy agendas at one time or another – the rise of Pay-As-You-Go pension systems in the case of the ILO and the rise of pension privatisation in the case of the World Bank (Orenstein 2003; 2008). While many other organisations have been involved in the campaign for pension privatisation, including the OECD, European Union, and USAID, the World Bank dedicated greater resources to policy research, research dissemination, and policy planning, seeking to establish a global agenda for reform. During this period, it supplanted the ILO, which had played a key role in establishing PAYG pension systems worldwide, as the top global agenda-setter for pension reform (Orenstein, 2008). In addition, the qualitative approach of the research is deployed in order to generate rich, nuanced and in-depth data. This can only be achieved with a smaller number of cases. This is a further reason the ILO and World Bank were exclusively analysed for the thesis.

The focus of the thesis is on the global policy debates that take place within – and between – these international organisations. It analyses their role in the policy development and agenda-setting stages of the policy cycle. It does not seek to negate the role of domestic politics and domestic actors in the pension reform process. It recognises that many other actors are involved in the reform of pension systems. For example, the ‘power resources’ model has argued that welfare state development is determined by the strength of the labour movement (Esping-Andersen, 1985; Korpi, 1983; Stephens, 1979). In particular, the success of left-wing parties can adopt universalist policies to serve the interests of the working class once they are in office. The general level of generosity has also been shown to be determined by the electoral success of left-wing parties (Myles, 1985). From a corporatist perspective, trade unions and employers’ representatives will also be principal actors in the pension reform arena. In the politics of retrenchment, trade unions will mobilise to protect the generosity of pension. Reformers therefore adopt a strategy of ‘blame avoidance’ in order to carry out pension reforms (Myles & Pierson, 2001). However, whilst these domestic actors are an important component of the process of many countries’ pension reforms, the focus of this thesis is on the role of international organisations in the pension reform process.

The analysis focuses extensively on Central and Eastern Europe. This is because the region is most closely associated with global pensions policy. As Deacon (1997) and later Orenstein (2008) showed, in the region’s transformation – from state-planned socialism to market-based capitalism and from authoritarianism to democracy – international organisations competed to shape the welfare policies of the countries in the region. During the communist era, the state had a complete monopoly over pension provision (Inglot, 2008). For this reason, organised interests never developed in the same way that they have in Western Europe (Naczyk, 2018). The propensity of pension reforms to be an elite-driven activity gave the World Bank influence over the pension reform process. As Müller (1999) argued, the indebtedness of the transition countries brought the Ministry of Finance into the pension reform debates. This gave the World Bank leverage into the process, as it has the closest relationship with finance ministers who tended to have a neoliberal disposition (Müller, 1999; Orenstein, 2000). The Bank also offered significant technical assistance for the countries that adopted the reforms.

Central and Eastern Europe represented a key battleground in the struggle between international organisations to influence welfare trajectories. With the exceptions of Serbia and Slovenia, every country in the region adopted a mandatory, private second pillar as part of their reformed pension systems. Despite the ILO opening up a Budapest office, in an effort to shape the agenda in a more social-democratic direction, it was unable to contain the spread of pension privatisation in the region. This contrasts with Latin America, the other region which adopted mandatory private pension pillars. Whereas Central and Eastern Europe's pension reforms were inspired by transnational actors, in Latin America the reforms were domestically generated (Brooks, 2005; Weyland, 2005). For this reason, the analysis gives an extensive focus on Central and Eastern Europe, given the activity of international organisations in the region.

With the exception of Croatia, every former communist country that adopted multi-pillar pension reforms amended them in some way after the global economic crisis. This entire episode raises significant questions about these types of reforms and global pension policy in general. Thus, the main aim of the thesis is to explore global pension policy in light of the number of reform reversals to the multi-pillar model. It is guided by the following research questions:

1) What processes led to the pension reforms and counter-reforms in Central and Eastern Europe?
2) How did this episode influence the perspectives and development of pension policies of the World Bank and ILO?
3) How did it influence the relationship between the World Bank and the ILO?

In order to answer these questions on global pension policy, the thesis deploys the Agency, Structure, Institutions Discourse (ASID) framework (Moulaert & Jessop, 2006) as a multi-faceted analysis of the development of global pensions policy. This has been argued by Deacon and Stubbs (2013) to provide a comprehensive framework for global social policy studies. With the exception of Deacon's (2013) analysis of the ILO, the ASID framework is has not been used in global social policy studies. The thesis therefore offers a further application and refinement of the framework. Each of the empirical chapters of the thesis is dedicated to one of these four components of the model.

The thesis analyses the global structural dynamics that have driven multi-pillar pension reform and counter-reform; outlining the global political and economic environment that both shapes the conduct of international organisations, and is in turn, shaped by them (Barnett & Duvall, 2004). The analysis shows how global pension policy has been fashioned by the prevailing paradigm or zeitgeist. During the post-war period, the prevailing paradigm precipitated an active role for the state in welfare provision. It was during this time that the ILO was able to establish itself as the leading international organisation in global pension policy, by promoting PAYG pension systems (Orenstein, 2003). The breaking down of the 'golden age of welfare' (Esping-Andersen, 1996) ushered in the neoliberal era. This new zeitgeist facilitated the World Bank to supplant the ILO as the leading international organisation, promoting a new neoliberal pension model. The fall of the Berlin Wall precipitated an intense period of activity as international organisations competed to shape the direction of the new democracies (Deacon, 1997). Next, it will be shown that the global economic crisis played a large role in bringing about the conditions for pension reform reversal. The crisis also created the conditions for the World Bank and ILO to work much more closely on extending pension provision.

It also analyses the pensions institutions, and how these interact with global pension ideas. The policy legacies of communism will be shown to have constrained the options for privatisation as the upfront costs of a full privatisation – such as Chile's reform – were too large (Muller, 1999). The countries in the region instead opted for a partial-privatisation. Over time, the transition costs acted as a thorn in the side of the pension system, this came to a head during the global economic crisis and the reversals were a consequence. The analysis shines a light on how this process has been interpreted by the proponents and opponents of multi-pillar pension reform. It analyses how ideas have evolved following the whole process by analysing the perspective of the transnational actors involved in the reforms.

The discourses component of the ASID framework focuses on the development of pension policy. It analyses how global pension debates have been framed by both organisations. The analysis shows the significant contribution of Averting the Old Age Crisis (1994) to the pension reform debate. After its publication, the global debate on pensions intensified significantly. Averting was able to shift the debate away from a preoccupation with the adequacy of pensions to a concern with their sustainability. It represented the first accumulation of international and comparative pensions data on a global scale. The publication also opened up a secondary debate on the role of the pension system in the macro economy and the labour market. It went far beyond the reach of the OECD, targeting its message at middle- and low-income countries as well as high-income countries. The analysis shows how, over time, the priorities of the World Bank shifted towards pensions coverage. This aligned with the agenda of the ILO, which had also shifted its priority to extending pension coverage in developing countries (ILO, 2001). The chapter on institutions explores how the series of pension reform reversals influenced the policies of the World Bank and ILO, what the similarities are in their approach now, and what differences remain.

The final component of the ASID framework to be explored is agency. The chapter on agency focuses on the internal politics of the World Bank and ILO. It shows how both organisations at different times have been characterised by internal policy coherency and policy fragmentation. During times of internal coherence each organisation was able to influence the international agenda, in particular when it aligned with the prevailing global paradigm. The chapter demonstrates how key individuals were instrumental in this process. The analysis also shows that fragmentation and a lack of a clear policy direction led to each of the organisations cede influence over their rival. In the case of the ILO, in the mid-2000s internal rivalries prevented the organisation developing a clear policy position to challenge the World Bank. However, the World Bank would later experience fragmentation as its multi-pillar pension policy was abandoned. The policy was first challenged from within by opponents. Next, as it began to be reversed by countries that had adopted it and finally, when key personnel who had supported the reforms, left the organisation.

The ASID framework enables each of the research questions to be analysed from a multi-faceted perspective. For example, as each of the chapters will demonstrate in detail, the process of pension privatisation and reversal is a consequence of global structural dynamics and the institutional setting of Central and Eastern Europe. The success of the World Bank's multi-pillar pension model was also a result of how it was framed, its message on sustainability and economic development proved attractive to reformers in Central and Eastern Europe. None of this would have happened without the initial success of reformers inside the Bank pushing this type of reform onto the agenda and promoting it ahead of rival ideas. The development of pension ideas at the World Bank and ILO has also been shaped by the global political economy, the interaction of neoliberal pension ideas with the institutions of Central and Eastern Europe, the evaluations of its performance prior to the reversal – and following – alongside the internal politics of the organisations. Finally, the relationship between the ILO and World Bank has been shaped by the global political economy by evaluations and development of their pension policies and by the internal politics of each organisation.

Contribution to Knowledge

The thesis makes a number of empirical contributions to the field of global pension policy. This remains an under-explored aspect of social policy, particularly since the wide-scale reversal of the World Bank's model. The first contribution is to offer a comprehensive account of how pension reform has been conducted at a global level throughout the last century and into the current one. Where the work of Orenstein (2008) primarily focused on the transnational campaign to privatise pension systems, this analysis goes further back, demonstrating how the ILO has been shaping pension systems since its inception at the end of the First World War. The thesis offers insights into how the global political and economic environment offers international organisations leverage into domestic policymaking and how the World Bank used the conditions in the early 1990s to enter the reform debate. The thesis also goes beyond the privatisation campaign. It analyses the waning of the World Bank's influence and how the ILO reasserted itself into the global debate.

The academic literature on pension reform reversals is still in its infancy. To date, the it has analysed individual countries or regions, offering explanations for the reversals. However, there has not yet been an analysis of these developments from the perspective of the international organisations that competed to enact or oppose these reforms. It is here that the thesis makes its major contribution to knowledge. Its main contribution is to outline the process in which the World Bank and ILO have ceased to compete within the field of pensions and instead cooperate to extend the coverage of pensions to those in the informal labour market who have no coverage. This process has been shaped by both external political and economic events as well as internal evaluations of pension policies and the internal politics of both organisations. It makes a significant contribution by elucidating the perspectives of the transnational actors who both promoted and opposed multi-pillar pension reform. It uses elite interviews to analyse the perspectives of senior policy makers in the international organisations involved in global pension policy.

In addition, the thesis draws on the perspective of domestic actors and analyses their interaction with transnational actors in the pensions field. The thesis offers an insight in to the debates that take place *inside* international organisations as well as *between* them. It also offers a comprehensive account of the pension policy positions of the World Bank and ILO. It analyses the policy documents of each organisation alongside interview data from actors inside each organisation to outline the main preoccupations and how these have evolved over time. The thesis shows how the ILO was able to reassert itself into global pension policy debates through the promotion of its flagship national social protection floors policy. It sets out how the ILO's Social Security Department came to focus on this policy idea and how it interacted with developments in the World Bank to enable a collaborative and cooperative relationship between the one-time rivals in global pension policy.

The second contribution is theoretical. The thesis positions itself within the global social policy literature; and within this literature, the relationship between ideas and institutions has been underexplored. Where scholars have analysed this relationship in the past, ideas have been deployed as an independent variable in institutional change (Béland, 2009; Orenstein, 2008). This thesis shows that institutions can also shape ideas. Through the processes of path dependency and continuity, the stickiness of institutions can alter the perception of different policy ideas, leading to *ideational change*. The thesis shows how the global perception of pension privatisation, of both its proponents and opponents, was shaped by its interaction with the pension institutions of Central and

Eastern Europe. The pension policy legacies and institutions obstructed a full privatisation in the region and undermined the viability of the pension system. In turn, previous proponents of multi-pillar reforms reassessed the viability and desirability of such reforms. This shifted the focus of international organisations like the World Bank away from promoting private pension provision towards expanding public provision to those who had no provision at all. The thesis also demonstrates how international organisations must adapt to remain relevant in international agenda-setting. The lack of demand from middle-income countries for the World Bank's pension expertise has meant it needed to shift towards assistance on public pension systems. In addition, the analysis shows the interaction between different types of authority. The World Bank has traditionally relied on its expertise as a source of authority. This authority has been damaged in the pension reform arena by a perceived failure of its flagship model. The ILO, on the other hand, relies on its moral suasion as a source of authority. This was enhanced during the global economic crisis, enabling it to reassert itself into the global debate.

A final contribution of thesis in the application of the ASID model to a new area of global social policy. With the exception of Deacon (2013), who applied the model in the discussion of his research on policy making in the ILO, it has not been applied in any other global social policy analysis. This thesis applies the model much more comprehensively than Deacon, and in doing so, offers an insight into its usefulness in global social policy studies. The discussion in Chapter Nine reflects on its strengths and weaknesses in analysing global pension policy.

The specific contributions of the thesis enable the research to position itself in a number of academic fields and debates. It makes an important contribution to global social policy by analysing a field that has been characterised by significant transnational influence only for that influence to wane dramatically. To date, there are no other examples in the field of global social policy whereby a transnational campaign has initially been successful with a significant number of countries enacting its reforms, only for them to be abandoned a few years later. In addition, it enables the thesis to position itself in debates within the international political economy literature, in particular in debates between realists and constructivists, and powerful states and those on the periphery. The thesis captures in-real-time the state of flux as the World Bank's influence in the world diminishes. The thesis also positions itself in the new institutionalism literature. It offers an important case study of the interaction between global policy ideas and the institutions they seek to reform. It offers a chance to analyse the relationship between material reality and the constructed reality of policy framing. It also offers a case study in institutional development, institutional change and institutional stability. Finally, the analysis is useful for pension scholars. The rise and demise of multi-pillar pension reform is an important case study in the balance between the state and the market in pension provision. The whole episode offers insights into what is desirable and what is achievable in altering the balance between the public and private provision.

A Note on Terminology

The thesis offers a description of the global policy process whilst also engaging with the debates about the desirability of different pension systems from the perspective of different actors. Its purpose is not to advocate one system over the other, but rather to describe the processes that have shaped global pension debates and organisational positions. With this in mind, the thesis uses terms that may be value-loaded and uses them interchangeably. For example, the term 'pension privatisation' is used by Orenstein to describe a pension system that either entails a full privatisation, as in Chile, or a proportion of public pension contributions diverted to individually fully funded accounts. This is not the favoured term of the World Bank. It prefers to use the term 'multi-pillar pension reform', whereby the first pillar is the public system and a mandatory second pillar is the proportion of the pension diverted into an individual account. Given a large proportion remains in public provision, the Bank disputes this is a privatisation. The term 'second pillar' is also used in the pensions literature, particularly in the case of Central and Eastern Europe. Each of these terms will be used throughout the thesis, each time they are used, it refers to the mandatory contribution to an individual private account that has been diverted from the public account. Likewise, the term 'counter-reform' might be interpreted as negative, whereas 'reversal' could be interpreted more positively. Throughout the thesis both of these terms will also be used interchangeably.

Structure of the Thesis

The thesis proceeds as follows: Chapter Two outlines the different pension system designs and the values and philosophies that underpin them. In addition, it sets out the theoretical foundations of the thesis describing the different theoretical approaches of the "new institutionalism", the international political economy of international organisations, and the theoretical approaches of global social policy. Chapter Three reviews the literature on multi-pillar pension reform and the reversals to the system. It outlines the existing literature on pension reform and global pension policy. It shows how the thesis addresses the gap in the literature by analysing the perspective of the international organisations involved in global pension policy. Chapter Four sets out the methods deployed in the research and how they interact with the theoretical foundations which are discussed in the methodology. It also sets out the analytical structure of the thesis. Chapter Five is the first of four empirical chapters. It focuses on the global political economy of pension reform. It outlines the context in which international organisations operate and influence. Chapter Six focuses on Central and Eastern Europe, elucidating the institutional analysis of global pension reform. Chapter Seven analyses the different pension policy positions of the ILO and World Bank and how these have evolved over time, through internal analysis and evaluation. Chapter Eight focuses on the internal politics of the World Bank and ILO, showing how these have interacted with the global political economy in order to shape global pension policy. Chapter Nine draws all of these together in a discussion, leading onto the final conclusion in Chapter Ten.

Chapter Two

Approaching Global Pension Policy: Pension System Designs and the Theoretical Foundations of the Thesis

Introduction

This chapter outlines the theoretical foundations and key concepts that underpin the thesis. The chapter begins by setting out the approaches adopted within the field of global social policy. It outlines the main concepts and theories within this sub-discipline. Global social policy is concerned with the transnational aspects of social policy. It argues that traditional approaches to social policy have been characterised by methodological nationalism. The analysis here sets out what a methodological transnationalism entails and how this underpins the thesis. It details the main approaches to global social policy studies, namely complex multilateralism, a politics of scale and global advocacy coalitions.

Next, the chapter positions itself within an academic debate on the nature of institutional development and institutional change. This is an emerging literature on the role of institutions within society. It analyses how and why they are designed and in what way change of the institutions is enacted. Hall & Taylor (1996) identified three distinct approaches within the "New Institutionalism": rational choice, and historical and sociological institutionalism. Later another approach has been added: constructivist or discursive institutionalism (Hay, 2011; Schmidt, 2008). Each of these approaches will be outlined and analysed. A synthesis of historical and constructivist institutionalism will be central to the approach of the thesis. In particular, it will be argued that not only can ideas lead to institutional change, but also the stickiness of institutions can lead to ideational change.

This leads on to the next theoretical analysis of this chapter: the role of international organisations in the policy making process and their interaction with domestic policy makers. This is a debate that has taken place within the academic field of International Political Economy (IPE). The literature points to three distinct approaches towards the role of international organisations: realist, liberal and constructivist (Abdelal, Blyth, & Parsons, 2010; Barkin, 2013). Each of these will be outlined and analysed in this chapter. The approach of IPE scholars overlaps with the approaches in the new institutionalism, some of the ontological and epistemological foundations set out in the new institutionalism will be applied in the IPE framework. It will be argued that the constructivist approach best explains the role of the international organisations within the global pension arena, although there are also realist aspects to the current developments global pension policy.

Finally, the chapter outlines the different types of pension arrangements that are possible. The design of a pension system will be shown to have a significant impact on the type of welfare system and the macro economy. Different systems are underpinned by different values and reforms can have redistributive consequences between socioeconomic groups and can also enhance or diminish gendered inequalities (Foster, 2012; Foster et al, 2016; 2019; Foster and Heneghan, 2018; Ginn & Arber, 1996).

Global Social Policy

Global social policy as a distinct subfield of social policy emerged with the contribution of Deacon, et al. (1997), analysing the role of transnational actors shaping social policy in Central and Eastern Europe. It builds on many of the positions outlined in the section above. The journal *Global Social Policy* was launched in 2001 and an update from Deacon in 2007. Student textbooks on global social policy appeared in 2008 (Yeates, 2008). Deacon (2007) contends that global social policy consists of two things: first, it is the social policy prescriptions for national social policy being articulated by global actors, such as international organisations; second it is the emerging supranational social policies and mechanisms of global redistribution, global regulatory supervision and global social rights (2007, p. 1). The thesis is primarily concerned with the former preoccupation of global social policy. Like its parent field, social policy, global social policy draws eclectically from other fields and disciplines. In particular, it draws from:

development studies, international political economy, international relations, global sociology and the policy transfer and diffusion literature. The use of these disciplines can be collapsed into three overarching approaches: 'complex multilateralism' (O'Brien, et al., 2000), 'global advocacy coalitions' (Orenstein, 2008) and the 'politics of scale' (Clarke, 2004; Stubbs 2005). Each of these will now be discussed in more detail.

Complex Multilateralism

This concept positions itself in the middle-ground between the state-centrist positions in international relations, like those adopted by realists and the global cosmopolitan or world society theories that completely ignore nation states. As will be argued in the section on international political economy later in the chapter, the former stresses that international organisations are primarily conditioned by nation states (Gilpin & Gilpin, 2001), whereas the latter argues that the global system is characterised by the emergence of global actors and processes (Held at al., 2000). Global social policy developed at a time when global governance processes were in flux and positioned itself between these two extremes. It emerged as part of the social sciences preoccupation with globalisation that characterised the end of the last century with the aim of contributing to the definition and composition of globalisation (Deacon, 1997 p. 8).

In absence of a formal rule-bound system of global governance, the vacuum is filled by nation states, international organisations, transnational corporations, epistemic communities, global social movements, the Catholic Church, international consultancies and NGOs and a multitude of transnational actors, which all compete to shape the social policy of national governments in a complex process that cannot be captured by the extreme positions at both ends of the spectrum. Complex multilateralism recognises how some of these actors seek to not only influence the conduct of nation states but to also influence the conduct of international organisations. O'Brien et al. (2000) analysed how global social movements influenced the policies of the World Trade Organisation and World Bank. In the pension reform arena, it will be shown in later chapters that the pensions industry had significant influence over the World Bank's campaign for pension privatisation. Conversely, the ILO was influenced by the development community when it designed its national social protection floor policy.

Global Advocacy Coalitions

A predominant way that global social policy has been conceptualised is through what are referred to as 'global advocacy coalitions' (Orenstein, 2008). International organisations with no formal veto power in domestic politics (Tsebelis, 2002), seek to influence national governments through the power of persuasion. This approach draws on the work of Haas (1992) to show how 'epistemic communities' defined as a network of knowledge-based actors, seek to articulate cause and effect relationships of complex problems to state actors. In doing so, they help states define their interests and frame collective debates in order to promote specific policies.

As will be shown in detail in later chapters, the World Bank's campaign for pension privatisation is a perfect example of an epistemic community. It formed a coalition with like-minded actors in the pensions industry, think-tanks and domestic politicians with neoliberal instincts, usually finance ministers. The coalition was able to shape the interests of domestic governments by framing pension provision as an oncoming crisis and their solutions as a policy with multiple benefits.

This strand of global social policy studies has opened up a significant research agenda. Global social policy has predominantly been portrayed as an arena in which international organisations and transnational actors compete to influence the welfare reform trajectories of national governments (Deacon et al., 1997; Charlton and McKinnon 2002; Fergusson and Yeates, 2014; Orenstein, 2008). It was outlined in the introduction how Deacon described this contestation as "something of a 'war of position' between those agencies and actors within them who have argued for a more selective, residual role for the state with a larger role for private actors in health, social protection and education provision and those who take the opposite view" (Deacon, 2007, p. 171). Central and Eastern Europe was an important site for this analysis, which is why it is the focus of the thesis. This 'war of position' was predominantly conducted in the battle to shape the region’s transition from socialism to market-based capitalism. In the early years of transition, the use of social policy to mitigate the costs of transition was permitted by IFIs as a way to keep momentum for reforms that would initially be unpopular. However, after the early phase of transition a battle ensued to reduce the cost of social policy and to bring market reforms into its provision. Yet, as will be outlined in the next section on institutional development and change, policies have a path dependency, which can constrain options for reform later on. Chpater Six outlines how the pension policies during transition constrained the options for privatisation later on and eventually led to their undoing. Chapter One noted how Kaasch (2013) has challenged this approach of global social policy, as an arena solely characterized by contestation. It explained how in the field of health policy, there is not one dominant model for international organizations to promote as a beacon for others to aspire to. In addition, international organisations are pressured to justify their own activities in the field. The thesis will also challenge the ‘global advocacy coalitions’ characterisation of global social policy arena that solely consists of contestation. It will be shown that cooperation also exists in the field of pensions and social protection.

The Politics of Scale

A politics of scale refers to the idea that the complexity of social policy making in a globalised world cannot be captured by thinking in terms of tiers of government: local, national, supranational etc. For example, Hudson (2012) contended that global cities are a missing dimension of comparative social policy studies. He posits that for global cities, globalisation is not something that is “out there” sitting a few tiers above local governance, but rather is very much within and a part of the local. By thinking in terms of subnational, national, regional and global an important aspect of modern policy making is completely lost. Scale is socially and politically constructed; policymakers transcend these levels at any one moment, “the local is the global and the global is the local” (Yeates, 2008). Policy-making is multi-layered and multi-sited. Individuals act in the spaces between different tiers of government.

Some of the participants in this thesis perfectly demonstrate the politics of scale. For example, Michal Rutkowski was dispatched from the World Bank in 1996 to lead the Polish Plenipotentiary on pension reform. He was therefore at one time both an international civil servant and a domestic policymaker. Likewise, Agnieszka Chlon-Dominczak has worked for the World Bank and also been a Labour Minister in the Polish government, before returning to academia. Other participants have moved horizontally across different organisations. For instance, Monika Queisser was at the World Bank before taking up the position as Director of Social Policy at the OECD – the position she held during her participation in this research. Both Robert Holzmann and Nicholas Barr have held positions at the IMF and World Bank. Both have been advisers for various national governments reforming their pension systems.

It is this transnational nature of policy-making that is captured within global social policy studies. It calls for a breaking down of taken-for-granted notions of levels of governments and the "methodological nationalism' that is inherent within it. In an evolution of the concepts and analytical tools of global social policy, Deacon and Stubbs (2013) have called for the ASID (Agency, Structure, Institutions and Discourse) framework, developed by Moulaert & Jessop (2006), to deployed by global social policy scholars. This particular approach will structure the empirical chapters of the thesis and will be discussed in more detail in Chapter Four - the methods chapter.

Institutional Development and Global Pension Reform

The dominant approaches of global social policy outlined in the previous section completely overlook institutional analysis. This is argued in this thesis to be an oversight. It is argued that global social policy studies will be strengthened by analysing what happens to global policy ideas once they are implemented and how they interact with domestic institutions. With this in mind, the next section shows how pension systems have been embedded within national institutions. It will be shown how once they have become embedded reforming pension systems can be very difficult. It outlines the various schools within an approach in political science called the "new institutionalism" (Hall & Taylor, 1996). This is a framework that positions itself at the meso level of analysis, in particular with regards to the process of institutional development and change. Pension expenditure across the OECD currently averages 8.6% of GDP (OECD, 2017). Therefore, any significant reform to the pension system represents a significant institutional change. The institutional approaches developed within political science seek to explain institutional stability and change. Each of these will now be outlined and their usefulness for the thesis will be explored.

Rational Institutionalism

Rational institutionalism is premised on actor-centred functionalism. Institutions are argued to exist because actors instrumentally design the institution. Actors preferences are fixed and exogenous. This approach looks at the functioning of the institution and works backwards assuming this was the intentional design (Pierson, 2004). It assumes total rationality on the part of the designers. The functioning of the institution is thought to be the sole design of its creators. It relies heavily on insights from institutional economics such as Williamson's (1975) work on the alleviation of transactional costs. From this perspective it is believed that institutions can coordinate the behaviour of actors and facilitate bargaining (Keohane, 2005). Scholars from a rationalist perspective stress stability in institutions, arguing that they represent a pareto-optimal equilibrium. Any change is therefore dependent on an exogenous change to the environment that alters the incentive structure for actors (Hall, 2010). From this perspective, institutions are largely viewed as voluntaristic and quasi-contractual. Power amongst actors is thought to be relatively equally balanced.

One of the critiques of this approach is that working backwards from the design of an institution may be highly misleading (Pierson, 2004). This type of analysis reduces a dynamic process to a static snapshot which may lose a lot of the detail of the process. By describing the world how it is once the dust settles, there is a risk of losing much of the detail: it may not even settle (Blyth, 2011). Furthermore, simply reflecting on the choice of actors does not allow for unintended consequences of the design of an institution, changes in the social environment or gradual change over time through learning. Assuming that an institution exists in a current format because it was designed that way, fails to capture institutional development that was designed by actors with diverse goals. Assuming instrumental goals by actors also fails to capture whether their actions were driven by a 'logic of appropriateness' rather than a 'logic of calculus'. For example, the electoral systems designed in Latin America were done along proportional representation lines, despite a First-Past-The-Post system being more beneficial to designers. This is argued to be a logic of appropriateness on the part of the actors who were following the norms of new democratic systems being designed at the time (Lijphart, 2018).

Scholars who explain the design of public PAYG pension institutions from this perspective argue that it was a process of mobilisation by political parties representing the interests of labour. A pension system mitigates some of the harsher consequences of free market capitalism; by mobilising within the state apparatus and building cross-class coalitions, representatives of labour were able to extract concessions from capital in the form of statutory pension benefits. Political elites also calculated that providing a minimum level of protection was optimal to stave off revolution (Baldwin, 1990; Korpi, 2001). However, whilst the reasoning for this analysis seems plausible for the early Bismarckian and Beveridgean pension systems designed a century earlier, it is found wanting as an explanatory variable in the later pension privatisation process. As it will be shown in Chapter Six, there was no mass mobilisation of interests campaigning for pension privatisation in Central and Eastern Europe. Other material factors do not explain why some countries adopted pension privatisation and others never. The demographics of countries enacting privatisation varied considerably. So too did the level of public expenditure, particularly between regions such as Latin America and Central and Eastern Europe.

Material factors, on the other hand, may have more credence in explaining the more recent pension reforms that have renationalised private pension pillars. The high costs of transition due to the 'double payment problem' (see the next section) led to fiscal deficits in Central and Eastern Europe. The running of fiscal deficits became more problematic upon joining the EU where membership required adherence to the Stability and Growth Pact, which stipulates that countries cannot run a deficit above 3% of GDP.

The downturn in economic growth following the global economic crisis exacerbated the fiscal position of countries in CEE (Casey, 2014). As will be discussed in Chapter Five, many of them also had export-led growth models that left them highly exposed to the downturn in demand across the EU. (IMF, 2008). Furthermore, the global economic crisis had an adverse effect on the on the asset prices pension funds had invested in (*Financial Times*, 2013). This reduced the returns on investments just as the first wave of pensioners, who had joined the private pension pillar, were about to retire, significantly reducing their income in retirement.

Historical Institutionalism

At its broadest, historical institutionalism seeks to illuminate how political struggles are mediated by the institutional setting in which they take place (Thelen, Longstreth, & Steinmo, 1992). In comparative politics, it can explain the different outcomes between countries facing similar external constraints and challenges. An interest in institutions re-emerged within political science and political economy around the time of the oil shocks in the 1970s, as it became clear that divergence and cross-national differences to this external shock were prevalent (Katzenstein, 1978). It can also explain why some factors are magnified or mitigated in different contexts. A macro theory, like Marxism, ignores how class mobilisation varies between different countries. A mid-level or meso theory like historical institution can explain the varying degrees of success of the mobilisation of groups representing the interests of labour in different OECD countries (Thelen, 1993). It is an instructive approach to analyse why countries have not converged more closely in pension provision when many in the developed world face a similar demographic transition.

Historical institutionalism works within a general definition of institutions that formal organisations and informal rules and procedures that structure political conduct (Blyth, 2002). It is prefaced on institutions as mutually related rights and obligations that distinguish between appropriate and inappropriate action, right and wrong, possible and impossible. It therefore makes political behaviour predictable. It is primarily concerned with institutions that govern political behaviour. Therefore, the precise nature of the political system is a formal rule that will structure conduct. For instance, in the electoral system, the nature of party competition, whether it is a parliamentary or presidential system, and the number of chambers of parliament there are all structure the behaviour of actors (Thelen, Longstreth, & Steinmo, 1992).

These factors have influenced the nature and speed of multi-pillar pension reforms in Central and Eastern Europe. In Hungary, the unicameral parliament was able to enact reforms much quicker than Poland whose parliamentary system, in contrast, stresses a separation of powers (Orenstein, 2000). The nature of political competition has also influenced the reform trajectories in both countries. The winner-takes-all system in Hungary has enabled a much more dramatic counter-reform than in Poland. The ruling Fidesz Party was never consulted on the pension privatisation in the late 1990s and has been in opposition to it since. Its impressive electoral performance in 2010 enabled it to completely renationalise the pension system with almost minimal resistance (Simonovitz, 2011; 2011b). Poland, on the other hand, has renationalised its pension system in a much more sequential manner. First, it reduced the contributions to the second pillar in the wake of the global financial crisis, before effectively renationalising the system three years after Hungary, despite having larger transitional costs (Drahokoupil & Domonkos, 2012; Financial Times, 2014).

All of the above examples are agreed upon as definitions of institutions by historical institutionalists. More contentious are norms, mores and customs that may structure action, but are not agreed upon as being defined as institutions within in this branch of institutionalism. In pension policy conflicts, the nature of the pension system would be defined as a formal institution. For example, whether the pension system is a Bismarckian or Beveridgean system, its coverage and its level of maturity will all structure the behaviour of actors and constrain to different degrees how extensive a reform of the system can be achieved within the parameters of the institution. It is envisaged that Bismarckian systems will be more difficult to retrench than Beveridgean systems. This is because the retirement income is more generous in these systems; it draws in more people who rely exclusively on the state for their retirement income and therefore more people will mobilise to resist reforms (Myles & Pierson, 2001).

The specific organisation of institutions determines the power of different actors within the institution. It also influences what actors perceive their interests to be. In short, it can both constrain and shape behaviour (Thelen, Longstreth, & Steinmo, 1992). Hence it affects the degree of pressure and the direction of pressure. One of the key differences between rational choice and historical institutionalism is the nature of preference formation. For rational choice scholars, preferences are exogenously driven. On the other hand, historical institutionalism sees preferences as endogenous to the institutional context (Thelen, Longstreth, & Steinmo, 1992). From a historical institutionalism perspective, pension institutions can shape the recipients' preferences for reform. The more generous a public pension system is, the more difficult any kind of reform to it can be as the preferences of the electorate are strongly aligned towards the status quo (Pierson, 1994; Myles and Pierson 2001). PAYG pension systems shape preferences in a path dependent manner. Whilst there are similarities in both schools adopting a preference maximising approach to politics, historical institutionalism also argues that actors are also rule followers rather than simply all-knowing rational maximisers. These rules may structure action in a way that is not necessarily rational or in the interests of the actors involved.

The main contribution of historical institutionalism is its ability to explain both continuity in political institutions and also variations across countries. Yet, as this thesis shows, both of these appear to have been violated by the pension reform developments in Latin America and Central and Eastern Europe. Both regions have witnessed radical reforms in pension provision over the past two decades (Brooks, 2005; Mesa-Lago, 1996; Muller, 2003; Orenstein, 2008). They have also had a degree of convergence in their pension provision despite varying institutional arrangements within and between both regions (Orenstein, 2008). However, scholars within this school may argue that the counter-reforms that have taken place across the region suggest a degree of continuity in the pension provision as the incentive structure for continuity remained despite the radical reforms in the 1990s and this incentive structure may have rendered a reversal of the reforms inevitable (Datz & Dansci, 2013; Guardiancich, 2011; Simonovitz, 2011b).

Paul Pierson's (1994, 2000) work on pension systems has become one of the most widely applied examples of historical institutionalism and path dependency. Pierson argued that PAYG pension systems represent a 'locus classicus' in path dependency (Pierson, 1994). The popular support of the welfare system, particularly its pension system, means that politicians seeking any form of retrench or a 'path departure' face electoral redistribution. Pensions and other welfare benefits create a constituency of beneficiaries who will mobilise to resist change. Previous policy measures therefore affect future policy options in a path dependent manner. The short-term cost of retrenchment in pension spending is highly visible, concentrated and immediate. Any potential benefits, on the other hand, are more long term, contingent and diffused. Any reduction in state spending that is concentrated on pensioners is particularly problematic for politicians given the increasing share of pensioners as a proportion of the electorate and the higher propensity of pensioners to vote (Sanderson & Scherbov, 2007). This gives them a disproportionate influence over the policy process. Thus, any reform to a pension system must exempt the current cohort of pensioners, and those close to retirement, from any reforms. Privatising a pension system is therefore a costly affair. Under a PAYG system, those contributing only finance the retirement income of the current generation. A path departure towards a private provision entails a 'double payment problem'. Contributors must finance the current generation of pensioners as they do under a PAYG system but also set aside resources for their own income in retirement. The larger the share of a pension system that is privatised, the larger the transition costs. These considerations predict a large amount of stability in pension institutions.

Between 1994 and 2004, 28 countries privatised all or part of their pension system. These developments were at odds with the predictions of scholars from historical institutionalism. The rare occasions that institutional change takes place from an historical institutionalism perspective is argued to be exogenously driven. An event punctuates the equilibrium. In the case of pension privatisation across the globe it is difficult to find such an event that could be argued to explain 28 different countries, from different regions implementing a path departure in pension provision. In the specific case of Poland and Hungary, the transition from a state planned economy to a market economy could be argued to be such an event. Yet, it was argued above to be inadequate to describe the transition to a market economy as an exogenous event. Focusing on pension privatisation as a single event is therefore difficult to explain from a historical institutionalist perspective.

In contrast to the deductive nature of rational choice theory and its parsimonious approach to research, historical institutionalism is more inductive in nature because it seeks to put the behaviour of actors into the context in which they operate. Historical institutionalism is not as deterministic as rational choice or Marxism. Institutions are argued to constrain and refract politics but are never the isolated caused of outcomes. They structure political interactions and, in this way, affect political outcomes.

One of the main criticisms of historical institutionalism has been its reliance on a punctuated equilibrium to explain institutional change (Blyth, 2002; Mahoney & Thelen, 2010; Streeck & Thelen, 2005). The insight of historical institutionalism has been that without emphasising the stickiness of institutions, since if they reflect only changes in the balance of power, then they are epiphenomenal to political science and the forces around them are only of interest. This has led to a reliance on exogenous factors to explain institutional change. However, this has the problem of institutions explaining everything until they explain nothing. At the moment of breakdown institutions stop structuring politics and politics structure institutions.

Historical institutionalism holds institutions as ontologically prior to actors' preferences structuring their interpretation of their interests. Rational choice scholars on the other hand, hold actors and their preferences as ontologically prior to institutions. Rothstein's (1990) analysis of the involvement of trade unions in unemployment insurance schemes offer a historical institutionalist approach to explain the varying degrees of membership density of trade union membership within the European Union. Rothstein (1990) argues that the Ghent unemployment insurance scheme, whereby trade unions administer and provide unemployment benefits, is responsible for the high level of trade union membership of countries that operate this system.

This analysis also offers an insight into the unintended consequences of institutions. Many on the left were initially hostile to this scheme of administering unemployment benefits. Rather than a trade union insurance scheme, they preferred a state administered unemployment benefit that could offer the twin aims of universality and uniformity in provision. However, within this institutional arrangement, actors are incentivised to join a trade union. The lasting consequence of the Ghent scheme is a high level of trade union membership enabling the interests of labour to be more forcefully advanced in these countries. At the threshold of rational choice theory and historical institution are analyses around the origins of institutions. From a rational choice perspective, actors in Sweden seeking to mobilise bias in the interests of labour, introduced the Ghent unemployment scheme (Rothstein, 1990). From this perspective, actors were ontologically prior to the institution and acted instrumentally to advance their interest.

The central criticism of historical institutionalism is its reliance on exogenous shocks to explain institutional change and its preoccupation with stability that may fail to recognise significant change at the margin. From this perspective, structure is totally dominant most of the time until, at rare critical moments, agency triumphs over structure and is able to recast institutions (Katznelson, 2003). Streeck and Thelen (2005) sought to advance the study of institutions beyond this narrow recognition of institutional change. Analysing the end of the ‘golden age’ of capitalism they identified how the process of marketization has taken place to varying degrees across all advanced economies. Globalisation had witnessed different institutional endowments interacting with identical exogenous, and, in some ways, endogenous challenges. This type of change has been gradual and incremental rather than abrupt and sudden. It therefore contrasts greatly with the exogenous shock model traditionally associated with historical institutionalism. It is conditioned within the current institutional context. They contend that by making the demand that major change is always the result of an exogenous shock, and only minor changes are incremental, makes excessive demands for ‘real’ change to be recognised. Gradual, incremental change can add up to major historical discontinuities.

Whilst the actor-centred functionalism of rational choice views institutions as voluntaristic and functional, the focus on rules and enforcement of historical institutionalism, does not allow for a gap between institutional design and behaviour beneath it. Historical institutionalism ignores the contestation of rules that may occur on the ground that can recast how institutions behave and evolve (Mahoney & Thelen, 2010; Streeck & Thelen, 2005). If institutions are defined as social regimes, then those who control the social institution are unlikely to have perfect control of how their institution works in reality. By its very nature an institution will be characterised by change through evolution if for no other reason than by its imperfect enactment on the ground. It is the subject of continuous interaction between rule makers and rule takers. Institutions are therefore not reduced to the space in which rational actors maximise utility but are continuously contested and recreated by divergent actors with different goals. No single set of actors controls the process.

By recognising incremental change, agency and structure do not take prominence sequentially, where institutions mostly constrain agent behaviour until a rare critical juncture creates a moment for agency. Instead, political institutions are continually contested and are the object of permanent skirmishes as actors try to achieve advantage by interpreting or redirecting institutions in pursuit of their goals. Actors can cultivate change by working around the elements they cannot change.

Streeck and Thelen (2005) outline five different approaches for agents wanting to enact incremental institutional change: displacement, layering, drift, conversion and exhaustion. Displacement involves the rising salience of a rival institution in relation to previous dominant one. This can involve institutional incoherence which opens up an opportunity for a rival institution, it may involve the active cultivation of a new logic inside an existing institution or the rediscovery of a dormant institution. Layering entails new institutional elements being attached to an existing institution. Institutional change is achieved by the new institutional layer outgrowing the current one or destabilising the old one by siphoning off support or changing the institutional logic. Drift involves the deliberate neglect of an institution whose survival depends upon reform due to changing external circumstances. Conversion involves the redeployment of an old institution for new purposes. Exhaustion is the gradual breakdown of an institution over time. This can occur by the institution exhibiting decreasing returns over time or a change the cost-benefit of the institution through overextension.

These approaches depend on the level of mobilisation in opposition to change and the level of discretion in interpreting the rules of the institution. Given the high level of mobilisation against changes to the pension system and the low level of discretion in interpreting the rules, their model for change is one of institutional layering. This is where the original institution remains intact but is contested with a new institution that is added as a layer to the old institution. In the case of Central and Eastern European pension reform, the private pension pillar fits the model as a new institutional layer. The logic of layering is that the new institutional arrangements can gradually replace the old ones without the abrupt ending of the old one that will ignite protest and mobilisation. Indeed, it was believed at the time of the private pension reform that the private pillar would outgrow and replace the public pension pillar (Muller, 1999). The closing down of the private pillar and renationalisation of the pension funds refutes the prediction that layering will lead to institutional change.

Mahoney & Thelen (2010) bring agency to the forefront in a further development of the approach mapped out by Streek & Thelen (2005). In a similar vein, rather than viewing institutions as largely static with actors as compliant rule followers, they see ambiguity as a permanent feature of institutions and matters of interpretation of rules and implementation opens a site for contestation. They elaborate how the political context can structure strategies that proponents of institutional change deploy. In an institution with little discretion and strong veto possibilities, like a pension system, Mahoney & Thelen (2010) argue that layering is the most likely strategy to be deployed. Moreover, in a further categorisation of different agents, subversives are actors who seek to displace the institution but, in pursuing this goal, do not break the rules of the institution (See figure 1). They look for strategic openings and are likely to use layering as a strategy for change. Opportunists, on the other hand, are much more ambivalent with their preferences and can be drawn in by subversives. These types of actors will be shown to be prevalent in Central and Eastern European pension politics. The subversives were initially able to add a private layer to the public system with the hope of it permanently supplanting the public pillar as the main source of retirement income. Opportunists, by contrast, were able to take advantage of the weak defence of private systems in the midst of the global economic crisis to renationalise the second pillar pension assets.

Figure 1. ***Contextual and Institutional Sources of Change Agents***

		Characteristics of the Targeted Institution	
		Low Level of Discretion in Interpretation/ Enforcement	**High Level of Discretion in Interpretation/ Enforcement**
Characteristics of the Political Context	**Strong Veto Possibilities**	Subversives (Layering)	Parasitic Symbionts (Drift)
	Weak Veto Possibilities	Insurrectionaries (Displacement)	Opportunists (Conversion)

Taken from Mahoney & Thelen (2010: 28)

The Temporal Dimension of Institutionalism

Time is an important variable of analysis in institutionalism. However, most social science is analysed within a very small timeframe (Pierson, 2004). Widening the time frame for analysis may highlight mechanisms that appear invisible in small time frames, such as an analysis of the immediate actors of policy reform. For example, in Müller's (1999) analysis of pension reforms in Central and Eastern Europe, the focus is on the immediate actors involved in the reform process like the World Bank, the Ministry of Finance and the Ministries of Labour or Welfare. Such insights made important theoretical contributions, like the propensity of some ministries to favour certain reforms and how the level of indebtedness of a country determined the degree of leverage the World Bank had over reforms. However, analyses over such a short period, particularly at the moment of reform, can over-emphasise the significance of reforms. They may also downplay earlier events and actors that may seem insignificant at the time of the reforms but come to the forefront later on.

Arthur's (1994) four features of technology in a social context that generate increasing returns are adapted by Pierson (2000; 2004) to demonstrate how this framework is applicable to political institutions. Briefly, these features are:

1. *Large set-up or fixed costs*. Create a high pay off for continued expansion.
2. *Learning effects*. Knowledge gained in the operation of a system lead to incentives for continued use.
3. *Coordination effects*. Where the benefits an individual receives from an activity increase as others adopt the same option.
4. *Adaptive expectations*. The self-fulfilling character of expectations can reinforce the status quo.

Within pension systems, many of these features are relevant. The large set up or fixed costs are applicable in both the transition costs to a funded system and the cost of setting up private pension companies. Learning effects are appropriate to describe the administrative efficiency of public pension systems. These can be collected by one agency, benefit from national economies of scale and have the advantage of employers and employee's familiarity with the system. Adaptive expectations are applicable from the perspective of political actors who become accustomed to pension provision funded cheaply on a PAYG scheme, whereby the number of contributors outnumbers the beneficiaries and difficult decisions about setting aside resources for retirement are deferred to future policy makers.

Sociological Institutionalism

Sociological institutionalism arose within the subfield of organisation theory. It focuses on norms rather than rules or utility maximisation in the structuring behaviour of institutions (Hall, 2010; Hall & Taylor, 1996). It emerged as a result of a dissatisfaction with the assumption of rationality in bureaucratic behaviour. Scholars in this tradition argued that many of the actions of organisations are not as a result of rationality, but rather because of culturally specific practices. Sociological institutionalism defines institutions much more broadly than other branches in political science. They do not just include procedures, norms and rules, rather symbols, cognitive scripts and templates that frame meaning. It is a concept that collapses the separation between institutions and culture. An example of this in the pension reform arena is the number of firms in the UK that switched to a defined contribution system once it became the norm, despite their defined benefit systems being perfectly sustainable (Bridgen & Meyer, 2005)

In addition, an important contribution from sociological institutionalism is the way in which institutions provide identity and meaning in social life which can shape preferences. Bismarckian pension systems fostered segregated identities through the different pension schemes related to occupational status. The origins of Bismarckian pension systems lies in motivations to divide the interests of labour into subgroups through pensions tied to occupational status. Beveridegan systems on the other hand, with their universal flat-rate system, divided the working class reliant on the state for income in retirement and the middle class reliant on the private sector to supplement their basic pension (Korpi, 2001). This meaning focused aspect of sociological institutionalism aligns it very closely with constructivist institutionalism outlined below. Its broad range renders it too broad for a focus on pension systems and therefore hereafter, sociological institutionalism will be collapsed into constructivist institutionalism.

Constructivist Institutionalism

Constructivist institutionalism or discursive institutionalism (constructivist hereafter) emphasises the role of ideas in developing and maintaining political institutions. Ideas are argued to shape how we understand and define political problems, give definitions to our goals and strategies and are the mechanism of communication in politics (Béland & Cox, 2010). They give definitions to our preferences and are responsible for making us see some issues as more important than others. Béland & Cox (2010) argue the rise of behaviourism had meant that ideas have had a beleaguered status within the social sciences This is in part because they are both difficult to theoretically define and empirically explore. Constructivist scholars define ideas as causal beliefs (Emmerij, Jolly, & Weiss, 2005) which are products of cognition, produced in our minds and are the link between our minds and the material world through our subjective interpretation of our surroundings (Béland & Cox, 2010).

They can be causal in two ways: formally, such as *X caused Y*, but also more informally by making connections between things we believe to be related. It can help to explain why actors adopt positions that appear to be in direct opposition to their material interests. Ideas can take several forms. They may come in the shape of high-profile public discourses, frames and ideologies such as described by Campbell (2002). Or more low-profile assumptions in the background such as the paradigms elucidated by Hall (1993). Ideas are embedded in the design of institutions. It is ideas that provide institutional stability, however, they can also provide institutional change once the beliefs about a particular set of institutional arrangements change. Ideas can also act as a blueprint for the design of the new institution once the old one has been discredited (Blyth, 2002). In this way an ideational approach to institutions argues that they shape people's identities, which in turn shape their interests and beliefs. This contrasts with rationalist/materialist approaches which, take interests as independent of actor's minds.

Constructivist institutionalism takes issue with a number of core assumptions in both the rational choice and historical institutionalisms. Unlike rational choice whose approach is rationalist/materialist, constructivist institutionalism emphasises the role of social construction in actors' preferences. It therefore argues against the fixed interests which are characteristic of rational choice assumptions. Instead, interests are contended to be historical, social and political constructions rather than 'objective facts' which have an existence independent of actors (Hay, 2011). For constructivists, interests do not exist independently of actors' minds. Therefore, politics is not a battle of actors with clear and stable interests. It is maintained to be discursive rather than mechanical. Opposing actors can compete through the articulation of their ideas. The development of an institution can therefore be a result of the dominance of one idea over another (Blyth, 2002; Hay, 2011; Schmidt, 2008).

Yet, a discursive battle of ideas to shape political outcomes, enact institutional change or foster institutional stability may be the result of material factors rather than ideational ones. Actors with significant resources will certainly have an advantage in promoting their ideas. In the international pension reform arena, the substantial resources of the World Bank relative to the International Labour Organisation (ILO) is argued in the literature to have given it a significant advantage in promoting its normative position on pension reform (Appel & Orenstein, 2013). From this perspective, ideas are no more than a mechanism of material supremacy rather than an explanation in their own right.

However, as Mehta (2010) argues, to assert that ideas do not matter would imply that shifting ideals on science, democracy, slavery, gender, race and sexuality have not affected people's lives or shaped how they act. Alternatively, it would contend that these shifts were somehow the result of material forces. The enlightenment is an illustration of a fundamental shift that is not reducible to material forces. A more recent example is the dramatic change in the political landscape in United Kingdom after its decision to leave the European Union. In a very short period of time the political cleavage has changed from a traditional left/right spectrum, to a Remain/Leave divide. The dramatic success of the Leave campaign which mobilised ideas of sovereignty and control has the potential to upend many of the deep-rooted institutions which characterised economic activity, such as the integrated Just-In-Time supply chains in car manufacturing which rely on membership of the single market and customs union institutions (Schmidt, 2017).

Similarly, the dramatic shifts in pension provision in Latin America and Central and Eastern Europe in the 1990s and early 2000s, are argued by Orenstein (2008) to not be reducible to material circumstances. Many of the countries that enacted pension privatisation were at different stages of the demographic transition; some had relatively younger populations compared to others. There was also a large variation in pension expenditure as a proportion of GDP and differing levels of maturity of the pension systems. Moreover, there was a large difference in the national debt levels of the countries involved. All of which are traditionally thought of as triggers for pension reform. It is for this reason that the role of ideas has played a prominent part in the literature on pension privatisation. The World Bank is argued to have engaged in a successful campaign of 'norms teaching' (see below) in order to persuade many countries to adopt their preference for reform.

A constructivist explanation for the series of counter-reforms that have taken place since the global economic crisis is completely under-developed so far in the literature. Two explanations that the thesis will empirically explore are an ideological shift in the consensus on the benefits of pension privatisation and a shift in the understanding and interpretation of material surroundings by actors. The first ideational explanation was offered as a suggestion by Béland & Orenstein (2013). They argue that the global 'consensus' on pension privatisation has been shifting for some time – before the onset of the global economic crisis. In particular, they argue that the World Bank position has altered due to internal debates about the costs of and benefits of three pillar pension reform. An explanation of this manner would contrast with the exogenous shock models of other institutionalism models. It would offer an endogenous process of change and suggest explanations of why certain reform options were chosen over others.

A second constructivist explanation is completely unexplored in the literature. To date, the subjective perspective on actors' motivations for reforming the literature is completely absent. Pension privatisation entailed running large budget deficits to fund the transition. The perception of budget deficits has shifted since the global economic crisis. Whereas international organisations had previously encouraged reforming countries to borrow from international financial markets to fund the transition, this has been actively discouraged since the crisis as austerity has become the new zeitgeist (Papadopoulos & Roumpakis, 2018). The thesis will therefore seek to explore whether a change in material conditions motivated actors to enact pension counter-reforms, or whether it was simply a change in the ideas and understanding of similar material conditions motivated a reform. The latter is a constructivist explanation. If it can be found that there was no discernible change in the material conditions, then the crisis may have triggered reinterpretation of those conditions. However, this perspective still relies on an exogenous shock to explain change unless it is linked with the first perspective which explains the specific nature of the change that was enacted.

Institutional change from a constructivist perspective is substantially different from materialist accounts. Whereas a change in material circumstances is argued to break the equilibrium that nurtured stability in rationalist accounts, for constructivists it is the understanding that changes rather than the material condition. In sum, materialists believe interests change as circumstances change. Constructivists believe that interests change as understanding changes. Constructivist scholarship also focuses on proactive actors rather than passive ones reacting to changing circumstances. It is agency centred. Actors interpret the world around them and construct realities.

The ontological approach is therefore clear: the world is socially constructed and therefore social entities do not have an objective existence independent of the mind. Epistemologically, ideas are more problematic, since they cannot be physically seen it is difficult to discern their influence. For this to happen it requires the utterance of an idea which is then used successfully to implement change. Yet there are even more problematic issues surrounding the epistemological stance of constructivist institutionalism. Concepts such as cognitive locks and zeitgeists are much more difficult to explore empirically.

Combining institutional approaches

In an attempt to synthesise the branches of the new institutionalism, Korpi (2001) outlines a rational-action approach. This approach is predicated on purposive, rational actors seeking to maximize their interests, but it also takes account of power asymmetries and distributional conflict. Korpi focuses on elites in the policy making process. He argues that welfare institutions are residues of conflict. In particular, institutions are argued to be strategies to reduce the costs of exercising power through conflict. Institutions can frame which issues make the political agenda and shape the preferences and political cleavages. Both are iterations of Lukes' second and third faces of power[1] (Lukes, 1974). A focus on the motivations and consequences of elite actions is

[1] The first face of power is simply the ability of one individual to make another do something they otherwise would not do. The second face of power refers to the ability to set the agenda or keep policies

instructive in the study of welfare institutions. Lynch (2015) challenges the notion that pension systems emerged due to pressure from old age pressure groups. She argues that, at best, they were supporting players rather than pivotal actors. Indeed, the pension reforms of Central and Eastern Europe were conducted at an elite level with very little participation from civil society or consultation with the electorate.

In an exploration of ideas and institutions, Hudson et al (2008) analysed so called 'Third Way' ideas and their interaction with the welfare institutions of the UK and Germany. They demonstrated ideological consistency between the two main actors enacting the reforms – Blair and Schröder – but demonstrated how the outcomes were mitigated by the institutions of each country, indicating how ideas interact with context. It also demonstrated the importance of selecting the correct dependent variable for analysis. Analyses focused heavily on outcomes, may have missed the nuance of the direction and convergence of the UK and German institutions.

These insights offer a theoretical framework in which to analyse the pension reforms and counter reforms of Central and Eastern Europe. Historical institutionalism stresses stability and path dependency in institutions. This appears to have been violated by the radical reforms of the late 1990s. However, when one considers the counter-reforms from 2010 onwards, the model of stability and path dependency still seems apposite. The institutional logic and increasing returns inherent in the PAYG pension system may have rendered the newer private tier doomed to fail given the insurmountable obstacle of the transition costs involved in pension privatisation. This also adds a material explanation for the pension reforms of 2010 onwards. The transition costs of pension reform were a material object that may have been insurmountable, despite an apparent path of departure in pension provision. This analysis allows for an historical institutionalism approach to be aligned with a rational choice account (See Hall, 2010).

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off the agenda. It is the power of non-decision. The third face of power is the ability of actors to convince subjects to act against their own interests (Lukes, 1974; 2005)

In addition to the framework set out by Korpi, there is also a constructivist account of the radical reforms and counter reforms. The role of international organisations as 'social constructivist actors' will be outlined below. This process can influence how actors interpret their material surroundings. The campaign led by the World Bank to privatise pension systems persuaded countries to view the 'implicit pension burden' as a measure for deep concern (World Bank, 1994). This led to the process of partial privatisation as actors were willing to use public sector borrowing to finance the transition. This led to many countries in Central and Eastern Europe running large deficits that were not seen as problematic as the constructed social problem of the implicit pension burden was being tackled. However, in the event of the global economic crisis, budget deficits were reinterpreted as being highly problematic and something that should take priority from policy makers (Drahokoupil & Domonkos, 2012). This reconstruction of a material reality meant that the implicit pension burden changed and became a secondary priority to the budget deficit.

Pierson (2004) argues that rather than focus on institutional change, a more superior descriptor is one of institutional development. This may have utility in analysing the evolution of pension reforms in Central and Eastern Europe. Primarily, it enables an analysis that allows for earlier parts in the process that constrain later options. Identifying these constraining mechanisms can help to explain institutional stability and change. These are unlikely to be captured by a snapshot or by comparative statics which characterise some models of institutional change. The expansion of pension provision in Central and Eastern Europe throughout the communist period and during the transition was a constraining force on the options for pension reformers in the late 1990s. A focus on institutional development also allows for downstream aspects to be analysed, it allows for the role of losers and marginal groups to act as agents and catalysts for change. Moreover, it allows for an analysis of overlapping processes. Institutional change cannot be analysed in isolation, there may be change across an array of institutions.

The Political Economy of Global Social Policy

This section outlines a complementary analytical framework of the thesis. The first section outlined the effort to shift the focus of global political economy towards non-state actors by defining the nature of global governance as one of 'complex multilateralism' (O'Brien et al., 2000). This concept acknowledges that, alongside states, other actors have influence over national politics and the international agenda. These include international organisations, multinational corporations and global social movements. This analysis focuses on the role of international organisations in the global policy process. Since the focus of this section is global, it positions itself within the International Political Economy (IPE) literature. It compares three different approaches to analysing international organisations within the IPE literature: realist, liberal and constructivist.

This section contends that both the constructivist approach and realist approaches are important in explaining the global process of pension reform. It argues that international organisations are purposive actors in their own right which have a degree of autonomy from nation states. They exert a normative influence over domestic social policy through a process of 'norms creation'. This literature does not seek to diminish the role of domestic actors in policy formulation but rather focuses on the ideational inspiration and normative influence that international organisations have in the 'policy development' and 'agenda setting stage' of the policy process. However, alongside this, nation states also exert influence over the international organisations they have created and continue to finance. Chapter Eight, for example, shows how Germany sought to influence the promotion of certain personnel as a quid pro quo for the resources it invests in the ILO.

Using the insights of Barnett and Finnemore (2004), it will be argued that international organisations are 'constructivist social actors' which use their rational-legal, delegated, expert and moral authority to create social reality. Through their power of classification and ability to provide meaning to the material conditions of nation states, international organisations can have a powerful influence over how domestic actors interpret their material conditions; and the course of action they perceive to be desirable. Furthermore, this pervasive ability to construct meaning can have self-fulfilling consequences. For example, market-oriented reforms might be argued by some international organisations to increase inward investment. A country that adopts these reforms will signal to markets that they are a market-friendly place to do business and the reforms become self-fulfilling through construction not necessarily a change in material conditions.

The Realist Approach to International Organisations

International organisations have until recently been largely neglected in the IPE literature. This was because of the dominance of the realist perspective in IPE's parent discipline - International Relations (Barnett & Finnemore, 2004). Realists have an ontology that is state centric. For realists, states are the only actors in the international economy with power and therefore states are the focus of realists (Gilpin & Gilpin, 2001; Mearsheimer, 2001; Waltz, 1990). Realists subscribe to the idea that international organisations are puppets of their masters - nation states (Hawkins, et al., 2006; Wade, 2002). Since international organisations are financed by nation states, realists believe it is logical to assume that they exist only to serve the states that finance them; otherwise why would states continue to finance them?

Realists have a rationalist approach to their analytical models. They deploy a utility maximising framework borrowed from economics to explain the behaviour of states (Kirschner, 2009). They believe that the world is characterised by anarchy and that conflict is an inevitable outcome of international economic relations. Given the anarchic conditions of the world, states are believed to prioritise security over all other considerations. For example, according to realists, a state maximises its utility by choosing a course of action that guarantees security even if another option had greater economic benefits (Kirschner, 2009).

For realists, international organisations can play a role in exerting a state's hegemonic influence over other states. In the case of the World Bank, the US is the main financial contributor to the financing of the Bank's resources. In return, the US is granted privileged voting rights in the executive branch of the Bank and is able to veto the appointment of the Bank's president – who by convention is American. Wade (2002) offers a compelling account of how the US was able to exert influence over the content of the World Bank's annual World Development Report in 2000. Furthermore, he argues that the firing of one of the Bank's most notorious and influential internal critics – Joseph Stiglitz – was the result of pressure it exerted on the Bank's president Larry Summers (2002, pp. 221-223).

However, this perspective is at odds with the Bank's position on pension privatisation following the publication of 'Averting'. In 2005, the US Congress rejected Bush's plan to privatise part of the US Social Security System through the use of individual savings accounts (Galston, 2007). Given the Bank's prominence in advocating pension privatisation across the globe, how can it be that its policy proposals are dictated by the United States when its congress forcibly rejected the World Bank's prescribed model?

Furthermore, there are countless examples where international organisations deviate from the wishes of powerful states. Realists may contend that this deviation from the wishes of the state which finances it can be explained by a 'principal-agent problem' (Hawkins, et al., 2006). This is where the agent is given a certain degree of discretion in order to operate and may be acting at the edge of that zone of discretion. However, the number of instances of international organisations acting in opposition to powerful western backers stretches this perspective to its limits and suggests that further explanation is required.

The Liberal Approach to International Organisations

In contrast with realists, liberals tend to downplay the inevitability of conflict in international relations and suggest that states are likely to cooperate in order to establish mutually beneficial outcomes (Keohane, 2005). Where realists see a world characterised by anarchy, liberals view a world that is characterised by interdependence and cooperation (Abdelal, et al., 2010; Cooley, 2009). Liberals contend that international organisations exist to correct market failure in the international economy (Williamson, 1975). It is common for liberals to argue that international organisations make the international economy more efficient. They argue that international organisations create public goods that are beneficial to the international economy and help regulate mutually beneficial systems. International impediments to the market such as incomplete information, transaction costs, and other barriers to 'pareto-improving' welfare conditions can be alleviated by international organisations (Barkin, 2013). For example, the World Trade Organisation regulates a system of free trade where incomplete information may lead to countries cheating on their trade agreements. In the case of the World Bank, its huge research resources are thought by liberals to produce information and knowledge that is beneficial to the international economy. Indeed, it has been argued that the entire role for the World Bank has been recast as a knowledge bank (Stone, 2003). In the pension reform arena, the World Bank conducts research on pension systems and produces advice on desirable reforms. For some, it has become a knowledge bank. It also provides technical assistance and loans for countries seeking to reform their pension systems. From a liberal perspective this would conform to their interpretation of international organisations providing information to alleviate information asymmetries. The technical assistance and loans are an example of a material influence mentioned in above, which may incentivise countries to undertake the reforms the World Bank perceives as desirable.

However, there are numerous instances of international organisations creating inefficiencies which contradict the liberal stance. For example, the International Monetary Fund (IMF) was set up to alleviate countries in the midst of a balance of payments problem, providing liquidity to stabilise their respective currencies Yet, the East Asian financial crisis witnessed the IMF exacerbate the economic crisis and prescribe solutions at odds with standard economic theory (see Stiglitz, 2002 pp. 89-132). Moreover, liberals tend to adopt a 'black box' approach to International organisations. There is an input from states, such as realising that an organisation needs to be created to alleviate some market impediment, and then an output where it solves this problem, but no study of the internal dynamics of the international organisation (Barkin, 2013).

Despite their differences in ontology – realists believing in an anarchic world and liberals in an interdependent world – there are a number of similarities in the liberal and realist epistemology. Both approaches are positivist and rationalist using conceptual tools borrowed from microeconomics, such as utility maximisation and rational choice theories. Both realists and liberals are 'materialist' believing in being able to 'objectively' describe what the world consists of and contains (Cooley, 2009; Kirschner, 2009). This materialism is the basis on what state actors view around them and informs their preferences. As a result of this, both realist and liberal scholarship tends to be parsimonious, utilising algebra and calculus to explain the world and predict the actions of actors in a given circumstance. These similarities have parallels with rational institutionalism outlined in section one.

Constructivist Political Economy

Constructivist IPE distinguishes itself from the rationalist-materialist scholarship of realist and liberal approaches. It is critical of the perceived incentives that realist and liberals believe are derived from the material structure of the economy (Abdelal, 2009). Furthermore, it is critical of the parsimonious models these approaches construct, which are presumed to correspond to 'reality', instead of representing stylised heuristics that illustrate a form of decision making for actors. In contrast, constructivism adopts a more interpretive approach to IPE. Its foundation is the premise that preferences vary and are not fixed like in a rationalist-material perspective (Abdelal, 2009). What causes preferences to vary are the norms, identities and meanings that actors prescribe to interpret the material world around them. Rather than focus on 'material facts', constructivists stress the importance of 'social facts'. Social facts are collectively shared ideas which do not necessarily correspond to the material world. For example, the global economic crisis led to deterioration in the fiscal position of many of the developed world's economies. This could be described as a 'material fact'. However, how actors in these countries interpreted their increased borrowing and increasing debt to GDP ratio was a 'social fact'. For some countries this deterioration in public finances meant that austerity was a necessary policy prescription to avoid increased costs to public sector borrowing. Others with even higher debt to GDP ratio interpreted the weakened fiscal position differently and did not see the need to substantially curtail public expenditure.

Abdelal, Blyth and Parsons (2010) propose four different pathways to constructivist IPE: meaning, cognition, uncertainty and subjectivity. The first of these pathways is meaning. It draws on sociological insights to explain the behaviour of actors. Weber first articulated the human dependence on prescribing meaning to the world around them (Weber, 1922). A strong version of meaning-oriented constructivism suggests that actors rarely, if ever, interpret the world around them purely in material terms. Instead, the economy is endowed with social purposes which are derived from shared norms, ideas and meanings. Applying this to global pension policy, the World Bank was able to prescribe a specific meaning to the pension systems of those economies which enacted pension privatisation. The demographic transition of declining fertility rates and an ageing population was endowed with a specific meaning, a demographic crisis that required action. The opening paragraph in the forward of Averting encapsulates this:

> "Systems providing financial security for the old are under increasing strain throughout the world. Rapid demographic transitions caused by rising life expectancy and declining fertility mean that the proportion of old people in the general population is growing rapidly. Extended families and other traditional ways of supporting the old are weakening. Meanwhile, formal systems, such as government-backed pensions, have proved both unsustainable and very difficult to reform. In some developing countries, these systems are nearing collapse" (World Bank, 2004 p. xiii)

There was considerable variation in the pension systems of the thirty countries that enacted pension privatisation; some had large coverage rates and had reached maturation whilst others had low rates of coverage and had not yet reached maturation. This difference in material factors gives credence to a constructivist meaning-orientated explanation for the reforms. From a meaning-orientated perspective, the aim of this thesis is to ascertain whether the interpretation of the material surroundings was reinterpreted by actors in the series of counter-reforms.

The second pathway of constructivism – cognition – draws on insights from psychology, cultural sociology and behavioural economics to explain how human beings have long relied on shortcuts and heuristics to make decisions (Duina, 2010). Rather than searching for meaning, actors are unable to process the large amounts of information available to them and instead use heuristics and shortcuts to make decisions (Kahneman, 2012). This contrasts with the liberal approach to International organisations which argues they perform a public good in providing information to make markets work better. This argument posits that too much information is the problem. In the pension reform arena, framing the pension advice as a 'demographic crisis' acted as a heuristic device to actors. Furthermore, as more and more countries privatised their pension systems, cognitive frames for actors became more powerful and this acted as a shortcut making privatisation the 'common sense' reform for pension system reformers. Reforming countries simply followed the cognitive script that had been laid out by their peers. For instance, Slovakia followed the lead of Hungary and Poland in introducing a private pension pillar despite much more favourable conditions of its PAYG pension system (Muller, 2001). This also provides a useful framework to analyse the pension counter-reforms after the global economic crisis. In the same manner that pension privatisation diffused rapidly across Latin America and Central and Eastern Europe, the same process was evident in the series of counter-reforms. Countries in both regions appeared to follow lead-peers in enacting the reforms.

The third pathway – uncertainty – describes a situation in which past events offer no solution for actors who must make decisions without the heuristics described above. In contrast to cognitive constructivists who view the world as complex, constructivists in this pathway view it as potentially unknowable (Widmaier, 2010). The transitions from planned economies to market economies presented such a scenario. Social policy was used as a tool to mitigate the consequences of large unemployment in Central and Eastern Europe as large sectors of the economy became redundant (Deacon, 1997, p. 94). Pensions were used as a strategic tool to avoid social unrest. Millions of workers were permanently taken out of workforce by being enabled to retire early through disability pensions (Vanhuysse, 2006). This neutralised the threat of civil disorder. However, in Hungary and Poland it led to extremely high rates of expenditure on pensions. Between 1989 and 1996, the number of pensioners increased by 20 per cent in Hungary and by 46 per cent in Poland (Vanhuysee, 2009, p. 57). Pension expenditure peaked at 11.5 per cent in Hungary and 14.5 per cent in Poland (Muller, 1999 p. 98). This led actors to explore radical options as there was no precedent to the high level of pension expenditure.

Under these circumstances, the 'path-departing' process of pension privatisation was made possible. Uncertainty is argued to lead to radical steps whereby actors can use ideas to create a blueprint for reform. Blyth (2002) outlines the process of the two great economic transformations of the twentieth century: The Keynesian economic consensus of the post-war economic order and the shift to neoliberalism during the 1980s. He argues that a crisis enables actors to provide an ideational narrative to attack the existing institutional order. It also enables actors to use ideas as blueprints for a new institutional order. The global economic crisis also created an environment with a large degree of uncertainty. As market volatility swept the globe in a completely unforeseen manner, the crisis allowed opponents of market-based pension systems to create a narrative that undermined them and an alternative proposal to replace them.

The final path to constructivism –subjectivity – focuses on 'subjects' rather than pre-existing 'agents'. Whereas agents endow material facts with meaning or deploy cognitive devices or manage uncertainty, subjects are positioned within a particular discourse which defines their identity. The discourse in which subjects are positioned shapes what is possible and impossible. Rather than seeing norms as regulative and constitutive this branch of constructivism sees them as expressions of power. In the context of pension reform, it is situated within a discourse of neoliberal economics. The dominance of neoliberalism influences the language and ideas that shape debates on the pros and cons of reform. Equally, the series of counter-reforms were initiated by two populist leaders of Argentina and Hungary. Their actions were presented as a narrative against imperialistic international financial institutions which seek to constrain the actions of domestic policy makers to the detriment of national citizens (Arza, 2012).

International Organisations as 'Social Constructivist Actors'

Barnett and Finnemore (1999; 2004) adopt a constructivist approach to explain the power international organisations exhibit in shaping the behaviour of domestic policy actors. Their analysis opens the 'black box' of international organisations which was argued above to be a key criticism of the liberal approach. International organisations have power in their ability to classify the world. The classification process involves ordering information so that it is known and interpreted in a certain way. For instance, the World Bank publishes data on the sustainability of the pension systems of countries and compares them with others. This form of classification is done to orient action from countries who find themselves in a less desirable category. International organisations also have the power to fix meanings. For example, the World Bank was able to attach a macroeconomic element to pension reform. Instead of pension systems primarily being about income security in old age, they also became a tool of capital market development. International organisations also have power in the ability to diffuse norms. When they turn information into knowledge they do so with the intent to spread this knowledge as widely as possible. Barnett and Finnemore (1999: 2004) argue that through rational-legal, delegated, expert and moral authority, international organisations regulate, and furthermore, construct social reality. Each source of power will now be discussed.

Rational-legal Authority

International organisations are bureaucracies that have a distinctive form of social authority. Weber (1922) first identified the characteristics of bureaucracies which set them aside from other forms of administration and rendered them more efficient. Bureaucracies exercise power through impersonal rules; these rules not only regulate but also construct the social world. Bureaucracies are characterised by hierarchy, meritocracy and a division of labour. It is the impartial and impersonal nature of applying rules that gives bureaucracies. Barnett and Finnemore (2004) argue that whilst bureaucracies are by their very nature competent at completing complex tasks, they can also exhibit pathological behaviour which can lead to them failing to meet the objectives they were set up to meet. This pathological behaviour stems from an insular culture of bureaucracy and an adherence to rules. In the case of the World Bank, it has been criticised by Wade for hiring staff from a narrow pool of expertise. The World Bank tends to hire staff that were educated in American universities and also in the discipline of economics (Wade, 2002). This tendency to hire candidates with identical academic credentials narrows the world view of its staff. It leads to staff adopting similar outlooks and prescribing similar policy solutions.

Delegated Authority

International organisations are created with specific tasks and given power from states to undertake these tasks. At first sight, this form of authority might appear to concur with the realist interpretation on international organisations. However, states tend to delegate tasks to international organisations with broad mandates and little prescriptive guidance how to undertake these tasks (Hawkins et al., 2006). For example, as mentioned earlier the IMF was given the mandate to alleviate currency crises. In seeking to fulfil this task, it has broadened its mandate away from regulating balance of payments problems by focusing on imports and exports towards more and more domestic conditionality (Stone, 2008). This, it believes, is the root causes of external imbalances such as large fiscal deficits. In the case of the World Bank, it broadened its mandate away from reconstruction to development under the presidency of Robert McNamara (Finnemore, 1997). It was the broadening of this mandate which brought the World Bank into pension reform debates as it took the normative position that pension privatisation could aid capital market and hence economic development (World Bank, 1994). The empirical investigation will analyse whether the Bank still prescribes pension reform as a key tool of development. If not, it will be possible to make a hypothesis that given its mandate the World Bank will retreat from the pension reform arena if it no longer believes it to be a useful tool for development.

Moral Authority

The missions that international organisations are given can make them a moral authority if they are deemed to be progressive or socially desirable. This is a source of power (Hall, 1997). Whereas states are perceived to represent their own narrow interests, if international organisations are perceived to be representing the interests of the international community, they can exert authority through their moral standing (Hurd, 1999). The maintenance of moral authority is at odds with the realist perspective of international organisations. They must make every effort to present themselves as autonomous and not doing the bidding of powerful states (Barnett & Finnemore, 2004). A perception of an international organisation representing the interests of its financial backers will impede the exercising of moral authority.

In the case of the World Bank, its mission of promoting development and alleviating poverty, is a socially desirable goal. However, its role in the structural adjustment programmes led by the IMF has damaged the moral authority of the World Bank (Stiglitz, 2002). The consequence of this is that it has lost some authority in some of the poorer nations. In the pension reform arena, Kpessa & Béland (2012) argue that the World Bank has had very limited leverage in Africa on pension reform due its poor legacy in the region following the social consequences of its structural reforms. On the other hand, the ILO has been able to gain a leverage in Africa with its proposal for a global social protection floor (Kpessa & Béland, 2012). However, the market orientated approach enhanced the moral authority of the Bank in Central and Eastern Europe following the region's transition to a market economy away from a planned economy.

On the specifics of the pension advice to be investigated empirically, alongside advocating privatisation on the grounds of capital market development, the World Bank was also keen to present its proposals as characterised by a high degree of equity. It argued that public pension systems were inequitable because the beneficiaries were civil servants and other public sector workers whose income in retirement was financed by poorer private sector workers or informal workers through consumption taxes. How the World Bank has continued to present a moral argument in its reform advice will be investigated.

Expert Authority

Expertise is a source of authority for international organisations (Barnett & Finnemore, 1999). They can often be the sole source of certain forms of knowledge. For example, with countries that have low administrative capabilities, the IMF can be the only source of economic data in that country (Miller, 2007). Expertise not only makes international organisations an authority, it also shapes how they behave. The professional training and norms within the organisation are derived from expertise. In the case of the World Bank, this expertise tends to be focused on economics (Chwieroth, 2007). An influential role for economists will shape the kind of knowledge that is generated by the World Bank. It has a tendency for quantification, presenting a technocratic, impersonal, depoliticised knowledge which has a façade of objectivity. This objective, impartial façade is a source of authority. By relying on quantitative measures, the World Bank is able to present some distance between its subjective staff and the data. It can simply claim the numbers speak for themselves. They were out there just waiting to be collected.

However, it is not simply the case that the data was out there waiting to be collected. The World Bank chooses which data to collect, and how it is to be measured and presented. Furthermore, the World Bank does more than simply present information. It endows the information with meaning, creating knowledge. For example, in the pension reform arena, a large justification for reforming pension systems lay in the creation of a measure of the implicit pension burden (World Bank, 1994). This particular measure rearticulated how countries should measure the sustainability of their pension systems. It classified seemingly balanced pension systems as highly imbalanced by adding future liabilities onto the current pension expenditure and extrapolating the burden using demographic data.

This section has shown that international organisations have the ability to construct social reality through their sources of power. It has argued that this process of construction can transcend material conditions and orient action. This ability to construct social reality through meaning, cognition, uncertainty and social action has been argued to be most conducive at the agenda setting and policy formulation stage of the policy process. The next section now moves onto define the specific pension system designs that international organisations have fought over, and the values that underpin them.

Concepts and Principles in the Design of Pension Systems

Many individuals across the globe expect to spend a proportion of the life course in ‘retirement’. This is a period, after a sustained participation in the workforce, during which individuals withdraw themselves from the labour market in order to pursue other activities instead of paid work. This is a relatively recent phenomenon. Historically, individuals would work right up until death or incapacity forced them to stop (McKay, 2009). Despite the positive associations with retirement, it is not universally viewed as a benign process. It has been argued to have been used as a mechanism to actively exclude older workers from the labour force in order to create a reserve army of labour to be tapped into when labour is in short supply and discarded once demand for labour falls (Walker, 1986).

In order to spend a period of life in retirement it is necessary to have access to financial resources to have income security once withdrawing from the formal labour market. The provision of these financial resources, the duration of the period of retirement should be and the question as to whether society or the individual should provide the resources for their retirement are the key debates within pension policy. Different systems stress different responsibilities for providing an adequate income in retirement. There are a broad range of pension systems across the developed world (Bonoli, 2000; Disney & Johnson, 2001; Ebbinghaus, 2011; Holzmann, 2005; 2012). Each of these has different implications for the economy and society and will either reduce or increase inequalities in old age income.

The main divisions involve choices between publicly or privately provided schemes. There are decisions to be made as to whether schemes should be fully funded or whether they should be provided on a Pay-As-You-Go (PAYG) basis (which will be explained below). Some systems will seek to smooth income over the life cycle, focusing on the insurance aspect of the system. Meanwhile others will seek to provide adequate incomes for all old age citizens and are therefore relatively more redistributive in nature. A decision must be made by the designers of the system as to whether participation in the scheme should be voluntary or mandatory. Some schemes have a defined benefit arrangement, whereby a proportion of income is guaranteed, whereas others are based on the defined contribution principle, whereby the income in retirement is dependent upon the level of contributions and the return a fund manager can make upon investing the contributions. Crucially, this system does not guarantee a specific amount in retirement. As a consequence, this type of system is often seen as less desirable and resisted by groups who represent beneficiaries (Myles & Pierson, 2001). Each of these design considerations will now be discussed in more detail as it necessary to understand the implications of each policy choice to understand global pension policy.

Beveridgean versus Bismarckian Pension Systems

In 1889, Otto von Bismarck created a social insurance system in Germany. In an effort to appease the growing socialist movement, health insurance and accident insurance were supplemented by old age and disability pensions to form the bedrock of the German welfare settlement (Korpi, 2001). These arrangements would later spread across much of Europe (Bonoli, 2000). The key component of this system which differentiates it from its Beveridgean counterpart is that under a Bismarckian system the pension system seeks to maintain income in retirement. It is financed by contributions from the state, the employer and the individual. A Bismarckian pension system maintains status differentials generated by employment throughout retirement. Due to the larger contributions made by higher earners, it produces a pension that is more generous to higher earners. In conjunction with unemployment protection and insurance-based healthcare, the Bismarckian pension system is a core component of Bismarckian welfare states. These are characterised by a high degree of earnings-related benefits such as more generous unemployment benefits for higher earners due to their larger contributions. In Esping Andersen's (1990) welfare regime typology, this type of benefit is characteristic of the conservative welfare regime. The governance of Bismarckian pension systems tends to be tripartite in nature, with representatives from the state, capital and labour determining pension arrangements through bargaining (Bonoli & Palier, 2007).

In contrast, the pension system advocated by William Beveridge in the UK in the 1942 Beveridge Report was a universal flat rate pension entitlement. This was to alleviate 'want' – something Beveridge argued was one of the 'five giant evils' (Beveridge, 1942). It was adopted by the post-war Labour government as part of a wide-ranging package of reforms enacted to create the welfare state (Glennerster, 2009). Instead of seeking to replace income like the Bismarckian system, a Beveridgean pension system is concerned with poverty alleviation. It is funded through the tax system. A pension system that seeks to provide a universal minimum leaves space for supplementary income in retirement to be provided by the private sector. It is for this reason that the UK has a much more established private pension industry than many of its European counterparts (Bridgen & Meyer, 2011). The state pension never crowded out private insurance in the same way that more generous Bismarckian systems have not allowed a significant private pension industry to flourish (Ebbinghaus, 2011). This is due to the lower demand for supplementary pensions as a result of significant income replacement by the public pension system.

The governance of Beveridgean pension systems tend to be solely the responsibility of the state and they exclusively operate on a PAYG (to be explained below) basis, which is not necessarily the case with Bismarckian systems. A Beveridgean pension system can be part of the liberal or social democratic welfare regime depending on the generosity of the flat rate pension. An entitlement that only seeks to alleviate poverty will result in individuals relying on the market to supplement their retirement income. It is therefore characteristic of the liberal welfare regime. On the other hand, a more generous flat rate pension will reduce the need to use the market for income in retirement and this, alongside the universal nature of Beveridgean systems, makes it more aligned to the ideals of the social-democratic welfare regime. A generous universal minimum is also a redistributive pension system. Despite the differences between these two 'ideal types' of pension provision, most European pension systems have elements of both with a flat rate element combined with some form of income replacement (Bonoli, 2000).

Voluntary versus Mandatory Participation

One of the principal rationales for the state to involve itself in pension provision is the inability of individuals to make rational decisions about setting aside resources for retirement and the market failures inherent in a private insurance system (Barr, 2001). Significant microeconomic behavioural research has shown that individuals prioritise current consumption of future consumption and have difficulty in predicting what they will need to maximise utility in the future (Foster & Heneghan, 2018; Laibson, 1997; Loewenstein, O'Donoghue, & Rabin, 2003; Thaler & Benartzi, 2004). Individuals are rational for the future, but not the present. When the future arrives, it becomes the present and is therefore acted upon irrationally. For example, on a dieting plan to lose weight that allows for an unhealthy snack over the course of the diet, individuals will opt for the unhealthy snack earlier and the more healthy one to be consumed at a later date (Just, Mancino, & Wansink, 2007). The same principle applies to individuals stating a desire to quit smoking; the date for quitting is often some point in the future rather than the present (see Barr, 2010).

These principles also apply to pension saving. Often when individuals become aware of the need to save for retirement it is already too late to set aside resources for an adequate income in retirement (Cremer & Pestieau, 2011; Foster, 2012). Although some individuals with a low income may not have any resources to set aside. Myopia or short-sightedness is often offered as a rationale for mandatory public pensions. As Kotlikoff (1987) puts it, “there seems to be an unstated belief that, left to their own devices, a sizeable fraction of households would inadequately save and insure” (1987, p. 675). Therefore, making contributions mandatory enables a pooling of resources that would not be available without classic insurance market failures, like adverse selection (Barr, 2001). For example, without compulsion, only those who are certain to live a significant number of years past retirement would have the incentive to insure themselves (Friedman & Warshawsky, 1987; Gustman, Mitchell, & Steinmeier, 1994). This raises the cost of providing insurance and hence the cost of contributions. In addition, there would be an incentive for insurance providers to try and exclude those who were at risk of early retirement due to ill health. Compulsion, on the other hand, reduces the cost of provision by pooling the resources of those who will live a long way past retirement with those who contribute but do not retire or those who only live a short number of years past retirement.

However, whilst these considerations render a mandatory element of pension provision desirable, the specific size of the mandatory element will determine the space for voluntary aspects of pension provision. In all developed societies, the mandatory pension scheme is not the only source of income in retirement (OECD, 2015; Queisser et al, 2007). Policy makers must decide whether to make a compulsory pension scheme generous enough so that individuals do not feel the need to also have a second pension, or to have the mandatory scheme only large enough to meet basic needs, with any additional income in retirement coming from a supplementary pension scheme.

State versus Market Provision

Pension systems have both primary and secondary objectives. The primary objective of a pension system is to provide an adequate income in retirement. However, a pension system also has a macroeconomic impact. It may stimulate private investment and enhance capital market development (Holzmann, 1997; Lefort & Walker, 2002) or it can act as an automatic stabiliser in the economy in the result of an economic downturn, as pensioners maintain a base level of expenditure in the economy (Darby & Melitz, 2008; Natali, 2011). State run pension schemes may be funded through the tax system, which also has economic implications in its interaction with the labour market (Hinrichs & Jessoula, 2012). For these reasons, choices around the precise role of the state and the market in pension provision are contentious. There is no consensus on whether pension systems should be used as a tool for macroeconomic policy or what the impact of different pension systems on the economy are. Whilst some extol the virtue of privately-run pension schemes (Iglesias & Palacios, 2001; World Bank, 1994) others are much more critical (Barr, 2000; Orszag & Stiglitz, 1999).

Proponents of state provision emphasise intergenerational solidarity, redistribution and income security that underpin the system (Ervik, 2005). This type of solidarity is premised on the working-age population financing the income of the old-age population with an understanding they will be beneficiaries when they retire. It is also distinguished in providing a 'defined benefit' form of pension payment (to be discussed in more detail below), whereby an individual is guaranteed a specific amount that is not dependent on their contributions meeting this amount. Samuelson, (1958) and Aaron (1966) were able to show that so long as wage growth exceeds population growth then recipients of PAYG pensions are able to receive a larger pension than the amount they contribute, and the scheme still remains sustainable. Proponents of this system also argue that it has macroeconomic benefits in providing an automatic stabiliser to the economy during an economic shock. A collapse in aggregate demand in the economy after a shock can be mitigated by the counter-cyclical spending of pensioners which can maintain a base level of consumption in the economy (Darby & Melitz, 2008).

Proponents of private pension provision stress the principles of individualism, choice and responsibility that underpin a private pension system. They believe that private pension funds will yield a greater income in retirement for the individual because the returns on equity are greater than the rate of wage growth (Iglesias & Palacios, 2001). By its very nature, a funded pension system is believed to be sustainable because it is financed entirely from contributors who fund their own retirement (World Bank, 1994; James, 1996). Supporters of private pension provision maintain that it has a number of economic benefits. First, it is argued that it does not distort labour markets in the same way tax financed pension systems do (Lindbeck & Persson, 2003). This is because they believe individuals are hostile to paying a tax in which they feel they receive no benefit and so supply less labour to the market than they would otherwise. On the other hand, a private pension more directly links the contributions to the benefits. Second, at the macroeconomic level, an influential paper from Feldman in the 1950s, argued that the social security system in the United States had reduced savings in the economy by more than half. This is due to the 'moral hazard' of the insurance provided by social security (cited in Barr, 2001, p. 101). A principal reason for reform is therefore to increase savings and hence investment in the economy. Finally, the increase in domestic savings is also argued to assist in the development of capital markets (World Bank, 1994 p. 208).

Opponents of privatisation argue that it transfers risk from the collective to the individual. There are no guarantees on the income an individual will have in retirement. A volatile stock market, as seen during the global financial crisis, can render an annuity[2] much smaller than envisaged (Glennester, 2009). The risk of inflation necessitates some kind of public intervention in pension provision as the private market cannot insure against the risk of inflation. At the very least, the state guarantees against pension benefits being eroded by inflation are necessary. By tightening the link between contributions and benefits, those who take time out of the labour market are penalised. This is particularly unfair to women who take time out of the labour market for child birth and are more likely to engage in caring responsibilities (Foster & Heneghan, 2018; Ginn & Arber, 1996; Warren, Rowlingson, & Whyley, 2001). The administration costs of running a private pension system are much more substantial than public pension systems. Public pension systems can be run from a central bureaucracy with payments calculated from a simple formula. Conversely, private pension systems require an individual fund manager to manage each private pension plan, making investments and securing a return on contributions. They therefore require much more administrative resources than their publicly provided counterparts. High administration fees can reduce the income in retirement substantially (Gill, Packard, & Yermo, 2005).

At the macroeconomic level, Barr is critical of the claims made by proponents of privatisation that it will lead to higher growth rates. He argues that higher savings will not necessarily lead to a higher level of investment and that a higher level of investment will not necessarily lead to higher growth rates (2001, p. 104). On the issue of sustainability, Barr argues that the key determinant of pension adequacy is macroeconomic output regardless of the system in use. In a PAYG pension system this is explicit as the current level of macroeconomic output will determine how easy it is for

[2] An annuity is a fixed sum paid each year. This will be usually be calculated by insurance firms using the value of the final accumulated pension fund and life expectancy tables to calculate the amount. It offers the certainty of income in retirement.

the current workforce to make provisions for the retired workforce. However, in a funded system, the current level of macroeconomic output is also the key determinant of pension adequacy. Individuals set aside resources throughout their working lives, yet the value of these resources is determined during retirement by the current level of macroeconomic output. This is not only the case because of the value of equities upon retirement, but also because the level of economic output will determine the price of goods in the economy (Beattie & McGillivray, 1995). For this reason, funded pensions are not a solution to the issue of population ageing because all pension systems involve the retired generation consuming the production of the working age population.

The case for mandatory participation was outlined above. However, mandatory participation does not necessarily mean it will be the state providing the income in retirement. It is possible for the state to simply mandate that individuals must contribute to a privately-run pension system. This is the type of system that is the focus of this thesis. It will be discussed in much more detail below; the dominant form of privatisation to emerge as a global trend was one in which the state mandates that individuals must contribute a proportion of their income into a private pension. This constituted a partial-privatisation, as only in Chile did this arrangement completely eradicate state pension provision.

Insurance versus Redistribution

There are variations in pension provision between systems which are essentially insurance based and ones which are more redistributive in nature. The former can be provided by both the state and the market. For insurance-based systems to avoid market failure there needs to be perfect information on both the demand and supply side of the market (Barr, 2001). The information required on the supply side of the market is clear and accurate, it is relatively easy to design a system since data on life expectancy and retirement is consistent and accurate. Insurers can therefore attach an actuarial risk to insurance premiums. However, information on the demand side is often incomplete. As mentioned, individuals often miscalculate the amount they need to save for retirement, and it comes onto their personal financial agenda far too late to set aside adequate resources. It was therefore argued earlier that the state needs a minimum role in at least mandating some form of compulsory pension saving. Furthermore, pension information is complex, which renders individuals at risk of pension exploitation (Foster & Heneghan, 2018). There is therefore a role for the state in regulating private insurance.

Insurance-based systems seek to smooth income over the life cycle. An old-age system is said to be actuarially fair when there are no net gains from participating in the scheme, so the present total value of pay-outs equals the present total value of contributions (Muller, 1999 p. 10). In an insurance-based system, the income an individual receives in retirement is more likely to be closely linked to their contribution record and therefore is more likely to pay a higher pension to higher earners. For some, this form of pension provision is viewed to be unjust as it favours the wealthiest. If tax breaks are used to fund this type of pension arrangement, it is also regressive because the wealthiest will receive the largest tax breaks (Sinfield, 2000).

Alternatively, the pension system can be designed to integrate redistributive elements into the system. This entails transferring resources from the highest earners to the rest of society. If the state provides a similar income in retirement to all individuals, this will redistribute resources from the wealthiest who have contributed more to the least wealthy whose contributions will be smaller. In any pension system, the larger the universal element of the system, the more redistributive it is, since more generous pension entitlements will need to be financed by higher earning tax payers (Krieger & Traub, 2008). In addition, further redistributive elements can be added to a pension system by transferring resources from those in work to those out of work either due to unemployment, undertaking caring responsibilities, being in full-time education or being unable to participate in the labour market through illness or disability. This is done by the state continuing to make pension contributions to an individual who is presently out of work. There are also subtler forms of redistribution, such as from men to women. Equal pension payments to men and women in the pension system entail a redistribution of resources from men to women as female life expectancy is higher. In Central and

Eastern Europe, women traditionally had a much earlier retirement age than men[3], although these have been equalised in recent years. In PAYG systems (to be described in more detail below), there is also a transferring of resources from young to old, when the latter receive a pension that is larger than the contributions they have made.

When income is redistributed through the pension system from higher earners to lower earners, this type of redistribution is known as 'vertical redistribution'. Social insurance systems, on the other hand, are a form of 'horizontal redistribution'. They can interact with other systems such as the student loan system to redistribute an individual's income over the life cycle. The so called 'productive middle years' finance the other periods of the life course when income is substantially lower such as during higher education or in retirement (Barr, 2001).

Pay-As-You-Go versus Funded Financing of Pensions

One of the main debates in provision is with regards to whether pay-as-you-go (PAYG) pension systems are more desirable than fully funded systems. The sustainability of PAYG pension systems has been questioned by policy makers in the light of the demographic transition of an ageing population (World Bank, 1994). Declining fertility rates and an increase in longevity lead to an increase in the proportion of the population that is over 65 (United Nations, 2017). With life expectancy considerably longer than before, the age at which individuals retire has been drawn into question. Furthermore, how retirement is financed has also been the subject of increased debate. The debate interacts with debates on whether pensions should be provided by the state or by the market. However, there are differences because fully funded pension systems can be both publicly and privately provided.

[3] However, the construct of retirement only accounts for withdrawal from the formal labour market, it does not consider household labour and informal labour. The gendered division of household labour means that women's experience of retirement is much different to men. Whilst there may be a transferral of resources from men to women, this is not to suggest that women have a superior experience of retirement.

In a PAYG system, contributions and benefits are distributed through the tax system. Retirement income is financed by the current generation of taxpayers. It is a system built upon the principle of intergenerational solidarity. Individuals contribute towards the current generation of pensioner incomes with the understanding that their retirement income will be provided by the future generation of taxpayers. When PAYG pension systems were first introduced in Europe, they were highly sustainable (World Bank, 1994). Only a small proportion of the population was at retirement age and therefore pension spending as a proportion of government expenditure was relatively small. Furthermore, life expectancy beyond the statutory retirement age was very short and therefore pension spending was not viewed as a considerable strain on public finances (Esping-Andersen, 1996; Myles & Pierson, 2001). Successive political parties were able to garner support from the electorate by offering generous pension benefits. This was not costly in the early era of pension systems as the number of retirees was very small compared to the number of contributors into the system (Myles & Pierson, 2001). However, upon reaching maturation the problem has become much more acute. Most developed countries experienced a population boom in the early post-war period. This bolstered the number of contributors to the system. For example, in the US, before the boom 2.86 million babies were born in 1945. By 1957 this reached a peak of 4.3 million babies with a trough of 3.14 million babies in 1973 (Mankiw & Weil, 1989). Now that the so called ‘baby boomers’ have reached retirement, the old age dependency ratio, which measures the ratio retired population to the working age population, has increased. This has drawn into question the sustainability of PAYG pension provision, most notable by the World Bank in 1994.

Fully funded pension systems can be provided by the state or the market. Unlike the PAYG system, a fully funded pension system by design should always be sustainable. The level of benefits is directly determined by the level of contributions. In an individual fully-funded pension scheme an individual accumulates a pension fund over the working life. The overall value of this fund is usually maximised by a fund manager who invests the contributions in order to make a greater return than the cash amount invested in the fund. Upon retirement, the fund is turned into an annuity to provide a stable income in retirement. Fully-funded schemes do not have to be run by the market at an individual level. Sovereign wealth funds are state savings that can be used to finance pension expenditure. For example, Norway's sovereign wealth fund uses oil revenues to accumulate funds for its pension system (NBIM, 2015). However, this type of pension system differs from others because it is not financed by contributions. The United States Social Security system is an example of a state financed pension system that is fully-funded. Many European pension systems paid contributions into a separate fund from the general budget. However, many of these pension funds were destroyed during the Second World War which necessitated a switch to PAYG systems in order to honour the contributions made before the war (Muller, 1999).

Defined Benefit versus Defined Contribution

One of the major changes in pension provision over the past few decades has been the demise of defined benefit pension systems and the rise of defined contribution systems as their replacement (Bridgen & Meyer, 2005). This is particularly the case with occupational pensions and is a consequence of the growing concern with the sustainability of pension systems in light of an ageing population. Defined Benefit pension systems offer their recipients a guaranteed income in retirement. They are usually based on a pre-prescribed formula whereby the number of years paying into the system and the final salary determine the level of pension entitlements. Bismarckian pension systems with their income replacement component operate on a defined benefit basis. The risk of defined benefit schemes is carried by the employer in an occupational scheme and by the state in the public pension system.

Defined Contribution systems, on the other hand, do not guarantee a specific income in retirement. Instead it is determined by the size of the accumulated pension assets and the returns the investments have yielded upon retirement. It places the risk of poverty in old age on the individual (Bridgen & Meyer, 2008). Alongside increased longevity, one of the causes of the demise of defined benefit schemes has been their obstruction to labour mobility (Barr, 2001). In a defined-benefit scheme, individuals have a disincentive to change employer as their pension entitlements are adversely affected by changing pension schemes, even if the same formula is used (Barr, 2001).

The tensions around defined benefit and defined contribution schemes are linked to the economic system. The varieties of capitalism literature outline two different equilibriums in the political economy: liberal market economies and coordinated market economies (Hall & Soskice, 2001). These different systems are linked to the pension system in a number of ways. Liberal market economies consist of firms dependent on capital markets to finance investment. Capital markets use formal accounting procedures to guide investment options. Firms in liberal market economies tend to favour radical innovation as venture capital seeks a generous return. Firm behaviour in a liberal market economy also favours a flexible labour force that it can shed easily. There is an incentive for firms to prefer a workforce with general, transferable skills as workers are less likely to remain employed in the same firm for a substantial period of time. For these reasons, defined contribution pension schemes are likely to flourish in an environment where workers can take their pension plans with them to retire and where capital markets are well developed.

Conversely, in coordinated market economies, firms rely on informal knowledge to guide investment decisions, which is garnered through close relationships between firms at the industry level. They are less dependent on capital market for investment capital. In contrast to the general skillset favoured by firms in liberal market economies, firms in coordinated market economies prefer specific skill sets at either the firm or industry level. It is therefore important for firms to encourage long term employment in order for individuals to invest in specific skills that are not transferable to other firms. A defined benefit pension system is one way in which individuals are encouraged to remain with a firm because defined benefit formulas usually penalise moving between firms. Bismarckian welfare systems that replace income during unemployment and retirement are much more likely to be the preference of firms seeking to foster a long-term workforce.

Summary

This section has outlined the different choices available to policymakers when designing a pension system. The choices are underpinned by different values. More market-oriented approaches stress the principles of choice, flexibility and responsibility. A more substantial role for the state stresses redistribution, income security and intergenerational solidarity. The pension system has been shown to interact with the economy in a number of different ways. It can provide a buffer during a downturn as pension spending stops demand completely collapsing. However, it is argued by some to distort the economy through labour market disincentives. Defined benefit schemes have been shown to be favoured by firms in coordinated market economies as they are given an incentive to remain with the same employer. Defined contribution schemes have been shown to favour firms which prefer a flexible labour force, more frequently found in liberal market economies.

Conclusion

This chapter has set out the main theories that underpin the thesis. It began with outlining the main global social policy approaches to studies of the welfare state. Each of three main viewpoints outlined here guide the perspective of the thesis in how a transnational politics of pension reform has played out in Central and Eastern Europe. The chapter next outlined the institutionalist literature. This literature gives insights on the processes of continuity and change in institutions, it shows how pension systems create an institutional structure with a set of beneficiaries who will be resistant to reforms. These dynamics shape the extent to which transnational actors can influence the reform trajectories. The interaction between ideas and institutions is a key part of the thesis. Chapter Six, in particular, draws on the interaction of ideas and institutions. The chapter broadened then broadened this form of analysis to the global level by drawing on theories on international organisations from the international political economy literature. Of particular importance is the debate of how much influence international organisations have to set the agenda and orientate action from domestic actors. These are themes that will be revisited in the empirical chapters of the thesis. Finally, the chapter set the different choices and designs of pension systems and the philosophies and values that underpin them. These are implicit within pension debates and steer the approach of the international organisations that promote their specific model.

Chapter Three

A Review of the Multi-pillar Pension Reform and Reversal Literature

Introduction

The previous chapter engaged with the pensions literature to outline the different pension systems and the philosophies and values that underpin them. It also utilised the literature on pension reform to outline the theoretical foundations of the thesis. This chapter offers a much more concentrated analysis of the literature. It is specifically focused on the multi-pillar reforms that were promoted by the World Bank and taken up by more than thirty countries, before being abandoned by more than half of them. The purpose of this chapter is to review the literature on these reforms and counter-reforms in order to establish what is known and what gaps in the literature still exists on this series of reforms and reversals. The review finds that the literature to date has primarily analysed the proximate causes of the pension reform reversals, largely arguing these were a combination of the fiscal costs of the reforms and the poor performance of the funded pillars. What has not been conducted yet is an analysis of how these events have shaped global pension policy, in particular from the perspective of the organisations that competed to persuade countries to privatise their pension systems and those that tried to prevent this. This enables the thesis to make a timely contribution to the global pensions policy literature.

A significant gap in the literature, that is highlighted by this review, is the perspective of policy actors who operate at a global level. For example, the literature has not tried to gauge the position of actors in the World Bank or ILO – two organisations that have been prominent in shaping pension policies at a global level. This thesis will therefore seek to obtain the views of policy makers at the global level. It is not clear in the literature what the current position of the World Bank is on pension provision and whether it will continue to play active role in the pension reform arena. These views also offer a way to empirically explore the reform reversals from an ideational perspective. To date there is no empirical exploration of the global consensus on pension privatisation, whether it has shifted within international policy circles, and if so, when?

The Pension Privatisation Process

In the decade following the publication of Averting the Old Age Crisis (World Bank, 1994), More than thirty countries enacted some form of pension privatisation (Naczyk & Domonkos, 2016). Whilst a large number of countries have enacted privatisation, many have not. The literature therefore suggests that external economic pressures on domestic actors, such as globalisation are not responsible for pension privatisations. Neither are demographic factors, since some countries with demographic pressures have reformed, whilst others have not (Brooks, 2005; Muller, 1999; Orenstein, 2008; Weyland, 2005). In particular, the countries of Western Europe and North America have been resistant to mandatory privatisation (Bonoli & Palier, 2007). This is because of the maturity of their pension system which exacerbates the cost of transition. Where privatisation has occurred in these countries, it has usually been through the restriction of the generosity of public system. This may 'nudge' individuals into voluntary private provision to supplement their retirement income. It has been described as "privatisation through the back door" (Bonoli, 2003; Bonoli & Palier, 2007; Ebbinghaus, 2011; Myles & Pierson, 2001; Orenstein, 2011). International capital mobility can act as facilitator for market-based reorganisation in many areas such as labour market reforms. However, it can also constrain the options for policy makers seeking to privatise social security given the transition costs and fiscal resources needed in the short term for the reform (Brooks, 2005).

Whilst high-income countries have been slow to initiate pension privatisation, middle income countries on the other hand, were particularly receptive to privatisation and to the message of its proponents. This was particularly the case in Latin America and Central and Eastern Europe. Orenstein builds upon the work of scholars who have identified the growing trend for social policy to be conducted at a global level by transnational actors seeking to influence the reform trajectory of domestic governments (Deacon, 2007; Deacon et al., 1997; Yeates, 2008). His central thesis is that this was done through a transnational campaign spearheaded by the World Bank in a coalition with other transnational actors. In contrast to those who focus on the power of conditionality of the World Bank, where reforms are carried out through coercion (Stiglitz, 2002), Orenstein (2005, 2008), argues that pension privatisation has been encouraged through persuasion. Building upon what Barnett and Finnemore (1999, 2004) have coined "norms creation", he argues that the World Bank was able to influence the reform preferences of domestic actors within countries that enacted the reforms. This was done through publications, seminars and conferences promoting the virtues of pension privatisation, citing the strong performance of the Chilean economy after it privatised its pension system as inspiration for potential reformers (Orenstein, 2008, p. 75).

Orenstein's work develops a model for global pension policy making. He sets out a three-stage process where transnational actors can have influence over the domestic reform agenda. The first places the transnational actors at the policy development and 'agenda-setting' phase of the policy process (Kingdon, 1997). This is where international organisations and other groups can use their "expert authority" (see Chapter Two) to place their favoured reforms on the agenda through the framing of problems in a specific way to orient action. Transnational actors can also be influential in "policy transfer" (Dolowitz & Marsh, 2000), where policies are taken from one location and put onto the policy agenda somewhere else. This was the case with pension privatisation, which sought to transfer Chilean pension reform to other locations. Finally, transnational actors can have influence in the implementation stage by offering expertise and technical support or loans to initiate the policies. For example, the World Bank offered resources to Poland to update its computer systems to make them suitable for individual pension accounts (Orenstein, 2008).

The literature points to the leverage that International Financial Institutions (IFIs) hold over developing and middle-income countries as an explanation for their influence. In a structural-institutional analysis, Müller, (1999) argues that the World Bank was able to gain ideational influence in countries that were heavily indebted. She argues that where pension systems were running deficits, the finance ministry took an active interest in the pension system. The specific constellation of actors would then determine the reform trajectory. She contends that finance ministries are more likely to be staffed with economists with neoliberal policy preferences. This enabled the World Bank to gain leverage in setting the agenda in pension reform in the countries of Central and Eastern Europe, which were heavily indebted in the transition from socialism to market-based capitalism.

It was Deacon (1997) who first articulated a war of position in social policy between the World Bank and the International Labour Organisation (ILO). He stated that the World Bank was trying to shift countries in a neoliberal direction while the ILO was trying to lead them in a more social-democratic direction. Orenstein (2008) argues that the World Bank, through its superior resources supplanted the ILO as the major player in pension policy at a global level. Appel and Orenstein (2013) build upon the solely ideational influence of the World Bank as an explanation for the reforms, arguing that its material resources were also a factor in the privatisations. They contend that the Bank's superior resources enabled it to develop more sophisticated models and arguments than opponents of pension reform. Furthermore, the Bank was able to offer loans to countries interested in privatising their pension system and even went as far as to dispatch personnel to assist in the development of a Polish private pension pillar. The interaction of both material and ideational influences is argued to be critical in determining the success of the World Bank in the pension reform arena.

However, whilst not denying the pivotal influence of the World Bank in the series of pension privatisations, other scholars have focused on other aspects than the 'norms creation' of the World Bank. In analysing the spread of privatisations in Latin America, Brooks (2007) focuses on domestic actors' motivations for reforms and argues that the structural conditions of the countries were a major factor in whether a country privatised. In contrast to the constructivist approach of Barnett and Finnemore (1999; 2004) used by Orenstein, Brooks adopts a rationalist-materialist approach to explain the reforms. It is rationalist, as she believes actors assessed the merits of the policy and weighed it against the costs and concluded that it was the best policy to pursue. It is materialist in that it was a policy born out of the material conditions of the countries instead of how these conditions were interpreted by actors. Rather than view pension privatisation as a normative symbol of legitimacy to international markets, she argues that the soft power of the World Bank alone cannot overcome material conditions.

In Brooks' view, pension privatisation was adopted in Latin America as a way to overcome the region's low domestic savings rate; this concurs with others who have also argued that the low saving rate in Latin America was a factor in the process (Madrid, 2003; Meso-Lago & Muller, 2002). This rendered the region reliant on volatile international finance for investment. In contrast to those who argue that pension privatisation acted as a signal to international finance of market-orientated intent (such as Appel & Orenstein, 2018), she argues that international finance places a double bind on privatisation. On the one hand, markets act favourably as it signals a long-term fiscal retrenchment. However, given the transition costs of privatisation, she argues that markets respond negatively as it raises the risk indices of key variables on sovereign debt such as the budget deficit and debt to GDP ratio. For Brooks, a country's macroeconomic condition at the time pension reform reaches the political agenda is critical in explaining when a country privatises. Whilst the transition costs will increase budget deficits, Mosley (2003) argues that a key indicator is the current account deficit, which will signal to investors the overall health of the economy. Brooks compares Argentina with Brazil. When privatisation reached the political agenda in Argentina conditions were more favourable to privatise. Argentina had a relatively lower current account deficit at the time of reform and international finance was liquid during this period. In contrast in 1998, when pension reform came on to the Brazilian political agenda, its current account deficit had weakened substantially and international finance was scarcer.

In a refutation of Orenstein's thesis and the approach of Brooks, Weyland (2005) argues that the cognitive heuristics of policy makers is the most important determinant of pension privatisation. He cites the regional diffusion of pension privatisation as a counter to the persuasive influence of the World Bank. He argues that if norms creation was instrumental in bringing about reform, the global reach of the World Bank would mean the reforms would be globally spread rather than clustered in regions - primarily Latin

America and Central and Eastern Europe (2005, p. 275). Furthermore, he argues that the material constraints on pension privatisation and its distributive consequences for winners and losers outweigh the legitimacy gained from adopting the norms spread by the bank. He also rejects the notion that the policy was pursued from rational policy learning. He points to the heterogeneous material conditions of the countries that privatised and questions why it was only regional in character. A rational approach to policy making would mean actors assessing pension options across the globe for solutions.

He posits that policy actors have a ‘bounded rationality’ in assessing the character of reforms. Actors have insuperable limitations on their processing capacity for the abundance of information available to them. They have limited memory capacity and scarce time and resources for a comprehensive development of policy proposals. In order to function, actors rely on inferential shortcuts to process the information and reach a conclusion. It is these heuristics that enable policy makers to decide. In a rational choice model, deviations from the norm cancel each other out as they are normally distributed. This does not happen with heuristics since different people apply the same heuristics. There are three interrelated processes of heuristics. The first is the availability of information. Information that is directly available is overrated in comparison to other information. For example, the information of pension reforms in neighbouring countries in Latin America was the most readily available and therefore given a precedence over other information. Second, actors derive inferences from a very small sample, assuming it is representative. They give undue weight to the short-term success or failure of a policy. In the case of pension reform, the initial success of the Chilean economy was given an undue weight in factoring the likely benefits of privatising a pension system. Finally, individuals are susceptible to anchoring. Policy makers are reluctant to diverge too far from a starting point. In Latin America, Chile became the anchor and so policy makers reformed their pension systems around this example.

In the case of Latin America, pension privatisation was domestically generated. This is unanimous within the literature on pension reform in the region (Brooks, 2005; Madrid, 2003; Mesa-Lago & Müller, 2002; Weyland, 2005) and was also confirmed by interviewees from the World Bank (see Chapter Six). Central and Eastern Europe on the other hand, had much more direct involvement from transnational actors seeking to persuade privatisation, such as the World Bank, and from those who opposed it like the ILO. It is therefore the region where pension privatisation became a global policy. Chapter Six will demonstrate how it also became the region where pension privatisation ended as a global policy prescription.

In summary, the literature points to three explanations for the spread of pension privatisation: norms creation, rational learning and cognitive heuristics. However, to date there has only been a limited synthesis of the reversals in order to offer a theoretical explanation.

Pension Reform in Central and Eastern Europe

The literature on pension reform in Central and Eastern Europe is primarily framed in the region's twinned transition from one party rule to democracy and from state planned socialism to free market capitalism. Many scholars note the region's propensity to embrace neoliberal reforms that went further than Western Europe in many areas of social policy – particularly in pension policy. The active role of the World Bank in the region is a prominent feature in the literature (Deacon et al., 1997; Drahokoupil & Domonkos, 2012; Muller, 1999; Orenstein, 2008). Like the literature on global pension policy, both rationalist and idealist approaches to pension reform are prevalent.

There is also a smaller literature on the role of the EU in the pension reform process, a role that is ambiguous and contested. Whilst not overtly promoting pension privatisation in the region, the EU did not oppose it, which is interpreted by some scholars as a tacit approval (Ferge & Juhász, 2004). More recently, the impact of the Maastricht criteria for accession and the Stability and Growth Pact's influence on a country's ability to run a budget deficit has entered the literature as part of an explanation for the region either scaling down the private pension pillar or completely abandoning it. This literature adopts a realist approach, stressing the power of conditionality available to the EU.

The transition process in Central and Eastern Europe had two distinct phases. The first phase focused on democratisation and marketisation. The literature notes how during this phase, international organisations encouraged transition economies to increase social spending to mitigate the costs of transition (Deacon et al., 1997; Muller, 1999). Cerami (2011) and Orenstein (2009) note that the transition to a market economy has endowed Central and Eastern Europe with a set of unique challenges, that renders its demographic transition different to that of Western Europe. The hidden social cost of transition included not only the loss of a guaranteed job, but also the related changes in the quality of life that come with it. These include as increases in alcohol consumption, increasing number of divorces and the psychological problems associated with job loss and a lack of partaking in social activities (Izyumov, 2010). These factors have adversely impacted on the region's fertility rate. This means that the median age of the region is increasing faster than elsewhere.

Korpi's (2001) rational-action approach to welfare state development in Western Europe contends that elites use their resources to shape subordinate actor's definitions of their interests and identities in order to maintain power. This is in line with Lukes second and third faces of power (1974, 2005). Bismarckian pension systems were therefore a way for the elite to gain the acquiescence from the working class whose power resources were in the ascendancy. In a similar vein, Vanhuysse (2006; 2009) builds upon this approach in Central and Eastern Europe during the transition. His thesis is on the use of pension policy as a tool of protest avoidance. He argues that the large numbers of unemployed workers during the transition ripened the conditions for social disorder. This was particularly acute since the ending of the planned economy meant that entire sectors were made redundant at once. These members with similar material interests would find it easy to organise and threaten the position of the elites in government. He therefore argues the use of disability pensions was therefore a strategy to divide the unemployed into groups with different material interests. Millions of workers were permanently removed from the unemployed list by being granted an early pension. This divided them from younger unemployed workers and separated them into distinct subgroups with differing material interests. In particular, the newly retired pensioners had interests aligned with the elite as both benefitted from the status quo of power relations.

Vanhuysse's analysis dovetails with Inglot (2009), who argues that welfare states in Central and Eastern Europe are 'emergency welfare states'. This is a term given to the way in which he argues the expansion of the welfare state in the region has been undertaken. For Inglot, each crisis in the region has led to an expansion of the welfare state to assuage popular resistance to the ruling regime. During each crisis, a new layer is added to the existing institutional order, in what is believed at the time to be a temporary arrangement. Over time this arrangement becomes a permanent fixture of the welfare state. This explains why scholars have found it so difficult to categorise Central and Eastern European welfare states in Esping-Andersen's (1990) worlds of welfare regime typology. Instead many have called them hybrids (Kovács, 2002). However, since each layer remains in place and only added upon, it can later be reactivated. Many early post-communist reformers tried to re-establish the Bismarckian traditions of the pre-communist era. The tendency to use the welfare state for emergency measures would put the reborn Bismarckian institutions under strain.

The use of early retirement as a tool of protest avoidance dramatically increased pension expenditure in the region (Muller, 2002). Once marketization and democratisation had been secured the second phase of the transition focused on welfare state reform (Deacon, 1997; Muller, 1999). Pension systems were to come under increased attention as a means to decrease budget deficits. Furthermore, privatisation offered a chance to develop capital markets and further embed market institutions in the region. The literature stresses the ideational influence of the World Bank in persuading countries in the region to adopt pension privatisation; it is therefore constructivist in its approach. No scholar argues that the region was subject to conditionality, or that the Bank approached countries first with the proposal to privatise. Instead, countries decided to privatise their pension system and approached the World Bank for technical and financial assistance.

Muller (1999, 2002, 2003) and Orenstein (2000, 2005, 2008) are amongst the most cited authors in the pension reform literature in Central and Eastern Europe. They stress the paradigmatic nature of pension reform in the region. They argue that it represents a significant redrawing of the social contract from the state to the market and from the collective to the individual. Muller's analysis of the political economy of pension reform in Hungary, Poland and the Czech Republic, takes a structural-institutionalist approach. The significant increase in pension expenditure in Hungary and Poland (mentioned above) brought the ministry of finance into the policy agenda of pension provision; which had traditionally been the domain of the labour ministry. In contrast, pension expenditure had not increased significantly in the Czech Republic meaning the finance ministry was not active in the pension reform agenda. It is the finance ministry that is argued by Muller to give the World Bank leverage given that it is more likely to be staffed with actors with a neoliberal outlook.

Orenstein (2000) focuses on the reforms of Hungary, Poland and Kazakhstan. His main contribution in this area is to analyse the speed of the reforms and the political consensus around them. This work focuses on the specific institutions in the countries such as the number of veto points and the coalition of parties involved in the reforms. Hungary and Kazakhstan both had a strong executive, which could force through radical pension reform more easily. Poland, on the other hand had more veto points and the reforms were more consensual. This led to a correct hypothesis by Orenstein that the reforms were more likely to be reversed in Hungary when the opposition came back to power.

Guardiancich (2011) challenges the notion that pension privatisation represented a significant institutional change. His paper develops Streeck and Thelen's (2005) undeveloped concept of institutional 'survival and return'. He defines the survival of an institution where new change does not overhaul the institution. The new institutional arrangement does not change the incentive structure or the 'logic of action' but rather performs identical functions to the old institution. Return is defined as a process whereby the old incentive structure is brought back as a consequence of demands for its reintroduction. This is likely to happen with an unconstrained executive that has concentrated power and does not need to compensate the losers in the reform process. This then motivates them to mobilise for change. In Hungary and Croatia the funded pillar continued the same logic as before given the propensity for fund managers to purchase government bonds. It therefore continued to function as a PAYG pillar. Moreover, the governance structure of the second pillar in Hungary was unreformed which led to it functioning in the same way as the third pillar had previously done: characterised by a lack of transparency, no competition and no downward pressure on fees.

The role of the EU is ambiguous within the pension reform literature. Ferge and Juhász, (2004) contend that the passive role played by the EU in the pension privatisations undertaken in Central and Eastern Europe amounted to tacit support. They argue that the EU deliberately avoided a confrontation with the World Bank and found commonalities with the growing focus on sustainability for pension systems that the EU was adopting. However, the EU has adopted a more hard-line stance on pension reform in more recent years through both the Stability and Growth Pact and the hard conditionality of the Troika[4] (Angelaki & Carerra, 2015).

The Stability and Growth Pact (SGP) has fiscal conditions for all members of the European Monetary Union. It stipulates that countries cannot run budget deficits larger than 3% of GDP and must keep the debt to GDP ratio below 60% (European Commission, 2015). These stipulations must also be adhered to by the accession states. This pact has had implications for pension privatisation in the region. The transition costs for those that have enacted a partial privatisation were as high as 1.8% of GDP in Poland (Fultz, 2012). This is a significant proportion of the SGP's requirement. Initially, allowances were made for countries that had undergone privatisation. For the first year the entire cost of transition could be excluded from the EU's budget deficit accounting, with the amount that could be excluded reducing each year by 20%. At the end of the fifth year this meant that no further allowance could be made. This was protested by member states that had

[4] The Troika refers to the International Monetary Fund, the European Commission and the European Central Bank

enacted the World Bank's multi-pillar reform and also Sweden as it had a different version of multi-pillar reform (Woolfe, 2010). However, the Commission took a dim view to the public expenditure of some of the accession countries, in particular Hungary, and therefore declined the request for additional accounting allowances to be given in meeting the SGP criteria (Orenstein, 2011). The rigid conditions of the SGP are noted in the literature as being incongruent with pension privatisation (Angelaki & Carerra, 2015; Datz & Dansci, 2013; Drahokoupil & Domonkos, 2012; Orenstein, 2011; Stepan & Anderson, 2014). For this reason it is not only heavily indebted nations that have renationalised second pillars but also ones with a moderately healthy fiscal balance, like Poland. At the stroke of a pen, Poland was able to reduce its debt to GDP ratio by 8 percentage points (Atkins, 2014).

Alongside the SGP, the EU has also been active in the pension reform arena of member states through the hard conditionality of the Troika (International Monetary Fund, European Central Bank and European Commission). Countries that have been reliant upon loans to finance current expenditure have been granted them on the condition that pension expenditure is reduced. In the case of Greece this has meant reforms to the first pillar (Angelaki & Carerra, 2015). In Central and Eastern Europe, Hungary required EC financial assistance in November 2008 as the global economic crisis took hold. This was granted on the condition that pension expenditure was reduced. Specifically, the conditions were that Hungary changes the rules on indexation, abolished the 13-month pension pay out for new beneficiaries and increased the mandatory retirement age by three years (Stepan & Anderson, 2014, p. 326). However, in fashioning this conditionality, the EU indirectly influenced the fate of the second pension pillar. Whilst insisting on first pillar reforms that are visible and politically unpopular, it has made second pillar reforms that are not costly - and in the wake of the global economic crisis, popular – much more likely.

In summarising the literature to date on pension reforms in Central and Eastern Europe, there are many similarities with the global literature particularly on the pension privatisation process. However, the literature on the counter reforms is less theoretically developed than at the global level. There are rationalist and ideational accounts of the pension privatisation process. The work of Vanhuysee (2006, 2009) also gives a path dependent explanation to the fiscal burden of pension systems during the transition process. Whilst his approach is a rationalist one it created a logic of stability and path dependency in the pension systems of Central and Eastern Europe aligning it with the approach of historical institutionalism. However, the literature to date in the region on the counter-reforms is strictly rationalist. It has largely focused on the strategic approach of political actors responding to material constraints such as the cost of transition. Moreover, the focus on the coercive role of the EU in the pension reform arena is also within both the rationalist and realist academic approaches on international organisations.

Pension Reform Reversals

Early contributions to the literature on this emerging trend were country specific and could not have foreseen that it was a trend that would spread. Datz and Dansci (2013) argue that scholars underestimated the effects of the short-term pension transitional costs. The nationalisations were therefore unforeseen. Their paper focuses on the first countries to completely nationalise their second pension pillars: Argentina and Hungary. Their contention is that a nationalisation of the second pension pillar is explained by both countries' restricted access to international finance; which concurs with the country studies or comparative studies (Arza, 2012; Angelaki & Carerra, 2015; Fultz, 2012; Simonovits, 2011).

In addition, they argue the concentrated political power of the executive enabled the actors to undertake radical pension. Following Argentina's default after the economic crisis in 2001, it had struggled to raise finance for infrastructure investment. The renationalisation of the pension system enabled the state to gain access to the accumulated pension funds and rid itself of the transition costs. In Hungary, a loose fiscal environment had led it to rely on loans from the EC and IMF to fund current expenditure - this was granted with conditions. The renationalisation of the second pillar enabled Hungary a temporary reprieve from its reliance on international finance. Both countries had populist leaders who had campaigned on platforms of domestic autonomy and both had a strong parliamentary majority. This is argued to have enabled the nationalisations to take place with minimal opposition.

However, these factors fail to explain the wider spread of nationalisations. For example, Poland was in a stronger position than Hungary following the crisis. It had managed to avoid a recession and had a much healthier fiscal balance (Orłowski, 2012). Its political institutions also have more veto points and a separation of powers compared to Hungary. An important contribution from the article is that it highlights an understudied aspect of the functioning of the private pillars. Namely, that many funds invested primarily in government bonds which meant they behaved more like PAYG pension systems than previously recognised. This had previously been highlighted by Guardiancich (2011) and Simonovits (2011).

In keeping in line with the global focus of his earlier work Orenstein (2013), claims that the recent reversals do not represent a complete rejection of pension privatisation. He argues that whilst pension pillars have either been scaled down or renationalised it coincided with a retrenchment of the first pillar in many instances. With public pensions now less generous after the crisis, individuals will be 'nudged' into private pensions as a way to ensure an adequate income in retirement. This argument is in a similar vein to Bonoli and Palier (2007) who argue that through a process of sequencing, private sector pensions have been able to emerge in continental Europe despite the difficulties in retrenching the public pillar of Bismarckian pension systems. Orenstein also points towards the UK and New Zealand that have developed a model of auto-enrolment into a private pension. This system differs from the World Bank model in that it is not mandatory to contribute to a private pension. Instead, using insights from behavioural economics it relies on individuals being unlikely to opt out of a pension if they are automatically enrolled (Sunstein & Thaler, 2008).

However, Orenstein's arguments contradict previous scholarship on the significance of paradigmatic pension reform. What had set Latin America and Central and Eastern Europe apart from Western Europe and North America was that the regions had enacted a significant retrenchment of the public pension pillar. It was believed it would continue to diminish with the growth of the private pillar (Muller, 1999). The mandatory nature of private pension contributions was what set it apart from other systems; reframing the definition of pension privatisation suggests that the reforms were not as significant as the early scholarship had implied.

In *Global Pension Systems: Reforms, Drivers and Trends,* Holzmann (2012) surveys the pension landscape including all of the reform reversals that had taken place up to the point of publication. He argues that since the global economic crisis the enabling environment for private pension systems has changed significantly. Poor returns on pension assets have given opponents of multi-pillar pension reform ammunition. More significantly he suggests that the new lower returns might be a new normal for pension funds. Given that one of the justifications for multi-pillar pension reform is that it offers better returns than a public pension system, a lower return jeopardises that claim. Indeed, in Chile wage growth might be higher than asset returns, which is an indicator of public pension superiority.

In addition, Holzmann cites several other flaws and weaknesses with many three pillar pension systems. He argues that coverage has been disappointing, particularly in the informal labour market where pension privatisation offered promise. Next, the tightened link between benefits and contributions has constrained the ability for pension systems to offer redistribution. This has had a negative effect on pension systems' ability to deliver a basic income for all citizens. This is an issue that has come to the fore with the resurgence of the ILO on the global pension reform arena (see below). Moreover, three experimental flaws with the system are cited. First, the high administration fees have had a significant impact on the generosity of pension income. Secondly, the draconian regulations put in place on pension fund investment has meant that many have invested in government bonds. Finally, the focus in most countries has been on the accumulation phase of pension assets. There have not been adequate systems put in place for the pay-out phase.

The literature on the first wave of pension reforms was theoretically diverse, with explanations from rationalist, historical and constructivist institutionalism. In contrast, the literature to date on the reform reversals is very much in the rationalist tradition. Actors are argued to respond to their short-term material conditions, specifically the budget deficit exacerbated by global economic crisis (Casey, 2014; Datz & Dansci, 2013; Drahokoupil & Domonkos, 2012; Price & Rudolph, 2013). Renationalising the pension assets, scaling down on the size of the private pillar or temporarily suspending payments to the second pillar is argued to have been carried out by these authors primarily for short-term fiscal reasons.

Sohkey (2017) has analysed the counter-reforms across the globe to develop a theory of reform reversal. She argues that countries which had a moderate degree of privatisation, were the most likely to reverse the reforms. The argument being that countries which had only undertaken a very limited privatisation had no incentive to reverse the reforms as the fiscal rewards were very limited. Conversely, countries that have undertaken a significant privatisation on the other hand, are, she argues, also unlikely to reverse because the citizens and the pensions industry will oppose reforms. This is despite significant fiscal incentives to do so. However, for a country that has undertaken a moderate privatisation there are argued to be fiscal incentives without significant opposition to the reversal from citizens or the industry.

Naczyk & Domonkos (2016) focus on the domestic political-economic dynamics of pension privatisations and reversals. They explicitly reject a global explanation offered by Orenstein (2013) and Béland & Orenstein (2013), i.e. where the World Bank’s shift has led to the series of counter-reforms. Instead, they emphasise the failure of privatisation to realise the benefits it promised and the fiscal cost of moving towards a funded system. This weakened the support of previous proponents of the reforms, such as the finance ministry, and strengthened the hands of its long-time opponents. Their analysis focuses on the type of reversal taking place, arguing that where pension assets were largely held in government bonds, then countries were more likely to nationalise the funded pillars, as this made it much easier than when pension assets consisted of equities or foreign securities. This would explain the way Hungary and Poland nationalised their pension assets, which were predominantly held in governments bonds, whilst the Baltic countries only suspended payments to their private pillars, since a larger proportion were invested in equities.

Altiparmakov (2018) refutes the idea that the counter-reforms are primarily about the short-term fiscal benefits. Instead, he argues that the initial privatisations were never implemented in a manner that made them sustainable. The central contention is that for a mandatory private pillar – carved out of the public pillar – to be sustainable in the long-term, it needs to be financed through increased taxes or spending reductions elsewhere. In addition, the net returns need to be tangibly higher than the gross domestic product (GDP) growth. He argues that neither of these preconditions were met in any country in Central and Eastern Europe. He therefore echoes the argument of Fultz (2012) to contend that the crisis was simply a trigger of pension reform reversal, and not a fundamental cause.

What all of the above analyses of the pension reform reversals have in common, is they all adopt a rationalist/materialist explanation for the reform reversals. None focus on the role that ideas have played, despite ideas being prominent in explanations for the initial privatisations. An exception to the rationalist approach to date is Béland & Orenstein (2013). This article positions itself in a debate on the nature of international organisations in the policy process. As Chapter Two explained, realists believe that they are puppets of the state and will seek to maximise the interests of their benefactors. Moreover, some organisations such as the World Bank are associated with a neoliberal approach whereas others, such as the ILO, a more left-leaning approach (Deacon et al., 1997). Constructivists on the other hand, stress the autonomy of international organisations and argue that they are open systems that do not have fixed policy preferences. The World Bank's position on pension privatisation is used to illustrate a constructivist case. The authors argue that the position of the World Bank on pension reform has been shifting for some time before the global economic crisis. A number of critical reports on the merits of pension privatisation are cited as evidence that the World Bank has withdrawn its wholehearted support for pension privatisation. This poses a challenge to the rationalist-materialist accounts above. Instead it offers an ideational explanation for the reform reversals. Namely that the global consensus on the benefits of privatisation has broken down.

However, a synthesis between the two positions is where this thesis positions itself. Historical institutionalism has both sociological and rationalist approaches. The legacies of past policies can either constrain future policy options through the norms and expectations created or through the materialist incentives structured by the institution. The approach of Pierson (1994, 2001) has been a rationalist one. The constituency of supporters that a PAYG pension system creates and therefore the obstacles to reform or the price of it, through transition costs, is framed in rationalist terms. This approach is challenged by Hay (2011); he argues that actors do not have fixed 'objective' preferences that are derived from their material surroundings. Rather than fixed, preferences are dynamic and constructed. In the pension reform arena this dovetails with Barnett and Finnermore's (1999, 2004) work on the social constructivist power of international organisations that are argued to create social reality. The publication of Averting enabled actors to reinterpret the transition costs of pension reform. New metrics such as the implicit pension burden were devised that made actors view their material conditions differently. It meant that the increase in borrowing to fund the transition was not viewed as negatively as increases in a budget deficit might otherwise have been.

A reinterpretation/reconstruction of these material surroundings may have taken hold before the global economic crisis and then accelerated afterwards. As Beland and Orenstein (2013) argue, the key proponent of pension privatisation, the World Bank, had been shifting its position for some time. Moreover, another actor, the European Commission, has emerged on the scene following the accession to the EU of Eastern European countries. This led to a reinterpretation of budget deficits that once might have been condoned as a price worth paying for privatisation, to something much more problematic – particularly as international finance became scarcer after the crisis. This is an ideational reconstruction of material surroundings that will lead to maximising-actors pursuing a different strategy after the change.

Finally, Kpessa & Béland (2012) argue the standing of the ILO as a global player has been enhanced since the global economic crisis. Many of its warnings about the shortcomings of pension privatisation have been realised. Moreover, they argue that the poor reputation of the World Bank in Africa following its Structural Adjustment Programmes, has meant that lacks influence in policy development and agenda setting in Africa. As a consequence, the ILOs prescribed pension model of a social protection floor has gained ground in Africa and in international policy circles (see Deacon 2013). In line with Barnett and Finnemore's (2004) contention that moral legitimacy is one of the sources of international organisations' social constructivist power, the ILO construction of reality may have more leverage given its enhanced reputation. Whilst the focus of global pension policy in the 1990s was the second pillar, the rise to prominence of the ILO, the problems with second pillar reforms and the continuing fiscal constraints has meant that extension of the public pillar has taken centre stage, as the following chapters in this thesis show.

Individual Country Studies of Pension Reforms and Counter-Reforms

Hungary has acted as a lead peer in the region for other reforming countries. For this reason, the accounts of the policy transfer from South to East in pension privatisation (Muller, 2003; Orenstein, 2008) or regional accounts of pension reform (Cerami, 2011; Drahokoupil & Domonkos, 2012; Guardiancich, 2011; Muller, 1999; Orenstein, 2000) have devoted sections to Hungary given its role as a first mover. Hungary was also the first country in the region to renationalise its pension system and so was again ahead of the trend in the region. It is for these reasons that it is given a prominent place in the more recent studies of pension counter-reform such as Datz and Dansci's (2012) comparative study of pension reform reversal in Argentina and Hungary. However, whilst Hungary has primarily featured in literature that is globally or regionally focused, there are characteristics specific to Hungary. These characteristics are argued in the literature, which focuses solely on Hungary, to have rendered its pension system in a 'permanent' state of reform (Augusztinovics, 1999; Czúcz & intér, 2002; Guardiancich, 2008; Holtzer, 2010; Palacios & Rocha, 1998; Rocha & Vittas, 2002; Simonovits, 2000; 2011).

The process of democratisation in Central and Eastern Europe has been a heterogeneous one. Some countries have adopted institutions that foster a separation of powers, such as Poland, whereas Hungary's institutions encourage a concentration of power (Enyedi, 2017). Furthermore, political competition in Hungary closely resembles a two-party system with the socialist party as the main party on the left and Fidesz emerging as the main party on the right. This contrasts again with Poland, which has a fragmented party system whereby parties have struggled to establish themselves as permanent parties of government or opposition (Szczerbiak, 2017).

Simonovits (2011) offers an extensive analysis of pension reform and counter-reform in Hungary. In 2010, Fidesz gained a substantial majority in the general election resulting in it controlling 68 per cent of the parliamentary seats. In opposition it had opposed the elimination of the 13th month pension entitlement. These manifesto promises ran counter to the austere fiscal environment which the government inherited. After failed attempts to lobby the European Commission to relax the Maastricht constraints on budget deficits, an even looser fiscal policy was proposed with the proposed introduction of a lower flat tax rate of 16 per cent of income. Simonovits argues these promises contributed to Hungary's decision to renationalise the second pension pillar in late 2010. The nationalisation reduced the reported budget deficit by 1.4% as it diverted contributions to the private pillar back into the general budget, Moreover, the accumulated capital was transferred back into the public purse, enabling further expenditure options for the government. The renationalisation of the pension system in Hungary was carried out with minimal domestic opposition. International newspapers such as *The Economist* and *Financial Times* have voiced opposition that it sets a worrying precedent but domestically the small opposition had no mechanism through which to oppose the move. Prior to the nationalisation, Orbán stripped the constitutional court of veto powers over fiscal matters. Given that the second pension pillar falls within the fiscal remit it had no legislative power over the outcome rendering opponents to the move, powerless. In 2014 Fidesz retained its substantial majority in parliament. This indicates that the reversal of the 1998 pension privatisation has not had a detrimental political impact to the ruling party. Whilst, the privatisation had initially been a popular move, its reversal has also been an accepted reform.

In an analysis of the Polish pension reforms and counter-reforms, Inglot (2016) stresses the path dependency inherent in the Polish pension system. Where scholarly attention had been focused on the partial-privatisation of the pension system through the setting up of individually funded accounts, it failed to recognise the continued expansion of the public pillar. He ultimately rejects the notion that the partial-privatisation of the system represented a paradigm shift in Polish pension provision. The closing down of the private pillar is argued to be merely a tinkering of the system that has been a characteristic of pension reforms for a long period of time in Poland. This analysis builds on the central thesis of Inglot (2008), that the welfare states of Central and Eastern Europe represent 'emergency welfare states', characterised by institutional layering that takes place during crisis and often becomes semi-permanent.

Adascalitei & Domonkos (2015) analyse the late reforms of the Czech Republic and Romania. Müller (1999) argued that the relatively smooth transition of the Czech Republic meant that pension reform never made the political agenda in the same way it did in Poland and Hungary. The Czech Republic, alongside Romania, never reformed its system prior to the crisis, in the same way that most other countries in the region did. Whilst many of those were reversing their reforms, the Czech Republic and Romania were undergoing a moderate privatisation. The authors argue this was the result of Conservative politicians with market-orientated preferences governing both countries. Unlike, previous reforms in the region these are more modest and therefore argued to be more sustainable. However, by the time of publication, events had overtaken the argument and the Czech Republic came into line with the rest of the region when it closed its second pillar (Krzyzak, 2014). Romania has also legislated to dramatically reduce the size of its second pillar amidst debate over closing it completely (Ottawa, 2019).

Upon declaring independence from the Soviet Union, the Baltic States inherited the Soviet pension system. They were Bismarckian in nature but funded entirely from the general taxation as opposed to contributions like Bismarckian systems, including the Czechoslovakia, Poland and Hungary (Leppik & Võrk, 2006). Immediate reforms entailed establishing a separate financing mechanism from the Soviet one and extending coverage. Attempts were made to enhance the earnings-related component of the system. However, the deep economic crisis of the transition scaled down the ambitions of pension reformers due to scarce revenues (Leppik & Võrk, 2006). Instead, a flat universal pension was introduced. This pension was less generous than the Czech, Hungarian and Polish pension systems (Casey, 2004). During the transition period, the number of old age pensioners fell in the Baltic states due to an increase in the retirement age. This crucial difference rendered multi-pillar reform much easier than in the Baltics than the Visegrad countries. For example, Estonia's transition costs stand in marked contrast to Hungary and Poland. It used a 'carve-out and top-up' approach to establishing the second pillar (Fultz, 2006). The balanced-budget fiscal stance of successive governments gave Estonia greater fiscal space at the onset of the global economic crisis. In 2008, when the crisis began, Estonia's debt-to-GDP ratio was only 4.5%, compared to 71.6% of GDP in Hungary (Eurostat, 2016). There was therefore not the same incentive or urgency to dismantle the second pillar. Instead, to avert fiscal problems, second pillar funds were temporarily diverted back to the public pillar for a time-limited period (Drahokoupil & Domonkos, 2012). Once this period of time was over, the second pillar was strengthened with increased revenues to make up for the previous reduction.

It has been argued that the Baltic states have embraced marketisation and neoliberalism more wholeheartedly than any other region in the world (Bohle & Greskovits, 2009; Casey, 2004; Sommers & Woolfson, 2014). As will be shown in the later chapters, this reason was offered by the OECD and ILO as an explanation for why the region never completely abandoned the multi-pillar pension system when others did. To date the literature has not adequately analysed the Baltic exceptionalism of the multi-pillar pension model.

Conclusion and contribution of the thesis to the literature

This review has focused exclusively on multi-pillar pension reforms and counter-reforms. It finds that the literature on pension privatisation at the global level is the most theoretically developed from the different perspectives of institutional change. There are rationalist, historical and constructivist approaches to explaining the process of pension privatisation. The literature on the counter reforms on the other hand is much less developed. This is not surprising given how recent the reversals have taken place.

The literature on pension privatisation in Central and Eastern Europe at the regional level is primarily situated within the transition from state led socialism to market-based economies. In a similar vein to the literature at the global level there is also a theoretically rich literature on the process of pension privatisation with contributions from rationalist, historical institutionalist and constructivist perspectives, with the latter primarily coming from global social policy scholars. Again, the literature on the reform reversals is somewhat under-developed. Rationalist interpretations of the reform reversals are the dominant interpretation in the literature with the added dimension of the emergence of the EU as a veto actor in the domestic politics of Central and Eastern Europe. This is enacted through the Maastricht Criteria of EU membership and the hard conditionality attached to loans from European institutions. To date, the perspectives of actors who carried out the reform reversals are not present in the literature. It is unclear whether the Maastricht criteria were a prominent reason for the reforms or whether it was a wider disillusionment with pension privatisation. The literature offers no perspective on how much actors were influenced by neighbouring countries. It also is unable to answer whether actors feared retribution from financial markets or from international organisations like the World Bank.

This review has identified significant gaps in the literature on pension reforms across the globe since the global economic crisis. In particular, at a global, regional and local level the view of transnational pension reform actors is missing. These views are an important epistemological component of the interaction between ideas and public policy. They will help to position the thesis at the nexus of the literature on institutional change and global pension policy. The role of ideas allows for an interaction between historical and constructivist institutionalism. The view of actors will also allow for a deducing of the rationalist intentions of actors. In conclusion, there is still a lot unknown about the recent pension reforms, elaboration could lead to a deeper understanding into the causes of ideational shifts and institutional change making a significant contribution to the global social policy literature. The next chapter will outline the methodological approach in meeting these empirical and theoretical gaps in the literature.

Chapter Four

Methodology

Introduction

This chapter outlines the methods that were deployed to collect the data in order to answer the research questions set out in Chapter Three. The thesis employed two methods of data collection: elite interviews with policy actors and a document analysis of policy documents. Both of these methods will be analysed here and their usefulness evaluated for the thesis. The chapter then sets out the analytical framework which structures the thesis and the methods of data collection deployed to answer the research questions. It builds on the theoretical foundations set out in Chapter Two; in particular, the final section on global social policy. The analytical framework deployed is the Agency, Structure, Institutions, Discourse (ASID) framework developed by Moulaert & Jessop (2006) and proposed by Deacon and Stubbs (2013) as an approach to global social policy studies. It outlines the rationale for this approach; specifically, its usefulness in capturing the multi-faceted nature of global social policy.

Ontological Considerations

Ontological considerations question the nature of social entities and whether they have an existence external to the mind of actors or whether actors construct the entities in their minds (Benton & Craib, 2011). Bryman has argued there are two distinct ontological positions that determine the epistemological approach of research (Bryman, 2008). The first is objectivism. This infers that social entities exist independently of our minds and are not influenced by our own subjective interpretations. Conversely, the second position, constructionism, questions the notion that social entities have an existence independent of individual minds (Burr, 2015). This position argues that social entities are produced through social interaction which leaves them in a permanent state of revision.

A hard-interpretation of the constructionist position would imply there are no definitive versions of reality. Instead, an infinite number of realities would exist upon interaction with the world.

Chapter Two outlined the utility of the constructivist approach to international relations, in particular for global social policy studies. By adopting this approach, the thesis aligns itself more closely with a constructionist ontology. However, it does not seek to reject the idea that an objective social reality does exist, independent of the mind of actors (Danermark et al., 2005). Rather, it prioritises the socially constructed aspects of the social world for empirical exploration.

The thesis adopts a number of ontological stances which orient the investigation into global pension policy. First, international organisations are believed to exist as purposive actors in their own right. This implies they have an ontological status that is separate to nation states which finance them and create them (Barnett and Finnemore, 2004). International relations scholars from the constructivist tradition have stressed the autonomy – from nation states – international organisations such as the World Bank have; alongside the freedom they have to pursue their own policies (Barnett & Finnemore, 2004; Béland & Orenstein, 2013). Second, global pension policy is not something that is 'out there' acting above the heads of everyone. It is a transnational process that operates at every level of governance (Stubbs, 2005). This position was outlined in the politics of scale section in Chapter Two. Finally, one of the tools that international organisations use to set the agenda is the publication of documents. Atkinson and Coffey (2004) have argued these documents should not be viewed as 'windows into reality'. Rather, they should be thought of as entities with a distinct ontological status: a 'document reality' (2004, p. 87). This necessitates an inquiry that contains a contextual analysis of a document cognisant of who wrote it and what was the intended audience. The analysis of documents in Chapter Seven dovetails the analysis of Chapter Eight which focuses on the internal politics of the ILO and World Bank. It outlines the context of the documents that were produced and the politics of how they came into existence.

The analysis is therefore concerned with the constructed aspects of global pension policy. It analyses the meanings and cognitive frames which are implicit within publications and within the utterances of elite actors. It does not assume that 'objective' data is a window into reality. Establishing the full context of a document or the positionality of an actor will inform the analysis. The meanings that may be implicit will be elucidated in order to establish the action they orientate. For instance, it will be shown in Chapter Seven that Averting was written in such a way as to persuade countries to partially privatise their public pension systems through a multi-pillar pension system.

Epistemological considerations

Epistemology is the theory of knowledge. It is essentially the theory of how humans have knowledge of the world around them or 'how do we know what we know?'. It provides a philosophical grounding for all knowledge claims. Within the social sciences there are two main approaches to epistemology: positivism and interpretivism (Benton and Craib, 2011). Positivism views scientific knowledge as superior to rival knowledge claims. It prioritises the scientific method and principles (Benton and Craib, 2011). It seeks to produce objective knowledge through measurement and testing. Drawing on a tradition that dates back to Comte, it seeks to separate factual statements, which are testable, from value judgements, which are not scientific (Scharff, 2002). Thus, according to positivists, the role of the researcher is present the world as it is, not how they believe it ought to be. The personal beliefs of the researcher should not influence the findings. The evaluation of all knowledge claims should be undertaken with universal methods that are reliable and transparent (Bryman, 2008).

Researchers from an interpretivist tradition have been highly critical of the central tenets of positivism (Schutz, 1954). In an attempt to advance the utility of social science, Weber argued that it should study meaningful action (Johnson et al., 1984). He proposed that researchers should study the interaction of individuals. For Weber, there were two types of knowledge: observation and explanation (Johnson et al., 1984). Observation simply entailed the identification of what a person was doing. However, explanation was a more thorough and deeper level of knowledge that sought to understand why they were doing it. Weber called this understanding *verstehen* which loosely translates to the English word *empathy* (Bryman, 2008 p. 45). Weber's verstehen was influential for phenomenologists, another tradition within the broader school of interpretivism. Phenomenology is an attempt to link consciousness to an external reality. It seeks to understand how human consciousness converts sense perceptions into what we believe to exist. A key distinction for phenomenologists is this perception is not limited to what we can physically observe, but also our imagination. Phenomenologists capture the principal difference between positivists and interpretivists, they argue that the social world is inherently different from the natural world, which renders the scientific methods of inquiry ineffective for understanding the social world. This dilemma is neatly captured by a widely cited quote from Schutz:

> "the world of nature as explored by the natural scientist does not 'mean' anything to molecules, atoms and electrons. But the observational field of the social scientist – social reality – has a specific meaning and relevance for the beings, living, acting and thinking within it. By a series of common-sense constructs that have pre-selected and pre-interpreted this world which they experience as the reality of their daily lives. It is these thought objects of theirs which determine their behaviour by motivating it. The thought objects constructed by the social scientist, in order to grasp this social reality, have to be founded upon the thought objects constructed by the common-sense thinking of men [and women!], living their daily life within the social world." (Schutz, 1954, pp. 266-267).

The thesis aligns itself most closely with an interpretivist epistemology. It will seek to interpret the meaning and cognitive processes of actors – both those who are interviewed and also those of policymakers who are the intended audiences of World Bank and ILO publications. For the publications, it is unlikely both organisations will always be explicit in publications in outlining the action they seek to orient from actors. A level of interpretation will therefore be necessary. At no point is it possible to observe the reader of documents and empirically investigate their understanding in the moment. Instead this must be interpreted from the text. For example, Chapter Seven argues that Averting the Old Age Crisis was framed in such a way, systematically attacking public provision whilst simultaneously championing the benefits of private provision, that it oriented a specific form of action. With the interviews an interpretivist stance will be deployed in order to draw out the meanings implicit within the responses from the elites who are interviewed.

Data

The thesis utilised two methods of data collection to explore the research questions: elite interviews and document analysis. It therefore benefitted from the methodological principle of triangulation. This is a research principle that seeks to install checks on assumptions that may be derived from documents, by testing them in interviews. In addition, the elite interviews enabled data to be generated on the story behind the documents such as why did they come to exist in the first place, and what was omitted from the documents? It can be impossible to derive information from the documents alone on the latter question and can only be possible to know if the answer is explicitly stated in the former. Atkinson and Coffey (2004) have argued that documents cannot be thought to offer some kind of 'window into reality'. They must not be treated as neutral documents, but rather have an ontological existence of their own, a 'document reality'.

As Chapter Eight shows, the data generated from the interviews gave insights into the documents that could never have been known from the document alone. For example, the World Bank's evaluations into the pension reforms it supported, appears from just reading the document, to be a rational exercise in reviewing the outcomes of its flagship programme. However, the interviews revealed the evaluations were initiated by political opponents of the multi-pillar reforms as a way to shift the debate in a direction that questioned the utility of the reforms. An example of omissions from documents is the revelation that a report into pension privatisation in Latin America was never translated into Spanish. This meant that a core audience of the report would never be reached. The interviews revealed this was a consequence of internal politics that tried to suppress the publication of the report. These types of internal battles can never be known from a simple reading and interpretation of a document. It requires information from those present. The content of the documents of international organisations can be heavily contested given the reach of the publications. As Wade (2002) shows, the messages contained in them can be hotly disputed given their role in global hegemony. The battle over pension documents was a front in the battle over neoliberal ideas and their counterparts in the pension debate. Equally, the information given in an interview must be treated with caution. Actors may knowingly or unknowingly give false information. Where possible this should be verified from other sources.

A Comparative Research Design

Research design is a logical exercise that seeks to structure the inquiry in an appropriate way to answer the research questions. It acts as a framework to generate and analyse data. For the research questions developed in Chapter Three, a comparative research design is best suited to analyse the data in a way that will test the hypotheses. Comparative designs entail an analysis of the difference and similarities between cases. The nature of the comparison involves comparing the pension and social protection positions of both the ILO and World Bank. It also involves a dynamic aspect, comparing the change over time in the positions of the two organisations and their influence over the global policy process during different time periods.

The advantages of the comparative research design are fourfold: it allows for the contextualisation of knowledge, it enables classifications to be improved, it allows for the formulation and testing of hypotheses and it allows for predictions to be made (Hague & Harrop, 2007). In the case of the thesis, the comparative design allows for the contextualisation of a number of concerns of thesis. For example, the thesis shows that the authority of the World Bank has diminished in global pension policy. However, without comparing this observation to the authority of the ILO, it is impossible to know if the World Banks authority has diminished or whether the authority of all international organisations has diminished. In the case of classifications, the comparative element enables the analysis to recognise how pensions policy has evolved into debates around social protection and its coverage, with pensions forming part of a larger social protection debate. The comparative design also allows the process of pension reform and counter-reform to be analysed by comparing the impact of the global economic crisis and pension reform reversals on the nature of global pension policy and how things have changed between pre- and post-crisis time periods.

Comparative designs have a number of drawbacks. From an experimental design perspective, the condition known as “too many variables, not enough cases” will always be a problem for comparative designs in the social sciences. This is because the social world is so rich and complicated there are far too many variables to ever isolate with the same number of cases. In the case of this study, there are only a finite number of international organisations, trying to isolate every variable with the addition of new organisation would be futile. It would also dilute the research findings. The whole purpose of a qualitative approach is to generate rich, nuanced and in-depth data. This can only be achieved with a smaller number of cases. This is one of the reasons the ILO and World Bank were selected for the thesis.

However, the inclusion of two more international organisations in the study would have traded the depth of analysis as a way to include more breadth. The World Bank and ILO were selected because they are the two organisations that are involved at every stage of the global social policy model proposed by Orenstein (2008). At the policy development and agenda setting stage, the World Bank, ILO, OECD and EU all contribute to debates on pension provision on issues such as sustainability, coverage and adequacy. This will often be through the publication of reports and sponsored conferences with the aim of influencing national agendas. However, at the other two stages of the global social policy process, the role of the EU and OECD is diminished (Orenstein, 2008). On policy transfer, the EU may seek to guide best practice through the Open Method of Coordination. However, this is a soft compulsion which simply nudges member states in certain directions. The OECD through its Pensions Outlook seeks to steer pension reforms softly by comparing each the systems of member countries. However, given the diversity of the pension systems of the members in both organisations, they are both reluctant to promote one specific pension model, policy transfer is not on the agenda of these organisations.

The ILO and World Bank are not constrained by these considerations, both have promoted specific policy models from different countries. Most notably, the World Bank promoted the Chilean pension system across the globe. A further consideration is that the OECD and EU related only to a limited number of countries, the EU is regional and the OECD is focused solely on developed nations. The ILO and the World Bank on the other hand, have a global reach and are therefore more qualified to be considered the leading actors in global pension policy. Finally, at the implementation stage of the global social policy process, both these organisations offer technical support to reforming countries and are therefore much more active in policy implementation than the OECD and EU. It is for this reasons that these cases were selected.

A second drawback of comparative studies is referred to as the travelling problem. This problem is conceptual. How does the meaning of the concept travel across time and space? This is an important consideration for this study. How can it be certain that the dynamics of the global pension debate that took place between the ILO and World Bank in the 1990s, be certain to travel across time. This was overcome by the triangulation of the research methods. In particular, the elite interviews gave context and insight to the publications produced by each organisation. It was these interviews that enabled the study to establish that the pensions debate had shifted terrain into a wider debate on social protection. This might not have been clear from an analysis of the documents alone.

Content Analysis of Documents

Content analysis is an empirically grounded research technique which seeks to make replicable and valid inferences from text-based sources (Krippendorf, 2004). The nature of content analysis is exploratory in nature and predictive or seeks to draw inferences in its intent. It involves the systematic analysis of texts and is a technique that aims to be learnable and divorceable from the researcher (Krippendorf, 2004). Content analysis can be both quantitative and qualitative in nature, drawing on both positivist and interpretivist traditions. Each of these approaches will now be outlined before providing a justification for a qualitative approach to analysing documents.

Quantitative Content Analysis

Early proponents of content analysis as a research method envisaged it to be a quantitative research tool. They argued it should involve the "objective, systematic and quantitative description of the manifest content of communication" (Berelson, 1952 p. 18). Despite its use dating back to the sixteenth century; in particular, in order to quantify the content of religious texts, it came into popular use as a method to quantitatively analyse the content of newspapers. It was primarily used to quantify trends in the print media over time. One of the central findings from these inquiries was that news was becoming trivialised and divorced from political life over time (Sparks, 1988) . A trend that recent content analyses have shown to have continued with the market-driven news agenda (Beam, 2003). These findings for example, were deduced by the decline in the frequency of the word of democracy in the press. The strength of this method lies in its transparency and replicability. It is less likely to be influenced by the bias of the researcher.

However, the validity of the findings is questionable. A simple counting of words ignores the context in which they are used. In addition, even when the context is known the inferences that can be drawn from this type of analysis are limited. For example, an increase in the prevalence of crime stories in the media, may not be a result of an increase in crime but rather an increase in the triviality of the media. Inferences that go beyond the textual matter are therefore difficult to draw. Krippendorf (2004) cites an example of the limitations of quantification. A student of his analysed a book written on US presidents by a colleague. He asked the author to rank the presidents in author of importance. The correlation between this order and the quantification were remarkably low. Early content analysis implicitly assumed hat the text contained a message which could be extrapolated. However, this type of analysis does not factor in omissions, which may be more important than the contents of the message. Despite this, however, some form of classification is still necessary, this may entail some forms of quantification (Corbin & Strauss, 2008; Strauss & Corbin, 1998).

Qualitative Content Analysis

Social constructionists have used content analysis in a very different way to the positivists' notions within quantitative content analysis (Krippendorf, 2004). They have instead used content analysis in attempt to understand how reality comes to be constituted in language and through human interactions with a written text. It is more closely aligned with thematic analysis (Bowen, 2009). A text needs to therefore be analysed within a particular context. In contrast to quantitative approaches, a single text can have multiple interpretations according to the context in which it is situated. It therefore requires a close reading of a smaller number of texts.

An interpretivist reading will seek to draw out the meanings which may not necessarily be inherent in the physicality of the written text. There is a recognition that texts do not have single meanings. For example, a researcher on gender will draw different inferences from a political speech than an economist seeking to deduce macroeconomic policy signals. However, whilst multiple inferences can be drawn from the text read in different context, systematic inquiry from the same context should draw the same inferences. It is important therefore that the process for how conclusions were drawn is made transparent.

The Sampling of Documents

The policy discourse of the ILO and World Bank is represented in range of different types of documents. These include: official reports, working papers, thematic or special issue reports, press releases, briefings, technical notes, recommendations, conventions and guides for policy makers. The documents analysed in this thesis excluded any documents that were prepared by outside consultants, including only those within the organisation who have some claim to represent the voice of the organisation in some form. All of the documents included in the analysis are publicly available. All documents with a significant pensions component from both organisations published after 1994 were read as part of the analysis. This amounted to a reading of 104 pension documents from both organisations. The full list of the documents selected for analysis is available in the appendix. The analysis then used information from 25 elite interviews and the global pension policy literature to assess which documents required a closer analysis. The documents analysed in Chapter Seven were all cited by numerous interviewees as having a significant impact on the development of pension policies within both organisations. In total, 26 documents were comprehensively analysed in Chapter Seven for their development of each organisation's pension policies.

Setting the Contours of the Document Analysis

The closer reading of the of the significant documents had a number of aims. It sought to examine the framing of pension problems and the policies promoted to tackle them. It also sought to discern degrees of alignment between the two organisations. A consultation of the wider sample and the information from the elite interviews also helped determine which lines of contestation between the two organisations was present and where the field was developing away from contestation. The content analysis therefore picked out the key framing of the problem and whether solutions offered lay on an imagined axis between state and market provision. As will be shown in detail in Chapter Seven, this analysis found the dominant framing for the World Bank in the early 1990s to be around sustainability, with market solutions offered as the solution. For the ILO, the framing of the problem was around adequacy and risk, this favoured publicly provided solutions. Over time, coverage became the key issue framed by both organisations, which has led to the promotion of the state and public pensions as the solution.

Elite Interviews

The thesis draws on the data generated in elite interviews to trace the process of global pension policy. Process tracing has become a growing qualitative approach in political science (Collier, 2011). Its advantages lie in its ability to explore causal mechanisms and to analyse complex decision-making. This analysis that follows in this thesis traces the complex pension policy-making processes of the World Bank, the ILO and the governments of Central and Eastern Europe. Elite interviews belong to the "family of qualitative interviews” (Rubin & Rubin, 2011). Qualitative interviews are often described as a “conversation with a purpose” Berg (2011, p. 89). However, unlike other qualitative interviews, the balance of knowledge, expertise and power usually rests with the respondent rather than the interviewer. This can be overcome with a thorough preparation endowing the interviewer with their own authority through expertise or knowledge of the policy area (Mikecz, 2012).

Tansey (2007) outlines four uses for elite interviews:

1. To Corroborate what has been established from other sources
2. Establish what a set of people think
3. Make inferences about larger population’s characteristics
4. Reconstruct an event or set of events

The Corroboration of Findings from Other Sources

As was argued above, the principle of triangulation was deployed in the thesis as a way to corroborate the findings from different data sources. Before the interviews had been undertaken, a full reading of all the pension documents by international organisations was undertaken to inform the interview schedule. When interviewing regional experts and actors, preparation involved a reading of the pension reform process in the specific country in which they were situated. Where initial findings were gleaned from the documents these could then be tested through interviews with key actors. For example, an evaluation of the World Bank’s pension reforms was undertaken in 2006. This appeared to signal a shift in the stance of the World Bank in its pension stance. An interview with Robert Holzmann, the Director of Social Protection and Labor at the World Bank could thus assess whether a shift had taken place at that point and also add depth to the finding by ascertaining what had precipitated the shift.

In addition, the thorough preparation, ahead of the interviews, was deemed necessary to conduct the interview in an appropriate manner. As Leech (2002) argues, “in an interview what you already know is just as important as what you want to know” (2002

p. 665). As what you know determines the questions you will ask and how you will ask them. In the case of elite interviewing this is crucial. The recruitment of elites for interview is notoriously difficult, and any interview may be subject to stringent time constraints (Goldstein, 2002). It is therefore crucial to ensure that maximum leverage is gained from the time-constrained interview. Thus, the interview should not seek to generate findings that can be established elsewhere. For example, actors within international organisations usually publish peer-reviewed papers, reports and other publications in their specific field. It was important these were read in preparation of the interview to ensure it augmented what it published in the documents rather than simply generated findings that could be found elsewhere.

To Establish What a Set of People Think

This was an important component of the elite interviewing as one of the principal research questions is to establish the perspective of international organisations on the series of pension reform reversals, and what this means for pension policy going forward. The elite interviews allowed for a deeper analysis of the meanings within policy documents. It also allowed for the tentative findings to be checked with the key authors of texts. The analysis of documents had analysed a growing convergence between the two main organisations in question. It was therefore important to question whether this was the case and what the nature of cooperation between the two organisations entailed. The interviews will be shown to reveal this is the case but important differences between the two organisations remain. This enabled an iterative relationship between the documents and the interviews as they could be re-read and interpreted in new ways.

Reconstructing an Event or Set of Events

This is one of the central aims of the elite interviews conducted for the thesis. It would not have been possible to reconstruct events in the way that this analysis does through a document analysis alone (Collier, 2011; Bowen, 2009). Using direct and focused questioning the interviews enabled a reconstructing of political events within organisations. It brought together various accounts from different actors and pieced them together to trace the underlying process. It enabled the first-hand interviewing of the participants at the centre of global pensions policy including domestic actors who enacted the reforms. It allowed for a probing that went deeper than official accounts. For example, when questioning the Polish Finance Minister on the nationalisation of the Polish pension system, the interview enabled me to ask him why he did not nationalise in 2011 instead of simply cutting the contributions to the private system. I was also able to ask whether he feared the reaction of the pensions industry before conducting the reforms. These insights are simply not available from other sources.

Make Inferences About a Larger Population's Characteristics

This was not one of the outcomes that was sought form the elite interviews. The number of policy actors in the field of pensions in both organisations is small and so the aim was to speak to as many people as possible that work in the field. The non-random, convenience and snowball sampling methods would not have been conducive to a meaningful generalisation to groups beyond the core pensions policy teams of the organisations and the domestic experts in Central and Eastern Europe.

Sampling and Recruitment

The interviews were selected by a non-random sampling method (Tansey, 2007). The aim was not to draw a sample from a larger population of actors and to generalise the findings to that larger population. Instead, the aim of the interviews was to speak to the key actors in the field who had participated in pension reform at the domestic level, global level or in many cases transnational actors that traversed both the national and the global. In most research methods, the aim is to homogenise variables and treat all respondents equally. However, in elite interviewing, not all respondents can be treated equally and therefore standardisation is not a priority like in other techniques (Tansey, 2007). More senior respondents have more knowledge of the decision-making process and therefore can offer insights that less senior ones can. However, elites may also be dishonest for political reasons or seek to embellish their role in a process (Berry, 2002).

In order to alleviate this threat to validity all claims were corroborated with other sources.

An initial stakeholder analysis was undertaken to establish key respondents for the interview. It led to the successful recruitment of the present and former directors of the Social Protection and Labor Department at the World Bank, the present and former directors of social security at the ILO, the director of social policy at the OECD, who has also worked at the World Bank, and other members of the respective departments at the ILO and World Bank. Interviews were also undertaken with the ILO and World Bank Directors of the regional offices in Central and Eastern Europe. In addition, interviews were sought from domestic actors and experts to establish their perspective on global pension policy and whether international organisations had any bearing on their pension decisions.

Once the list of potential participants was drawn up, written contact was made to each prospective respondent. An example of the written contact is available in the appendix. Invites were individualised to maximise the chances of a successful response. The response rate for interviews was around 40% and out of that around 35% of those contacted were interviewed. Further interviews were also obtained through snowball sampling and through the use of participants as gatekeepers to other interviewees, However, clearly not all the respondents who were sought for interview responded, which is not ideal for balance and avoiding systematic bias in the findings. For example, the current director of Social Protection at the World Bank, Michal Rutowski, was interviewed and so was the director who promoted Averting in the late 1990s and early 2000s, Robert Holzmann. But Arup Banerji, the director who led the department in between these two, was not interviewed. This was alleviated by securing an interview with a senior economist from the department who had worked there under all three directors. In addition, the former branch director of Social Security Policy and Development was interviewed but not his counterpart and rival, the director of Social Security, Financial, Actuarial and Statistical Services, Michael Cichon. This was offset by interviewing his long-term deputy Krzysztof Hagemejer. The former Deputy Prime Minister and Finance Minister of Poland, Jacek Rostowski, who authorised the renationalisation of the Polish pension system, was interviewed in Warsaw. However, an interview with Leszek Balcerowicz, his rival who campaigned against the reversal, was not obtained. In this particular instance, the data obtained from Rostowski was used to glean the leverage the World Bank still had over the pension reform process, the thinking behind the reversals and how the World Bank's leverage compared with the EU's authority. The interview provided insights that could be corroborated later and used in a global social policy analysis.

The Interviews

The length of the interviews ranged from a minimum of 40 minutes to one that lasted 2 hours and 30 minutes. Out of the 25 interviews conducted, 16 were done via video chat through the telecommunications software, Skype. Two interviews took place in person in Warsaw, over lunch and another over coffee, another two were conducted at the headquarters of the World Bank in Washington, DC and one was conducted in person in Philadelphia, PA in the United States[5]. The interviews that were conducted in person were done so at the request of the participants who stipulated this as a condition for interview. Finally, one interview with a senior Hungarian civil servant, who wished to remain anonymous, was conducted via email. With the exception of the latter, there did not appear to be a discernible difference from the data generated in person as to that by Skype (for a discussion on mediums of communication see Opdenakker, 2007). The literature on qualitative interviewing often cites it to be more of an art form than a science (Rubin & Rubin, 2011). Getting participants to open up and building trust is done by empathetic body language and thinking on one's feet when the interview moves in a specific direction. This could be accomplished through the medium of a video call, to a large extent. One notable difference however, was the soft compulsion of participants allowing the interviewer more time if they had travelled some distance to be there. For this reason, the interview with the Deputy Prime Minister and Finance Minister in Warsaw was the longest in length, lasting over two hours.

[5] The face-to-face interviews were generously funded by the ESRC's Overseas Institutional Visit Scheme which paid for me to be based in the United States for 9 weeks and by the ESRC's Overseas Fieldwork Fund, which paid for two visits to Poland.

Furthermore, as two interviews were conducted at the World Bank headquarters as part of a research visit, those interviews also enabled a very short ethnography of the World Bank. Whilst a one-day visit could never provide incontrovertible data, it did allow for insights that were not readily apparent beforehand, and which could later be corroborated with other sources. For example, international organisations can sometimes be presented as behemoths and monolithic blocs. The introductory chapters cited Deacon's (1997; 2007) analysis of the World Bank and IMF as neoliberal institutions whilst the ILO and UN were argued to be more socialist. However, upon visiting the Bank, it became clear just how small some department offices are and therefore how influential individuals could influence the conduct and policies of the department.

Participants were given the choice from the outset whether the interview would be anonymised or whether they would be named. It was explained that for some of the participants, anonymity may not be categorically guaranteed if their answers revealed insights that only they could know (Lancaster, 2017). They were also given the choice as to whether the interview was recorded on a recording device, or not. In total, 19 interviews were conducted on the record, with a further six conducted off the record and anonymised. Three participants did not allow the interview to be recorded. Interviews that were not recorded inevitably generated less data than the recorded ones (Harvey, 2011). Detailed notes were taken immediately after the interviews, but this method relies on the memory of the interviewer. In addition, the recollection after the interview inevitably focuses on the salient issues on the mind of the interviewer at the time of the interview being conducted. Other insights from an interviewee, that are not deemed important at the time, but later become key parts of the analysis are completely lost. This is important as re-analysis of interview transcripts at a later time can highlight insights that become important but were not deemed important immediately after the interview. Furthermore, some of the details from an interview might not be initially clear at the time and would therefore be lost in the writing up of notes, yet later on, it might be absolutely clear what the interviewee was referring to. This type of insight or data can only be captured with a transcript that allows for analysis of the full interview at a period of time in the future.

The literature cautions against the use of elite interviews as a sole research method in any project (Lilleker, 2003; Mikecz, 2012; Morris, 2009; Tansey, 2007). Elite respondents may not tell the truth. More innocently, their recollection of events may not be entirely accurate, particularly if it was a long time ago. Elites may embellish their role in events or have incentives to conceal other important information (Berry, 2002). In addition, the difficult process of recruiting elites can lead to an asymmetric sample, which could build systematic bias into the findings. However, despite these drawbacks, the method had significant utility for thesis. Without the use of elite interviews, the processes of policy making at the global level could never have been derived from other sources alone. The interviews generated data that would never have been obtainable from the documents. As was argued above, the neutral, objective and dispassionate language of a policy document conceals the deep divisions and debates that take place in their production. For these reasons, despite the extensive drawbacks of elite interviewing that have been outlined in this chapter, the benefits of the additional data and context they provide, added significant utility to the project.

The Analytical Framework of the Thesis

In 2004, the European Commission funded the DEMOLOGOS project which was tasked specifically with developing a methodology suitable for analysing socioeconomic development at different spatial scales (Moulaert, Jessop, & Mehmood, 2016). Their fourfold ASID model aims to address the limitations of previous scholarship that focuses exclusively on structure and agency. The authors note that:

> "For an adequate account of socio-economic development, one must refer to the **actions** that steer or interfere with the development processes, the **structures** that both constrain and enable action, the **institutions** that guide or hamper action and mediate the relation between structures and action, and the **discourses and discursive practices** that are part of these interactions." (Moulaert, Jessop, & Mehmood, 2016, pp. 168-169).

They also note that their four concepts have disputed definitions so offer their own interpretation of the concepts. They define them as follows:

> *Agency is meaningful human behaviour, individual or collective, that makes a significant difference in the natural and/or social worlds, either by direct, unmediated action or through the mediation of tools, machines, dispositifs, institutions, or other affordances. The differences made by agency include the appropriation and transformation of nature; the creation or variation of identities, subjectivities, or social standing; the design, building, re-arrangement, creative destruction, or dismantling of institutions; and the re-articulation of discourses. These and other effects occur in many and varied combinations.*
>
> *Structure comprises those moments of natural and/or social realities that, in the short- to medium-run and in a definite spatial context (typically wider than the 'localissimo'), cannot be changed by a given individual or collective agency. The necessarily relative, relational, and temporary nature of structure in this sense means that the emergent properties of interaction among social agents vary with the potentially constrained agents' spatio-temporal location and relative control over resources, affordances, and capacities that are relevant to modifying a given structure. Thus, for our purposes, the structure of natural and/or social realities must always be defined relative to the differential transformative power of social forces that are potentially subject to their constraining or facilitating powers.*
>
> *Institution: depending on the theory, this category can complement or rival that of 'structure'. The ASID model views institutions as 'socialized structure', that is, a relatively enduring ensemble of structural constraints and opportunities. Institutions comprise a more or less coherent, interconnected set of routines, organizational practices, conventions, rules, sanctioning mechanisms, and practices that govern more or less specific domains of action. Some have global significance (e.g. the balance of power principle in international relations), others are more local (e.g. family rules about domestic turn-taking).*
>
> *Discourse is the production of intersubjective sense- and meaning-making. It is an essential moment of action (as meaningful behaviour), of structural constraints and conjunctural opportunities (which typically vary with agents' identities, values, interests, spatio-temporal horizons, strategies, and tactics) and, a fortiori, of institutions (understood as 'socialized structure').* (Moulaert, Jessop, & Mehmood, 2016, p. 169)

Deacon and Stubbs (2013) have argued this framework has utility in global social policy studies. It allows for a more all-encompassing approach to the various strands of global social policy research that were outlined in Chapter Two. Complex multilateralism and the messy process of global governance, global advocacy coalitions and a politics of scale can all be captured by the multi-faceted analysis of Structure, Agency, Institutions and Discourse. For example, the concept of global advocacy coalitions involves the (re)production of particular kinds of global hegemonies. In Orenstein's (2008) application of this, it entailed a coalition of transnational actors promoting a specific neoliberal pension model. It was disseminated and placed on the agenda by a network of like-minded policy entrepreneurs. Applying the ASID framework as a heuristic to analyse this process is straightforward: the agency aspect focuses on the transnational actors involved in the coalition campaigning for pension privatisation, alongside those who opposed it. Structure would consider the global political economy within which the actors were operating in. Institutions would consider the welfare institutions that the World Bank coalition was seeking to reform. For example, the World Bank's multi-pillar pension model enabled the size and composition of its various pillars to be adapted to meet the needs of the reforming country. Finally, discourse would be concerned with the publications and discursive practices of the World Bank-led campaign. The publication of Averting the Old Age Crisis had a discursive function in reframing the priorities and purpose of pension systems. The priority was shifted to sustainability from adequacy, whilst the purpose was broadened from one solely to concerned with income security in old age, to one that had secondary macroeconomic objectives of developing capital markets.

The four components of the ASID framework are used to structure the empirical component of the thesis. The following four chapters each comprise of one of the facets of the model. Each of these draws on the data to different extents and is outlined below.

Chapter Five is the structure element of the ASID framework. It is concerned with the global political economy of global pension policy. It describes how the global political and economic environment structured the development of pension policy over the past century and at the beginning of this one. It engages with the complex multilateralism (O'Brien et al., 2000) of pension policy and shows how international organisations came to be involved in the development of pensions and social security policies. The chapter shows that the prevailing global paradigm has influenced the nature of pension reforms.

Chapter Six is the institutional aspect of the ASID framework. This interpretation of institutions is a refinement of how they were interpreted by Deacon and Stubbs (2013) who simply referred to the practices and rules of international organisations. This chapter instead focuses on the welfare institutions of Central and Eastern Europe. This is the traditional use of institutions within comparative social policy studies (Esping-Andersen, 1990; Hudson, Gyu-Jin & Kühner, 2008). It deploys the 'new institutionalism' literature (Hall & Taylor, 1996) to analyse the pension reforms and counter-reforms of Central and Eastern Europe. It shows how path dependency has shaped the development of pensions institutions in the region and shows how this has influenced global pension reform. The chapter also engages with the politics of scale aspects of global social policy studies

Chapter Seven is the discourse element of ASID. It focuses on the content and development of pensions policy and the evaluations of pension systems conducted by the World Bank and ILO. The chapter analyses how reports have been framed and how this has shaped the pensions debate both between the organisations and the wider global debate. It traces early global pensions documents from the ILO and then the entry of the World Bank into the global pension reform arena and how this affected the ILO's policies. From a global social policy studies perspective, this chapter is concerned with the global advocacy coalitions aspect of global social policy.

Chapter Eight is the agency component of ASID. It analyses the internal politics of the ILO and World Bank, showing how internal political battles and debates have been decisive in shifting the global pension policy. It shows that the promotion of certain individuals can be instrumental in shaping the global political agenda in certain directions. From a global social policy studies perspective, this chapter aligns itself closely with the global advocacy coalitions approach and also the complex multilateralism approach by demonstrating how actors within international organisations have a role in global governance.

Chapter Nine draws all of these chapters together to offer a multi-faceted analysis of global pension and social protection policy. It shows how each of the four components interact with each other in a variety of ways. For example, it will be shown that the global structural environment shapes actors within international organisations, but also how these actors can shape the global structural environment. It therefore proposes an iterative relationship between the two.

One of the major drawbacks of the ASID model is each component is not neatly separable from the others. For example, what may be considered structure, might equally be considered institutional under some conditions. Likewise, agency cannot always be neatly separated from discourse. However, whilst there may be some overlap between the various facets they still each offer something distinctive. It is the distinctive component that is most important for the analysis of global of pension policy.

Conclusion

This chapter has set out the data sources, methods and analytical structure that have guided the inquiry into global pension policy. It outlined the strengths and drawbacks of each method, highlighting the principle of triangulation as a fundamental check on the over-reliance of one method. It has also stressed the iterations between each method, as both sources of data informed the other. The initial reading of documents informed the interviews. However, the interviews offered data that could not be elucidated from documents and also formed the reading and more detailed analysis of the documents. This chapter has also outlined the analytical framework deployed to structure and guide the analysis. ASID's strengths have been argued to be the comprehensive account of global pension policy that it enables. It draws on internal politics, global structural dynamics, the evaluation and evolution of policy positions and how the institutions in which policy ideas are implemented, shape those policy ideas. The thesis now turns to its empirical components beginning with setting the scene with the global political economy.

Chapter Five

The Global Political Economy of Pension Reform

Introduction

This chapter informs the structure component of the ASID framework that was outlined in the previous chapter. It gives a broad outline of the major political and economic events that have shaped pension developments at the global level. It serves as a context for the chapters that follow. For the following chapter on Central and Eastern Europe (Chapter Six), the global context will be shown to have influenced the ideas motivating transnational change agents, such as those at the World Bank, attempts at institutional change in the region. The global political and economic environment has also fashioned the creation of international organisations, which have been so influential in the global pension policy process (Garcia, 2007; Skidelsky, 2005). On the development of the content of global pension policy (Chapter Seven), this chapter develops the context to explore how global political economy has shaped the policy prescriptions offered by international organisations. It has also influenced the activity and focus of these organizations. In the chapter on agents and international organisations (Chapter Eight), the context will explore how actors within these organisations interpret the policy environment and how the prevailing paradigm influences the agendas of international organisations. This chapter also demonstrates how international organisation themselves can influence the agenda within the broader global political economy.

The chapter begins by giving a brief outline of the global political economy in the interwar period. Immediately after the First World War, the International Labour Organisation (ILO) was created. However, no other institutions were created to foster international cooperation and international economic stability broke down (Ruggie, 1982). This period is important, as its shortcomings were partially responsible for the outbreak of the Second World War. The subsequent post-war consensus that emerged in its wake, fostered the conditions for what would be coined the ‘golden age’ of prosperity (Marglin, 1990). One of the hallmarks of this golden age was the expansion of the welfare state and a commitment by western governments to full employment. The institutions created during this period were politically important in fostering liberal democracy, acting as a bulwark against fascism and Bolshevism (Esping-Andersen, 1996). It was during this period that we see an early example of global social policy. The ILO seized the emerging consensus on welfare provision to promote the welfare state as a tool for social stability (ILO, 1944), and a significant element of this entailed the expansion of worldwide pension provision (Orenstein, 2003). The chapter will show, at the global level, how the system created at Bretton Woods in 1944 established the rules for the international economy. Two new international financial institutions (IFIs) were created at Bretton Woods, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) – which would form part of the World Bank Group. The golden age lasted until the mid 1970s, when the oil shocks precipitated a decline in the dominance of Keynesian economic ideas (Hall, 1993).

The chapter then turns to the breakdown of the post-war consensus and the ascendancy of neoliberalism. Globally, this new paradigm would take hold of the two major IFIs (Williamson, 1990). The chapter gives an outline of this ‘Washington Consensus’ and its impact on social policy in developing countries. The Washington Consensus would have a devastating impact on Latin America and sub-Saharan Africa (Stiglitz, 2002). It would exacerbate the East Asian Financial Crisis, leading to a new approach from IFIs in their approach to development and crisis management (Pender, 2001). Next, the chapter analyses the end of the Cold War and the race to integrate the economies of Central and Eastern Europe into the global economy. It was during this period that global social policy as a distinct academic field was created as international organisations competed to influence the trajectory of welfare state development in the region (Deacon et al., 1997). Global pension policy would become particularly active during this period as the World Bank launched a campaign to reform public pension systems (Orenstein, 2008).

The outline of the global structural context concludes with a section on the global economic crisis. The crisis challenged the dominance of the neoliberal paradigm and influenced the actions of global policy actors in social protection policy (Deacon, 2013; Farnsworth & Irving, 2011). The crisis would have a significant impact on global pension policy. First, it created conditions for the large-scale reversal of the World Bank's multi-pillar pension model (Datz & Dansci, 2013; Drahokoupil & Domonkos, 2012). Second, it momentarily amplified the positive role of the state in social protection vision, particularly during an economic downturn (Deacon, 2011; Natali, 2009; Orenstein, 2011). It was in this context that the ILO was able to pass Recommendation 202 on National Social Protection Floors, which will be shown to be a significant event. The global economic crisis served as a structural influence on international organisations to expand the coverage of social protection - including pensions - across the globe.

The analysis for this chapter predominantly draws on secondary sources to present the global political and economic context, but also utilises the elite interviews and document analysis. In particular, when the focus is brought onto global pension policy, and where reference was made by the interviewees to the global structural environment in which they were operating. The main aim of this chapter is to present the distinct paradigms that have been so influential in the development of global pension policy. The first is the Keynesian post-war consensus, which took hold from 1945 and came to an end in the mid-to-late 1970s. This paradigm influenced the spread of public pension systems across the globe. The second is the neoliberal paradigm, which was ushered in with the elections of Margaret Thatcher and Ronald Reagan in 1979 and 1980 respectively. Both paradigms were global in nature, shaping all areas of social policy, in particular the approach to pension policy. The neoliberal paradigm was hugely influential over the World Bank's promotion of pension privatisation (Orenstein, 2008). In order to present the two distinct paradigms, it is necessary to give an account of the conditions that led to their establishment. The chapter then presents the ongoing challenge to the neoliberal paradigm presented by the global economic crisis and its responses. It demonstrates how global pension policy has mirrored the dominant economic order. The current trend towards expanding pension coverage, is a result of the responses to the global economic crisis and the coordination bodies set up in the immediate aftermath.

The post-war consensus had its origins in the interwar years, as it was a deliberate attempt to foster conditions that would prevent a repeat of the events that led to the complete breakdown of the international economy and the conflict that followed. It to these events where the analysis now turns.

The Political Economy of the Interwar Period

The First World War represented a devastating blow to the cosmopolitan liberalism of the nineteenth century. The idea that economic interdependence was sufficient to foster a peaceful coexistence between nations was shattered by the conflict. The War brought an end to an unprecedented level of economic activity between nations. The level of trade and capital flows would not reach a similar level until the 1970s (Ravenhill, 2017, p. 13). This was in part a consequence of the inability of national governments to create the conditions for a viable international economic system. The insistence that Germany pay for war reparations compounded political and economic instability in Europe and thwarted efforts at reconstruction. In 1923, French and Belgian soldiers invaded the Ruhr to secure reparations from Germany, which was experiencing dire economic conditions. Germany subsequently resorted to printing money to pay for reparations, resulting in hyperinflation. A series of loans from the United States to Germany through the Dawes and Young Plans stabilised the international economy in the 1920s, enabling Germany to pay its reparations and allowing for a return to a more benign economic climate.

The Wall Street Crash in 1929 ended this system of loans and plunged the global economy into a depression. The major industrial countries responded to the crisis with a series of 'beggar-thy-neighbour' economic policies that compounded the problems in the global economy. The value of world trade declined by two thirds between 1929 and 1934 as weak demand was exacerbated by a series of tariffs raised to protect local industries from international competition (Ravenhill, 2017, p. 14). The effects of the depression were also aggravated by a preoccupation with maintaining the international gold standard - the system of fixing a country's currency value to the price of gold

(Polanyi, 1944). In Britain, pressure for the pound to depreciate against the price of gold saw the Bank of England lose most of its gold reserves in an attempt to service the balance of payments. Interest rates were also raised to stimulate demand for sterling. A commitment to the gold standard dampened demand in the domestic economy, further exacerbating the problem of high unemployment (Keynes, 1936).

The Great Depression of the 1930s caused high unemployment throughout the industrialised world. This was a recipe for social disorder and hastened the breakdown of liberal democracy across continental Europe. In the United States, the election of Franklin D. Roosevelt, in 1933, would have significant consequences in understanding how the domestic economy functions. His 'New Deal' put people back to work through government fiscal activity. In a break with economic orthodoxy, he stimulated demand in the domestic economy during an economic contraction. This, and the growing international demand for American armaments exports in the approach to War, rescued the US economy on the eve of the Second World War. The performance of the US economy would serve as important empirical contribution to John Maynard Keynes' (1936) seminal macroeconomic publication in 1936 the *General Theory Employment, Interest and Money* (Keynes, 1936).

It is important to note that international institutions had no significant role in the governance of international economic affairs throughout the interwar period. The League of Nations had coordinated a loan to Austria to aid with its reconstruction and held conferences with the aim of facilitating trade by promoting common standards. However, the political and economic turmoil of the period overwhelmed the fledgling institution and it was dissolved during the Second World War. One exception was the International Labour Organisation (ILO), which was created in 1919 as part of the Treaty of Versailles[6]. It would outlive the League of Nations despite is origins as one of its agencies. It was founded as an agency to promote the interests of workers at the international level and became a significant actor in global pension policy as explored below. Against a backdrop of huge exploitation of workers in the industrialised world,

[6] More detail on the ILO, its mandate and its governing structure are provided in Chapter Eight.

the ILO sought to compensate them for their efforts in the First World War and to secure a permanent peace through the promotion of social justice.

The ILO would begin its activities with considerable zeal. In its first two years, nine International Conventions and 10 Recommendations were adopted. This unnerved some governments who felt the ILO was over-stepping its remit. This halted the early period of activity (ILO, 2018). In 1926, a supervisory system to monitor the application of ILO standards was created, which exists to this day. In 1934, the ILO was given a boost when the United States became a member at the behest of President Roosevelt, who realised that managing labour issues required international cooperation (ILO, 2018).

On May 10, 1944, whilst the war was still ongoing, the ILO's 26th International Labour Conference (ILC) in Philadelphia, formally established the rights of every human being to social security. The Declaration of Philadelphia requires the ILO to promote the achievement of social security among the nations of the world. There was a huge feeling of urgency and responsibility at the ILC in 1944 (ILO, 1944; Orenstein, 2003). The Conference was part of an emerging international consensus on the nature and principles of the political, economic and social reconstruction after the war; with the ILO part of a of a growing movement to foster peace and stability through the use of social policy (Esping-Andersen, 1996). Speeches delivered by the Prime Ministers of Australia and New Zealand at the Conference encapsulate the importance social security was granted in the emerging post war consensus, each of these is shown below respectively:

> " … that we would go back again to social insecurity and unemployment, then the war that is to be won would be lost".
>
> "Democracy can never again afford a depression … It must be made clear that security depends not primarily where borders are and international armed forces, but upon economic security for all people" (cited in Reynaud, 2005).

The significance of the Declaration was neatly captured by President Roosevelt in welcoming the delegates to the White House:

> "Your Declaration sums up the aspirations of an epoch which has known two World Wars. I confidently believe that future generations will look back upon it as a landmark in world thinking. I am glad to have this opportunity of endorsing its specific terms on behalf of the United States. I trust, also, that within a short time its specific terms will be whole-heartedly endorsed by all of the United Nations" (ILR, 1944).

Concretely, the ILC adopted Convention 102 on Minimum Standards of social security in order to ensure that the agenda for social security agreed at the Conference would be put into practice and become legally enforceable. Importantly, the Declaration of Philadelphia made explicit reference to old age pensions: it called for the creation of unified, national pension insurance systems under a central social security administration, to provide a specified set of benefits including disability and old age pensions (ILO, 1944).

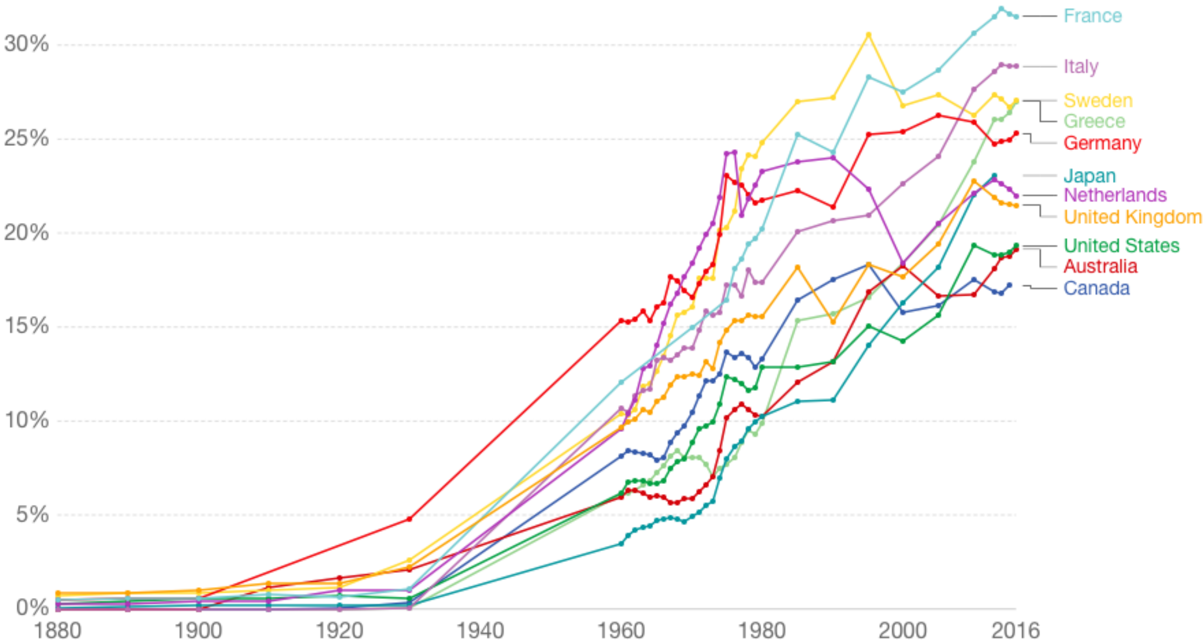
The activism of the ILO in promoting old age pensions is an early example of global social policy (Orenstein, 2003). It entailed transnational actors, such as world leaders and the international civil servants of the ILO, seeking to influence the policy trajectory of other national governments. The Declaration of Philadelphia was the first in a number of international legal instruments that have sought to install social security as a right to every human being. In 1948, The United Nations General Assembly included social security among the rights proclaimed in the Universal Declaration of Human Rights (United Nations, 1948). In 1966, the International Covenant on Economic, Social and Cultural Rights, also recognised the rights of everyone to social security (ICESCR, 1966). This right to social security formed a central component to the post war consensus to foster peace and stability. In addition, a commitment by national governments to maintain full employment in the economy became the dominant economic objective in what would later be looked back on as the 'Golden Age of Prosperity'.

Global Political Economy post-1945: Fostering the Golden Age

The global liberal order that was formed in the aftermath of the Second World War was different to anything that existed previously. The commitment to international cooperation, and the installation of a new economic orthodoxy, was fostered by the creation of a set of international institutions and international organisations. These were given mandates designed to prevent the conditions that had led to international conflict. At Bretton Woods, in 1944, the Western Allies created two new major international financial institutions, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) – now part of the World Bank Group. The IMF was given the role of assisting countries experiencing a balance of payments problem. It would lend to a given government to prevent the issues that had previously arisen in trying to maintain the gold standard. A new system of fixed exchange rates was also installed, this time pegged to the dollar, with convertibility between currencies to encourage world trade. The IBRD was given the task of lending to governments to stimulate the process of reconstruction after the war. There was also an attempt to create an International Trade Organisation - however, this was not ratified by the US Congress, due to its protectionist instincts, so it never came into existence (Drache, 2000). A looser General Agreement on Tariffs and Trade was initiated, which would later become the World Trade Organisation (WTO).

According to Ruggie (1982; 1992), the post-war liberal economic order was underpinned by two fundamental principles: embedded liberalism and multilateralism. Embedded liberalism was the compromise Western governments made between encouraging an increase in international trade and investment with their domestic commitment to full employment. The commitment to liberal economics was ‘embedded’ within domestic objectives that would maintain domestic political consensus. This consensus was not only fostered by government intervention in the economy, but also through a comprehensive welfare state. In the early post-war years, western governments deepened their existing commitment to social security and the provision of public services. As Figure 5.1 shows, public social spending increased dramatically across the developed world in the post-war period.

Figure 1. Public Social Spending as a Share of GDP Social spending includes, among others, the following areas: health, old age, incapacity-related benefits, family, active labour market programmes, unemployment, and housing.



Source: OECD Social Expenditure Database

As Chapter Two demonstrated, the dominant explanation for the development of welfare states comes from the burgeoning literature on historical institutionalism (Esping-Andersen, 1990; Pierson, 2004; Skocpol, 1992; Weir and Skocpol, 1985). However, there is also an international aspect to the development of pension system through the process of emulation and diffusion. In the years that followed the Declaration of Philadelphia, the ILO set about promoting social security through conferences, the creation of reform templates and the dispatching of consultants. The activities of the ILO were instrumental in the spreading of pension ideas across the globe. As Table 5.1 shows, in the immediate years after the Declaration, most Latin American countries adopted a pension system by the end of the 1940s. Caribbean countries followed suit in the 1950s and 1960s, with the majority of African countries following later in the 1960s and 1970s (Orenstein, 2003). The table shows a prominent diffusion pattern of pension provision after the declaration.

Table 5.1 Global Spread of Pension System Adoption, 1889–1994

	Europe/ Antipodes/ United States/ Central America	Latin America/ Caribbean	Africa/Middle East/Asia
1880s	DE		
1890s	DK, NZ		
1900s	AU, AT, BE, IS, UK, **CS**, **IE**		
1910s	FR, IT, NL, SE, **ES**, **RO**, LU		
1920s	CA, BG, **EE**, **HU**, **LV**, **LT**, **PL**, RU, YU, GC	**CL**, **EC**	**ZA**
1930s	FI, NO, US, **GR**, **PT**	**BR**, **PE**, **TT**, **UY**, BB	
1940s	**AL**, **CH**, **TR**, MC	**AR**, **CO**, **CR**, **DO**, **GY**, **MX**, **PA**, **PY**, **VE**	**DZ**, GQ, JP
1950s	CY, JE, LI, MT, SM	**BO**, **HN**, **JM**, **NI**, **SV**, BS	BI, EG, IQ, GN, IR, IL, LY, MU, MA, RW, SY, ZR, CV, CN, ID, IN, MY, PH, SG, LK, TW
1960s	AD	**CU**, **HT**, **GT**, BM, GD	**BF**, **CM**, **CF**, **CG**, **CI**, **ET**, **GA**, **GH**, **KE**, **LB**, **MG**, **ML**, **MR**, **NE**, **NG**, **SA**, **TG**, **TN**, **TZ**, **UG**, **ZM**, **NP**, **VN**, FJ, FM, MH, PW
1970s		AG, BZ, DM, LC, VC, VG	**BJ**, **TD**, **JO**, **KW**, **LR**, **OM**, **SD**, **SN**, **SZ**, BH, SC, ST, **HK**, **KR**, **PK**, KI, SB, WS
1980s			**GM**, **YE**, **PG**, VU
1990s			**ZW**, **BW**, **TH**

Notes: Bold type indicates a country with a population of more than 1 million people in 2000. Italic type indicates a high-income OECD country. Countries are listed alphabetically by geographic category.
ISO 3166 Economy Codes: AD = Andorra, AG = Antigua, AL = Albania, AR = Argentina, AT = Austria, AU = Australia, BB = Barbados, BE = Belgium, BF = Burkina Faso, BG = Bulgaria, BH = Bahrain, BI = Burundi, BJ = Benin, BM = Bermuda, BO = Bolivia, BR = Brazil, BS = The Bahamas, BW = Botswana, BZ = Belize, CA = Canada, CF = Central African Republic, CG = Democratic Republic of Congo, CH = Switzerland, CI = Ivory Coast, CL = Chile, CM = Cameroon, CN = China, CO = Colombia, CR = Costa Rica, CS = Czechoslovakia, CU = Cuba, CV = Cape Verde, CY = Cyprus, DE = Germany, DK = Denmark, DM = Dominica, DO = Dominican Republic, DZ = Algeria, EC = Ecuador, EE = Estonia, EG = Arab Republic of Egypt, ES = Spain, ET = Ethiopia, FI = Finland, FJ = Fiji, FM = Micronesia, FR = France, GA = Gabon, GC = Guernsey (author's abbreviation), GD = Grenada, GH = Ghana, GM = The Gambia, GN = Guinea, GR = Greece, GT = Guatemala, GQ = Equatorial Guinea, GY = Guyana, HK = Hong Kong (China), HN = Honduras, HT = Haiti, HU = Hungary, ID = Indonesia, IE = Ireland, IL = Israel, IN = India, IQ = Iraq, IR = Islamic Republic of Iran, IS = Iceland, IT = Italy, JE = Jersey (author's abbreviation), JM = Jamaica, JO = Jordan, JP = Japan, KE = Kenya, KI = Kiribati, KR = Republic of Korea, KW = Kuwait, LB = Lebanon, LC = St. Lucia, LI = Liechtenstein, LK = Sri Lanka, LR = Liberia, LT = Lithuania, LU = Luxembourg, LV = Latvia, LY = Libya, MA = Morocco, MC = Monaco, MG = Madagascar, MH = Marshall

Islands, ML = Mali, MR = Mauritania, MT = Malta, MU = Mauritius, MX = Mexico, MY = Malaysia, NE = Niger, NG = Nigeria, NI = Nicaragua, NL = Netherlands, NO = Norway, NP = Nepal, NZ = New Zealand, OM = Oman, PA = Panama, PE = Peru, PG = Papua New Guinea, PH = Philippines, PK = Pakistan, PL = Poland, PT = Portugal, PW = Palau, PY = Paraguay, RO = Romania, RU = Russia, RW = Rwanda, SA = Saudi Arabia, SB = Solomon Islands, SC = Seychelles, SD = Sudan, SE = Sweden, SG = Singapore, SM = San Marino, SN = Senegal, ST = St. Tome and Principe, SV = El Salvador, SY = Syrian Arab Republic, SZ = Swaziland, TD = Chad, TG = Togo, TH = Thailand, TN = Tunisia, TR = Turkey, TT = Trinidad and Tobago, TW = Taiwan (China), TZ = Tanzania, UG = Uganda, UK = United Kingdom, US = United States, UY = Uruguay, VC = St. Vincent, VE = Rep blica Bolivariana de Venezuela, VG = Virgin Islands, VN = Vietnam, VU = Vanuatu, WS = Samoa, YE = Republic of Yemen, YU = the former Yugoslavia, ZA = South Africa, ZM = Zambia, ZR = Zaire, ZW = Zimbabwe.

Source: Orenstein (2003)

It should also be noted that a bi-polar world emerged in the aftermath of the Second World War. This chapter predominantly focuses on the west and the global economy forged under the leadership of the United States. However, the Soviet Union also created its own sphere of influence during the Cold War that would last until 1989. At the end of the war, the Red Army of the Soviet Union was stationed across the whole of Eastern Europe. Motivated by the historical precedent of German invasions, the Soviet Union sought to create a buffer between itself and Western Europe by installing friendly regimes across Central and Eastern Europe (Applebaum, 2012). These countries were bound by the Warsaw Pact, a collective treaty between the Soviet Union and its satellite states in Central and Eastern Europe. It fostered close economic ties with the Soviet Union. Whilst the region varied in its proximity to Moscow and in the communist welfare structures that were installed, there were some commonalities throughout (Cerami & Vanhuysse, 2009).

Most of the countries in the region had Bismarckian style pension systems that pre-dated the communist regime. The fund's reserves were largely destroyed during the war and so the countries in the region switched to PAYG pension funding (Müller, 1999). The communist system brought many more people into the welfare system through the nationalisation of industries. Political crises that emerged during the period, that threatened the Warsaw Pact, were often followed by an expansion of the pension system (Inglot, 2008). The importance of this will be explored in Chapter Six, but at this point it is important to highlight the similarities between the strategic use of social policy by the communist authorities and the concept of embedded liberalism throughout the Western sphere of influence.

The post-war liberal order was also underpinned by the concept of multilateralism (Ruggie, 1992). This was a qualitatively different approach to the international economy than had existed previously. It involved a substantial increase in the degree of international cooperation between nation states and entailed the creation of rules and systems to govern economic behaviour, such as the international rules for trade. It also involved the creation of international organisations, which would proliferate after the war. The result was that states enmeshed themselves in a dense web of multilateral and regional institutions. In 1957, six countries signed the Treaty of Rome, creating the European Economic Community. This regional formation would grow to 28 countries as part of the European Union (EU). The EU is one of many regional formations that were created in the post-war era to promote economic cooperation (Ravenhill, 2017, pp. 141-173).

Multilateral economic cooperation would bring about unprecedented rates of economic growth during the Golden Age. Global GDP grew at an average annual rate of 4.8% between 1950 and 1973 (Marglin, 1990). Global exports grew even faster at an average rate of 8% per annum from 1950-1973. Embedded liberalism was also responsible for a dramatic redistribution of income and wealth, with societies across the Western world becoming more equal as the gap between rich and poor closed (Esping-Andersen, 1996). However, whilst inequalities closed within nations, the gap between the rich and poor between nations grew substantially. The economies of sub-Saharan African barely registered any economic growth during this period (Collier & Gunning, 1999). However, in contrast, the region of East Asia experienced rapid economic growth through the export-led growth strategies of what would be coined the East Asian Tiger Economies (Birdsall et al., 1993).

Crisis and Stagnation in the Global Economy 1973-1979

The international regimes and policy stances that had been established at the end of the war and had created the conditions for a long period of economic growth, would enter a period of turbulence during the 1970s. Cracks first appeared in the global economic architecture with the Bretton Woods system of fixed exchange rates constraining the options of the United States to tackle inflation resulting from high levels of government expenditure financing the war effort in Vietnam. In 1971, President Nixon sent shockwaves through the system by unilaterally devaluing the dollar (Edwin & Dale, 1971). This would signal the end of the fixed exchange rate regime and undermine the predictability that had formed part of the preceding successful economic era. Further structural problems in the global economy emerged through the increase in the price of raw materials. Analysts in the United States feared its reliance on imported oil from the Middle East (Atkins, 1973). This was dramatically exacerbated by the oil price shocks in 1973 as the Organisation of Petroleum Exporting Countries drastically reduced the supply of oil in protest against the Arab-Israeli conflict (BBC, 1974). These events brought into sharp focus the power of the United States in the global economy. Hegemonic stability theory proposes that stability in the global economy requires a dominant hegemon to provide public goods and promote cooperation. The perceived waning influence of the United States therefore represented a threat to its role as the global hegemon (Cox, 2001).

Alongside the political upheavals of the oil price shocks and a perceived diminishment of the United States, there were also a growing number of challenges to the economic orthodoxy that had characterised the post-war golden age. Keynesian economic policy had dictated the responses of national authorities to economics shocks. A collapse in demand necessitated an intervention of the authorities through active fiscal and monetary policy to stimulate economic activity - such as increasing government expenditure and cutting taxes to stimulate demand. Conversely, if the economy was overheating, threatening inflation, it required intervention by the state to dampen demand. Throughout the early period of the golden age there appeared to be a trade-off between unemployment and inflation (Friedman, 1975; Phillips, 1958)- that is, full employment could be achieved with some minor inflationary tendencies.

Over time, inflationary pressures crept into the system, and at the same time as unemployment started to rise. In 1965, in the UK, the Wilson government set up the National Board for Prices and Incomes as an attempt to manage inflation. In the 1970s, Nixon also enacted price controls to tackle US inflation at the same time that the dollar was devalued (Edwin & Dale, 1971). The oil price shocks in 1973 completely overwhelmed the capabilities of the authorities and challenged the notional trade-off between inflation and unemployment. At this time, the term stagflation was coined to describe the high unemployment and high inflation that characterised global economies. In the UK, the Labour government was forced to borrow from the IMF, which came with conditions to cut expenditure (Burk & Cairncross, 1992). Attempts to control inflation through wage restraint, triggered a wave of industrial activity in the UK. Opponents of the welfare state and Keynesian economics proved particularly adept at narrating the crisis and presenting their ideas as viable solutions (Hay, 2010).

The Keynesian economic model appeared broken and incapable of meeting the economic challenges of the 1970s. The dramatic conditions of the 1970s would have lasting consequences for the period of embedded liberalism that had fostered the golden age. In the decades that followed, attempts to 'roll back the tides of the state', would be carried out with attempts to dismantle the welfare states across the developed world (Pierson, 1994; 1996). This would have consequences for national and global pension policy - as the largest items of welfare expenditure, pensions would necessarily need to form part of any attempts to retrench expenditure. In addition, new ideas about how economies function and the primacy of the private sector would also begin to influence global ideas on pension reform.

The Neoliberal Economic Order

The elections of Margaret Thatcher in the UK in 1979 and Ronald Reagan in the US in 1980 helped usher in a new economic paradigm. Inspired by Friedrich Hayek (1976) and Milton Friedman (1977), a challenge was mounted against the principles that had underpinned the global economy. The commitment to full employment was abandoned in favour of fighting inflation. Price control became the number one macroeconomic objective (Blyth & Matthijs, 2017). In addition, marketisation, privatisation, deregulation and individual responsibility became the fundamental approach to most aspects of the economy and society. Resources were believed to be allocated much more efficiently by the market. Rather than manage the demand side of the macro economy, it was therefore deemed more efficient for the government to manage the supply side by reducing burdens on private enterprise. The 'Reagan-Thatcher decade' was thus defined by commitments to reducing taxes and regulation on enterprise. Table 5.2 outlines the main differences between the economic paradigm of the early post-war period and the regime that Thatcher and Reagan established.

Table 5.2

The macroeconomic regimes of the 1970s and today compared.

Macro-Regime I: Institutional configuration	Macro-Regime II: Institutional configuration
Policy target:	Policy target:
Full employment (or low unemployment)	Price stability (or low inflation)
Policy outcomes:	Policy outcomes:
Positive inflation	Secular disinflation
Labour's share of GDP at historic highs	Capital's share of GDP at historic highs
Corporate profits low or stagnant	Wages low or stagnant
Inequality low	Inequality high
Markets mostly national	Markets globalized
Trade unions strong	Trade unions weak
Finance weak and immobile	Finance strong and highly mobile
Central banks weak and politicized	Central banks strong and independent
Legislatures strong	Legislatures weak

Source: (Blyth & Matthijs, 2017)

These new principles would axiomatically have consequences for the welfare state. Moreover, these changes would transform the politics of pensions in the UK, which would later have an impact on the approach of the World Bank in its pension advocacy. One of the first actions of the Conservative Government (1979-83), in its attempt to control government expenditure, was to change the indexing of pensions from average wage growth to prices. Over time, this new indexing significantly reduced the generosity of the public pension system (Land, 2004), which would not be reversed until the introduction of the triple lock on pension indexing in 2011. It was during this time that the portrayal of pension expenditure first emerged as a burden on the economy and a threat to the nation's future (Walker, 1990). Retrenchment of pension spending was justified through the argument that it was not compatible with the commitment to fight inflation through reduced government expenditure. The principal pension policy objective of the Conservative Government was to shift the responsibility of income in retirement from the state to the individual (Walker & Foster, 2006).

The generosity of the UK public pension system had previously been enhanced by the Wilson government in 1975. A second earnings-related pension scheme (SERPS) was added to the basic Beveridgean flat-rate entitlement. Opponents of SERPS argued that it was unsustainable in the long run, claiming it would require substantial increases in National Insurance Contributions (Myles & Pierson, 2001). The Social Security Act of 1986 undermined the generosity of SERPS by changing the formula which the earnings component was calculated. It changed from the best 20 years of employment to earnings over 44 years for women and 49 years for men (Walker & Foster, 2006). The Act also changed the pensions landscape by creating personal pension plans. Individuals were given generous incentives to opt-out of SERPS to pay into a private pension plan. The move towards personal pension plans coincided with a shift from defined benefit (DB) pension plans, to defined contribution (DC). The UK government perceived DB plans as unsuited to the modern labour market: they inhibited flexibility, which would characterise the new post-industrial labour market that the Thatcher government was seeking to establish (Bonoli, 2003). The new pensions landscape was also being established alongside a deregulation of the financial sector. The 'big bang' liberalisation in 1986 reduced restrictions on capital markets, stimulating a new era of mobile capital and financial power.

The Neoliberalism of International Financial Institutions: The Washington Consensus

The new economic orthodoxy emanating from the US and UK took hold of international institutions. Neoliberal economics had been born in university economics departments in the US, such as the Universities of Chicago, Stanford and Columbia. These same institutions were also the alma mater of large numbers of staff and experts employed by the World Bank and IMF (Chwieroth, 2010). This new orthodoxy would have a substantial impact on their approach to economic crises and the prescriptions they offered to countries seeking financial assistance. The strong performance of the Anglo-American economies, in contrast to other developed economies with a statist orientation, influenced the development agenda. More specifically, the neoliberal orientation of the IFIs was underpinned by a deep suspicion and cynicism of politics and the state, that traced its roots back to neoclassical economics. States were therefore assumed to create distortions in the economy, which damage development (Williamson, 1990).

The neoliberal critique of Keynesian economics and hostility to trade union militancy in the developed world, was extended to a critique of the import-substitution policies of the developing world (Birdsall et al., 1993). These were argued to have created inefficiencies in the economy, encouraged corruption and inflation. Traditional dependency theories of development that characterised the global economy as a ‘core’ of developed countries, the First World, and a ‘periphery’ of developing countries, the Third World, were challenged by the rapid growth of the High Performing East Asian Economies. Neoliberals claimed ownership of the so called ‘East Asian Miracle’ through the region’s openness to the global economy (Birdsall et al., 1993). However, another school emphasised the state-led aspects of the development and how infant industries in the region had initially been protected from competition through restrictive trade measures (Wade, 1990).

Latin America and parts of Sub-Saharan Africa had pursued an ‘import-substitution’ development model in an attempt to industrialise (Sachs & Williamson, 1985). These policies prioritised foreign capital over trade as a way to accumulate investment capital. It was characterised by state-led investment to encourage industrialisation and a social policy directed towards the new urban proletariat. The expansion of international liquidity during the Golden Age had sustained the development model. However, the oil price shocks abruptly halted the availability of international credit. In addition, the rise in the price of oil, increased the dependency of the region on foreign capital to pay for it. The scarcity of foreign capital increased the interest rates on borrowing (Sachs &

Williamson, 1985). This meant that the countries of Latin America and sub-Saharan Africa had an increased dependency on foreign capital, to pay for the increase in the price of commodities, at a time that borrowing was becoming more expensive. Eventually a number of countries defaulted on their debts. Locked out of international capital markets, the countries of sub-Saharan Africa had only the IFIs as a source of lending. This dependency on the IFIs for finance increased understandably increased the latter's leverage, not least because such loans came with very strict conditions (Walton & Ragin, 1990).

It was during the 1980s that the Washington Consensus emerged as a prescriptive neoliberal approach to development. It was promoted as a 'common sense' set of policies of good economic governance in response to the growing hegemonic power of global capital. It was disseminated primarily by the World Bank and IMF and implemented through a process of 'conditionality'. This was the set of conditions that came with loans or Structural Adjustment Programs. The accelerating process of globalisation manifested in a new structure of rewards and punishments. Capital was argued to respond 'objectively' and dispassionately to key macroeconomic indicators. The policies of the Washington Consensus were ostensibly installing positive economic indicators. The Washington Consensus was coined by Williamson (1990) who identified a set of common policy prescriptions attached to World Bank and IMF loans. These included: fiscal discipline, budget deficits were not to exceed 2% of GDP; a reorientation of public expenditure away from subsidies, towards expenditure on health, education and infrastructure; a broadening of the tax base, reducing high marginal taxes; a maintenance of positive interest to discourage capital flight; trade liberalisation; privatisation of state enterprises; a maintenance of competitive exchange rates; elimination of barriers to foreign direct investment; deregulation of the economy and an enforcement of property rights (Williamson, 1990).

Notably, this neoliberal set of policy prescriptions were advocated on a one-size-fits-all basis, with minimal effort made to assess the implications for the recipient countries (Stiglitz, 2002). The Washington-based IFIs had significant leverage given they were the sole sources of finance for many developing countries. The social costs of the policies were particularly damaging - many countries were forced to retrench social assistance to reduce their government spending and borrowing requirement (Stiglitz, 2002). For example, Costa Rica retrenched its social spending at the behest of the IMF (Wilson, 1994). In addition, the liberalising of their economies exposed them to international competition, threatening their infant industries. The liberalisation of capital markets exposed them to the volatile whims of the market and left them vulnerable to capital flight caused by decisions beyond their control, such as an increase the US base rate.

By the end of the 1980s, the Structural Adjustment Programs (SAPs) were perceived to have largely failed (Stiglitz, 2002). The economies of sub-Saharan Africa had stagnated for the entire decade. The economic performance of Latin America had also been poor, with its economies continually fighting inflation. By the end of the decade, SAPs were dropped by the IFIs who began to use a softer forms of conditionality around the 'good governance' agenda. However, the 1990s and early 2000s would further damage the reputation of both the World Bank and particularly the IMF: their responses to the Mexico Peso Crisis, the East Asian Financial Crisis and the Russian Financial Crisis all were argued to have exacerbated the economic misery (Calomiris, 1998; Higgott, 1998; Stiglitz, 2002). For example, in the East Asian Financial Crisis, many of the countries in the region were advised to significantly increase interest rates to stave off capital flight. Such a dramatic increase considerably dampened demand in the domestic economy, prolonging the recession. In addition, many of the earlier policy prescription were argued to have intensified the crisis. The liberalisation of capital markets in particular, exposed countries to capital flight. However, the IFIs would not countenance capital controls as a valid response to capital flight and instead the insistence was placed on raising interest rates (Stiglitz, 2002). The entire episode of Strucural Adjustment Programmes shaped the behaviour of the World Bank in its activities in Central and Eastern Europe. It abandoned conditionality in favour of norms creation and persuasion.

The Battle for Ideas and Influence in Central and Eastern Europe

Importantly for global pension policy, the end of the Cold War preoccupied the global social policy environment in the 1990s as it was dominated by debates around the transition of post-socialist economies. Countries in Central and Eastern Europe were undergoing the twin transformation from one-party authoritarianism to democracy, and from state planned socialism to market-based capitalism. This entailed integrating their economies into the global economy. Nothing on the scale of the twin transition had been undertaken before, making the region dependent on the expertise and finance of international financial institutions (Roaf et al., 2014). The post-socialist countries of Central and Eastern Europe were uniquely susceptible to neoliberal policy advice, given their recent experience of socialism (Deacon et al., 1997). In addition, these regions were starved of capital for much needed investment making them keen to attract international investment. Appel and Orenstein (2018) contend that many countries in the region engaged in a process of 'competitive signalling' for international capital, which entailed the adoption of radical neoliberal policies, such as flat tax regimes and pension privatisation, to signal to international investors they were friendly places to do business.

The World Bank had learned from the experiences of the SAPs (Pender, 2001), and so its approach to influencing the reforms in Central and Eastern Europe was to use its expert authority for inspiration, rather than the coercive methods of conditionality (Orenstein, 2008). As will be shown, during this period Central and Eastern Europe had some of the highest pension spending in the world - much higher than the traditional client base of the Bank (World Bank, 1994: 263). In addition, the region also had a high incidence of pensioner poverty due to a history of inadequate indexing of pension benefits (Müller, 1999). Their systems required large employer contributions, which encouraged evasion and undermined the stability and robustness of the system. Moreover, the region had a rapidly ageing population and traditionally had a low retirement age. In many countries in the region, men could retire at 60 and women at 55 (Fultz & Ruck, 2001). To add to the burden of the pension system, during the early period of the transformation, the pension system was used as a de facto unemployment benefit to ease the burden on those made unemployed (Müller, 1999). The difficulties caused by the confluence of these factors made the region even more susceptible to external expertise.

The collapse of the communist system represented favourable conditions for the World Bank. It was a time when neoliberal policy prescriptions were at their zenith. It was also active in a region keen to signal its neoliberal fervour and sympathetic to the arguments of its policy advocates. As noted above, the constituent countries engaged in a process of 'competitive signalling' in order to attract foreign investment, enacting what Appel and Orenstein (2018) have coined as 'avant-garde' neoliberal policies. These are policies that are *more* neoliberal than those implemented across the developed world (e.g. flat tax systems and pension privatisation). The World Bank therefore entered the pension reform arena as a response to the needs of the transition economies:

> "I think it's very clear to me the reason the World Bank became active in pensions in the 1990s, because we had to have answers and good policy advice to the new countries who were coming to us from Eastern Europe, because for the first time, and still today, we were dealing with countries that were spending 5-10+% and more on pensions. We've never had that experience prior. If you are lending to a country and the country is running deficits on the pension system of several percentage points of GDP, you can't ignore it you have to become knowledgeable about the subject, so that was why it started, why it got moving in that way." (Interview with Robert Polacios. Global Lead Economist in Social Protection and Labor, World Bank, January 2017).

These new clients for the Bank, had very different needs to its traditional client base of developing countries. As a result, the Bank found itself making recommendations for industrial countries in mainland Europe whose expenditure on pension provision was substantially higher than the developing countries who traditionally used Bank assistance. For this reason, the Bank concluded it needed to formally document its position on pension policy. The publication of Averting (1994) represented the Bank's formal response to the new post-socialist landscape within which it was now operating:

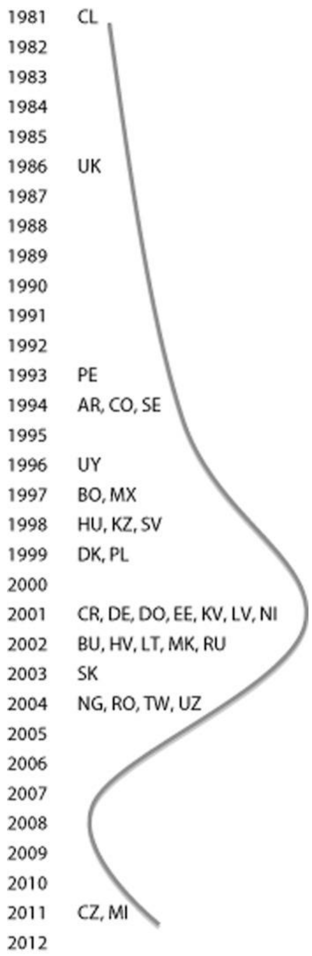
> "In Eastern Europe which is more heterogeneous now. But in the 1990s there was a common problem. I was in all of these countries because at this time I worked at the IMF and that's the reason I came back to pensions, because I opened the budget book and I could see a big problem. So, at this time all the countries had a problem, for this reason Averting was written" (Interview with Robert Holzmann, Former Director of Social Protection and Labor at the World Bank, December 2016).

The World Bank also had a separate middle-income region that represented test cases for the pension reforms it would advocate in Central and Eastern Europe. At around the time of Averting being published, Latin America was pursuing multi-pillar pension reform, which, whilst largely domestically generated, had some World Bank input (Weyland, 2005).

> "I think what you have is a confluence of a few things, you've got a whole new bunch of clients who were spending a lot of money on pensions, you've got these things happening in Latin America, and I think one of the misunderstandings is how little the World Bank had to do with what happened in Latin America, we had Chile there already for a decade, but the countries, Argentina, Peru, even in Mexico where we had a little bit more of an involvement, but these countries were going in that direction anyway, so we had almost nothing to do with that wave, but it was something very unnerving to people in the field that this was happening." (Interview with Robert Palacios. Global Lead Economist in Social Protection and Labor, World Bank, January 2017).

The shining example of Chile, which privatized its pension system in 1981, represented a beacon for the espoused benefits of fully funded pension systems. The reforms were argued to have helped Chile develop its capital market and led to its impressive economic performance (World Bank, 1994). Given the nascent capital markets in Central and Eastern Europe, this promise was an added potential benefit to pursuing the World Bank's pension reform prescriptions. The success of the World Bank's campaign for pension reform is shown in Figure 5.2 below; with a clear diffusion of multi-pillar pension reform after the publication of Averting the Old Age Crisis in 1994.

Figure 5.2 The Diffusion Pattern of Pension Privatisation



Note: *Countries listed alphabetically by International Organization for Standardization 3166 country codes. AR = Argentina, BO = Bolivia, BU = Bulgaria, CL = Chile, CO = Colombia, CR = Costa Rica, CZ = Czech Republic, DE = Germany, DK = Denmark, DO = Dominican Republic, EE = Estonia, HU = Hungary, HV = Croatia, KV = Kosovo, KZ = Kazakhstan, LT = Lithuania, LV = Latvia, MI = Malawi, MK = Macedonia, MX = Mexico, NG = Nigeria, NI = Nicaragua, PE = Peru, PL = Poland, RO = Romania, RU = Russia, SE = Sweden, SK = Slovakia, SV = El Salvador, TW = Taiwan, UK = United Kingdom, UY = Uruguay, UZ = Uzbekistan.*

Source: Orenstein (2013)

However, the World Bank-led campaign had been met with substantial opposition. A rival coalition led by the ILO had opposed the retrenchment of public pension systems (Beattie & McGillivray, 1995). Yet, despite global pensions policy traditionally being the domain of the ILO, as shown above, it was unable to use its authority to stem the tide of successive countries adopting the World Bank’s proposed pension model. Consequently, in the years that followed the entry of the World Bank into the pension reform arena, the ILO found itself in a subordinate position in global pension debates. The ILO had opened up a Budapest Office in 1992, specifically tasked to offer technical assistance and to have influence on the transition process. However, on pensions, it found itself in an unaccommodating policy environment when the World Bank launched its campaign for pension privatization. Central and Eastern Europe represented an ideal-type of the World Bank's critique of public pension systems (World Bank, 1994). The ILO was therefore trying to defend a pension system demonstrably failing in terms of costs and coverage, in a region with politicians unsympathetic to the public sector and a public suspicious of the government's commitment to honour pension promises (Fultz, 2012).

In trying to defend monolithic public pension provision, the ILO was therefore fighting a losing battle. In addition, the campaign for pension diversification, led by the World Bank, was able to attract other powerful allies. The pension and insurance industry also had an active interest in developing new markets in Central and Eastern Europe and it added significant resources to the already superior stock of the World Bank.

> "You know the whole thing, let's come back to the origins of the whole thing. It was not just a battle between the ILO and the World Bank or Washington Consensus versus the ILO. It's not the full picture of this pension debate. In my view, the World Bank was coming with the template and theoretical backgrounds starting with Averting, but it was much deeper. The movement to introduce this direction and it was actually what was important in my view was really the interests of the financial services sector, which had very strong support, especially of mandatory funded pillars. I was in Hungary in the ILO office in Budapest when it was the final years of the Hungarian debate and I saw how many discussions and debates took place in conferences on the pension reform they were actually organised and fully funded by international banks, insurance companies and other finance companies." (Interview with Krzysztof Hagemejer, former Chief of Policy Development and Research, ILO Social Security Department August 2017).

The ILO was therefore subordinated by the superior resources of the World Bank-led campaign and out-manoeuvred, given the policy environment in Central and Eastern Europe in the mid to late 90s. Its initial response to the World Bank campaign was low-key, coming in the form of a journal article published in *International Social Security Review*. This is a journal primarily read by experts in the field to debate and propose ideas in social security. The paper discussed in more detail in Chapter Seven, argued that many of the shortcomings of pension systems could be addressed by parametric reforms – i.e. changes to the current system such as increasing contributions or the retirement age – and that systemic reform was no panacea for population ageing (Beattie &

McGillivray, 1995). A more extensive response came in the form of a book more than five years later. However, by this point the ILO accepted the main architecture of the World Bank model. It accepted diversification of provision through its pension tiers, which mimicked the World Bank's pension pillars in many areas: this would mark the beginning of a convergence between the two organisations.

Globalisation and its Malcontents

Around the turn of the millennium, a growing discontent with globalisation began to surface. This was expressed through protest by activists, global social movements and international organisations opposed to the neoliberal orthodoxy of the two Washington-based organisations (Stiglitz, 2002). The growing activism of global social movements had implications for the system of global governance - the multilateralism of the post-war age was argued by some to have been replaced by a 'complex multilateralism' (O'Brien et al., 2000). It was in this context that the move for a global social floor first emerged within development circles and UN agencies (Deacon, 2013). A social protection floor is a minimum level of health provision and income security, including an old age pension, to which every person in the world is entitled. The campaign for social protection floors was both an internal one within the ILO, and a wider global campaign. Further detail on the internal campaign is set out in Chapter Eight.

The external campaign began before the social floor was official ILO policy. In 2007, Michael Cichon, the Director of Social Policy at the ILO convened a meeting with representatives from United Nations Department of Social and Economic Affairs (UNDESA) United Nations Children's Fund (UNICEF) and Help Age International. The meeting formalised the Coalition for a Global Social Floor (2007), it sought to be a steering committee to bring together a movement for social protection floors under the UN umbrella. It was established in the context of debates around a fairer globalisation and global inequalities. In addition, these debates were taking place in parallel with the positive experiences of modern forms of universal social policy in the global South, such as the Conditional Cash Transfer programs being rolled out in Latin America (Huyse, et al., 2017). As will be shown below, the campaign would be given further impetus in the response to the global economic crisis, with the ILO's role in policy debates substantially enhanced and formalised.

The Global Economic Crisis

In 2008, Lehman Brothers Bank, the United States' fourth largest bank, filed for bankruptcy. It represented the largest bankruptcy in history and signalled a chain of events that would lead to a global recession in 2009. At the onset of the downturn it represented a crisis of the global economic structure, justifying a large-scale intervention of the state in the management of the economy. In an effort to offset the impact of the downturn, governments around the world used an active fiscal policy to stimulate aggregate demand or to rescue insolvent banks. Much of this action was coordinated at the global level through the G20, but it was also supported by the IMF (IMF, 2008). In addition, the role of social security was recast. The dominant message from the World Bank on the sustainability of pension systems, and the virtues of private provision, were drowned out in a context of market volatility and economic contraction. In the immediate crisis era, the role of social security as an automatic stabilizer in the economy was emphasised (IILS, 2011; Natali, 2009). In light of this, the ILO found itself invited to the top table of global governance to report how social security could be deepened to embed its role as an automatic stabilizer in the global economy (Deacon, 2013).

The role of international cooperation during the crisis would have a significant impact upon the embedding of the social protection floor in global policy discourse. The crisis prompted the UN to develop a series of coordinated responses to foster a recovery and better protect the world's population against future economic downturns. The UN Chief Executives Board (UNCEB) established the Social Protection Floor Initiative (SPF-I) to coordinate development efforts and improve its assistance to countries wishing to expand social protection. This was to be chaired by the ILO and World Health Organization (WHO). In effect, this meant that social protection floors went from being a campaign of disparate groups - as seen above - to official UN policy. The SPF-I would have a significant impact in August 2010 by inviting the former President of Chile, Michelle Bachelet to chair an advisory group on social protection floors. Her publication in 2011, coincided with the French Presidency of the G20, whereby fortuitously for the ILO, the French President Nicolas Sarkozy, was sympathetic to the idea of a social protection floor (Deacon, 2013). The Bachelet Report called for more inter-agency collaboration on social protection: it argued that coordination was often lacking between ministries, UN agencies and IFIs. It also advocated the establishment of a mechanism for collaboration and coordination of experts from all the relevant experts from UN agencies, program funds, regional commissions and IFIs (Bachelet & ILO, 2012).

This recommendation from the report Bachelet Report was acted upon when the G20 Development Working Group set up the Social Protection Inter-Agency Cooperation Board (SPIAC-B). In calling for the SPIAC-B, the Bachelet Report recommended that the "World Bank and ILO, in consultation with other relevant international organizations, develop a mechanism to improve inter-agency coordination" (G20 DWP, 2011). The mandate of the SPIAC-B is to complement existing collaborations, such as the SPF-I. It is chaired by the World Bank and ILO and meets bi-annually. The board is attended by all relevant international organisations, bilateral donors and relevant NGOs. The initial division of labour between the two global governance mechanisms was determined at the second meeting of the SPIAC-B: it concluded that SPF-I would focus its efforts on the horizontal dimension of social protection coverage, whilst the SPIAC-B would provide a broader and more inclusive mechanism for sharing information and coordination between partners, addressing the system as a whole, the vertical dimension.

The crisis therefore provided the momentum for the social protection floor campaign and formalized the role of the ILO in inter-agency boards. The ILO emerged from the crisis with a strengthened reputation and an enhanced role in global social protection policy (Deacon, 2013). The crisis would also be an important backdrop in the passing of Recommendation 202 at the ILC in 2012.

Meanwhile, the enabling environment had become adverse for the World Bank's multi-pillar pension model. Farnsworth and Irving (2011) argue that the global economic crisis is not one, but a series of separate, interrelated crises. Beginning with the credit crunch in 2007, the first crisis was one of financial markets starved of liquidity. This then led to a crisis in the real economy, as the growth rate for the world economy turned negative in 2009. The impact on pension funds was almost immediate as stock markets recorded huge losses. The OECD estimates $5 trillion dollars was wiped off pension assets during the crisis (Keeley & Love, 2010). The returns on pension fund investments in Central and Eastern Europe were also dramatic. For example, in Lithuania, the returns over the entire funded period were negative (Bielawska et al., 2016). The contributions would have been better placed in a PAYG system. Next came a fiscal crisis, which threatened the stability of the Eurozone, as markets turned on the debt levels of Southern Europe. The state activism of the early crisis period was replaced by an era of austerity, and balanced budgets became an important signal of economic stability. The poor performance of pension funds served as ammunition for the opponents of multi-pillar pension reform:

> “Success on the reform was predicated on a good performance of financial markets, which should be measured in the long term, but nonetheless performance after the crisis and in general financial markets, made enemies of the reform, having a good time in criticising the structure of the reforms” (Interview with Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).

Central and Eastern Europe was acutely exposed to the crisis. For example, Hungary's export-led economic model rendered it vulnerable during the global downturn, as global demand for its exports weakened (European Commission, 2014). In addition, its loose fiscal policy, before and after the crisis, resulted in it becoming the second country, after Iceland, to seek financial assistance from the IMF. The subsequent loan came with conditions to cut government spending (IMF, 2008). Where the previous decade had witnessed competitive signalling to attract international capital, markets now were preoccupied with the budget deficit and the level of national debt. This made reversing the World Bank-inspired pension reforms an attractive option.

As was noted in the introduction, the World Bank inspired most of the countries of Central and Eastern Europe to divert a proportion of the contributions from the public pension system into individually funded accounts. However, contributions to the public system were used to finance the pensions of those already retired. This created a shortfall in pension revenues needed to finance the payment of pensions. When countries enacted the reforms, they had a number of options to finance the transition to a partially funded system. Essentially, these consisted of cutting current expenditure and raising taxes to finance the transition, or use government borrowing to finance the transition. The Baltic states were less inclined to borrow to finance the transition. In contrast, other countries in the region financed their transition through borrowing. This borrowing cost as much as 1.9% of GDP each year (Drahokoupil & Domonkos, 2012). In addition to the fiscal burden of financing the pension transition, accession to the EU entailed abiding by Maastricht Criteria on the budget deficit and national debt. This stipulates that member states cannot run a budget deficit larger than 3% of GDP and that national debt must remain below 60% of GDP. Consequently, suspending, scaling down, or completely reversing the multi-pillar pension model was a tempting option for all countries in the region.

A suspension of the multi-pillar model meant that contributions diverted into funded accounts could be redirected temporarily into the state coffers to ease a budgetary crisis. This option was undertaken by the Baltic states in the immediate crisis period (Drahokoupil & Domonkos, 2012). Scaling down followed similar lines, to a smaller degree, but on a permanent basis, as enacted by Slovakia for example (ibid). Completely abandoning the multi-pillar system permanently diverted the contribution back into general tax revenues. It also gave the state access to the accumulated pension funds that had built up during the funded period. This option was undertaken by Kazakhstan, Hungary and Poland (Naczyk & Domonkos, 2016). As Table 5.3 outlines, alongside the reform reversals in Central and Eastern Europe, there were also reversals in Latin America as Argentina and Bolivia renationalized their funded pension pillars (Naczyk & Domonkos, 2016).

Table 5.3

Pension Reform Reversals Since the Global Economic Crisis

Scaling down of Individual Accounts	Dismantling of Individual Accounts
Romania (2009)	Argentina (2008)
Estonia (2009)	Hungary (2011)
Latvia (2009)	Kazakhstan (2013)
Lithuania (2009)	Poland (2014)
Poland (2011)	Czech Republic (2014)
Bolivia (2011)	
Slovakia (2012)	
Russia (2013)	

Source: Kay (2014) and author's own coding

In addition to the message that such a large number of reversals to the World Bank's pension model sent to the global policy community, the Bank had also lost its leverage in Central and Eastern Europe. In the early transition period, the Bank had used its lending capacity to influence finance ministers across the region (Müller, 1999; Appel & Orenstein, 2018), however, as the region became more integrated into the global economy and the EU, it had other sources of finances. For example, the European Bank for Reconstruction and Development (EBRD) became a much more important source of finance, this significantly diminished the influence of the Bank in the region:

> "I attended one presentation in 2009, advocating some ludicrous scheme to continue investing funds once the pay-out phase had begun. I dismissed it. That was my only dealing with the World Bank. The World Bank is far less important than it used to be. The EBRD is much more important. The World Bank was keen to lend us money, we were encouraged to borrow some for a particular scheme and the rate was below market rates, so we took advantage of that, but it was only a small amount." (Interview with Jacek Rostowski, Deputy Prime Minister and Finance Minister of Poland 2007-2013, July 2017).

In concluding the impact of the crisis on the global pension and social protection debate, it had the dual impact of propelling the ILO back into the forefront of policy making in social protection, whilst at the same time creating the conditions for many countries to abandon their World Bank-inspired multi-pillar pension models. The reputation of the World Bank in pension expertise was damaged at the same time its influence in the region of Central and Eastern Europe was diminishing (Birdsall, 2014). As Chapter Eight outlines, the internal developments within both organisations would crystalise these positions. The World Bank's expert authority has been damaged by the reform experiences of countries which enacted its multi-pillar model as many of the espoused benefits failed to materialise. Proponents of pension funding argued that the returns on investments would exceed the returns in PAYG pension system[7]. Moreover, the cost of transition to a funded system was thought to be partially paid for by the enhanced economic growth brought about by the development of the capital market, stimulated by pension funding. These conditions had not held by the time many countries decided to reverse the pension reforms advocated by the Bank. In addition, alongside transition costs and poor investment performance, funded systems had come under attack for exorbitant fees and for failing to extend pension coverage beyond previous levels.

The World Bank's moral authority had also been in long-term decline as a consequence of the legacy of Structural Adjustment. Its reputation in Sub-Saharan Africa, where much of the more recent international organization activity on pension reform has taken place, had been damaged by the imposed austerity in the 1980s. As a consequence, the World Bank is more timid than in the past - as expressed by Mamta Murthi:

> "I think the World Bank became too timid and inward looking. It is not confident enough to express itself or defend its stance." (Interview with Mamta Murthi, Former Director for Central Europe and the Baltic Countries, June 2017).

[7] For funded pension systems to have superior returns to unfunded ones, the market interest (r) must exceed wage growth (g). Proponents of funded systems argued that, ceteris paribus, r > g.

On the other hand, the ILO was not damaged by the SAPs and therefore had a sympathetic ear to pension reform in Sub-Saharan Africa (Kpessa & Béland, 2012) and in the wider development community (Deacon, 2013). This enabled the ILO to further its agenda on national social protection floors, as their need came to be recognised.

Conclusion

This chapter has outlined the global and political context within which global pension policy is constructed and enacted. The global political economy has led to the creation of international organisations, which have been the key actors in global pension policy. These organisations, and the actors within them, have operated within discrete paradigms. It has argued that the Keynesian post-war consensus and the neoliberal consensus that replaced it, were instrumental in shaping the types of pension reforms that spread globally. The global economic crisis was shown to challenge the orthodoxies of the neoliberal paradigm, with its consequences shaping the future of global pension policy through the social protection floor initiative. The response of IFIs to economic crises have also influenced the manner in which they engage with countries seeking financial assistance. The controversy over SAPs had lasting influence on both the perception of the IMF and World Bank from the outside and the internal workings of the organisations internally. Chapter Eight will outline in greater detail the internal workings of international organisations and the impact this has on pension policy, which will be linked to how these actors were shaped by the global events outlined above. This chapter has also demonstrated the link between national social policy and global pension policy. The relationship between global ideas and institutions will now be discussed in the following chapter.

Chapter Six

Global Pension Policy in Central and Eastern Europe: The Interaction Between Global Policy Ideas and Domestic Interests and Institutions

Introduction

This chapter narrows the focus from the global context seen in Chapter Five, to the region most associated with global pension policy, namely Central and Eastern Europe. It analyses the interaction between global pension policy ideas and the welfare institutions particular to the region. It therefore forms the institutional component of the ASID framework. The analysis builds on the theoretical foundations that were outlined in Chapter Two. It also draws on the emerging literature on incremental changes to institutions, which can lead to substantial transformation over time (Hacker, 2004; 2005; Streeck & Thelen, 2005; Mahoney & Thelen, 2010). Furthermore, it engages with the literature on ideas and institutions (Béland, 2005; Béland & Cox, 2011; Blyth, 2002; Hall, 1993; Hay, 2008; Schmidt, 2011) and utilises these literatures to advance a greater understanding of global social policy.

The central argument of this chapter is that global social policy can be shaped and refined through its interaction with national social policies and their institutions. The analysis utilises data from the elite interviews and analysis of key pension documents from international organisations, alongside the literature on the pension reforms and counter-reforms of Central and Eastern Europe. It does so to demonstrate how the advocacy of mandatory second pension pillars, carved out of the public first pillars, was effectively ended by its interaction with national pension institutions and the interests of domestic policy actors in Central and Eastern Europe. This was largely a result of the path dependency inherent in the pension systems of Central and Eastern Europe, which derived from the policy legacies of over a century of pension provision in the region.

Actors from various international organisations offered an almost uniform interpretation of pension reform reversals in the region. In addition, as will be shown in Chapter Seven, pensions advice coming from the World Bank no longer advocates that countries carry out this reform. Meanwhile, the recent World Social Protection Report (ILO, 2017) offers a critical interpretation of the reform experience. The analysis shows that the Central and Eastern European experience of multi-pillar pension reform has reduced the optimism and enthusiasm of those who believed it to be an optimal policy reform to improve the sustainability, adequacy and coverage of pension systems, alongside enhancing the prospects for economic growth. The large transition costs involved in reform and the ease with which pension assets were renationalised has led to a collective rethink on the viability of mandatory second pillars in mature pension systems. However, the analysis also shows that both the transnational advocates for multi-pillar pension reform and its opponents, were highly critical of the reform reversals after the global economic crisis. For its proponents, it represented a step backwards in achieving a sustainable pension system. Whilst for the original opponents of multi-pillar reform, it was feared that the renationalisation of pension funds would further erode trust in pension systems in a region where trust was already low.

This chapter is divided into three parts: the first outlines the various ideational and material influences over pension privatisation in Central and Eastern Europe; the second does the same for the reform reversals after the global economic crisis; and the final part outlines how these processes have influenced global pension policy ideas.

Ideas, Interests and Institutions

Scholars who propose an ideational approach to institutional change, have argued that after a once beleaguered status in the social sciences, ideas have risen to prominence as key explanatory variables, particularly in explaining institutional change (Béland & Cox, 2011; Blyth, 2002). However, they are often advanced as independent variables in the process of institutional development and change, shaping actor preferences and offering blueprints for the design of new institutions. This chapter offers a more dynamic and iterative relationship between global social policy ideas and domestic institutions and interests. Drawing specifically on insights from the historical institutionalist branch of the new institutionalism, it shows that path dependency was a strong feature of the post-socialist pension reforms. This path dependency and the mechanisms released by multi-pillar pension reform, have in turn shaped global pension policy ideas.

The reform of pension systems in Central and Eastern Europe are part of broader changes in the region's transformation from state planned socialism to market based capitalism. The series of reforms have been argued in the literature by some to represent radical path departures (Bohle & Greskovits, 2009) and by others to be characterised by path dependency (Cerami, 2009; Inglot, 2008). In drawing on ideas, institutions and interests, Cerami (2009) illustrates each of these as different mechanisms of institutional change. This chapter utilises each of these to show how they have all been part of the pension reform and counter-reform process. It also demonstrates that pension reforms in the region have exhibited both elements of path departure and path dependency. It is not the purpose of this chapter to argue which of these has been the most significant, nor is its purpose to argue whether the reforms represent a path departure or path dependency, as it will be shown they have elements of each of these. Rather the purpose of the chapter is to elucidate the reform process through the various mechanisms of institutional change. The aim is to show how global policy actors have interpreted this process and how this then influences global pension policy.

The next section begins by showing how policy ideas were a mechanism of institutional change. The World Bank's campaign for pension reform was highly influential as a source of inspiration for reformers. Through the use of conferences, workshops and seminars the World Bank - in conjunction with USAID and the pensions industry - was able to persuade most countries in the region to create mandatory second pension pillars. Table 6.1 below shows the countries and year that multi-pillar pension reforms with a mandatory second pension pillar were enacted. The chapter then moves onto the adaptive mechanisms as a source of institutional change. Here the policy legacies of the pre-communist era, the communist period and the immediate post-transformation years will be shown to have constrained the pension reforms that were undertaken as reformers opted for layering of new institutions on top of the old ones, rather than a wholesale transformation. The constrained nature of the reforms resulted in sub-optimal elements built into the system, which made their reversal more likely. Next the chapter moves onto interests as a source of institutional change. The World Bank not only used persuasion to bring about change but also used material resources through its loan facilities to incentivise actors to undertake reforms. Interests were also an important mechanism in the reform reversals that took hold after the crisis. Domestic politicians responded to material incentives to renationalise private pillars or to scale them down. Finally, the chapter returns to policy ideas. It draws on the elite interviews and an analysis of key pension documents from international organisations to show a large degree of coherency between actors of different institutions in their interpretation of the counter reforms in Central and Eastern Europe. This coherency suggests a growing consensus on the problems associated with carving out a mandatory second private pillar from a fully mature first pillar.

The chapter contributes to a greater understanding of global social policy making. There have been surprisingly few analyses in the global social policy literature that have integrated institutional theory to global social policy ideas (Béland, 2009; Orenstein, 2008). Institutions do not only mediate social policy ideas by refracting the types of reforms that are undertaken, they also shape and create policy ideas. Mandatory second pillars as a global pension policy were developed domestically in Latin America and transferred by transnational actors within international institutions to Central and Eastern Europe in an example of a global policy process. Central and Eastern Europe became the region where mandatory second pillars became a global social policy. However, mandatory second pension pillars are no longer promoted by the World Bank as a desirable pension reform idea - and so this chapter demonstrates how the region also became the site where the policy idea lost its appeal to its former proponents and subsequently changed global pension policy. This chapter therefore explores pension reforms and counter-reforms in the region and actors’ perspectives to demonstrate the iterative nature of global social policy.

Part One: Pension Privatisation in Central and Eastern Europe

This section analyses the discursive, institutional and material influences over the privatisation process. It was discussed in Chapter Five how pension privatisation spread across Central and Eastern Europe in a very short time period. As Table 6.1 shows, between 1998 and 2002, nine countries had either fully or partially privatised their system, with five more countries following soon after. This rapid spread of the trend suggests ideational or discursive influence over the process. However, the table also shows that no country attempted a full privatisation and that there was a large degree of variation in the second pillars, indicating a constraining influence over the process. The chapter also highlights the material incentives that also swayed the decision to enact a privatisation of the system.

Table 6.1 Pension Privatisation in Central and Eastern Europe

Country	Year of Privatisation	Size of Second Pillar	Who Participates
Hungary	1998	6% > 8%	Mandatory for new entrants
Kazakhstan	1998	10%	Mandatory for all
Poland	1999	7.3%	Mandatory for new and young workers, voluntary 30-50
Estonia	2001	6%	Mandatory for new entrants
Latvia	2001	2% > 5.5%	Mandatory for new and young workers, voluntary 30-50
Kosovo	2002	10%	Mandatory for all below 55
Bulgaria	2002	2% > 5%	Mandatory for all workers 42
Croatia	2002	5%	Mandatory for new and young workers, voluntary 40-50
Russia	2002	3% > 6%	Mandatory for all born after 1966
Lithuania	2004	2.5% > 5.5%	Voluntary for new and current workers
Slovakia	2005	9%	Mandatory for those born after 1983

Macedonia	2006	7%	Mandatory for new entrants
Romania	2008	2% > 3%	Mandatory for new and young workers, voluntary 36-4
Czech Republic	2011	2%	Voluntary for new and current workers

Sources: Price & Rudolph (2013), Tuck, (2014)

Ideas and the Partial-Privatisation of Pension Systems in Central and Eastern Europe

In Blyth's (2002) analysis of the 'great transformations' that took place in the twentieth century that were discussed in Chapter Five – namely the transition to embedded liberalism and later to neoliberalism – ideas acted as the blueprints for reform. In what is described as 'Knightian uncertainty', ideas offer stability to actors facing unknowable consequences. The transformations in Central and Eastern Europe represented a high period of uncertainty. A twin economic and political transformation had not been undertaken before. Market reforms acted as blueprints for welfare institutions facing considerable strain under economic transition.

Transnational actors had significant influence in the decision of most countries in the region to enact multi-pillar pension reforms (Orenstein, 2008). This was largely a result of the ideational influence of these actors. Chapter Five explained how neoliberal ideas had risen to prominence across the globe throughout the 1980s. The end of the Cold War further emphasised the perceived superiority of the market in the organisation of the economy and society. A global network of actors was keen for Central and Eastern Europe to reform its socialist institutions to benefit from the promises of marketisation (Bockman & Eyal, 2002). Pension reforms were an extension of these ideas into a specific policy domain, with Chile's pension privatisation the beacon for all advocates of this reform (Holzmann, 1997; James, 1999; Vittas, 1999). The architect of Chile's pension reform, one of the so called 'Chicago Boys', José Piñera, was a particularly influential advocate of pension reform. In the same year that *Averting* was published, Piñera set up the 'International Centre for Pension Reform' in an effort to promote the Chilean pension system across the world. A year later he became the co-chair of the Cato Institute's project to promote pensions choice. These institutions were joined by the United States Agency for International Development (USAID) and led by the World Bank as part of a coalition with the pensions industry to campaign for multi-pillar pension reform (Orenstein, 2008). Piñera was particularly hostile to communism and saw pension privatisation as a bulwark against it. He argued that '[b]y converting all workers into owners, the reform commits them actively to a responsible management of the economy, as well as to political stability and social peace' (Piñera, 1991 cited in Müller, 2003 p. 12).

One of the central ways these actors inspired domestic reformers in Central and Eastern Europe was through the disseminations of reform ideas within seminars and conferences. For example, the Head of the Central Bank in Kazakhstan cites his attendance at a World Bank-sponsored pensions conference as the inspiration for him to push for pension privatisation in Kazakhstan (Orenstein, 2008). In the case of Croatia, a pension conference in 1995 organised by the World Bank, the East-West Institute and the Croatian government was inspiration for the Prime Minister to declare his intentions for multi-pillar reform immediately after attending (Anusic, et al, 2003). In addition to the benefits promoted by the coalition for pension reform, the World Bank led team also offered a considerable resource through its expertise and technical assistance. Uncertain reformers in the region had both the promise of increased economic growth through the multi-pillar idea, alongside the reduction in uncertainty proffered by the technical assistance and advice offered by international organisations. For example, Poland benefitted from the World Bank dispatching a staff member to lead the Polish Plenipotentiary for the pension reform (Orenstein, 2008).

A further method of ideational influence of transnational actors, was to form coalitions with like-minded domestic actors. This was often the finance minister, who was usually more neoliberal minded than the labour minister (Müller, 1999), and it enabled them to convince opponents of multi-pillar reform. The former Chilean finance minister, Hernán Büchi, acted as an adviser to the Croatian government and was an inspiration for reform (Anusic, O'Keefe, & Madzarevic-Sujster, 2003). In the case of Poland, a senior member of the Social Protection and Labor Department, Michal Rutkowski was seconded from the Bank to lead the Plenipotentiary for Pension Reform (Müller, 1999). Similarly, the World Bank dispatched the former Croatian finance minister to assist the reform team there when he left Croatian politics to join the Bank's staff. In this way a multi-national network of elite actors was formed around the idea of privatised pension reform.

The campaign to win over opponents involved numerous approaches across the region. It entailed 'coordinative' discourses (Schmidt, 2008) through expert debates. In both Hungary and Poland, there were protracted debates between reform minded ministries of finance, and reform opponents in the ministries of labour and social security (Müller, 1999; Orenstein, 2000). The World Bank funded fact-finding trips to Chile for pension officials, displaying the benefits of the reforms in the country where they had been most successful. World Bank assistance also included 'communicative' discourses (Schmidt, 2008) targeted at the wider public to win over support from the general population. For instance, in Poland the reforms were promoted through a publicity campaign, funded by the pensions industry, promising superior returns. This aggressive campaigning by competing pension funds included TV advertising which promised luxury holidays, retirement villas and a decadent life in retirement, was partially responsible for the public support for multi-pillar pension reform. It was also these unfulfilled promises which caused later disillusionment with pension reforms when the returns failed to materialise:

> "I think they were oversold, not with regards to projections, but the image of the private pensions. With one year of decision, with regard to whether people joined or not, there was a huge PR campaign, there were large numbers of agents convincing people to join the funds, there were TV commercials selling the image that it will allow you to spend your holidays in the Caribbean, to drive luxury cars, really spend without any worries and this kind of an image is something that was one not only by the pension funds, but also with the government, it was selling the reform as one that will give you better pensions which obviously wasn't case, but I think it sort of blurred that people believed private pensions were superior." (interview with and Agnieszka Chlon-Dominizak. World Bank and former Labour Minister, Poland, January, 2017).

Adaptive Mechanisms and the Partial-Privatisation of Pension Systems in Central and Eastern Europe

A strong campaign for pension privatisation in Central and Eastern Europe was mitigated by the policy legacies in the region, which constrained the options for a full privatisation. The pension systems had Bismarckian origins, with earnings related components in their pension formulas (Müller, 1999). The state had played the prominent role in providing an income in retirement with no private pension provision. The socialist authorities had switched to Pay-As-You-Go (PAYG) financing after the war as pension reserves in the funded Bismarckian systems had been destroyed. The earnings-related elements of the schemes were gradually reduced through a combination of flat rate components making up the bulk of the pension formula and benefit ceilings, both enhancing the redistributive nature of the pension system. However, a particular characteristic of the socialist welfare state were so-called branch privileges. These were additional benefits to those in occupations strategically important to the state such as miners and railway workers. These privileges included early retirement or more generous benefits. Pension contributions were financed by state-owned enterprises, direct contributions from workers were rare. A hallmark of the socialist welfare state was a retirement age lower than those in the OECD. Across the region, men could retire at 60 with 25 years employment and women at 55, with further entitlements depending on the number of children they had, often entailing lower retirement ages and enhanced benefits (Fultz & Ruck, 2001). All the pension systems in the region had reached maturation before the beginning of the transition, with almost full coverage across the population.

Inglot (2008) coined the welfare states of Central and Eastern Europe as 'emergency welfare states'. This type of welfare state entailed a familiar cycle of policy making, whereby following a political crisis, an elite-driven expansion of welfare took place. This would then be followed by attempts at retrenchment, until the next crisis brought about another round of expansion. For example, following the Hungarian Revolution in 1956, it adopted a more universalistic approach to welfare in its social contract to compensate for a lack of civil and political rights. Similar expansions were undertaken in Czechoslovakia in 1968, following the Prague Spring, and in Poland where the pension system was expanded to include agricultural workers. Later, attempts were made to retrench the pension system through inadequate indexing, which in an environment of high inflation, cut the real value of pension entitlements significantly. However, pension spending as a proportion of GDP remained stubbornly high throughout the twilight years of the communist period. Table 6.2 gives further detail on the expansion of the pension system in Hungary and Poland to illustrate the emergency welfare state prevalent across the region.

Table 6.2 The Expansion of the Hungarian and Polish Pension Systems

	Hungary	Poland
The Bismarckian origins of the pension systems	Origins in mandatory health insurance for workers in 1891. The first pension system was set up for civil servants in 1912 and financed from the state budget. Later in 1928, legislation was passed for a fully funded mandatory pension scheme for blue and white-collar workers. Coverage at this point only amounted to 31 per cent of the population. The entire rural workforce was excluded.	The former German territories had a Bismarckian system implemented by Chancellor Bismarck in 1889. The Austrian region had a pension system for salaried workers from 1906. Whilst the region that had been part of Tsarist Russia, had no pension provision at all. By 1927, a unified pension system was established for white-collar workers. A similar arrangement for blue-collar workers was established in 1933. Both schemes were fully funded and administered by the state Social Insurance Institute (ZUS). A separate scheme for railwaymen, miners and public sector workers was introduced on an unfunded basis. Farmers had no protection at all.
The Communist Period	In 1949 new communist regime recognises pension rights and operates them on PAYG basis. In response to the Hungarian revolution of 1956, pension coverage was extended to agricultural co-operatives more than doubling the coverage of the pension system. A more generous system emerged in the mid-1970s with replacement rates peaking at 66 per cent before falling back again.	Communist regime established a PAYG pension system after reserves destroyed during the war. Between 1950 and 1954 coverage was extended to include agricultural workers. Branch privileges remained for particular groups such as policemen and soldiers. Moving to a two-tier scheme in 1954 with teachers, railway workers and miners receiving more generous benefits. In the 1960s more expansion was undertaken to include craftsmen, artisans and writers.

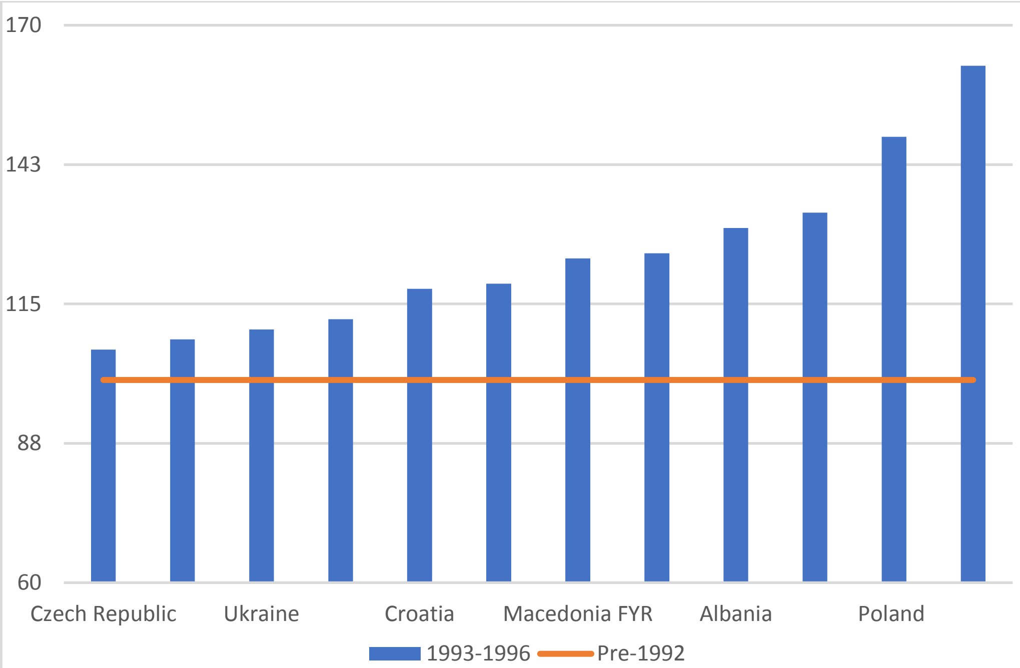
Attempts at Retrenchment by Communist Governments	As the economy deteriorated in the 1980s, attempts to control the pension system by the communist party were made by inadequately indexing pensions to inflation. Around one-fifth of pensioners were forced to enter the labour market to supplement their income.	During the 1970s and 1980s, 40 per cent of pensioners remained in employment due to the low pension entitlements. The issue of poor indexing rose up the party agenda in the 1980s, after pressure from the Solidarity movement for a fairer pension.
The Transformation	During the transformation, millions of workers removed from the unemployment register by granting them early retirement. Between 1989 and 1996 the number of employed Hungarians falls by 22 per cent and the number of pensioners rises by 25 per cent including a 45 per cent increase in disability pensions. Pension expenditure reached 11.5 per cent of GDP in 1994.	The economic crisis that ensued during the transformation had a major impact on the Polish pension system. The number of employed people fell by 14.4 per cent, whilst the number of pensioners rose by 22.1 per cent, suggesting the pension system was used a de facto unemployment benefit.

Sources: Inglot (2008); Müller (1999); Vanhuysse (2006)

In addition to the socialist legacies of the pension system, the transformation also placed further constraints on those campaigning for pension privatisation as it led to a significant increase in pension expenditure and coverage. The collapse in output, as a consequence of the transformation, had significant adverse consequences for the dependency ratio of the pension systems of Central and Eastern Europe. During the early stages, production dropped between 20 and 50 per cent across the region (Fultz & Ruck, 2001). Many countries did not recover to their pre-transformation levels until the mid to late 1990s. Employment also dropped sharply, for instance, in the Czech Republic, Hungary, Poland and Slovakia, 5 million jobs were lost between 1989 and 1996 (Augusztinovics, 1999 p. 91). This caused a huge fall in pension contributions and necessitated a steep increase in the contribution rate. This increase encouraged evasion, by firms under-declaring wages for their workers to avoid employee contributions, further exacerbating the dependency ratio problem (Müller, 2003).

In addition to the sharp decline in pension contributions, the transformation from socialism to capitalism brought about a huge expansion in pension coverage. In Hungary and Poland, Vanhuysee (2006) has argued that elites turned to a familiar tool of protest avoidance. The move from a centrally planned economy to a market-orientated one would inevitably entail huge sectors of the economy redundant. The large increase in unemployment of people with identical interests ripened the conditions for social disorder (Piven & Cloward, 1977; 1993). Early retirement in Poland and disability pensions in Hungary were used as a strategy to divide the interests of the workforce. Senior members, who were more likely to be embedded in trade union networks, were permanently removed from the labour force through early retirement. In Hungary, between 1989 and 1996, the number of employed Hungarians fell by 22 per cent, whilst the number of pensioners rose by 25 per cent, including a 45 per cent increase in disability pensions. In Poland, the number of employed people fell by 14.4 per cent, whilst the number of pensioners rose by 22.1 per cent. This was despite stable demographics, suggesting the pension system was used a de facto unemployment benefit (Müller, 1999). This strategy was also deployed in other countries across the region. In Bulgaria, a temporary early retirement scheme was introduced for men aged 57 and women aged 52 who were made redundant and had 25 years insurance years if they were men or 20 if they were women (Müller, 2003). In Croatia, in 1990 there were 1.97 million contributors for 656,000 retirees, yet by 1999 this had fallen to 1.4 million contributors for 1 million beneficiaries. The ratio of contributors to retirees therefore dropped from 3.0 in 1990 to 1.4 in 1999 (Anusic, O'Keefe, & Madzarevic-Sujster, 2003). Figure 6.1 shows the growth in the number of pensioners during the early transition period.

Figure 6.1 Percentage Growth in the Number of Pensioners (pre-1992 = 100)



Source: Fultz & Ruck (2001)

The sharp increase in the dependency ratio had contradictory implications for pension reform. It placed reform high on the agenda, as pension expenditure as a proportion of GDP in some of the region's constituent counties was some of the highest in the world (World Bank, 1994). There was a consensus that the systems were unsustainable and early parametric reforms to the pension systems across the region were undisputed amongst social security experts (Müller, 2003). Such reforms included: the raising of the retirement age; the introduction of an employee contribution; the abolition of branch privileges; restricting early retirement; the tightening of eligibility for disability pensions; and indexing to protect against the risk of inflation. These parametric reforms proved to be publicly unpopular, some were resisted by constitutional courts, whilst in other places the intensity of reforms was significantly decreased. For example, in Poland, the reform to miners' pensions was delayed due to the ability of miners to mobilise opposition to the proposed reforms (Armeanu, 2010). In Croatia in May 1998, the Constitutional Court ruled the wage-based indexing of pensions illegal. In contrast, the move towards a multi-pillar framework for pension provision was not controversial in the first instance. This was because it was done on a voluntary basis in most countries as part of reform packages to stimulate domestic capital market innovation (Müller, 2003).

However, at the same time as pushing pension reform high on the agenda, the dependency ratio constrained the options for privatisation of the public pillars given the huge transition costs that would be involved for a full privatisation. For this reason, a full privatisation was never on the political agenda in most of the 14 reforming countries, even from the most ardent supporters of pension privatisation (Orenstein, 2000). In Hungary, the neoliberal finance minister Bokros, floated the idea of a full privatisation when he was appointed in 1995, but this was quickly dismissed as unachievable, due to the huge transition costs it would entail (Ferge, 1999). Similarly, in Poland, an original proposal in 1991 advocated a mixed system with half with half of all earnings above 120 per cent of average earnings to be diverted to a private pillar (Topinski & Wisniewski, 1991). A Ministry of Finance proposal went even further, arguing for three-quarters of pension contributions to be diverted to a private pillar with only one-quarter remaining in the PAYG pillar. The transition costs of such a proposal were seen as too big an obstacle to overcome, estimated at 5 per cent of GDP (Golinowska, 1999). Only in Kazakhstan, was a full privatisation of the pension system carried out in the same manner as Chile's. This was also carried out against the advice of the World Bank, as advisers there believed the preconditions – such as the regulatory framework and functioning capital market – for a pension privatisation were not present in Kazakhstan at the time of reform:

> EA: "You know I worked on the Kazakhstan reform and there were a group of people who wanted me to work on it there because they knew I wasn't dogmatic about it.
>
> INT: "So basically, the initial conditions were not right in Kazakhstan so they thought to send you there because you were not dogmatic?"
>
> EA: "Exactly. And it was interesting because Kazakhstan wanted the Chilean approach and what we did there was to try and ensure that it had half a chance of working. By providing a lot of technical assistance and trying to ensure there was a reasonable regulatory structure. And now I think Kazakhstan is one of the countries where the governments reversed the reforms." (Interview with Emily Andrews, World Bank, August 2017)

Reformers across the region settled on a partial-privatisation as the most viable systemic reform to embed the principles of funding and marketisation into pension systems. The strategy was akin to layering described by Hacker (2004) and Streeck &Thelen (2005). Since a full privatisation of the system was not possible due to the considerable transition costs, the layering of a private element on top of the public element could see the private pillar supplant the public pillar over time as the most important pillar for pension provision and eventually completely replace it. This type of institutional change is described by Mahoney and Thelen (2010) as the strategy of 'subversives' (see Chapter Two) whom wish to close down an institution but must do so over time because of the huge upfront costs involved in a full scale closing down. The World Bank often advocated sequencing of reforms in the switch to a funded model. It was aware that a full privatisation of the pension system would effectively double the cost of pension provision in the short run, destabilising the reforms. It therefore advocated a sequencing process entailing the tightening of benefits from the PAYG pillar to create fiscal space, alongside regulatory reforms to prepare for the capitalisation of retirement income (World Bank, 1994).

The Path Dependency Inherent in the Partial Privatisation of Central and Eastern European Pension Systems

The pension reforms across the region entailed two separate reforms. The introduction of a mandatory second pension pillar was accompanied by parametric reforms to the public pillar, such as raising the retirement age, or in the case of Latvia and Poland, introducing a notionally defined contribution (NDC) scheme[8]. It also included the elimination of branch privileges, removing the more generous benefits for certain occupations. For political expediency, tactical sequencing was deployed in many countries, introducing the less contentious second pension pillars first, before undertaking more unpopular reforms to the public system (Müller, 1999). However, reforming the first pillar proved to be much more difficult than introducing a mandatory

[8] NDC schemes function as PAYG schemes in terms of contributions – the working-age population finance the incomes of the retired population. However, the benefits behave like a defined contribution scheme, by accumulating a notional fund with a rate of return. The parameters of the scheme can automatically adjust to mean it is always sustainable.

second pillar. In Pierson's (2000) terms, the restriction of public pension benefits induced a negative feedback loop. For example, in Poland the elimination of branch privileges (special pension privileges for specific industries) was not attempted until 2005, six years after the introduction of mandatory second pillars, despite branch privileges constituting one-third of the total public expenditure on pensions (Armeanu, 2010). These attempts encountered fierce resistance. Reforms to miners' pensions were met with 8,000 miners assembling outside parliament while the debate was going on, deterring MPs from voting in favour of the reforms. Aleksandrowicz (2007) estimates that in total, 100 occupations benefitted from the privileges and successive governments have been unable to retrench this socialist legacy, it is argued that it systematically undermines the principles of the pension system. Special privileges in Bulgaria were also not reformed alongside the introduction of the mandatory second pension pillar. In addition, at time of multi-pillar reform, the original planned retirement age of 65 was reduced to 63 for men if they have 37 years of insurance contributions and 60 for women if they have 34 years of insurance contributions (Müller, 2003). It was not until 2015 that the retirement age was finally legislated to increase to 65 years.

Despite the necessity to reform public pension pillars in order to enhance sustainability and reduce costs, a trend to increase the generosity of the public pillar continued in some countries across the region. This logic is rational for political actors who are able to claim credit for immediately raising the retirement income of pensioners, whilst the costs are borne by future taxpayers (Pierson, 2000). However, it violates the logic of a funded pension scheme, crowding out the fiscal space for a funded pillar and in the case of some countries exacerbated their fiscal position just before the onset of the global economic crisis. For example, in Hungary in 2002, the Socialist Party introduced a 13th month pension entitlement to compensate for past inadequate indexing (Simonovits, 2011). This increase in spending was not matched by an increase in contributions. As a consequence, by the time the financial crisis hit the global economy, Hungary was running a budget deficit of 9% of GDP. In Poland, in 2015, the populist Law and Justice Party (PiS) ran on a platform to reverse the planned increase in the retirement age to 67 down to a retirement of age of 60 for women and 65 for men. This demonstrates the temptation for governments to prioritise the short-term in pension provision, over long-term sustainability.

Interests and the Partial-Privatisation of Pension Systems

Material interests have also been a part of the process of pension reforms and counter-reforms. The decision to introduce a mandatory private pillar to the pension systems of Central and Eastern Europe had the material incentive of World Bank technical assistance and loans to assist with the implantation of reforms. These loans did not come with the explicit condition to part-privatise the pension system (Orenstein, 2008); it was therefore not an example of the hard conditionality synonymous with international financial institutions in the 1980s. Rather, a country which had decided to implement a multi-pillar pension reform, did so in the knowledge that World Bank support and loans were available to assist the process – a softer material incentive than the conditionality of the past (Appel & Orenstein, 2013). Figure 6.3 shows an analysis of World Bank loans for pension reform - it shows that the region was one of the most popular recipients for World Bank technical loans, alongside Latin American and the Caribbean, the other region where multi-pillar reforms have been prominent.

Table 6.3 World Bank Lending Operations in Support of Pension Reform 1984 - 2005

Region	Countries (Number)	Projects (number)	Commitments ($ bn)	Size of pension component ($ bn)
Africa	14	26	1.5	0.1
East Asia and Pacific	4	7	7.4	0.5
Europe and Central Asia	25	93	10.8	1.5
Latin America and Caribbean	15	57	10.7	3.1
Middle East and North Africa	6	9	1.1	0.1
South Asia	4	12	2.7	0.1
Total	68	204	34.2	5.4

Source: Independent Evaluation Group (2006, p. 12)

The data above includes loans for all types of pension reforms, a closer analysis shows that most loans were for pension reforms that entailed a multi-pillar reform as shown below in table 6.4. This financing from the World Bank was used to set up the new systems and regulatory frameworks required for multi-pillar reform, alongside assisting some of the transition costs in the switch to a funded system.

Table 6.4 Pension Lending by Pillar

Loan pillar type	Pension system type in recipient country	Countries (number)	Projects (number)	Total commitments ($bn)	Total size of pension component ($bn)	Average no. of projects per country	Average size of pension component per country ($mm)
Pillar 1	PAYG system	45	100	13.5	2.4	2.2	53.7
	Multi-pillar system	21	70	13.5	2.7	3.3	126.4
Pillar 2	Multi-pillar system	20	43	5.2	1.7	2.2	84.4

Source: Independent Evaluation Group (2006, p. 14)

Material resources for pension privatisation were also provided by sources other than the World Bank. The IMF tacitly supported pension reforms by not including pension debt to form part of the calculation for country debt levels (Appel & Orenstein, 2013). USAID provided technical assistance to reforming and even managed the creation of the pensions regulator in Hungary. In addition, it created a system of social security numbers in Croatia, Kazakhstan, Kosovo, Macedonia, Slovakia, Romania and the Baltic States (Orenstein, 2008). A further incentive for reformers was the prospect of being employed by the World Bank as a consultant to advise other reforming countries or to be serve as a specialist in Washington, D.C. (Appel & Orenstein, 2013).

A further material incentive to pursue pension privatisation came from the promise of increased international investment when reforms were pursued. Chapter Five noted that the region pursued avant-garde neoliberal policies as a signalling device to attract international investment, this included pension privatisation and also implementing a flat tax structure. This was to commit them to creating an exceptionally liberal investment climate (O'Dwyer & Kovalcik, 2007). Whilst both of these policies had initial fiscal implications - transition costs for pension privatisation and lost revenue for flat tax policies - reformers believed these reforms would attract considerable international investment. Data on investment appears to support this assumption. IMF data on international investment shows that in the years preceding the global economic crisis, Central and Eastern European states had the highest in net financial inflows per GDP in the world (Becker et al., 2010, p. 5; IMF, 2008, p. 283). Moreover, a study on the adoption of pension privatisation is correlated with a 57.4 per cent increase in the rate of foreign direct investment (Reece & Sam, 2011).

Part Two: Pension Reform Reversals in Central and Eastern Europe

The wave of reform reversals in Central and Eastern Europe was even more rapid than the earlier spread of privatisation. There were also variations in the reform reversals, as shown in Table 6.5. Some countries went for a full nationalisation of the funded pillar, which represents a complete and permanent reversal of pension privatisation. This option was chosen by Hungary, Kazakhstan, Poland and Czech Republic, which chose to close down its second pillar after only three years of it being in operation. Other countries opted to scale down the size of the second pillar, permanently reducing its size. This was the reform option of Slovakia, Russia, Romania, Lithuania and Bulgaria. Estonia and Latvia showed more commitment to their funded pillars with payments to the second pillar suspended to ease the fiscal crisis, but then continued again three years later. In the case of Estonia, the private pillar contributions were increased to make up for the shortfall in the years they were reduced. In Kosovo and Croatia, the second pillars have remained intact without any temporary or permanent reversals. The analysis of this section also draws on ideational, institutional and material explanations for the reform reversals.

Table 6.5 Pension Reform Reversals in Central and Eastern Europe

Country	Year of Reversal	Type of Reversal	Permanent or Temporary
Estonia	2009	Partial	Temporary
Latvia	2009	Partial	Temporary
Lithuania	2009	Partial	Permanent
Hungary	2010	Complete	Permanent
Russia	2012	Partial	Permanent
Kazakhstan	2013	Complete	Permanent
Poland	2013	Complete	Permanent
Slovakia	2013	Partial	Permanent
Bulgaria	2015	Partial	Permanent
Czech Republic	2016	Complete	Permanent
Romania	2017	Partial	Permanent
Kosovo	-	No Reversal	-
Croatia	-	No reversal	-
Macedonia	-	No Reversal	-

Sources: Appel & Orenstein (2013), Drahokoupil & Domonkos (2012), Krzyzak (2014; 2017)
Price & Rudolph (2013)

Ideas as a Source of Pension Reform Reversal

Ideas were also a mechanism of institutional change in the counter-reforms that were carried out across the region. Chapter Five explained how Central and Eastern Europe was acutely exposed to the global financial crisis. Through its integration in global capital markets and exposure to declining export markets, the region was dramatically hit at the onset of the crisis. Table 6.6 shows the dramatic impact of the crisis on the growth rates of countries of Central and Eastern Europe, it was the worst affected region in the world.

Table 6.6: GDP Growth in Selected Countries 2007-2013

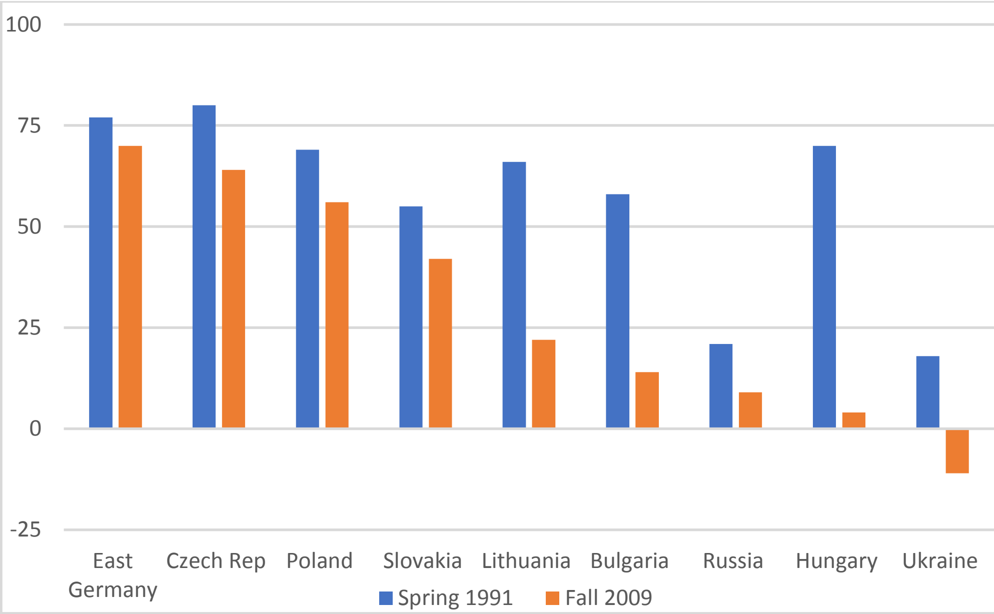
Country Name	2007	2008	2009	2010	2011	2012	2013
Lithuania	11.09	2.63	-14.81	1.64	6.04	3.83	3.50
Estonia	7.75	-5.42	-14.72	2.26	7.60	4.31	1.94
Latvia	9.98	-3.55	-14.40	-3.94	6.38	4.03	2.43
Russian Federation	8.54	5.25	-7.82	4.50	5.28	3.66	1.79
Slovenia	6.94	3.30	-7.80	1.24	0.65	-2.67	-1.13
Croatia	5.15	2.05	-7.38	-1.42	-0.33	-2.24	-0.65
Hungary	0.43	0.86	-6.60	0.68	1.66	-1.64	2.10
Romania	6.86	8.26	-5.91	-2.81	2.03	1.24	3.53
Slovak Republic	10.80	5.63	-5.42	5.04	2.82	1.66	1.49
Czech Republic	5.60	2.68	-4.80	2.27	1.78	-0.80	-0.48
Bulgaria	7.34	6.02	-3.59	1.32	1.91	0.03	0.86
Serbia	5.89	5.37	-3.12	0.58	1.40	-1.02	2.57
Bosnia and Herzegovina	5.73	5.58	-2.99	0.87	0.96	-0.82	2.35
Macedonia, FYR	6.47	5.47	-0.36	3.36	2.34	-0.46	2.93
Kazakhstan	8.90	3.30	1.20	7.30	7.40	4.80	6.00
Poland	7.03	4.25	2.82	3.61	5.02	1.61	1.39
Kosovo	7.29	2.64	3.34	3.31	4.81	2.90	3.43
OECD members	2.50	0.18	-3.54	2.87	1.80	1.25	1.42

Source: World Bank Database

The crisis crystallised the negativity towards market transition across the region. Even before the crisis had hit, surveys revealed a stark scepticism towards free markets and neoliberal institutions. A poll conducted in Central and Eastern Europe in 2009 by the Pew Research Centre found a decline in the support for market-based capitalism in comparison to the beginning of the transition period. As Figure 6.2 shows, the decline in support in some countries was dramatic. For example, in Hungary, capitalism had a net approval rating of 70 in the spring of 1991. By the fall of 2009, this had dropped to just 4. In the Ukraine, the net approval rating for capitalism was negative, with more people disapproving than approving of market-based institutions.

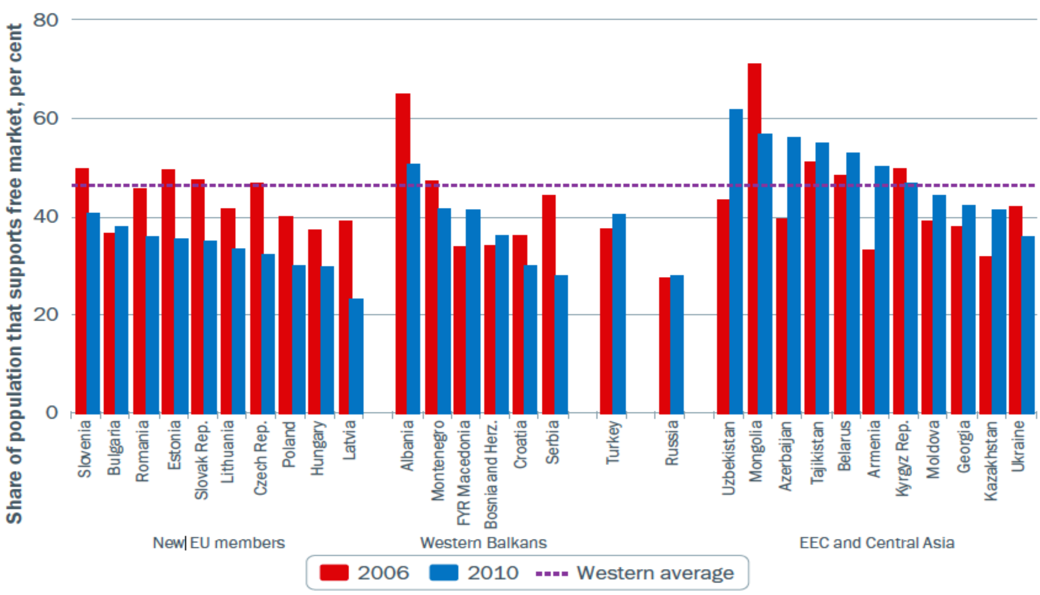
A closer reading of the surveys shows a consensus forming in the region, at the time of the crisis, that the transition to market-based capitalism had been good for business owners, but bad for ordinary people (Pew Research Center, 2009). This was echoed by findings in surveys by the European Bank for Reconstruction and Development (EBRD). In the 'Life in Transition' surveys conducted before and after the crisis (shown in Figure 6.3), in a relatively short period of just four years, support for free market capitalism had declined in most countries across the area. For example, belief that the market economy was superior to any other economic system declined by 10 percent in Poland, the leading reform country, from 40 to 30 percent. Fewer than one-third of the population in Poland, Czech Republic, Hungary, Lithuania, Latvia, Russia, Croatia, and Serbia believed in the supremacy of the market economy in 2010, compared to approximately 65 percent in Sweden and Germany. It should be noted however, that this trend is not unique to the post-communist region, countries across the developed world grew more hostile to the idea of free markets following the global economic crisis.

Figure 6.2 Net Approval Rating for Market-Based Capitalism Spring 1991 and Fall 2009 Compared



Source: Pew Research Centre, 2009
Adapted from Pew Research Centre (2009), Q13. Approval rating is equal to the difference between Strongly Agree/Agree and Disagree/Strongly disagree, excluding don't knows.

Figure 6.3 Share of Population that Strongly Supports the Idea of Free Market Capitalism



Source: EBRD (2013)

For opponents of pension privatisation, the extent of the crash laid the ground for a swift reversal. As Chapter Seven will outline in more detail, many of the design flaws of the system had been brought into focus before the crisis. The exorbitant fees charged by fund managers threatened to have a dramatic adverse effect on the retirement incomes of those drawing a proportion of their pension from the second pillar. Nominal administration charges that sound small, grow exponentially over the life course of the portfolio significantly reducing retirement income. For example, a 1% administration charge reduces the final pension by over 20 per cent (Barr, 2001). In addition, the poor performance of the portfolios (discussed below) and the large transition costs, all provided ammunition for ideational attacks on the second pension pillar from the opponents of the reforms, or from opportunists seeking to ease the fiscal burden of the second pillar. In sum, the early crisis environment was conducive to a reversal of market-based reforms in favour of statist welfare reforms.

Path Dependency and Pension Reform Reversal

The obstacles to a full privatisation outlined above also incentivised the reversal of the system. The shift to a funded system was argued by its proponents to improve the sustainability of pension systems in the face of an ageing population (World Bank, 1994). Its core philosophy entails the setting aside of additional resources to finance pensions in older age, alongside the funding of the current generations. By investing in equities as resources for income in retirement, it was also believed the system would aid the development of capital markets of countries in transition from state planned socialism to capitalism (World Bank, 1994). However, the insistence by some governments that pension providers invest large proportions of the portfolio in government bonds, violated these principles. It ensured the funded system operated as a PAYG system in all but name. An exception was the Baltic States where there was a shift to portfolios with a significant proportion of equities.

Policy makers had several options to finance the transition to a partially-funded pension system (Fultz, 2012). Government expenditure could be retrenched in other areas to ensure the move to a funded system was revenue neutral. Taxes could have been raised to finance the transition costs (Fultz, 2012). A further option was to use the revenue generated from the sale of state-owned enterprises to finance the transition. Instead, most governments in the region chose to finance the transition costs primarily through borrowing. By doing so they failed to fundamentally change the institutional logic of the PAYG pension system. In the past, contributions to the public pension system were paid in to the public scheme and used to finance current expenditure. Now, the only difference entailed some new intermediaries, but essentially contributions to the funded system were still being used to finance current pension expenditure on the unfunded system (Guardiancich, 2011).

As a result of this continued institutional logic, governments seeking re-election still had the same incentives to expand the first pension pillar since the costs were met primarily by future tax payers, whilst credit for expansion or lack of retrenchment was immediate. In Hungary these incentives led to the introduction of the 13th month pension entitlement in 2006 (Simonovits, 2011). In Poland, this manifested itself in the continued provision of branch privileges to certain classes of employees (Armeanu, 2010). In marked contrast, the Estonian government did not issue government bonds during the transition period (Bloomberg, 2015). Estonian second pillar portfolios instead consisted primarily of foreign government securities (Drahokoupil & Domonkos, 2012). This strict adherence to a balanced budget has meant the that the institutional logic underpinning the pension system in Estonia is different to others in the region. In Estonia resources are truly set aside for retirement.

Interests as a Mechanism of Pension Reform Reversal

Many of the mechanisms described here are related to the cost of transition in shifting to a funded pension system. In summary, this cost acted as a constant thorn in the side in the fledgling private pillars. It raised the budget deficit, forcing the governments of the region to borrow to finance transition (Drahokoupil & Domonkos, 2012; Fultz, 2012). It also incentivised them to encourage pension funds to hold a significant share of government bonds as a proportion of the total portfolio (Datz & Dansci, 2013;

Guardiancich, 2011). Moreover, the transition costs constrained the size of the private pillar and therefore limited the efficient functioning of the pillar by restricting the gains from economies-of-scale in reducing the cost of administration of managing individually funded accounts (Broeders, et al., 2015).

Yet, alongside these costs of pension reform, there was a substantial parallel benefit, which could be realised by closing down the private pillar – accumulated pension funds. As the debt-to-GDP ratio grew year-by-year, so too did the size of the accumulated pension fund as a growing incentive to reverse the reforms. The ease with which the governments in the region have seized the accumulated pension assets has violated many of the propositions that proponents of multi-pillar pension had posited (World Bank, 1994).

One of the principles that supposedly underpinned the rationale for multi-pillar pension reforms was one of individual property rights. Individual accounts were considered the private property of contributors. It was believed this rendered them free from government manipulation (World Bank, 1994). Indeed, the justification for multi-pillar reform was to diversify risk. The use of the private sector in pension provision was thought to mitigate against the risk of government interference in the private element of the pension system (Holzmann, 2000). This was proved incorrect.

This issue highlights the difference in time horizons between politicians seeking re-election and policy entrepreneurs advocating their view of an optimal pension system. The proposed benefits of multi-pillar pension reform take decades to materialise yet politicians are motivated by the electoral cycle. Their incentives are therefore much more focused on the short-term. Locked within the fiscal parameters of financing the transition costs, there is built-in a double incentive to renationalize the pension system. The first is the elimination of transition costs, the second is the appropriation of the accumulated pension assets. For example, in the case of Poland, which seized only the government bonds, this reduced the national debt by 8 per cent of GDP (Atkins, 2014). In Hungary, where all accumulated assets were seized, the size of the accumulated fund was about 9 per cent of GDP (Simonovits, 2011). Although, unlike Poland, this was not all used to play down the national debt (Simonovits, 2011). For office-seeking politicians this incentive structure proved hard to resist. In the case of Hungary, this act was carried out by a long-term opponent of the multi-pillar pension system. However, in Poland the reform was conducted by the economically liberal Civic Platform (PO), previous supporters of the pension reform. This suggests this action is not limited to long-term opponents of pension privatization.

The nationalisation of pension assets is not limited to the governments of Central and Eastern Europe. Whilst the closing down of the second-pension pillars demonstrated an overt nationalisation, it is a propensity that has also been carried out in Western Europe as well, to alleviate fiscal pressures in the wake of global economic crisis. In Ireland, €4.4bn of the country's national pension reserves were used to finance the bank bailout (Altman, 2013). Meanwhile, France and Spain also used pension reserve funds to finance current expenditure (Casey, 2014). In the UK, the Coalition Government nationalised the pension assets of the Royal Mail (Williams, 2012). The privatisation of the Royal Mail had been a long-term goal of the Conservative Party. However, an obstacle to the process lay in the pension liabilities the private sector would have obligations for once it took ownership. As a way to circumvent this obstacle, the Coalition Government agreed to honour the pension liabilities of Royal Mail, freeing the private sector from these obligations. Whilst this entailed long-term obligations for the state, in the short-term, £28 billion of pension assets was subsumed by the state. In a similar fashion, Portugal nationalised the pension assets of Portugal Telecom (Altman, 2013). This series of nationalisations of private assets points to a growing trend of government action in both mandatory and voluntary pension pillars (Casey, 2014). It is a mechanism that reinforces PAYG pension funding in both cases.

Part Three: Global Pension Policy Ideas After the Reversals

The first two parts of this chapter have offered an institutional analysis for the pension reforms and counter-reforms of Central and Eastern Europe. By drawing on the different strands of the institutional literature it has demonstrated the various mechanisms for the pension reform and counter-reform process. The purpose of this section is to demonstrate how this process has shaped the global pension policy discourse. Transnational actors different organisations, with different values and preoccupations have all drawn similar lessons from the region's experimentation with privatisation. The overarching conclusions are: that the transition costs involved in the switch to a multi-pillar system may be too difficult to overcome; that politicians with short time horizons may find the accumulating pension funds too tempting to avoid raiding; and that the actions of those who renationalised their private pillars were undesirable as they further eroded trust in a pension system with historically low levels of trust. The original proponents of pension privatisation also acknowledged there may have been too much optimism for the potential that private pension pillars offered. However, there was also some variation in the interpretation of the pension reform experience in the region. For the proponents of pension privatisation, the EU might have been more accommodating with its insistence on adhering to the Stability and Growth Pact (SGP). In addition, the original proponents have also argued that the timing of the global economic crisis was a critical factor in the scaling down or abandoning of the second pension pillars. Here the argument was that if the crisis had come later, and the second pillars were more established, the returns on investments would have been much more pleasing than they were at the time of the crisis. This might have stabilised a path departure and created a new path dependency. However, at the onset of the crisis, Hungary had just begun to diversify its second pillar portfolios, this meant a larger proportion of the portfolios were invested in equities just as the markets were about to make dramatic losses.

Fiscal Explanations for the Counter-Reforms

Transnational and domestic actors all cited the transition costs for the reform reversals in Central and Eastern Europe. The fiscal implications of moving towards a multi-pillar pension system were offered as a key causal factor in the reform reversals by the full range of domestic and transnational actors, regardless of their stance on multi-pillar pension reform. For example, two key proponents of multi-pillar pension reform offered the following as one factor in explaining the pension reform reversals:

> "First and foremost, it was because of the fiscal situation. Not all of the things that were planned during the reforms went as they were expected. So, for example, most of the transition costs came from raising the debt levels rather than savings in the pension systems or current tax revenue or privatisation revenues."
> (Agnieszka Chlon-Dominczak, former Deputy Minister of Labour and Social Policy and World Bank Consultant, January 2017).

> "Transition costs were something which was underestimated and should have been given more attention than they have been given. Perhaps those who were negotiating on the ground were afraid, if you push too much with the transition costs, the country wouldn't do the reform, or even within the government they had these kind of things, but also a lot of them didn't want to emphasise, but also there was a lot more optimism from reforming countries policy-makers and one of the illusions there which I wasn't able to diffuse, would offer a lot of resources to finance the transition costs."
> (Robert Holzman, former Director of Social Protection and Labour, World Bank, December 2016).

Likewise, prominent critics of multi-pillar also cited the fiscal problems of trying to move from a PAYG system to a funded one the explanations were almost identical regardless of the previous stance on the issue:

> "Any move from PAYG to funding has transition costs because if your contributions are paying for my pension, but then you're told no, your contributions will pay Martin's individual account. The question then is who pays my pension? The answer has to be the government one way or the other."
> (Nicholas Barr, London School of Economics and former World Bank Consultant, December 2016).

> "There are differences from country to country, but generally, the main reason for the reversals or temporary reversals in some cases was the fiscal situation and fiscal concerns, so the transition costs of the reforms resulting in additional deficit in the public finances, the point during the crisis for many countries, the easiest way to ease the fiscal situation by either suspending contributions to the second pillar or limiting them or stopping them."(Krzysztof Hagemejer, former Chief of Policy Development and Research, ILO Social Security Department, August 2017).

However, whilst there was unanimity of this as a causal factor, there was some nuance in how this was interpreted. The EU's Stability and Growth Pact was viewed as too inflexible in accommodating the multi-pillar reforms and their associated transition costs by those who were initially supportive of the reforms:

> "Unfortunately, the EU Commission was slow and ineffectual in changing the rules to accommodate the pension reforms. What I have in mind is countries that introduced a funded pillar, they were reducing implicit debt, but because of the double burden increasing explicit debt. Measured by EU criteria the countries had problems. The commission did not help them, and recognise implicit debt was just as dangerous explicit. One could say implicit debt is an explicit debt with a lower probability, but it is not zero. So, in this sense there was no help, no movement. Maastricht should recognise structural reforms and importance of implicit debt. They use the assumption that explicit debt has a 100% probability of being paid back whereas implicit debt has zero. We all know one can default on explicit debt and one can actually take seriously for political economy reasons implicit debt. The EU had enough time to do analytical work and come up with reforms. That was an important reason"
> (Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).
>
> "Countries underestimated the difficultly of making savings for the transition costs. They thought we would have higher growth and this and that, so they did not make sufficient provisions. Linked with this the EU and also the IMF were not helpful in their budget calculation (Maastricht criteria), presentations you know the issues of the transition costs - the deficit. So as a result, they had to become more contractionary and here maybe the reforms were oversold, it needed to have a strong fiscal mechanism. This is one part and it is a major part, so it needed to be more fiscally tight."
> (Robert Holzman, former Director of Social Protection and Labour, World Bank, December 2016).
>
> "For those countries that are a member of the EU this whole issue of whether the transition cost count as debt or not was a huge issue."
> (Monika Queisser, Director of Social Policy, OECD, January 2017).

This view sees the transition costs as 'good debt' and not an example of fiscal profligacy that the SGP seeks to eliminate. The proposition is that the EU did not understand the principles underpinning the reforms and that Central and Eastern Europe was enacting reforms that all countries would one day need to undertake in order to make pension systems sustainable. The issue strikes at the heart of one of the main debates between the ILO and World Bank, namely whether pension liabilities for future generations should be accounted in the same way as national debt.

> "There was a lack of understanding that Central and Eastern Europe was leapfrogging the rest of Europe, and that means you don't just copy, you try to find a faster way to develop the capital market, to contribute to growth as well to have a higher number of future pensions with higher diversity. There was an understanding with some individual researchers, but no understanding within the institution (The EU Commission) at large of the reforms in CEE." (Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).

> "Well If we're thinking colloquially, we can go beyond Maastricht, there are headline budget deficit and debt figures and they're not taking into account what happens in the unfunded liabilities side, they are not systematically measured and reported. The EU context and the specific Maastricht criteria, the accounting is getting better, in the sense of 2017 there will be a requirement of international accounts to report unfunded pensions liabilities on an accrued basis for all EU, but that's the first time it's happened. It will take a long time for these to become recognised. We feel these are real liabilities that have macroeconomic impact that cannot be simply wished away."(Robert Palacios, Global Lead Economist, Social Protection and Labor, World Bank, January 2017).

However, not everyone supported the view that transition costs should have been kept off the balance sheet for EU Maastricht Criteria. The ILO's former director of Russia, Central Europe and Central Asia argued that the initial accommodation from the EU, of allowing the transition countries and Sweden to keep transition costs off the balance sheet highly generous. She went to argue that it did not make sense for a continued exception for these countries in the treatment of their budget deficits.

> "The EU was more than generous with accommodating the transition costs. The case for exception didn't stack up."(Elaine Fultz, Former Director of Russia, Eastern Europe and Central Asia, ILO, January 2017).

In summary, transition costs were cited as the main causal factor in the counter-reforms across Central and Eastern Europe. The high cost of diverting funds from the first pillar to individually funded accounts was seen as the main difficulty in maintaining a mandatory funded pillar carved out of the first pillar. The nature of the debt meant that it was explicit and long-term, continually undermining support for funded pillars from politicians. For global pension policy this has significant implications for the advocacy of funded pillars. Where a country has a mature PAYG system in place, the prospect for a robust mandatory second pillar that is not closed during an economic downturn seem unlikely. The Holzman and Hinz (2005) update to Averting, which will be discussed in more detail in Chapter Seven, developed 'robustness' as part of a set of criteria which pension systems should seek to fulfil. Robustness is the ability of a pension system to withstand major shocks. The experience of Central and Eastern Europe with mandatory second pillars has led to a reassessment of their robustness in the face of major shocks. The assumption that individual pension accounts were robust as they were protected by private property rights has proven to be a false one, to the surprise of the reformers:

> "When I did the reforms, I expected the pension funds and chamber to be far more effective at defending the second pillar. If you asked me in 2001/2002 whether this could happen I would have said it's impossible this could happen. This is a separate discussion, why the funds proved to be so ineffective." (Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).

This is a significant re-evaluation by the one-time proponents of multi-pillar reforms. It suggests that the assumptions that the establishment of a multi-pillar system would install actors into the political process that will protect financial interests has proven to be false. Despite the growing resources of the pensions industry in Central and Eastern Europe, it did not manage to use these resources to mobilise its interests or shape the political process in its favour.

The Poor Performance of Second Pension Pillars

Another common theme that runs through the responses from transnational actors was that the second pillar pensions had not performed as well as expected. This poor performance is the result of a combination of factors, which can be interpreted in various ways. For proponents of multi-pillar pension systems, it relates to poor implementation and the timing of the global economic crisis, for its opponents the system design flaws were inherent in the switch to a multi-pillar system with mandatory second pillars.

> "They never implemented it properly. It was poor. The whole system, the market oligopoly that was created by the system, the whole fee levels which by 2010, were not too bad in international comparison, but for most of the period were high and returns were not very good. So, in other words you had a system that a system that took money from the social security system and did not provide good returns. So, for an incoming government it was quite easy to discredit the system and say we didn't need it. I think that's basically the main issues why they

demolished it and it was done very easily. You know not many people revolted against it."(Peter Holtzer, Former Chairman of the Hungarian Asset Managers' Association, Hungarian Pension Expert and consultant to the World Bank, January 2017).

A further criticism centred around unrealistic promises that were made by proponents, which coupled with poor implementation, weakened support for the multi-pillar system. However, there was no acknowledgement by these proponents of multi-pillar reform, that it was the World Bank which had been influential in overselling the benefits of multi-pillar pension reform. As Chapter Seven will explore, Averting the Old Age Crisis was written in a particular way to hint this. Instead actors associated with Averting speak of these proposed benefits as though they were external to the entire World Bank campaign:

"I do think the performance of some of the pension schemes was not up to expectations, some of the implementation of pension schemes was done pretty badly. I think that reduced credibility and public support for the reforms."(Robert Palacios, Global Lead Economist, Social Protection and Labor, World Bank, January 2017).

"People thought if they did the second pillar reforms they'd get the effects on growth, financial markets, employment. And right up to the most recent crisis after some initial problems, some growth has taken place, it was not as strong as we would have hoped and certainly not as strong for some countries it needed a bit of the 1990s, with higher growth rates and then by 2007/8 everything was over and then you have the strong contraction taking place there and so this another part of it. The optimistic scenarios they had in mind aren't really there."(Robert Holzman, former Director of Social Protection and Labour, World Bank, December 2016).

In drawing on the reform experiences of Latin America, Nicholas Barr, a principal critic of the multi-pillar reforms in both Latin America and Central and Eastern Europe, argued that administration costs and poor compliance had damaged the reputation of mandatory pension pillars across the globe:

"The second reason, which applies in Latin America (except for Chile), is that of administration charges, a lot returns end up disappearing in administration charges. Compliance in Latin America, as they lacked the institutional capacity, – including collusion with employers, such as declaring that you're earning minimum wage when in fact you're earning a lot more. Result: not a lot of

> contributions went into your funded account. And of that did a lot of it disappeared because of high administration costs. So, they retreated because the original design exceeded the countries' institutional capacity." (interview with Nicholas Barr, December 2016).

The poor performance of the second pillar has both ideational and path dependent influences on global pension policy. For the original proponents of multi-pillar reforms, the crisis provided ammunition to the opponents of mandatory pillars, giving them justification to make the counter-reforms through an ideational attack on the second pillars:

> "Success on the reform was predicated on a good performance of financial markets, which should be measured in the long term, but nonetheless performance after the crisis and in general financial markets meant enemies of the reform had a good time in criticising the structure of the reforms. And I think this is the first element, which is in a way objective element. Although they were not measured in the right timeframe."
> (Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).

However, there was also a path-dependent aspect to the poor performance of the second pillar. As was noted by Monika Queisser, the small size of the contributions to the second pillars meant that it was unlikely they would generate significant returns. Given the problem with transition costs, larger contributions to the second pillar to generate a greater return were not politically feasible. Therefore, the constraining nature of the mature public pillar meant that only a sub-optimal reform was possible, which rendered it vulnerable. In addition to the small contributions, the poor performance of the second pillar was also a product of the composition of the second pillar portfolios. Most countries stipulated that pension funds' assets were held primarily in government bonds in the early phase of reform, as discussed above. For the proponents of multi-pillar pension reform in Central and Eastern Europe this was initially desirable as capital markets were in the early stages of development.

> "I think there were unrealistic promises made, people expected to get a lot of money out of the second pillar really quickly and of course that wasn't possible because the contributions were too small to produce something big, the administration costs were enormous, we spent a lot of time talking to the Poles,

even the pension managers themselves saying you can't really make a credible argument to continue doing this if we don't get the administrative costs down."(Monika Queisser, Director of Social Policy, OECD, January 2017).

"When you start out with such a system, you as a pension fund starts, in the beginning there aren't many investment products, the stock market is small, so if you invest there you drive the prices up, you don't want to invest internationally as the money doesn't' flow back in the same way. It's not a question of having government bonds, it's a question of do you diversify over time. Maybe it could have happened faster but starting out wasn't a bad idea. Because it is something which is a known quantity for the asset manager. Everything else is pretty unknown."(Robert Holzman, former Director of Social Protection and Labour, World Bank, December 2016).

However, for some the regulations were too stringent, stifling the ability of the second pillars to generate adequate returns. The initial regulations should have been relaxed much sooner in order to enable the pension funds to make viable returns, which may have bolstered support for them on a more permanent basis:

"Right now, looking form the historical perspective. It could have been better. The problem was the initial design was to have one type of portfolio, but by 2004 starting from the implementation the law envisaged there would be different portfolio types. The idea was to get people acquainted with the system initially with relatively simple rules, where they don't choose portfolios, but choose a fund and then they are more accustomed they could choose. The problem is, this was not implemented, the history of the implementation, so the multi-funds were removed from the legislation was removed in 2005, everyone thought it wouldn't work, we tried to go back to this idea and that was part of the reforms we did for the prime minister's office, but again in 2008 after the crisis, no one was listening to the argument that we should diversify portfolios." (Agnieszka Chlon-Dominizak. World Bank and Labour Minister, July, 2017).

Accumulated Assets as a Temptation for Governments

A persistent theme that emerged from the interviews, on their perspective of the pension reform reversals, is the problem of accumulated assets and temptation they represent for national governments. Many proponents of pension privatisation had not foreseen the ease with which national governments could renationalise the second pension pillars. As discussed in the section on transition costs, this has implications for how robust private pension pillars can be thought to be. It was also expressed has having grave consequences for social policy making:

> INT: “Were accumulated pension funds too big a temptation for governments to raid the funds?”
>
> MR: “This is a great question, Nick Barr thinks this is the case. I don’t know the answer. At the same time, you have assets accumulating at different times which would be much safer than pension funds. The mandatory contributions makes it possible. If this is true, then it bodes very poorly for social policy making in the years to come. Which is for social policy to be effective it needs to be for private/public partnership. This is inevitable in my view, given ageing and limited fiscal resources. I can’t see if Hungary is to do this again in 1996 who the takers will be given the assets were seized, so this is a fundamental blow to the participation of the private sector in social policy provision. In many social objectives we need the private sector, and for that to happen we need to predictable rules.”(Michal Rutkowski, Director of Social Protection and Labor, World Bank, December 2016).

The confiscation of pension assets by the state violates one of the core assumptions that had been promoted by the World Bank as a justification for multi-pillar pension reform. The expectation that the government would be unable to intervene in pension provision once it was privatised was one of the key selling points of the reforms. Indeed, given the history of retrenchment and inadequate indexing of pensions in Central and Eastern Europe, this message was particularly relevant to the region (Fultz, 2012). Furthermore, the idea that pensions would be treated like private property was one of the main theories that underpinned the assumption that privatising pensions would have positive labour market effects. The idea being that taxes distort labour supply, but a funded pension would not as it would be considered private property. However, the entire experience of Central and Eastern Europe defies the expectations of property rights. The episode has taken the proponents of multi-pillar reforms by complete surprise.

> “Yeah, I have to say this is something frankly speaking why it didn’t come up, we didn’t think there would be political support behind such actions. Policy makers can always do stupid things, no country is immune, this happens, one really thought there would be more resistance, but perhaps you had this perfect storm coming together with the financial crisis, turned economic crisis, political crisis which come in parallel, there was not so much resistance. We had in our fantasy to imagine what would be needed to resist that. The belief was that these were

> people's property rights, there would be firm resistance to it, I guess do you think it was a conjuncture of all these factors coming together at once."(Robert Holzman, former Director of Social Protection and Labor, World Bank, December 2016).

In summary, the interaction between the neoliberal pension ideas and the institutions of Central and Europe has violated many of the assumptions that underpinned the case for multi-pillar reform. In turn, this has reshaped the neoliberal ideas of those who had previously promoted this as a desirable reform for all countries. The whole experience of mandatory second pillars and its impact on global pension policy is best captured by the Director of Social Protection and Labor at the World Bank:

> "At this point in time I would say the Bank is in search of a paradigm for the future. Because a lot of things happened in parallel… We are much more concerned with coverage, social pensions and poverty relief, because we supported funding and it is blamed for things it shouldn't be blamed, maybe because we neglected other things."

One final implication of the failure of the multi-pillar pension model in Central and Eastern Europe is the damage it has done to the authority of the World Bank. Chapter Two outlined the different sources of power that international organisations have. It was argued that they have power through their expert authority - this has been argued by Nicholas Barr to have been curtailed in the pensions field by the reversals to its model:

> "That's because it has been seen to lose the argument by people who care about the argument. It has been shown the system works badly in Latin America and Central and Eastern Europe, so the model has been discredited as a dominant all-purpose, everyone should do it model. Which I think is important. Have they changed their views? No not officially, they've changed what they do. Essentially, they've bowed out of pensions."(Nicholas Barr, London School of Economics and former World Bank Consultant, December 2016)

Conclusion

This chapter has elucidated the ideational, institutional and material influences over the pension reforms and counter-reforms in Central and Eastern Europe. It has then used this analysis to show how it has informed elite opinion of transnational actors in pension reform. The whole experience in Central and Eastern Europe, a region where international organisations were most active in shaping pension reforms, has altered the global position on mandatory pension pillars. There had never been a consensus within and between international organisations, as discussed throughout the thesis. However, whilst there are varying interpretations of the experiences of Central and Eastern Europe, a consensus is emerging between transnational and domestic actors that this type of reform is replete with a number of issues that may be insurmountable. It has led to earlier proponents of mandatory pension pillars to reassess their desirability. In the process, as the following chapters will show, this has opened up the possibility for cooperation rather than conflict in global pension policy. For opponents, it has been seen to lose the argument on multi-pillar reforms, which has led to the World Bank reorient the role of the Social Protection and Labor Department away from pensions towards social protection.

Chapter Seven

The Evolution of the ILO and World Bank's Position on Pension Systems

Introduction

This chapter analyses global pension policy through the discourses component of the ASID framework. It focuses on the pensions positions of the World Bank and International Labour Organisation (ILO) as the key actors in a global debate on pension reform. The analysis shows a convergence of ideas between the main organisations around pension policy. Global pension policy has evolved from a heated debate in the 1990s, to a more cooperative and consensual position from the main organisations in the field. The focus of this chapter is on the substantive elements of the pension positions of both organisations. Some of this development emerged from internal political battles, through the promotion of key personnel, which will be discussed in detail in Chapter Eight. The purpose of this chapter, is to analyse the content of the positions and to summarise the main issues in global pension policy.

The analysis in this chapter draws mainly from an analysis of over 100 policy documents . However, at times, it also draws on important commentary on the pension positions was generated during the elite interviews. The policy documents selected in this chapter have been highlighted as developing, and changing, the policies of each organisation. Each of these documents were referred to both in the interviews and the literature as influential and indicative of policy developments (Béland & Orenstein, 2013; Deacon, 2013; Ervik; 2005; Queisser, 2000; Orenstein, 2003; 2005; 2008; 2013).

The main finding is that both the World Bank and ILO have moved away from their entrenched positions in the 1990s to a more cooperative stance. The shifting of the pension debate away from public versus private and funding versus Pay-As-You-Go, has opened up space for dialogue and cooperation between the two main actors in global pension policy. During the heated debate, the main framing of positions was one of *sustainability* by the World Bank and *adequacy* by the ILO. Both organisations have moved towards a focus on extending the *coverage* of pension provision as the most important issue in pension advocacy.

The analysis begins by tracing the origins of global pension policy by outlining the position of the ILO after its formation in 1919. A number of conventions were drawn up in the interwar period, however, it was not until the end of the Second World War that a global campaign for social security was established. The model promoted by the ILO was a unified public scheme that guaranteed a minimum income in retirement. The consensus on social security and the advocacy led by the ILO remain unchallenged at a global level of international organisations for several decades (Orenstein, 2003). This was despite the neoliberal critique of the welfare state in the 1970s that was outlined in Chapter Five. A new pensions model and a break in the global consensus finally emerged in 1994 with the publication of *Averting the Old Age Crisis*. This chapter outlines in detail the multi-pillar pension model promoted by the World Bank and it's immediate criticism from the ILO. In addition, the chapter will detail the new position of the ILO on pension provision that begins with its more detailed response to Averting, publishing in 2000: *Social Security Pensions: Development and Reform.* Here it will be shown that the ILO conceded substantial ground in its intellectual battle with the World Bank's pension model. This led to a slow convergence on both organisations focusing on the coverage of pensions as the main focus rather than debates and competition around pension structures. The analysis ends with the ILO's social protection floor as the dominant model in the pension reform arena, where the pensions policies of both organisations have been subsumed into their wider social protection agendas.

The Social Insurance Era of the ILO

There are two distinct periods for the ILO in its position on old age income security. In the interwar years the ILO adopted a social insurance position on pensions and other forms of income security. After the Second World War, following the publication of the Beveridge Report in the UK, the position of the ILO evolved to a more comprehensive position in what was commonly coined the 'social security era' (Otting, 1993). The first ILO Conventions that dealt explicitly with old age social insurance were ILO Conventions 35 and 36, concerned with old age insurance in industry and agriculture respectively (ILO, 1933a; 1933b). These conventions called for social insurance of those in employment. For example, Convention 35 argued for a compulsory social insurance scheme for manual and non-manual workers:

> "The compulsory old-age insurance scheme shall apply to manual and non-manual workers, including apprentices, employed in industrial or commercial undertakings or in the liberal professions, and to outworkers and domestic servants." (ILO, 1933a Article 2).

Article Seven, of both Conventions, specifies the amount the pensions should be. It calls for either a fixed sum or a percentage of the remuneration considered for insurance purposes. It also advocates a fixed portion not dependent on the time spent in insurance. In addition, where contribution rates are graduated according to the wage, the Convention argues that the level of remuneration should be considered for the purposes of calculating the pension – effectively a wage-related pension commonly associated with social insurance schemes.

> "1. The pension shall, whether or not dependent on the time spent in insurance, be a fixed sum or a percentage of the remuneration taken into account for insurance purposes or vary with the amount of the contributions paid.
> 2. Where the pension varies with the time spent in insurance and its award is made conditional upon the completion by the insured person of a qualifying period, the pension shall, unless a minimum rate is guaranteed, include a fixed sum or fixed portion not dependent on the time spent in insurance; where the pension is awarded without any condition as to the completion of a qualifying period, provision may be made for a guaranteed minimum rate of pension.
> 3. Where contributions are graduated according to remuneration, the remuneration taken into account for this purpose shall also be taken into account for the purpose of computing the pension, whether or not the pension varies with the time spent in insurance." (ILO, 1933a Article 7).

The idea of compulsory social insurance was initially resisted by some constituents in the ILO (Otting, 1993). In the interwar period, with the exception of Germany and Austria, there were very few complete social insurance schemes in the world, which could act as blueprints or benchmarks. As a consequence, there were sceptical quarters within the organisation. For example, employers' representatives refused to a support a full prescription from the ILO on social insurance when cnventions on compensation for injury were discussed in 1925 (Otting, 1993). However, over time, the idea of compulsory social insurance covering the main risks, including old age, gained leverage within the organisation. By the time of the First Conference of American States (1936), which worked closely with the ILO, social insurance was argued to have a significant advantage over social assistance schemes as:

> (a) it associates the workers concerned, from whom a contribution is required, both materially and morally in the protection of their health and their working capacity;
> (b) it implies the establishment of autonomous insurance institutions dedicated solely to the organization of prevention and of the service of medical and cash benefits;
> (c) it grants benefits in virtue of definite rights, and thus preserves the self-respect of the beneficiary, who is secured against arbitrary decisions on the part of the body responsible for awarding benefits;
> (d) it guarantees the payment of benefits by the assignment of specific resources, and by distributing the cost over long periods in accordance with the rules of actuarial services.

The growing acceptance of the principle of social insurance and the increasing activism of the ILO in promoting it on the global stage, would be given a further impetus in the next decade as the allied powers began to plan for the social settlement that would enhance global peace and stability.

The Declaration of Philadelphia

As Chapter Five noted, global pension policy was born in the immediate aftermath of the Second World War. It was at this time the ILO transformed from a standard-setting organisation to a technical assistance one. As Sinclair (2017) argues:

> "The practices of technical assistance undertaken by the ILO were increasingly directed toward educating and assisting peripheral states in the adoption of technologies of government that aimed at both the reform of individual conduct and the regulation of society as a whole" (Sinclair, 2017, pp. 30-31)

The publication of the Beveridge Report in the UK in 1942 recast the understanding of income security in old age, popularising the expression 'social security' (Parrott, 1992). The ILO had been actively involved in the discussion and articulation of the report. Its core message of "freedom from fear and want" chimed with the desire of the ILO to create a new social settlement that would prevent the conditions for international conflict. From a global perspective, the most important document in pension policy was the Declaration of Philadelphia (1944). This was incorporated into the ILO's constitution and formed the cornerstone of its activities in the decades that followed. It recognises the:

> "solemn obligation of the International Labour Organisation to further among the nations of the world programmes which will achieve", among others, "the extension of social security measures to provide a basic income to all in need of such protection and comprehensive medical care" (ILO, 1944, Article III (f))

In order to achieve this aim, the Conference adopted two Recommendations, one on income security (Recommendation 67) and one on medical care (Recommendation 69). In the case of pensions, the recommendation calls for:

> "each of the main contingencies in which a person, ordinarily at work, finds themselves unable to work or to obtain it, or dies leaving a dependent family. These comprise: sickness, maternity, invalidity, old age, death of the breadwinner, and the disablement or death as a result of employment injuries" (ILR, 1944 p. 20).

The Recommendation on income security consists of thirty general guiding principles alongside numerous suggestions for their application. It first advises that every country should build up a unified income security organisation under a single authority, working closely with medical and employment services (ILO, Income Security Recommendation, 1944 (No. 67), 1944). This is similar to the configuration of the Department for Health and Social Security (DHSS) in the UK, which existed between 1968 and 1988. It is argued that social assistance should be temporary or transitory, as eventually all citizens should be covered under the social security system (ILO, 1944). It also calls for all self-employed to be covered under the social system as soon as ways can be found to organise their contributions.

The Recommendation has a number of Bismarckian features. It states that the distribution of costs of the benefit including the administration should be distributed among insured persons, employers and taxpayers. It also states that "[b]enefits should be related to the previous earnings of the insured person on the basis of which they have contributed". The Recommendation advised that in the case of unemployment and sickness insurance the benefit level for unskilled workers should not be less than 40 per cent of the previous net earnings and 60% of net earnings if the worker had dependents. However, it was advised to be capped at certain level, essentially a ceiling above the average wage of skilled workers. The Recommendation also had Beveridgean elements; it suggested that:

> "flat rates may be appropriate for countries where adequate and economic facilities exist for the population to procure additional protection by voluntary insurance" (ILO, Income Security Recommendation, 1944 (No. 67), 1944).

Such benefits were advised to be commensurate with the earnings of unskilled workers so that changes in the cost of living could be reflected in the benefit payment. On the level of pensions, the Recommendation was also Beveridgean in nature, calling for benefits of "no less than 30 per cent of the average wage of unskilled workers or 45 per cent for those with dependents", with additional benefits for young children. On state pensions it therefore advised a universal minimum, linked to average wages rather than a pension related to the individual contributors' earnings.

The Declaration of Philadelphia (1944) enshrined in the constitution of the ILO, a commitment to promote the extension of social security to all citizens. Furthermore, it recommended a unified administrative structure for the collection of contributions and the administering of benefits. The Declaration advocated that contributions should be made by the employer, the employee and through general taxation and it specified a minimum level of benefits. Given the destruction of reserves during the war, this essentially made PAYG pension systems the de facto recommendation of the ILO.

The Declaration influenced the activities of governments across the globe in the years that followed. Advice was sought from the ILO in the designing of social security schemes in the immediate post-war years. For example, the Czechoslovakian social security system that was created in 1948 was done so under the guidance of ILO staff at the request of the Czechoslovakian government (Schoenbaum, 1945). The guidance advised that the state should main its role in pension insurance and that a:

> "larger part of the basic pension amounts should be borne by the state" (Schoenbaum, 1945, p. 165).

The guidance also advised that the most important reform step for the Czechoslovakian government was a reform to the organisation of social security. It proposed an end to the large number of insurance providers arguing that the organisation of social insurance should be simplified by concentrating them in uniform territorial carriers of insurance (p. 160).

In Latin America, the Declaration of Philadelphia crystallised a growing movement within the region towards greater social security for workers that was noted above by the Labour Conference of the American States. In 1944, most countries in the Americas were enacting some form of social insurance legislation (Altmeyer, 1945). The Inter-American Conference on the Problems of War and Peace reaffirmed the commitment to the Declaration of Philadelphia it stated that:

> "American nations must develop their social policy, ratify international labour Conventions, and incorporate in their legislation and enforce the principles adopted at the various sessions of the International Labour Conference. They should draw up full plans for social security based on the principles approved by the International Labour Organisation" (Lopes, 1945)

Recommendations 67 and 69 paved the way for Convention 102 on Social Security (Minimum Standards), that followed shortly after in 1952. The Convention marked a step-change in global social security policy, since it introduced the idea of a minimum level of social security that could be attained anywhere in the world (Cichon & Hagemejer, 2007). It incorporated all the branches of social security, including old age security, that had previously been dealt with in separate conventions and recommendations. The Convention moved on from defining the classes of people that ought to be protected and instead argued that a specific percentage of the population be covered:

> The persons protected shall comprise--
>
> (a) prescribed classes of employees, constituting not less than 50 per cent. of all employees; or
> (b) prescribed classes of the economically active population, constituting not less than 20 per cent. of all residents; or
> (c) all residents whose means during the contingency do not exceed limits prescribed in such a manner as to comply with the requirements of Article 67; or
> (d) where a declaration made in virtue of Article 3 is in force, prescribed classes of employees, constituting not less than 50 per cent. of all employees in industrial workplaces employing 20 persons or more.

The above gave the ratifying states the flexibility to extend social security as it sees fit and to exempt certain occupations for expediency for its given circumstances. The Convention also had flexibility for ratifying countries in allowing them to adopt parts of the branches of social security without adopting all of them. It also refrained from prescribing how social security should be administered, viewing it as an outcome rather than a mechanism. Yet, whilst progressive in nature, the lack of specification made it blunt tool in compelling countries to offer meaningful social security.

However, this interpretation of the Convention would be important in later years as will be shown in Chapter Eight, and in the discussion on Recommendation 202 on National Social Protection Floors below, as it allowed proponents of social protection floors to argue that they were in the tradition of the ILO; as Convention 102 was one of its treasured legal instruments (Deacon, 2013). The flexibility of 102 allowed a role for social protection beyond the developed economies and would therefore enhance the reach and significance of the ILO in the developing world.

The ILO remained the preeminent international organisation in social security policy for decades afterwards (Orenstein, 2003). Where pension system development involved the assistance of international organisations, the ILO was the main provider of expertise and technical assistance. In summary, global pension policy for five decades after the war, consisted of the promotion and support for state-financed, and state-provided support for old age income security. The role of the market and of individual responsibility was not yet part of the discourse of international organisations.

Averting the Old Age Crisis: The World Bank Enters the Global Policy Debate

It is difficult to overstate the influence of the World Bank in the pensions debate, once it entered the field in 1994 with its seminal publication *Averting the Old Age Crisis: Policies to Promote Growth and Development*. The document is 400 pages in length and extensively covers a large number of issues in highly accessible language. Chapter Five outlined how the global structural environment facilitated its immediate impact. The role the World Bank played in facilitating the partial-privatisation of pension systems of Central and Eastern Europe and of pushing the sustainability of public pension systems onto the global agenda has been told many times in the literature (Deacon, et al., 1997; Ervik, 2005; Müller, 2003; Orenstein, 2008). However, interviews with World Bank staff revealed some disagreements with the popular interpretation of Averting (as a document promoting privatisations) and with the World Bank's role in promoting multi-pillar pension reform across the globe:

> "I would step back and take issue with the common perception that seems to sometimes be put forth by people that we as an institution are linked to a lot advising by countries to adopt these reforms. Even from the very beginning, I was one of the co-authors of Averting, if you read it carefully, even if you read the overview it was very clear that this not the type of reform that we would be advocating in a lot of countries that would not have the conditions to do it and it's always been that way. So, with that in mind, I would say, no, the reversals have not had a significant impact on or changed the advice because we wouldn't advice many places to do this in the first place." (Interview with Robert Palacios, Global Lead Economist, World Bank, January 2017).

The implications of this statement are that the World Bank feels it does not need to change its position on pension provision, in light of the reform reversals, because it was the message that was misinterpreted, rather than the advice being misguided. Interviews with World Bank staff illuminated a number of interpretations beyond the dominant ones it is often associated with. For some, Averting has a much broader message than simply privatising social security. Those who take issue with this interpretation argue that it is primarily about risk diversification:

> "The bank position is sometimes misunderstood, it was perceived by many to want to replace public systems. The emphasis was diversification. The perception of the bank being a force behind funding is stronger than the reality, even though the Bank supported funding. The perception now is the bank is more flexible with more diversity. The bank still supports it, but what was missing in the discussions is we were always very careful in establishing minimum conditions for a funded pillar. And many countries who didn't have those conditions enacted the reforms and failed in a way predictably, if you look at the explicit debt no wonder in those countries the bank is not supportive of them now because it never was." (interview with Michal Rutkowski, Director of Social Protection and Labour, World Bank, December 2016).

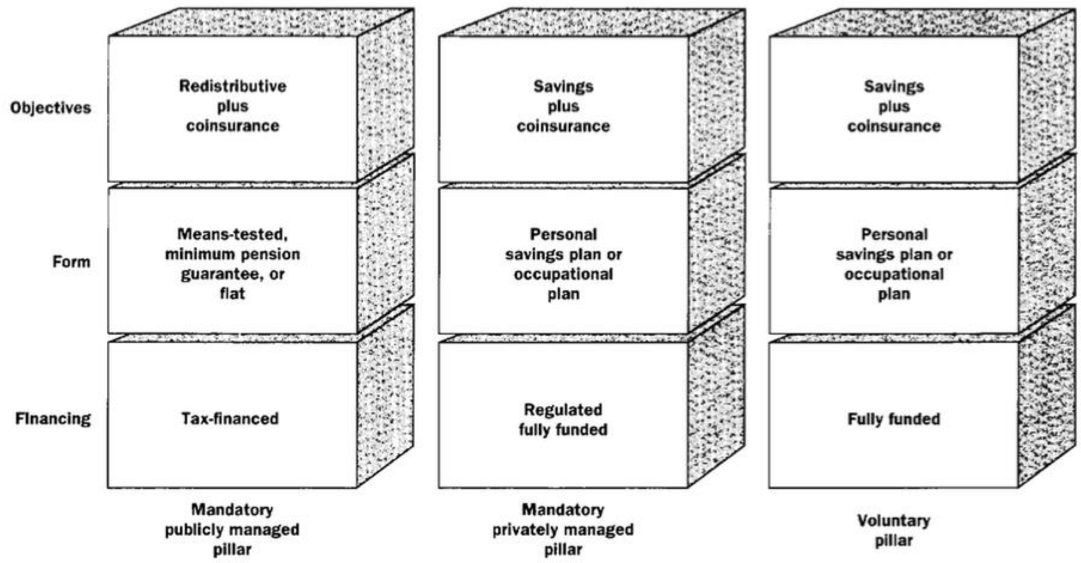
In light of the number of reversals it is therefore useful and necessary to revisit the original text of Averting in order to analyse its contents and elicit its core messages. As it will be shown in detail below, Averting advocated that pension provision should be diversified to manage the risks inherent in public or private provision. Its central argument therefore was that monolithic public pension systems carries political risks, whereas private ones carry market risks and these need to be managed by a multi-pillar pension system. As was argued by one of its authors:

> "Well, there are three major messages from Averting and unfortunately two of them because they were controversial to begin with and people in the pensions world didn't like them. Those two things: the role of the private sector in provision and the role of funding vs PAYG and because of those for many years it was really about that. But as you point out the third important message was separating redistribution and poverty relief from insurance and doing that in a clean and that message is extremely relevant today and we're gravitating back to that rather than continuing a very stale debate on funding versus paygo, really focusing on achieving these objectives of the pension system – consumption smoothing and poverty relief. Achieving these with different instruments and very clear objectives of what does what. Unfortunately, that message got drowned out with the controversy of the private sector and its role." (Interview with Robert Palacios, World Bank global lead economist, January 2017).

However, a close analysis of the framing of Averting reveals that it was written in such a way to orient significant action from policy makers. As Barnett and Finnemore (2004) have argued, the ability of international organisations to classify the world enables them to influence the cognitive frames of decision makers. Averting framed a crisis in pension provision that required urgent action. Its message is expressed with a semblance of balanced language, highlighting the positives of public provision and PAYG funding. This gives credibility to the statements from its authors and proponents noted above. Nevertheless, the balance is completely in favour of private provision and funding. A far greater proportion of the text is devoted to extolling the virtues of private provision and funding, alongside highlighting the drawbacks of public PAYG systems. This discussion is set against a backdrop of dramatic population ageing that is argued to require urgent action from policy makers.

It is possible to distil the message of Averting into three different messages from those proposed by its authors. These are: the demographic crisis requires urgent action, public pension provision is laden with weaknesses, private provision is superior to public provision and offers significant economic benefits. With these messages in mind the World Bank promotes a multi-pillar model with the following features.

Figure 7.1 The World Bank's Three Pillar Model



The Pillars of Old Age Income Security (World Bank, 1994 p. 15)

Averting calls for the following objectives for each pillar:

- The public pillar would have the limited object of alleviating old age poverty and co-insuring against a multitude of risks. Backed by the government's power of taxation, this pillar has the unique ability to pay benefits to people growing old shortly after the plan is introduced, to redistribute income toward the poor, and to co-insure against long spells of low investment returns, recession, inflation, and private market failures. The public pillar could take three alternative forms. It could be part of a means-tested program for the poor of all ages. Alternatively, it could offer a minimum pension guarantee to a mandatory saving pillar. As still an- other alternative, it could provide a universal or employment-related flat benefit. But it should be modest in size, to allow ample room for other pillars, and pay-as- you-go, to avoid the problems frequently associated with public management of national provident funds.

- A second mandatory pillar, one that is fully funded and privately managed, would link benefits actuarially to costs and carry out the income-smoothing or saving function for all income groups within the population. This link should avoid some of the economic and political distortions to which the public pillar is prone. Full funding should boost capital accumulation and financial market development. The economic growth this induces should make it easier to finance the public pillar. But a successful second pillar should reduce the demands on the first pillar. The second mandatory pillar could take two alternative forms: personal saving accounts or occupational plans. In either case, mandatory programs require careful regulation.

- Voluntary, occupational or personal saving plans would be the third pillar; providing additional protection for people who want more income and insurance in their old age.

- Although the redistribution and saving functions would be separated, the insurance function would be provided jointly by all three pillars. since broad diversification is the best way' to insure against a very uncertain world (World Bank, p. 16).

The pension model promoted by the World Bank is set out on page 15. The following 400 pages afterwards amount to a systematic argument to orient this action. A spotlight is shone on all of the proposed benefits and the weaknesses of alternatives. The risks with pursuing this strategy are significantly downplayed. There is a continued pattern throughout Averting: it superficially appears to have a balanced message of diversification given it offers strengths and weaknesses of public and private provision.

However, its critiques of public systems are much more detailed and forceful, whereas any drawbacks with private provision are often under-elaborated.

Framing the Reform Environment: Population Ageing

Concerns about population ageing and its impact upon public expenditure and economic growth predate the publication of Averting (Hagemann & Nicoletti, 1989; Thane, 1987; Walker, 1990). Averting advanced this debate by offering reform templates alongside the demographic transition narrative. It also moved the debate away from the previous focus on industrialised countries, and the neoliberal narratives about the welfare state being unsustainable, to orient action from developing countries with young populations and embryonic welfare states. The opening lines in foreword at the beginning of Averting captures the alarmism of the demographic transition facing the world and the call for reform from all countries no matter what their level of development or how advanced their welfare states are:

> "Systems providing financial security for the old are under increasing strain throughout the world. Rapid demographic transitions caused by rising life expectancy and declining fertility mean that the proportion of old people in the general population is growing rapidly. Extended families and other traditional ways of supporting the old are weakening. Meanwhile, formal systems, such as government-backed pensions, have proved both unsustainable and very difficult to reform. In some developing countries, these systems are nearing collapse. In others, governments preparing to establish formal systems risk repeating expensive mistakes. The result is a looming old age crisis that threatens not only the old but also their children and grandchildren, who must shoulder, directly or indirectly, much of the increasingly heavy burden of providing for the aged. For these reasons, many economists and policymakers are seeking information and advice about old age security arrangements. But there are still too few who are aware of the impact these arrangements have on such diverse concerns as poverty, employment, inflation, and growth. Averting the Old Age Crisis is the first comprehensive, global examination of this complex and pressing set of issues. The culmination of a two-year research project. it synthesizes what is known, analyses the policy alternatives, and provides a framework for identifying the policy mix most appropriate to a given country's needs." (World Bank, 1994 p. xiii).

Averting moved the debate on from a focus on OECD countries by arguing that most of the growth in the world's old age population would be in developing countries (World

Bank, 1994, p. 28). On page one it issues a stern warning to developing countries not to follow the lead of developed countries:

> 'At the same time, many developing countries are on the verge of adopting the same programs that have spun out of control in middle-income and high-income countries' (World Bank, 1994 p. 1).

In addition, the warning of population ageing was accompanied by an analysis of the breakdown of informal Old Age Support in developing countries as a result of increased urbanisation and mobilisation across the developing world. Moreover, it argued that famine, wars and AIDS were rapidly dismantling informal old age support in Africa. (Ibid, p. 33).

Averting's Critique of Public Pension Plans

The section on public plans begins with highlighting their unique ability to redistribute income to the lifetime poor. This meets one of the main objectives of pension provision for the World Bank. This is argued to be their big advantage over other systems. However, it quickly points out the contradictions and failures of the public pillar:

- Redistribute to the poor. *But many rich people get back in pensions more than they contributed, while many poor people do not collect any benefits.*
- Augment the income of the old who can no longer work productively. *But many recipients are middle-age and still capable of working.*
- Protect the old from risk by defining the benefits in advance. *But these benefits are redefined frequently, so considerable risk remains.*
- Protect the old against inflation. *But many governments have failed to index fully, using inflation to reduce their real costs.*
- Be a remedy for myopia among workers*. But the program's implementation often demonstrates the myopia of politicians, in some cases causing the old age system to collapse* (World Bank, 1994 pp. 101-102)

Averting argues that some of these problems can be fixed, such as early retirement and overly generous benefits. However, it maintains most of these problems stem from the separation of benefits and contributions, labour and capital market distortions and the wasteful use of pension reserves, alongside political pressures for poor design.

Importantly, this implies that many of the problems with PAYG pension systems cannot be repaired with parametric reforms. Rather, the implication is that systemic reform is the solution to the flaws in public provision.

As the chapter traces the development of public pension provision, it uses Samuelson's (1967) proposition that 'a growing nation is the greatest ponzi game ever contrived':

> "The beauty of social insurance is that it is actuarially unsound. Everyone who reaches retirement age is given benefit privileges that far exceed anything he has paid in.... How is this possible? It stems from the fact that the national product is growing at compound interest and can be expected to do so for as far ahead as the eye cannot see. Always there are more youths than old folks in a growing population. More important, with real incomes growing at some three percent a year, the taxable base upon which benefits rest in any period are much greater than the taxes paid historically by the generation now retired.... A growing nation is the greatest Ponzi game ever contrived." (Samuelson, 1967 p. 88)

The central proposition put forward is that the benign conditions which allowed this 'ponzi scheme (*that actually worked*)' to flourish, no longer exist. It argues that is not clear whether any thought was given to the long-term sustainability of pension schemes in Europe once large earnings-related tiers were added to the existing means-tested tier (p. 110). Where the demographic transition is not as pressing – in developing countries – it is maintained that their pension systems began at a much earlier stage of development than industrial countries did historically. The case is made that the 'intragenerational transfers' are unfair, as they transfer revenues from the poor to the rich. It also argues that the 'intergenerational transfers' are unfair, as earlier cohorts receive generous benefits funded by younger cohorts who will not receive the same generous benefits. A debate that is still propagated by those on the right in the UK (Willetts, 2010).

The analysis is then enhanced through its impact on the labour market. High payroll taxes provide incentives for employers to avoid taxes. In a further targeting of the message to developing countries, the section in Averting argues that employers in developing countries are much more likely to escape to the informal sector to avoid taxes. It cites the examples of Bolivia, Costa Rica, Guatemala, Honduras and Paraguay where more than half the population are in the informal sector (World Bank, 1994 p. 122).

This analysis puts the World Bank at odds with those who hoped the embryonic welfare states in the developing world would help to form cross-class coalitions in order to sustain and expand the welfare state across the population (Deacon, 2007). The analysis from the Bank was that this is misguided and developing countries should try to avoid what it sees as the mistakes of industrial countries in the past. It argues that Latin America and Eastern Europe can longer afford their pension systems – using inflammatory language that they are “on the verge of insolvency” (p. 138).

The analysis draws on the worst-case scenarios to argue against public provision. For example, it deploys the examples of Hungary and Argentina to illustrate the difficulties public provision can run into. Hungary is held up by Averting as the country with the with one of the largest dependency rations in the world. Out of a population of 10.3 million, 2.9 million are shown to be receiving a pension. However, as noted in Chapter Six of the thesis, Hungary’s pension system was used a de facto unemployment benefit during the economic upheaval of the transition and so is not illustrative of the average public system. Argentina is shown to have attempted to curtail pension spending by not uplifting benefits in line with inflation, which was subsequently overruled by the courts. The analysis fails to mention that Argentina at this point had recently suffered hyperinflation, which makes uplifting pension entitlements with inflation much more of an issue (Kamin & Ericsson, 1993).

In summary, the section on public pension plans is the longest in Averting by a considerable length. Whilst engaging with some of the positives of public provision, there can be no doubt that it amounts to a systematic critique and attack of PAYG pension provision. Its selective use of worst-case examples and underlying assumptions leads the reader to draw the conclusion that only a modest public pillar is desirable, tasked with the limited role of poverty alleviation. Whilst Averting may have intended to have a more nuanced message of diversification, this is not apparent in the chapter on public plans, most of the detail only outlines the negative aspects.

The lack of a stronger message on the positives of public provision was highlighted by one of the authors of Averting below. Here it was noted that the role of social pensions in extending coverage of old age income security was underplayed in Averting. As will be discussed below, the focus of the Bank has moved on from a preoccupation with funding, (the primary focus of Averting), to one now more focused on poverty alleviation.

> "And I would even go as far as say that out of the 415 pages of Averting, with hindsight, I would like to have seen more on in retrospect is a detailed discussion of the options for non-contributory pensions. A pure first pillar in the old three-pillar system and what's sometimes referred to as the zero pillar in the five-pillar system. A good and better understanding of how to do that and integrate that with a system with a mandatory contributory element, and that's something we're working on now and we're catching up with what's going on." (interview with Robert Palacios, World Bank, January 2017)."

The Promotion of Personal Savings Pillars

The section on personal savings plans contrasts greatly with the one on public plans. Where that section focused heavily on the negative impact of public plans, the savings section is primarily focused on the merits of personal savings plans. It draws extensively on the Chilean experience as that was the only country with a mandatory savings pillar at the time of publication. It compares Chile to the publicly managed provident funds in parts of Africa and East Asia to demonstrate how the latter create capital and labour market distortions alongside 'capricious redistributions' and political manipulation.

Averting cautions that regulating privately managed funds requires considerable human capital and institutional capacity. But, in its characteristically breezy manner on the drawbacks of market provision, asserts these are likely to develop in response to the scheme. Assertions of this nature contradict claims by World Bank staff that it cautioned many countries not to pursue multi-pillar reforms too soon. The message from this is that personal savings plans are superior and that their implementation will stimulate the conditions they need to function and prosper.

The main benefit of savings plans is maintained to be their positive effect on capital accumulation. In a message tailored to developing economies, it is contended they can accelerate capital market development and enhance investment in productive capital. The analysis argues that personal savings plans do not impact on the functioning of the labour market, as individuals are argued to view these as savings, not a tax on income. Chapter Six demonstrated how this assumption has been reassessed by the proponents of mandatory second pension pillars. It is also argued that these schemes do not encourage political pressure for unsustainable benefits.

There are a number of regulatory issues highlighted in the final section. It is expressed that extensive regulation is required to ensure fair charges and acceptable levels of risk with investments. It focuses on the challenges, since government protection of investments is a moral hazard that may encourage too risky behaviour. However, some risk is desirable as overly conservative funds will not make a decent return – something that was shown to undermine the pension systems of Central and Eastern Europe.

The discussion on whether funds should allow overseas investment is short and does not offer guidance, rather it simply describes Chile's system of only allowing 1% of overseas investment, which rose to 10% in 1995. This is problematic as it points to an inherent tension in the design of personal savings plans. Allowing overseas investments may generate superior returns. However, it directly impedes the development of domestic capital markets. This tension was highlighted in the interview with the Polish finance minister who argued:

> "Other options were not viable such as exporting to lower yield developed economies which made no sense or allowing the funds to invest in higher risk markets where the funds may have been nationalised." (Interview with Jacek Rostowski, Warsaw, July 2017).

There are also tensions with regard to fee levels that Averting did not adequately address. For instance, the concentration of funds enables companies to benefit from economies of scale, but also may mean they collude to charge more than they would in a voluntary competitive scheme. It also points to Chile's flat fee per contribution, which is acknowledged as regressive, but states it may be the real cost of managing the account. Fees in Chile later became highly controversial and were one of the focal points of those calling for a pension reform (Mander, 2016).

The final section of Avertig, on the transition to a new system, states from the outset that the transition from one system to another is costly and likely to be met with strong resistance. However, to orient action, it reintroduces the notion of the implicit pension debt to encourage a sense of urgency and to justify taking up such large transition costs.

> "Although difficult to estimate, the total implicit debt is probably as much as 100 to 250 percent of GDP for OECD and Eastern European countries" (World Bank, 1994, p. 266).

In addition, an optimistic scenario is presented on the efficiency gains that will result from systemic pension reform, which is argued to fund some of the pension transition costs.

> First and most important, efficiency gains should help to pay off the debt. Under some circumstances the shift of labour from the informal to the formal labour market could boost productivity and growth substantially (Corsetti and Schmidt-Hebbel 1994). Raising the effective retirement age would increase the labour force and GDP by 10 to 30 percent in some cases (Cavalcanti 1993; Rashid 1993), resulting in an efficiency gain as long as the value of the increased output is greater than the value of leisure time lost. More output gains are achieved if the new system increases saving, international competitiveness, and inflow of foreign capital - although that is likely to be a very long-run effect. These efficiency gains together with the reduction in evasion generate increased tax revenues that can be used to pay off part of the debt. (World Bank, 1994 p. 279)

This final section is, again, characteristic of Averting. It cannot be accused of ignoring the downsides to transitioning to a multi-pillar pension system as the costs are mentioned. However, it does fails to highlight what a multi-decade commitment this will be. Furthermore, whilst the costs are mentioned it also proposes its own metric – the implicit pension burden – to suggest that inaction also has the same costs. Moreover, the proposed benefits of reforming the system are suggested to offset many of the transition costs. Pension reformers in Central and Eastern Europe could be forgiven in believing that transition would be pain-free given the boost to the economy that Averting promised.

Summary of Averting

This section has analysed Averting in considerable detail. An interpretive analysis of the document has enabled the less explicit messages of it to be elucidated by paying attention to the framing of the document. Averting is a powerfully written argument to orient action from pension reformers across the globe. The framing of the argument is around the sustainability of public pension systems given population ageing. This framing is explicit in the title – *Old Age Crisis*. The opening chapter of Averting is also concerned with population ageing, the next is on the collapse of informal care and then policy choices for reformers.

The argument is substantially developed by the section on public pension plans which is largely critical of their impact on the macro economy through what Averting argues are the 'distortionary taxes' used to finance them. The focus on the downsides of public provision is mirrored by the emphasis on the positive potential of private mandatory savings schemes. Whilst Averting never calls for the complete privatisation of pension provision, the framing of the argument is clearly designed to encourage policy makers to plan for a drastically smaller public pillar than those of OECD countries, with the vast majority of pension income derived from mandatory savings pillars.

The ILO Responds: A risky strategy: Reflections on the World Bank Report Averting the Old Age Crisis

The immediate response from the ILO, regarding Averting, came in the low-key fashion of a journal article published in the *International Social Security Review* titled: *A Risky Strategy: Reflections on the World Bank Report Averting the Old Age Crisis* (Beattie & McGillivray, 1995). Despite coming in this format, it is often cited as the primary first response of the ILO (Brooks, 2005; Holzmann, 2000; Orenstein, 2008; Queisser, 2000). The response begins with recognition of the research effort of the Bank and argues that it is an important analysis of alternative policies for the provision of social security pensions. It asserts that anyone familiar with the activity of the Bank in the field of pensions should not be surprised by the content but notes that the fact this is now to be vigorously promoted is highly significant.

The article takes a number of issues with Averting's critique of existing public pension systems. Namely, that it maintains it encourages early retirement, payment of higher benefits to the rich than poor, have over-generous benefit formulas and high administrative costs. The authors counter that:

> "The report ignores the fact that many of the criticisms levelled at public schemes have been seen to apply just as forcibly, and in some cases more so, to private schemes. Furthermore, there are many examples of public pension systems, particularly in industrial countries, which have been effective in eliminating or greatly reducing poverty among the elderly, in providing workers with an adequate degree of income replacement in old age, in adjusting benefits in line with earnings or price and operating efficiently, indeed, with administrative costs far lower than those of any privately managed scheme" (Beattie & McGillivray, 1995, p. 6).

Next the article moves onto Averting's critique of the impact of public pension schemes on the economy. It takes issue with its claim that public schemes have "major effects on labour and its productivity, on capital accumulation and its allocation, on the ability of governments to finance public goods and services – therefore on the growth of the economy" (World Bank, 1994 p. 120). Beattie & McGillivray (1995) counter that a recent review of social security and work incentives concluded that there are relatively few situations where a disincentive effect has been recorded (Atkinson & Mogensen, 1993). In addition, they highlight that report argues that social security can have positive benefits by encouraging people into the formal labour market in order to qualify for future benefits. Furthermore, they point to the US, where eligibility for early retirement is highly restricted in the public scheme and argue that it is private schemes that have enabled older workers to retire early (Beattie & McGillivray, 1995, p. 7).

It was argued above that Averting used the best-case or worst-case scenario in places to strengthen its arguments. Beattie & McGillivray also highlight this in their critique when the United Kingdom is used as example to highlight that pension spending in the developed world is higher than when industrialised countries were at a similar point in development. They go as far as to propose that:

> "One might cavil at the choice of the United Kingdom to represent industrial countries, as its public pensions are among the lowest in the OECD" (p. 8).

Alongside highlighting the strategic use of pension spending examples, the critique is enhanced by asking the rhetorical question that "just because the United Kingdom allowed many of its older citizens to live in poverty, can other countries in more enlightened times not do better?" (p. 8). It states that there is no economic law that prevents societies from choosing to allocate more resources to social security. Finally, this section attacks the notion of the implicit public pension debt, arguing that countries would only find themselves in trouble if they tried to terminate their PAYG schemes.

Moving onto Averting's arguments about the political risks of the scheme, Beattie & McGillivray challenge the World Bank's arguments that recent changes to public schemes in the US, UK, Japan and Sweden represent a changing of the rules of the game, rather they argue that it shows the system is functioning to make it more sustainable. They also argue it is cynical of the Bank to recommend that further reductions in state benefits are carried out to make the schemes easier to shut down.

Next, the notion that public pension systems are unable to cope with the demographic transition is challenged by arguing that all pension systems are affected by demographics in the same way, a rise in the dependency ratio, which is the same in all systems. Furthermore, they argue that public systems are better able to manage the demographic transition by adjusting contributions over time, allowing reserves to be built up. On individual risks, the article argues that the investment risks of mandatory savings accounts far outweigh the political risks of public schemes. They also maintain that the uniform rates of return that are reported in Averting are not realistic, rather some will do very well out of private provision whilst others have very poor returns. The final riposte to the World Bank's critique of PAYG takes issue with the idea of a war between generations, where the grandchildren always lose out. Beattie & McGillivray accept that the first generation are always the winners in a PAYG as they receive a pension with very few contributions. However, they point out that the biggest losers in any PAYG scheme are the last generation to be covered as it would pay contributions with little or no pension at all. This is not factored into Averting's representation of 'fairness'.

After responding to Averting's critique of PAYG pension systems, the final part of the article offers a critique of the World Bank's model. It is contended that the proposals represent a high degree of risk for all parties concerned. It maintains that mandatory private pillars have investment risk, inflation risk, regulatory risk, and a special risk for the low paid. It is pointed out that developing countries face a number of risks with defined-contribution schemes. Namely, that adequate domestic investment opportunities may not exist and that overseas investments may encourage capital flight. In addition, the real rate of return will be affected by an oversupply of capital. The impact of the increased supply of capital was pointed out by the Polish Finance Minister who argued that the Polish stock market was overvalued as a result of the mandatory second pillar (interview with Jacek Rostowski, Warsaw, July 2017).

Interestingly, and presciently, Beattie and McGillivray point to the risk of governments absorbing the pension reserves by fiat or by default, the type of behaviour PAYG prevents governments from engaging in (1995 p. 15). Indeed, Peter Diamond has argued that under a PAYG scheme, governments only have one year's worth of contributions to be frivolous with, in a funded system they have many years' worth (interview with Nicholas Barr, December 2016).

In addition, they Beattie and McGillivray note the high proportion of pension income that goes to administration costs and profits in the US and UK, arguing it is likely to be a much higher proportion in developing countries. Echoing the Richard Titmuss dictum, in his 1967 lecture on *'Welfare and wellbeing'* to the British National Conference on Social Welfare that: "services for the poor become poor services" (cited in Alcock, et al., 2001), it is argued that if the public pension pillar is solely dedicated to poverty relief, whilst the main retirement income comes from private sources, the system will struggle to maintain the support from those who finance it. This will put the lifetime poor at greater risk.

They conclude that they do not wish to defend the status quo, rather it is, in their opinion, a shame that debate about necessary reforms has been mixed up with debates on privatisation and the role of government. They argue that despite the inception of lower growth rates that have characterised industrialised countries, the social fabric has remained intact as a result of social security measures, including pensions. It is maintained that none of the issues of the shortcomings of pension systems highlighted by Averting have anything to do with whether they are public or private, but rather are about governance. Finally, a radical restructuring will create uncertainty, and there is no guarantee from Averting that the new system will create adequate benefits.

In summary, the critique from the ILO offered a robust defence of public pension systems; maintaining that where problems existed, they were better addressed through changes to the existing system rather than a radical reform. In addition, the reform proposals advocated by Averting were argued to increase the risk to individuals.

Providing Better Protection and Promoting Growth: A Defence of Averting the Old Age Crisis

The response by the ILO prompted the editors of the *International Social Security Review* to invite the lead author of Averting, Estelle James to write a reply. This was published in 1996. The reply acknowledges the controversy around its reform proposals and argues that, given this, a thorough public discussion is necessary. She begins with a defence of Averting asserting that at least some of the problems identified with PAYG systems were present in all the systems across the industrialised and developing world, leading to the conclusion that there are inherent political and economic consequences of PAYG funding. The defence of the multi-pillar framework begins with a focus on the second pillar as James rightly notes this as the most contentious aspect of the reform proposals (James, 1996).

She argues that funding makes costs clear, upfront, and discourages unaffordable promises to be made. She goes on to argue that it prevents inadvertently large intergenerational transfers and helps to increase long-term national savings. The proposition that funded pillars should be privately managed is defended on the grounds that the private sector will allocate capital more efficiently, making a better return. James maintains that Averting is not a blueprint for all countries arguing that variation can take place through the size of the different pillars.

Four underlying reasons are offered by James as to why the ILO's review comes up with different solutions for the same pension related problems: The review authors are not concerned with the impact of social security systems have on the broader economy, or, they believe the effects are negligible. The ILO authors defend the equity of the system with how it looks on paper, rather than the realities. They assume that parametric reforms will not be thwarted by citizens and finally she argues they do not acknowledge the benefits of risk diversification (James, 1996, p. 10). Each of these positions are expanded upon by reasserting the arguments made in Averting. It challenges the critique by Beattie and McGillivray by doubling down on the arguments set out in Averting. She argues that the ILO's assertion that taxes do not alter economic behaviour in any meaningful way and that evasion can be eliminated by better enforcement, may hold true in some countries, but it is not the case in most countries (James, 1996 p. 12). The claim by the World Bank that PAYG schemes offers perverse redistribution is once again asserted, arguing that the facts on the ground are different from the theoretical ideal. The case for diversification is maintained by arguing that the system is insulated from political manipulation (p. 14). Here James fails to engage with the almost prophetic charge by Beattie and McGillivray that funded schemes offer incentives for political interference. The position of the Bank is neatly summed in the paragraph below.

> "In sum, if there were no distortionary effects stemming from high taxes, or evasion by workers and employers, or political pressure for attractive early retirement provisions, or fear of misallocated public resources, or need to increase long term national saving, or concern about the lack of redistribution from rich to poor, or lack of concern about intergenerational transfers, or need to diversify risks, old-style social security systems favoured by ISSA and the ILO would do just fine. But we believe these concerns are present, serious, and

> motivate a shift to the multi-pillar system described above and at greater length in the report." (James, 1996 p. 140)

This period would mark the high point in divisions between the positions of the two organisations. The focus on sustainability and risk diversification by the World Bank and adequacy by the ILO, fostered irreconcilable differences in the two positions. For the World Bank, the imperative for developing countries was not to repeat the pension policies of industrialised countries. In the view of the Bank, PAYG systems had political incentives to provide overly-generous pension benefits at the outset, given their low initial upfront cost and political rewards. Funding made the costs more transparent and therefore the system more sustainable. For the ILO, these problems of sustainability could be addressed within a public pension system; funding led to unnecessary risks placed on individuals. From its perspective, the best solution was parametric reforms to existing systems and for developing countries to build up reserves within their pension systems.

Softening the Stance: Evolving Positions on Pension Provision

Both organisations would soften their stance by the turn of the millennium. Some of this was a result of changing personnel and internal politics, which is discussed in Chapter Eight. The World Bank would begin to evaluate the reforms it had advocated and some of their underpinning assumptions. The ILO would tone down its opposition to privatisation; whilst shifting to focus on coverage rather than adequacy. The World Bank too would eventually shift to prioritise coverage over sustainability. This evolution of positions would later open up space for dialogue and cooperation.

Rethinking Pension Reform: Ten Myths About Social Security Systems

The appointment of Joseph Stiglitz as Chief Economist at the World Bank would prove controversial (Wade, 2002). He used his position to critique many areas of the institution's activities; in particular, its role in the transition from socialism to market-based capitalism in Central and Eastern Europe and the role of the Washington-based institutions in exacerbating financial crises (Stiglitz, 2002). In 1999, he entered the pensions debate with a provocative presentation, alongside Peter Orzag, at the World Bank Conference, *New Ideas About Old Age Security.* The paper, *Rethinking Pension Reform: Ten Myths About Social Security Systems*, challenged many of the assumptions that underpinned Averting. The central claim is that Averting's challenge of social security myths had produced a new set of dominant myths and that the pendulum had swung too far in a new direction. Orzag and Stiglitz highlight the nuances within Averting that allow for a more flexible interpretation than the one that was popularly characterised at the time. However, they note that the interpretation common among policy makers that it promoted a privately managed, defined contribution component, is the one that the Bank's leading pension scholars such as Holzmann and James promoted (1999, p. 2).

The analysis begins with some background points, some of which apply particularly to the countries that would later reverse their multi-pillar pension models. For example, a caution is noted on the initial conditions and political economy constraints of transforming the pension system from one model to another. The implication being, that Averting presents an idealised pension system without adequately focusing on transitioning from current systems to its model:

> "In evaluating the effect of pension reform, initial conditions are important. In particular, one must be careful not to confuse the issue of whether a shift to individual accounts would be socially beneficial with the separate issue of whether, in a tabula rasa sense, an individual account system would have been preferable to a public defined benefit system in the first place." (p. 5).

This point is developed further by arguing that Averting makes the opposite mistake to politicians. Namely, that politicians focus exclusively on the short-run. Averting is argued to focus too exclusively on the long run, with substantial costs to the intervening generations. Next the paper turns to the myths it argues have been propagated by Averting, they are divided into three broad areas and offer a comprehensive critique to the Bank's policy position on pensions:

Macroeconomic myths

• Myth #1: Individual accounts raise national saving

• Myth #2: Rates of return are higher under individual accounts

• Myth #3: Declining rates of return on pay-as-you-go systems reflect fundamental problems

• Myth #4: Investment of public trust funds in equities has no macroeconomic effects

Microeconomic myths

• Myth #5: Labor market incentives are better under individual accounts

• Myth #6: Defined benefit plans necessarily provide more of an incentive to retire early

• Myth #7: Competition ensures low administrative costs under individual accounts

Political economy myths

• Myth #8: Corrupt and inefficient governments provide a rationale for individual accounts

• Myth #9: Bailout politics are worse under public defined benefit plans

• Myth #10: Investment of public trust funds is always squandered and mismanaged

The Macroeconomic Myths

The paper takes issue with the assumption that prefunding pensions automatically increases national savings. It is claimed that if prefunding simply displaces other savings then the national accumulation of savings remains unchanged. The tabula rasa point is emphasised again that the discussion of whether social security lowered national savings, (i.e. whether funding is superior to PAYG) is not the same as the discussion of whether moving from PAYG to funding will raise saving. Switching is not the same as creating a pension system from scratch. Next, it challenges the assumption that rates of return will be higher with individual accounts. It argues that simple headline rates of return do not consider administration costs and transition costs (p. 13). On the cost of transition, it is pointed out that the higher returns from funding are offset by the cost of borrowing to fund the transition. On the assertion that declining rates of return in PAYG systems reflect fundamental problems with the system, the paper simply notes that the first generation of retirees in a PAYG always receive a significant generous return relative to contributions, as they receive a pension having made no contributions. Switching to a funded system does not alter the inter-generational dynamics.

Microeconomic Myths

The idea that labour market incentives are better under individual funded accounts, as argued by the World Bank (1994) and James (1994), is challenged in the paper. It is firstly pointed out that the objective is enhancing welfare, not labour supply and that there exists a trade-off between redistribution and incentives. The paper notes that:

> "One of the most difficult questions in assessing any program is the appropriate counterfactual against which to judge it. For example, assume that workers who did not save for retirement -- or who invested their contributions poorly -- knew that they would be bailed out by the government. Funds for the bailouts would have to be raised through distortionary taxes, which would then affect labour supply"

It therefore concludes that there is no dominance of one system of another in terms of labour supply (p. 26). Next, it challenges the assertion that defined benefit plans provide an incentive for early retirement by providing examples in the US and Sweden where incentives to retire early have been reformed in the public system. The next myth to be challenged is the ones surrounding transition costs. A distinction is made between rents and costs. The paper argues that competition can only reduce rents, not costs. These are reduced by the structure of the accounts with a centralised account benefitting from economies of scale. The paper cites examples from Chile and the UK where administration costs are high.

Political Economy Myths

The final set of 'myths' challenged in the paper are the political economy myths. Firstly, that inefficient governments provide a rationale for privately managed defined contribution plans. Orzag and Stiglitz point out some clear flaws in the logic of this rationale. They highlight the need for significant government regulation of a privately managed funded system. They ask how an inefficient government can be expected to undertake such a complex operation. They use the ‘mis-selling’ controversy in the UK to illustrate the difficulties of regulating individual accounts, despite the UK being a reasonably safe place to invest. They conclude that:

> “The bottom line is that public malfeasance or incompetence can be just as dangerous under individual accounts as under public defined benefit systems.” (p. 34).

One point to note at this point is how they underestimated the potential for governments to nationalise accumulated pension funds. The authors claim that:

> “For example, a rule-based system in which public funds are invested in government bonds or in broad market indexes is relatively easy to monitor and therefore seems to involve limited scope for abuse.” (p. 33)

Here they refer to private abuse and do not comprehend that individual accounts, with investment by private actors into government bonds, may encourage malfeasance by the government in seizing the assets. A related myth they seek to counter is that bailout politics are worse under defined benefits plans than under defined contribution. They point to Chile which has large government guarantees with 100 per cent up to the minimum pension guarantee and 75 per cent above the minimum (p. 35). With the focus of Averting on developing economies, the authors argue that the volatility of those economies necessitates investing abroad. However, this fails to capture the social benefits of individual accounts. Finally, they challenge the proposition in Averting that public trust funds are always squandered and mismanaged. Like Beattie and McGillivray, Orzag and Stiglitz take issue with selective reporting in Averting, they argue that the data on returns to public funds did not compare with real interest rates, in doing so they show examples where public funds outperformed the return on market interest rates (p. 38). In addition, they argue that pubic funds are innovating to capture better returns, citing Canadas as an example. They conclude that:

> “One potential conclusion from this literature is that public pension funds with sound corporate governance protections -- independent boards and sources of

> financing, along with a clear legal mandate to pursue competitive returns -- may avoid some of the pitfalls associated with pension fund investing." (p. 39).

Summary

Orzag and Stiglitz, in a deliberately provocative manner, challenged many of the premises of Averting in what they present as a set of myths. They contest the alleged supremacy of a privately managed fully funded second pillar. One of the important contributions of this paper was the distinction between tabula rasa pension systems, designed with no pension origins, and the reality of transitioning to a funded system from a PAYG one. This paper showed advanced thinking and it foresaw many of the problems that would be encountered in Latin America and Central and Eastern Europe.

Social Security Pensions: Development and Reform

As the premises of Averting were beginning to be challenged internally at the World Bank, the ILO began to soften its own opposition to Averting. *Social Security Pensions: Development and Reform* was its long-awaited formal response to Averting (Gillion et al., 2000). It was edited by Colin Gillion, the Social Security Department director of the ILO. Its softened stance was not fully supported within department. Gillion's de facto successor Emmanual Reynaud noted that if he had come to the ILO sooner, he would have taken a different direction and offered continued robust opposition to Averting (interview with Emmanuel Reynaud, April 2018).

It was written in the format of an encyclopaedic volume, placing itself alongside Averting as part of the sparse pensions literature that took a global focus. The volume was considerably extensive, it was written in a format that could serve as pensions primer for students and policy makers. The volume is divided into two main parts. The first part consists of fourteen chapters and is largely descriptive of different pension systems. It is this part that is intended to act as a reference book for policy analysts and a textbook for graduate students, or for final year undergraduates. It claims it:

> "as far as possible avoids taking sides in what has become a controversial and sometimes heated policy debate" (p. 1).

This section is largely uncontroversial. It offers a comprehensive guide to pension provision and all the different aspects of provision that policy makers would encounter. The intention of such a large volume must certainly have been motivated by the entry of the World Bank into the pensions field. Social Security Pensions: Development and Reform seems like a publication seeking to reassert the authority of the ILO in one of its traditional policy domains, with the volume acting as the 'go-to' source for pension knowledge. Given the largely descriptive nature of Part One of the ILO's response, it is not useful in the policy debate between the Bank and the ILO. Part Two, on the other hand, sets out the normative basis for pension programmes "and because of this, may be more controversial" (p. 1). The following sections outline the main arguments set out in Part Two of the volume.

The Normative Basis for Policy

The section begins by stating that a number of considerations that affect the reform, existence, and development of pension systems, are normative ones, based on the values which society places on income security in old age (p. 395). These values include: who should receive a pension? how much? who should contribute? how large should contributions be? public or private? universal and compulsory? or voluntary and selective? In differentiating itself from the position of Averting, it states that:

> "Of course, all such issues also have their economic aspects, which interact strongly with the normative ones, but unless we are clear about the moral and social objectives, as well as the economic ones, we will not have a precise idea about the purpose of pension schemes and how they should be structured" (p. 385).

The section then moves on to outline the changing global conditions that may necessitate the need to re-examine the normative basis that underpins the development of old age pensions. Implicitly, it acknowledges many of the issues set out in Averting. It first recognises that, in the developed world, old age at one time almost inevitably entailed living in poverty and that, since the 1950s old age pensions has diminished this in absolute and relative terms. However, the design of these systems did not foresee the increased female participation in the labour market, nor the impact that unemployment, particularly in Europe would have on the demand for early retirement. In addition, the late 1970s and early 1980s were characterised by high inflation which meant revaluations of pension benefits that had not been anticipated in their design. The pension designers also did not foresee the demographic transition. As a result of all of these, the chapter argues that the scale of pension programmes was not anticipated in their design, that expenditure of over 10% of GDP on pensions was never envisaged in the outset.

On the other hand, in middle-income and developing countries, the impact of pension schemes on old age poverty was argued to have been much less: the levels of benefits and overall coverage much smaller, whilst the old were impacted by structural adjustment and transitions to a market economy. In light of this, the volume questions the importance of previous normative standards and asks if there are now two sets of normative criteria: one for countries which may be considering if pensions have developed a too generous system: one for where pension systems need to be expanded, not contracted (p. 398).

Before outlining more specific guidance on pension models, the volume outlines the guiding principles for all pension systems:

1. The extension of coverage to all members of the population.
2. Protection against poverty in old age.
3. Provision of an income, in replacement of earnings lost as a result of voluntary or involuntary retirement.
4. Adjustment of this income to take into account of inflation and to some extent the general rise in living standards
5. Creation of an environment for voluntary provisions for retirement income (Gillion et al., 2000 p. 399)

The guiding principles above are not incompatible with the vision for pension systems outlined in Averting. Indeed, it becomes apparent as one reads through the volume that the complete hostility to the idea of funding and private provision, which was expressed in the immediate reaction to Averting, has given way to a more measured and accommodating response from the ILO.

However, there were still differences; the guiding principles above are supplemented with criteria which differentiate the approach of the ILO from the World Bank. The criteria consist of; coverage, compulsory affiliation, solidarity, equality of treatment, indexation, guaranteed and predictable benefits, and democratic management. It is the latter two criteria that the volume argues defined contribution schemes struggle to meet. By their very nature, defined contributions cannot offer guaranteed and predictable benefits as they are dependent on the performance of investments. For this reason, the pensions model proposed in the volume has a more limited role for defined contribution schemes. Democratic participation is also much more difficult in a defined contribution scheme. The volume suggests this can be enhanced by the option to switch funds depending on performance and more transparent information on fees, returns and governance.

On the role of the state, which was part of the controversy in the heated debate with the World Bank, the volume concedes some significant ground. It argues that the state has a significant role to play in managing the framework of the system and its general efficiency,

> "but is does not necessarily imply that the state should be directly involved in the operation of the scheme itself. This may be left to other agencies such as quasi state bodies or even private institutions" (Gillion et al., 2000 p. 404).

However, on the more controversial areas of the debate between the ILO and the World Bank, such as whether a scheme should be funded or unfunded, private or public, or defined contribution or defined benefit, the Gillion volume ceded even more ground to the World Bank. Whilst clearly stating the ILO's main concerns with funded defined contribution schemes, such as the risk being borne by pensioners, there is also the acknowledgment that there are some economic advantages to a defined benefit scheme. Here it is acknowledged that they can stimulate capital market development, create fewer distortions in the labour market and are not susceptible to over-promising from the government. As a result, the ILO's own proposed pension model in this volume is not too dissimilar to the World Bank's multi-pillar model. It accepts the need for diversification, using the language of tiers, rather than pillars.

Table 7.1 The ILO Pension model

Tier number	Target group	Characteristics	Nature of participation	Financing Method
0	The poor	Social assistance scheme providing means-tested benefits means-tested	Mandatory	General revenues, PAYG
1	Formal and to the extent possible, informal sector	Public defined benefit scheme ensuring a replacement rate of between 40-50% of average lifetime income	Mandatory	Contributions, PAYG or partially funded
2	Formal and informal sector	Defined contribution scheme publicly or privately managed	Mandatory or voluntary, including occupational plans	Individual contributions, fully funded
3	Formal and informal sector	Saving, or non-pension benefits (housing) etc.	Voluntary	Individual

Source: Gillion et al. (2000)

Social Security: A New Consensus

Chapter Eight outlines in detail, the internal politics of how the ILO shifted its focus away from competing with the World Bank, to defend Bismarckian pension systems and campaign for an extension of social security to all. This was partly a strategic change of direction given the superiority of the World Bank in the pension reform arena. However, it was also a functional response to a growing global social problem. The ILO estimated that only 20% of the world's population had adequate social protection (Reynaud, 2002). It therefore needed to develop a new policy to expand coverage to the informal sector. A campaign was initiated by the ILO as an attempt to place extending coverage onto the international agenda. The theme of its 2001 International Labour Conference was "*Extending Social Security to all*." The main conclusion from the session was 'highest priority should go to policies and initiatives to extend social security to those who have none' (ILO, 2001: v). The campaign was launched formally by the ILO in 2003. It had the following objectives:

- Universality of access to formal systems of social protection. In line with its rights-based approach to social security, the ILO opted for aiming to make a minimum set of benefits available to all, priority being given to benefits with strong investment (i.e. human capital) character. These included child benefits, health care and income support.
- - Progressiveness, referring to the understanding that universal provision of a basic benefits package is to be regarded only as the first step in a continuing process of social security development in which, fiscal space permitting, benefit levels will be increased and more contingencies will be covered.
- - Pluralism, in acknowledgement of the body of experience and evidence showing that there is no single "right" model for provision of social protection, or single path towards achieving universal coverage.
- - Outcome focus, referring to the essentially pragmatic nature of all ILO interventions and activities. The aim should be to reach optimal social outcome rather than settle ideological and/or academic debates. (ILO, 2010).

This signalled a move away from a contentious area of policy, to one where there was a broad consensus between the two organisations. It also allowed the ILO to move into a pensions policy area where the World Bank was not as preoccupied or in competition with the ILO. Both organisations agreed on the importance of the state's role in providing an income in retirement for the poorest in society and for those not covered in other formal schemes. As van Ginneken (2003) notes:

> "Most analysts agree that a multi-tiered system characterized by diversification of financing and benefit mechanisms provides the greatest long-term income security. Usually there is no disagreement about a minimum guarantee for the poor (the first tier) and voluntary retirement saving (the third tier). It is generally also agreed that a closer contribution-benefit link, and proper incentives for

> contributions and transparency are desirable in the intermediate, mandatory insurance scheme (the second tier). According to Augusztinovics (2002), the debate revolves around the institutional setting of the second tier: the method of financing (PAYG or funded) and the type of management (public or private)" (2003 p. 33).

The insights from above demonstrate the nature of conflict, cooperation, and convergence between the ILO and the World Bank. There was never a dispute over so-called 'zero pension pillars'. Both organisations agree that the state should finance the income of the lifetime poor in retirement however, they argue about from where this should come from; The World Bank claiming this should come from a means-tested benefit, something which the ILO is ambivalent towards. There was also very little dispute on the first pillar, although each organisation had a preference over its size, with the World Bank preferring a modest first pillar and the ILO favouring a much more generous one, both organisations agreed it should be publicly provided and operated on a PAYG basis. Likewise, on the voluntary third pillar, both organisations approved the economic benefits and its role in a diversified pension system. The dispute was only ever the second pillar andonce the global debate moved away from the contentious second pillar, the space would open up for a more meaningful cooperation between the two organisations.

The ILO therefore, was moving into a new campaign focused on developing countries, using its comparative advantage of social protection expertise that it still had over other organisations. In the beginning of the campaign, the main ILO activity was to demonstrate to all countries that social protection, including income security in old age, was affordable to all countries. It distinguished between horizontal and vertical benefit provision. Horizontal involving basic coverage for the whole population, whie vertical referred a deepening of the extent and generosity of coverage. By focusing on the horizontal dimension, the ILO was carving itself a policy area in social protection where it would not come into conflict with the World Bank and where it could have significant influence. It was during this time the seeds of the social protection floor were to be sewn.

Old Age Income Support in the 21st Century

Chapter Eight outlines the details in which *Old Age Income Support in the 21st Century* (Holzmann & Hinz, 2005) came into being. It was billed as an update to Averting the Old Age Crisis to communicate to the rest of the organisation, and to the outside world, how the World Bank's pensions stance had evolved since its seminal report. It did not undergo the same review as official publications from the Bank and therefore reflects the views of the authors, rather than the institution at large. However, given that the author was the current director of Social Protection and Labor at the Bank, it is widely regarded as an official statement of policy. For its critics, the volume never fundamentally changed its pensions stance and continued to support a private pension pillar. For example, Nick Barr argued:

> "The Holzmann and Hinz book was meant to do it, [change the position of the World Bank] but the thing was, it said individual accounts are a good thing, and all the individual reviewers said. 'Ah, but what about transition costs?', they would say 'blah blah yes there's transitional costs but IFAs are still the best way to go, yes there's institutional factors, but IFAs are still the best way to go.' That book never did it. In fact, I can remember a discussion I had (at a dinner in Warsaw) saying that this was a time when it would have been possible for pensions leadership in the Bank to say, 'we've moved on, our position has evolved it is now more…' essentially drawing a line under on the over-promotion of Chile'. The response I got was rather disappointing 'I couldn't get the troops to follow' (interview with Nick Barr, World Bank, December 2016).

However, this characterisation seems slightly unfair. Whilst not wholly moving on from the World Bank's promotion of the second pillar, the volume shifted the focus towards the importance of the other pillars. As the above analysis of Averting shows, it mounted to a systematic attack on the public pension pillar. The Holzmann and Hinz volume on the other hand, recognises the importance of the state in income security in old age for the poor and begins to shift the stance of the World Bank away from viewing multi-pillar pension reform as a complete panacea. The analysis in this volume is much more nuanced than Averting and devotes sections outlining the limits to what can be achieved with mandatory second pillars. The introduction sets out the new contours:

> "The main changes to the Bank's perspective concern the enhanced focus on basic income provision for all vulnerable elderly as well as the enhanced role for the market-based, consumption-smoothing instruments for individuals both

> within and outside mandated pension schemes. The Bank increasingly recognises the importance of initial conditions and the extent to which conditions in a particular country necessitate a tailored or tactically sequenced implementation of the multi-pillar model".

In summing up this update to Averting, its most important contribution was to begin to shift the focus of the World Bank away from the second pillar towards income security for the poorest in society. It did not represent a radical redrawing of World Bank policy, rather a subtle shift in direction. It was also more focused on adequacy and coverage, instead of the preoccupation with sustainability in Averting. As it notes in the summary at the beginning the volume claims to offer:

> "A better understanding of reform needs and measures: assessing the need for reform beyond fiscal pressures and demographic challenges. Understanding the limits and other consequences of mandated pension systems. Reassessing the continued importance, but also the limitations of prefunding."

Whilst there were still sections devoted to the need for prefunding, there were also larger sections devoted to the need for the publicly funded poverty alleviation and extending coverage. This would foster increased cooperation with the ILO in its new focus on extending coverage.

Keeping the Promise of Social Security in Latin America

While the Social Protection and Labor Department was beginning to see the virtues of the other pension pillars in providing income security in old age, shifting its activities away from the promotion of the second pillar, other sections of the Bank began an attack on the virtues of a mandatory second pillar. *Keeping the Promise of Social Security in Latin Am*erica (Gill, Packard, & Yermo, 2005) represented the first evaluation of the World Bank's flagship pension model. The region was chosen as the focus as it had the longest experience with multi-pillar systems. At the time of its publication, the multi-pillar systems of Central and Eastern Europe were still in their infancy. Latin America on the other hand, had over a decade's experience in 12 countries, and in Chile, two decades. The report did not advocate the full-scale reversal of the policy but did highlight some of the issues where the reforms had failed to fulfil their promise. In total, it argued there were five important lessons to be drawn from the Latin American experience:

The first and most important lesson which is emphasised throughout the report is the disappointing growth in pension coverage in Latin America. It argued that more attention needed to be paid to poverty relief through the zero and first pillars. This lesson is not dissimilar from the Holzmann and Hinz volume. However, it went further and called for a separation of this pension provision from the savings pillar, which was a direct criticism of the Chilean pension system, signalling a change in tone from Averting. The second lesson was a defence of the second pension pillar. It argued that it was desirable that the link between benefits and contribution was tightened and that this pillar was best placed for income smoothing over the life course. The third lesson also supported some of the arguments of Averting by arguing that the first pillar could not be so large that it created incentives for informalisation in the labour market. The fourth lesson makes the same argument for the savings pillar arguing that it must also not be so large that it creates incentives for informalisation in the labour market. Finally, the report argues that more focus needed to be directed towards lowering the administration costs of the second pillars. The exorbitant fees were argued to be a huge problem for the sustainability and viability of the system.

The Independent Evaluation Group

Alongside *Keeping the Promise of Latin American Social Security* further critiques of the functioning of the second pension pillar came from inside the Bank a year later in 2006. Chapter Eight shows the internal politics that led to the evaluation taking place, it also shows how the Latin American volume was controversial and hotly disputed by proponents of the multi-pillar system. These criticisms of the second pension pillar were also being conducted at the same time as the George W Bush was attempting to implement a multi-pillar pension system in the US (Weaver, 2006). The proposed reforms failed to get through congress, adding to a growing chorus of critical voices about the desirability of mandatory private pension pillars. The Independent Evaluation Group was an official report signed off and reviewed under the appropriate channels to be considered the voice of the World Bank:

> INT: Were your evaluations signed off as an official publication?
>
> EM: Yes, absolutely. Signed off and official. And in the comments, they had all the dissenting voices. But not everyone has to agree with it, but it goes through with the comments. (interview with Emily Andrews, World Bank, August 2017).

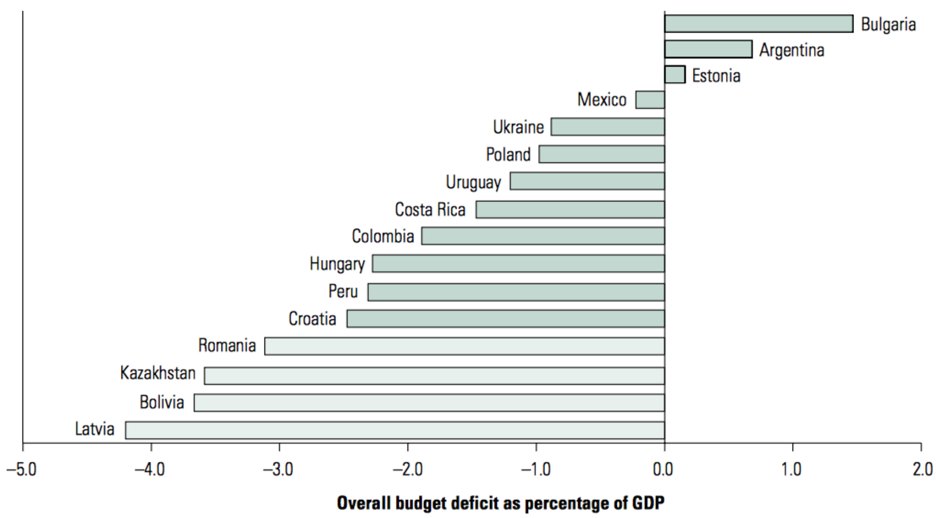
The main contentions of the Independent Evaluation group were that greater attention needed to be paid to initial conditions before recommending a multi-pillar pension reform. It also argued that the Bank had been too preoccupied with fiscal sustainability at the expense of focusing on the core pensions objective of income security in old age. The focus on initial conditions aligned with the Holzmann and Hinz volume which also called for more attention to be paid to them before recommending reform. However, the evaluation argued that the Bank needed to take parametric reforms to the first pillar more seriously. The report highlights examples where the Bank did due diligence and only supported a first pillar reform in countries such as in India, Turkey and Brazil. On the other hand, it highlights Latin America and the Caribbean as regions where there was significant activity to implement multi-pillar reforms when the initial conditions were not right.

> “While the Bank did not advise the provision of funded pensions in many countries with unsuitable initial conditions, the Bank acted too quickly to support multi-pillar reforms in other countries without examining options for complementary safety net programs to protect informal sector workers from poverty in old age. The Bank also supported some reforms in which macroeconomic, financial sector, and institutional preconditions were not met. This put the reforms at risk from the start. While many, but not all, countries in Europe and Central Asia showed a readiness for reform, those in Latin America and the Caribbean were less likely to be appropriate candidates. The development outcome ratings of the Bank’s activities in IEG case study countries in which preconditions were not met were often rated unsatisfactory” (IEG, 2006 p. 19).

The report offers a number of preconditions that must be met before a multi-pillar reform should be enacted: these are appropriate safety nets in place, stable economic conditions (including low inflation and fiscal capacity), a sound financial sector. It argues that The World Bank had not paid enough attention to developing safety nets. It cites examples in Latin American and Central and Eastern Europe where there were weaknesses in the safety net programmes that were developed but the Bank was too focused on the second pillar. It cites several other countries that have low coverage but have received little assistance in extending coverage (2006 p. 20).

The stable economic conditions that the report argues must be a prerequisite before multi-pillar reform takes place. The report notes a number of countries that enacted the reforms whilst experiencing high levels of inflation and recognises that an adverse fiscal position may bring pension reform onto the political agenda. However, it argues that countries require the fiscal capacity to undertake reforms in order to absorb the transition costs. Figure 7.2 shows that the majority of countries undertaking a multi-pillar reform did so whilst running a budget deficit. This inevitably diminished the chances of long-term success for the reforms, once transition costs are added to an already weak fiscal position. The evaluation also highlighted the poor financial systems in many countries that had enacted multi-pillar reform citing Russia, Romania, Kazakhstan and Ukraine specifically, as countries without a sound financial system (2006 p. 23). In addition, the weak capacity of the government to implement reforms was argued to be prevalent across Latin America and Central and Eastern Europe.

Figure 7.2 Budget Deficits as a Percentage of GDP



Source: Independent Evaluation Group (2006)

Alongside cautioning against the Bank supporting multi-pillar reforms where initial conditions were not agreeable to reform, the evaluation also suggested that the World Bank should be careful not to oversell the benefits of reform. In the section, it points to the disappointing diversification of pension portfolios, demonstrating that the majority of assets are in government securities. The report presciently notes how these are vulnerable to political interference.

> "The outcome of the Bank assistance to multi- pillar reform falls short of achieving the objectives. To some extent, this reflects the short time since the inception of reform. But pension portfolios in many countries are concentrated in government securities. Only the Chilean, Colombian, and Peruvian pension portfolios are relatively well diversified. While parametric and multi-pillar pension reforms have improved the financial balance of PAYG systems, additional reforms are often needed. Multi-pillar systems remain open to political influence, especially in times of economic crisis. Multi-pillar pension reforms have not yet increased savings or substantially developed capital markets. High rates of interest on government bonds and regulatory limits on domestic equity investments may have stifled capital market expansion" (IEG, 2006 p. 41)

In summarising global pension policy at this point in the mid-2000s, it is clear two developments were underway. The first, was a refocusing of efforts by the ILO to extend pensions coverage to those who had none. This meant it could vacate the debate on second pension pillars in middle income countries and focus on state provision in developing countries. The World Bank also began to shift its focus towards poverty of the old age poor in the developing world. In 2009, Robert Holzmann edited a volume entitled *Closing the Coverage Gap* which focused on the role of non-contributory pensions and their purpose in extending income security to the lifetime poor. Both organisations at this point began to move away from their conflicting priorities of sustainability for the World Bank versus adequacy for the ILO towards a more unifying focus on coverage. The second development was a much more critical approach to mandatory second pension pillars. Whereas, this criticism had been delivered in the mid 1990s by the ILO, a decade later the same cautionary tales were now being voiced from inside the World Bank.

The Global Economic Crisis

Both Chapters Five and Six outlined how the mandatory private pillars were scaled back or completely closed down in Latin American and Central and Eastern Europe at the onset of the global economic crisis. The immediate response to these dramatic reversals was muted from both organisations. Chapter Eight shows that in 2009 the Social Protection and Labor department was taken over by a director who was committed to a broader focus on social protection than a narrow focus on pensions. As a consequence, there was no formal position taken by the Bank on the pension reform reversals. In addition, Chapter Five argued the influence of the Bank in the region where the reversals were taking place had diminished significantly from the early transformation period. However, whilst Holzmann was still director an early response was published by the World Bank to the first reversals.

First Response from the World Bank: The Financial Crisis and Mandatory Pension Systems in Developing Countries

When Argentina renationalised its pension system in 2008, the World Bank immediately issued a technical note to other client countries with similar, multi-pillar pension systems (Dorfman, Hinz, & Robalino, 2008). It (correctly) assumed that more countries were likely to follow the example of Argentina and reform their pension system to alleviate short-term fiscal pressures, and so therefore issued the note to caution against this course of action. It argued that economic crises of this magnitude were extremely rare and that its impact on financial returns was short-term. It warned against systemic reform that might be hurried and not adequately thought through. The technical note recommended support for retirees whose retirement income might have been adversely affected by the collapse in the value of equities, it claimed that this was a more rational course of action than a complete systemic reform of the entire pension system (Dorfman, Hinz, & Robalino, 2008). In the event, as has been determined throughout the thesis, more than half the countries that enacted multi-pillar reforms chose to ignore this advice.

ILO First Response: Pension Reform in Central and Eastern Europe in times of crisis, austerity and beyond

It will be shown at the end of the chapter that it was not until late-2018 that the ILO finally published a stern response to the failure of the World Bank's multi-pillar model. Its more immediate response was to describe the changes that had taken place, rather than to offer criticism of the entire episode. In interviews with ILO staff the mood within the organisation was not one of triumph that they 'had been right all along' or 'won in the end'. Rather, the view was that many in the ILO did not support the reversals to the private systems, despite being opposed to their implementation. The opinion inside the ILO was that the reversals in Hungary and Poland, particularly, further eroded the trust in the pension systems in a region where trust was already low.

> "No, I did not support the reversals in Central and Eastern Europe, because they further eroded trust in the pension authorities and that is not a good thing" (interview with Elaine Fultz, former Director of the Russia, Central Europe and Central Asia Office of the ILO, January 2017)
>
> "I'm not sure I can speak on behalf of everyone, but I can speak about my view on these reversals. While I was always against these types of reforms, for a number of reasons, at the same time I didn't like you know, especially the Polish case how it was done. I would probably support very strongly this reversal if it was done as a concern about benefits, about the level of pensions, the predictability of pensions etc. but this were not the concerns of the those who reversed the reforms. They did it purely for fiscal reasons not really caring what the consequences for the pension system, which requires some stability, long-held trust and are undermining of trust and stability was very negative. It continues now with the new government, retirement age increases" (interview with Krzysztof Hagemejer, February 2018)

The immediate response was published in 2011, a volume edited by its Director of the Country Office for Central and Eastern Europe, Kenichi Hirose. It was therefore too soon to document all of the changes that would take place in the region. The document noted that none of the countries in Central and Eastern Europe had increased pension contributions to assist in their sustainability. This was said to have been to reduce aggregate demand at a time of economic crisis. Nonetheless, the report highlighted the changes to the second pillar that had taken place at this time, at this point only Hungary had renationalised its pension system. The only criticism present in the report was the way in which multi-pillar reforms had been carried out:

> "The lack of social consensus in the pension reform process of many countries raised serious concerns. A well-informed and participatory reform process is critical for making rational decisions based on broad consensus. Yet social dialogue was weak or sometimes absent in the pension reform processes of many countries, and many workers' and employers' organizations attempted to search for ways to influence pension policy with only limited success" (Hirose, 2011)

It would be another seven years before the ILO offered a critical response to the series of reforms and counter-reforms in Central and Eastern Europe. In the meantime, the Department for Social Security – soon to renamed Department for Social Protection – would focus its efforts on promoting the Social Protection Floor. Old Age income security would now be focused on through the broader social protection floor agenda.

The Campaign for National Social Protection Floors

Chapters Five and Eight document the external and internal processes that led to the ILO championing national social protection floors. Deacon (2013, pp. 37-61) traces the development of the concept up to its adoption as the ILO Recommendation 202. His analysis shows that in many ways it represented a departure for the ILO from its traditional championing of wage-related social insurance benefits and left the issue of whether benefits should be universal or targeted, somewhat unresolved. However, in sidestepping this debate, it would also allow for more meaningful cooperation with the World Bank, rather than the outright hostility that characterised the 1990s. The concept was also not the sole creation of the ILO, as Chapters Five and Eight show, other UN agencies were also involved in the campaign for social protection floors. In seeking approval from the ILO's tripartite governance structure, it would also undergo significant modification as a concept in order to satisfy the various preference of the ILO's constituents. It was modified from a global social floor financed out of a global fund, to one financed by national governments, it would also evolve from a set of specified benefits to a set of specified guarantees or outcomes. Each would be nationally determined as governments of the global south were reluctant for the global north to impose standards on them for fear it was a form of indirect protectionism (Vosko, 2002).

The concept's origins are disputed given the number of actors involved in the idea of a social floor (Deacon, 2013). It formed part of the World Commission on the Social Dimension of Globalisation, which called for a 'global socioeconomic floor' (ILO, 2004). However, as Chapter Eight details, a coalition of actors from various international organisations kept the idea alive in the mid-2000s before one its main proponents, Michael Cichon, became Director of Social Security and sought to make it institutional policy. At this point the idea consisted of a set of core benefits that every person should be entitled to consisting of access to basic healthcare, education and income security. It was referred to as a 'global social security floor' (ILO, 2006). It consisted of:

- Access to basic healthcare through pluralistic national systems that consist of public tax-financed components, social and private insurance components and community-based components linked to a strong public system.
- A system of family benefits that permit children to go to school.
- A system of self-targeting basic social assistance.
- A system of universal old age pensions, disability and survivorship pensions that affect the whole family (ILO, 2006 p. 34).

Over time, this evolved to become a set of guarantees of outcomes as the campaign shifted towards framing them in the language of social rights (see Cichon & Hagemejer, 2007). The paper called for a new legal instrument such as an updated convention to 102, that was outlined above. However, the convention idea was dropped, and a formal ILO Recommendation became the form of soft compulsion that the ILO Social Security Department began to campaign for. As Chapter Eight details, once Cichon became the director, he initially prioritised resources into developing sophisticated analytical tools used to convince countries that social protection was affordable for all countries (see Pal, Behrendt, Léger, Cichon, & Hagemejer, 2005). This analysis remains some of the most heavily cited work from the department at the time (interview with Krzysztof Hagemejer, April 2018). As a consequence of this, the idea for a global fund to finance social protection for developing countries was dropped by Cichon and his team. This also won support from those who were conscious of the aid-dependency in the global south.

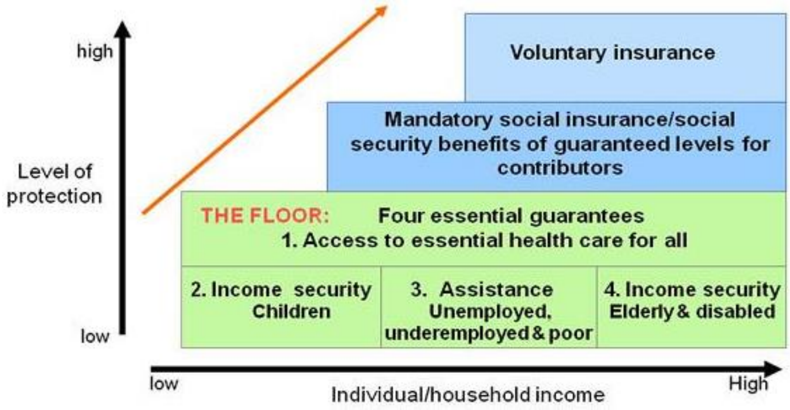
In the final analysis, a basic set of social protection rights was found to cost developing countries up to 3% of GDP (Pal, Behrendt, Léger, Cichon, & Hagemejer, 2005).

In order to pass the ILC the concept of a social protection would undergo further modification. In order to avoid the concept being perceived as a form of protectionism by the Global North to undermine the Global South's competitive low wages costs, the social protection floor became a concept that could be nationally determined. The concept therefore evolved from a global social floor, to national social protection floors. The floors would become known as a nationally defined set of four guarantees:

- All residents have the necessary financial protection in order to be able to afford and have access to a nationally defined set of essential healthcare services, whereby the State accepts the general responsibility for ensuring the adequacy of the (usually) pluralistic financing and delivery systems;
- All children have income security at least at the nationally defined poverty level, through family or child benefits aimed at facilitating access to nutrition, education and care;
- All those in active age groups who are unable to earn sufficient income in the labour market should enjoy a minimum level of income security through social assistance or other social transfer schemes combined with employment guarantees and other labour market policies;
- All residents in old age or with disabilities have income security at least at the nationally defined poverty level, through pensions for old age and disability. (ILO, 2010 p. 20).

It was emphasised that these guarantees could be provided by governments through a choice of universal benefits or social insurance, contributory or non-contributory, social assistance or services in kind. This, in particular, marked a significant departure from the ILO's traditional championing of Bismarckian principles. In practice it could mean that old age pensions consisted of targeted safety nets for the poor and market provision for everyone else. As a way to assuage those within the organisation who felt this diverged too far from the core principles of the ILO, a two-pronged strategy was proposed, as Figure 7.3 demonstrates: the horizontal element would focus on extending basic social security to all. However, to prevent the floor becoming a ceiling, the ILO would also campaign for deepening social security through the vertical dimension.

Figure 7.3 The Horizontal and Vertical Dimensions of Social Protection Floors



Source: ILO (2010 p. 20)

The World Bank's Social Protection and Labor Strategy 2012-2022

The departure of the ILO from its traditional championing of wage-related social insurance schemes, enabled its agenda to align more closely with the World Bank. As Chapter Five explained, this was also being encouraged by the G20 as part of an international response to the global economic crisis. In 2012 the Social Protection and Labor department published its strategy for the next decade, it became evident from this document that the two organisations were moving much closer together. The World Bank had completely ended its campaign for multi-pillar pension reform, its prioritisation of extending social protection to those without any chimed with the strategic priorities of the ILO.

In preparation for the 2012 strategy document, a background paper on the World Bank's pensions policy activity was published to inform the strategy (Dorfman & Palacios, 2012). The paper sets out the three strategic challenges that take precedence: coverage, adequacy and sustainability. These are the common criteria in which all organisations working on pensions seek to improve. However, it was clear from this paper that the emphasis of the World Bank was shifting towards pensions coverage and adequacy rather than sustainability. It was the first challenge set out in the introduction:

"The first [challenge] is addressing the coverage gap, defined as the share of workers that will not be able to count on any kind of pension income. In low income countries (LICs), roughly one in ten workers contribute to a pension program and this level has remained stagnant for decades despite substantial growth in per capita income" (Dorfman & Palacios, 2012, p. 4)

In line with the ILO's approach, the paper argues that the challenge lies with covering those in the informal sector. It cites social pensions as the best way to increase coverage, which is in line with the social protection floor's philosophy. In addition, on sustainability, the paper argues that parametric reforms are a solution to making systems more sustainable. These were seen as inadequate when the Bank was promoting multi-pillar reform. Mandatory second pillars are only mentioned in the paper when referring to existing countries, they are not proposed as a reform priority for the Bank in the decade going forward:

In the last few years, demand from younger and poorer countries as well as non-traditional pension clients has been increasing while considerable ongoing demand for pension advisory assistance continues. For several years' time, the largest number of participants attending the Bank's pension course has been from Sub-Saharan Africa … Perhaps the most often cited issue, however, is coverage. In both low- and middle-income countries, Bank clients are seeking policy advice on the instruments that can expand coverage of elderly poverty protection in the short term and instruments that support savings for old age income protection for a much larger population in the medium term" (Dorfman & Palacios, 2012, p. 29).

The coalescing of the two organisations around the issue of coverage was evident in the World Bank's Social Protection and Labor strategy: *Resilience, Equity and Opportunity* (2012). The report's sets out extending coverage as its main strategic aim:

"The central challenge of fragmentation and the global gaps in coverage, responsiveness, and opportunity identified in the previous section establish a clear strategic direction for the World Bank's SPL practice in the years ahead" (p. 29).

Moreover, the report signalled the beginning of the World Bank engaging substantively with the social protection floor initiative. The report was written prior to the establishment of the Social Protection Inter-Agency Cooperation Board (discussed in

Chapters Five and Eight). It demonstrates the idea had already permeated international organisations and was completely in line with the World Bank’s priorities for the forthcoming decade in 2012.

> “This emerging global consensus is manifested in numerous country actions and global initiatives, including the prominent One-UN Social Protection Floor Initiative (SPF-I), adopted by the United Nations Chief Executives Board in April 2009. The SPL strategy and engagement is consistent with these core principles of the SPF-I, particularly through the strategy’s emphasis on building inclusive, productive, responsive SPL [Social Protection and Labour] programs and systems tailored to country circumstances. The World Bank has been a strategic partner in the One-UN Social Protection Floor initiative (SPF-I) and has an important role to play both in helping countries who sign on to the SPF-I to operationalize it and in knowledge sharing. The World Bank has been engaged in extensive strategic dialogue at the global level and partnerships at the country level. The World Bank also contributes to the initiative through knowledge generation and dissemination, developing data on the state of SPL across countries, and knowledge-sharing concerning good practice and results in SPL. (World Bank, 2012 p. 14)

The aligning of the two agendas was put on a firmer footing in 2016 when the World Bank and ILO launched the global partnership for social protection. This partnership embeds social protection within the Sustainable Development Goals of the UN. In a concept note released alongside the signing of the partnership the alignment is firmly embedded in the rationale for the partnership:

> “For the World Bank and the ILO, universal social protection refers to the integrated set of policies designed to ensure income security and support to all people across the life cycle – paying particular attention to the poor and the vulnerable. Anyone who needs social protection should be able to access it.” (ILO, 2016)

Points of Contention

As this chapter has outlined, the rivalry between the ILO and the World Bank has subsided significantly since the heated debates in the mid- 1990s. The shifting of the debate away from sustainability versus adequacy towards a focus on coverage has meant that the secondary debates over defined benefit versus defined contribution and public versus private have given way. Both organisations agree that the best way to extend pensions coverage is through publicly funded pensions. However, there are still points of incongruity between the two organisations. In particular, on how to define universal benefits and whether means-testing should form a part of the structure, as this interview with the current director of Social Protection and Labor at the World Bank outlines:

> "I think it is fair to say we share objectives, we have a lot of things to discuss in terms of how to get there, and I see disagreement as facilitating discussions, so I don't expect conflict, I expect discussion. For instance, when we discuss universality, for us the starting point is what is happening on the ground, given the starting point is 90% informality in any given country. How to improve working conditions, how to improve security, what would be the shape of any type of insurance given these contingencies and then how they can grow, so they can meet the standards of formality whatever they may be. Sometimes colleagues in the ILO will start in the 10% of the formal labour market and their mental process is to try to work out how to expand this, which is not the process we consider effective to begin to tackle these issues. So, you see, we share objectives, but we start at different ends. Perhaps they have got something, but we believe we are much further, so I believe it is a process in which we have different starting points, different mental models maybe different sympathies, different values but we share the objectives and except is very impatient, they want to declare universal ASAP." (interview with Michal Rukowski, December 2016).

These different points of emphasis are clear in recent publications from both organisations. In the World Social Protection report, the ILO has given examples where universal social pensions have been successful in increasing pensions coverage. The report emphasises this as a successful way to expand coverage. It also speaks of a 'demographic dividend' for Africa with its young population offering benign conditions for old age pensions coverage.

> "While there is still room for improvement, a significant number of countries across the world have achieved substantial progress in terms of effective pension coverage in recent years… The experiences of the Plurinational State of Bolivia, Botswana, Lesotho, Namibia and Zanzibar (United Republic of Tanzania) show that universal, non-contributory social pensions for older persons are feasible and can be financed by governments of low- and middle-income countries (ILO, 2017 pp. 80-81)."

The report also describes the process of pension privatisation reversals. It argues there are number of lessons to be learned from the experiences; specifically, that multi-pillar reform had a significant number of negative outcomes: low coverage, high administration costs, low benefits, fiscal costs and a lack of social dialogue (2017, pp. 93-98).

The World Bank on the other hand, continues to see the virtues of targeting public resources on the those who need it most. In its recent report on the State of Social Safety Nets (2018). It argued that means testing was more effective at reducing poverty in old age social pensions (World Bank, 2018 p. 83). For now, the rolling out of coverage to those who have none, fosters close collaboration between the two organizations, since both are primarily focused on creating coverage. However, these differences in interpretation and orientation may have implications in for activities in the field and the technical advice given, particularly in the years to come as the vertical dimension of social protection takes precedent.

Finally, in what may prove to be the final word on multi-pillar pension reforms from both the ILO and the World Bank, at the end of 2018 the ILO published its seminal report on the reversals titled: *Reversing Pension Privatizations: Rebuilding public pension systems in Eastern Europe and Latin America*. The ILO's critique is expressed much more forcefully than at any time since the Beattie and McGillivray article two decades earlier. It describes pension privatisation as "three decades of failure" (Ortiz et al., 2018 p. 3). The reasons for the failures are given as the following:

> "The reasons are multiple, ranging from high fiscal and administrative costs, to low coverage and benefits, to the unpredictability of old- age income due to capital market risks, as documented in this chapter and in the country cases in this book. While some governments repealed privatization early, the large majority of reforming countries turned away from privatization after the 2007-2008 financial crisis, when the drawbacks of the private system became evident and had to be redressed" (Ortiz, et al., 2018 p. 3)

Moreover, the ILO asserts that is was right all along about pension privatisation. The approach contrasts greatly with the Colin Gillion volume in 2000, which tacitly accepted many of the arguments of Averting. It can only be surmised that the ILO feels much more confident in expressing itself in this manner because there is a global consensus that the multi-pillar pension model, with a mandatory second pillar carved out of the public pillar, has failed.

> "Ultimately, over time the arguments advanced by the ILO proved correct. Even in European countries – with large older populations – the pension systems are sustainable with adequate parametric adjustments and some limited public budget support (European Commission, 2015). Private pension systems under-performed, as shown in the next section. Despite pressures from the financial industry, requests from governments to IFIs for support for structural pension reforms reduced. The World Bank abandoned the pension privatization push, replaced the leadership of the Bank's Social Protection Department, and since the mid-2000s there have been no stand-alone pension reform projects within the World Bank loans portfolio (p. 10)"

Conclusion

This chapter has outlined the positions of the ILO and World Bank on pension provision from the origins of both organisations' entry into the global agenda setting arena of pensions policies. It has shown how the ILO initially took the lead in global pensions policy at the end of the Second World War. It established a number of legal instruments such as Convention 102 on minimum standards to assist in the role out of social security across the globe. The main preoccupations during this period were an extension of coverage and a focus on the adequacy of benefits. The ILO's global leadership on pensions remained largely unchallenged for four decades. The entry of the World Bank into the pension reform arena pushed the issue of sustainability high onto the global agenda; alongside secondary objectives of capital market development and labour market efficiency. The two organisations engaged in a heated debate in which the World Bank initially gained the upper hand.

Over time, the two organisations' ideas began to converge. The ILO dropped its hostility to multi-pillar pension reform, while the World Bank began to evaluate the benefits of multi-pillar reform more critically. Both organisations moved towards viewing pensions coverage as the most important issue for the international policy setting agenda. This has encouraged more meaningful cooperation between the one-time rivals. However, differences remain. In particular, the role of means-testing and how to define universalism.

The shifting of priorities of both organisations was not solely a rational exercise of evaluation of the different pension models. As Chapters Five and Six have shown, the external environment has been a significant influence over the dominant ideas on pension reform. It has also been shaped by the internal politics of both organisations and it to these internal dynamics where the thesis now turns.

Internal Politics at the World Bank and ILO

Introduction

This chapter analyses the internal politics of the World Bank and the International Labour Organisation. It represents the agency component of the ASID framework. It demonstrates that the internal political battles and the promotion of key personnel has been influential in shaping the global policy debate on pensions and social protection. Chapter Seven outlined how the positions of the World Bank and ILO have come closer together over the past two decades. The analysis here shows that this was not simply an intellectual exercise of evaluating the performance of different pension models and revising the guidance, it was also a consequence on internal political battles and ideological struggles within both organisations.

Gillion et al (2000) argued that pension designs are as much about normative values as they are about economics, therefore the values of key change agents within international organisations can be instrumental in shaping the agenda of the organisation. It is rarely noted by global social policy scholars how small departments within international organisations can be. For example, in the ILO there are only 24 members of staff in the Social Protection Department in the Geneva Headquarters. Within such a small group the values and priorities of those who lead the department can be instrumental in shaping the approach of the entire organisation. This chapter focuses on the key change-agents within both organisations drawing specifically on the elite interviews that were conducted.

Alongside a closer alignment of pension and social protection ideals between the two organisations, the global pension policy agenda has also been shaped much more extensively by the ILO over the past decade than in the decade prior. This chapter shows how the ILO was able to reassert itself as a prominent actor in global pension and social protection debates. It demonstrates that a unified and coherent policy stance enables an international organisation to have greater influence over national social policy making. It compares two different periods, one in which the World Bank was dominant and one in which the ILO renewed its influential position. In both instances, internal restructuring and the appointment of key personnel gave the dominant organisation an upper hand, while its rival organisation was characterised by internal fragmentation and lack of a coherent message. In both cases, internal shifts predated major changes in the global pension policy. Yet internal debates within international organisations are often overlooked in debates on global social policy, despite the pioneering work of Bob Deacon and others in this area (Deacon, 2007, 2013; Deacon and Stubbs 2010). Scholars more often have analysed debates between international organizations than within them (Mesa-Lago 1996; Queisser 2000; Ervik 2005).

A unified and coherent message for an international organisation is not enough in itself for the organisation to have an impact or gain an upper hand against rivals in global policy debates. The analysis here augments Chapter Five, which analysed the global political economy of pension policy. It shows that internal coherency within both organisations at different points created a unified message that aligned itself with the prevailing paradigm or zeitgeist. It was both the internal coherency and the accommodating external environment that allowed for policy impact. This can also supersede resources as an explanatory variable. The resources of international organisations will always be important for their influence, the analysis here shows they are not sole-determinant of influence.

The World Bank: 1994-1999

Chapters Five and Six showed how the collapse of the communist system represented favourable conditions for the World Bank. It was a time when neoliberal policy prescriptions were at their zenith. It was active in a region keen to signal its market-oriented fervour and sympathetic to the arguments of the World Bank’s policy advocates. It was noted in Chapter Six how the countries engaged in a process of 'competitive signalling' in order to attract foreign investment. This signalling entailed enacting what Appel and Orenstein (2018) have coined 'avant-garde' neoliberal policies. These are policies that are more neoliberal than those implemented across the developed world (for example, flat tax systems and pension privatization). However, an enabling external environment was not enough to guarantee the World Bank's influence, it also required a well-organised internal structure.

As an interview with a senior World Bank economist and co-author of Averting, Robert Palacios revealed, the World Bank entered the pension reform arena as a response to the needs of the transition economies:

> "I think it's very clear to me the reason the World Bank became active in pensions in the 1990s, because we had to have answers and good policy advice to the new countries who were coming to us from Eastern Europe, because for the first time, and still today, we were dealing with countries that were spending 5-10% and more on pensions. We've never had that experience prior. And if you are lending to a country and the country is running deficits on the pension system of several percentage points of GDP, you can't ignore it, you have to become knowledgeable about the subject, so that was why it started, why it got moving in that way" (Interview with Robert Palacios, World Bank, January 2017).

These new clients for the Bank had very different needs to its traditional client base of developing countries. As Chapter Six argued, the Bank found itself making recommendations for industrial countries in mainland Europe whose expenditure on pension provision was substantially higher than in the developing countries who traditionally used Bank assistance. For this reason, the Bank concluded it needed a formal document and position on pension policy.

The publication of *Averting* in 1994 represented the Bank's formal response to the new post-socialist landscape it found itself operating in. It initiated significant internal debate (Singh 1996; Müller 1999; Holzmann 2000; Brooks 2005; Weyland 2005; Orenstein 2008, 2013). *Averting* was commissioned by the Chief Economist Lawrence Summers. Director of Research Nancy Birdsall appointed Estelle James, an academic economist, to lead the publication. The research was carried out under the supervision of Michael Bruno, the

Vice President of Development Economics, who signed the foreword at the beginning of the document. The Development Economics Vice Presidency came into conflict with work by Bank Staff and consultants in the Bank's Eastern Europe operations division, together with outside academics, who favoured parametric reforms to the existing system (Deacon, 1997). At the same time as the publication of *Averting*, a rival document with a more cautious approach to pension privatization was published from this division. It argued for parametric reforms to the pension system and a focus on poverty relief (Barr, 1994).

An internal political battle ensued. However, the rival visions for Central and Eastern European pension systems did not have equal resources. *Averting* had a $250,000 marketing budget. The alternative proposals had no publicity budget. In addition, Averting drew support from the financial market and development sector of the Bank. As the quote below shows, Nick Barr agues it offered the promise of not only financial sustainability in the pension system, but also the chance to develop nascent capital markets in Central and Eastern Europe:

> "I think it was promoted at the World Bank for several reasons. One, it was promoted at the bank because the people pushing it were financial market development people - who understand financial markets, but not pensions. I mean the objective of pensions as old age security, that's a different objective from developing financial markets. The second reason why the World Bank pushed it was simply, ideology – this was a neoliberal Washington Consensus ideology. When I went to the World Bank in 1990 working on social safety nets in Eastern Europe, I was much more naïve than I am now, but I was actually in a position where somebody said to me 'I'm not going to allow you to say that, I'm senior to you'. Now I can understand institutional positions, but it wasn't. Well, brief anecdote - I came back from Poland in 1991 having been presented with a radical pension privatisation proposal, at a time when there was no financial market regulation, because there were no financial markets and the monthly inflation rate was 80%, so my report back to the bank said 'interesting proposal, medium term priority, immediate priority, unemployment benefits and poverty relief'. [I]Went to the review meeting, it was amazing the amount of nasty stuff that hit the fan, how anyone could question that radical privatisation was anything but an immediate short term priority, my boss took me back to his office afterwards, marvellous man, shut the door, pinned me up against the door, I'm exaggerating slightly, 'right Barr', he said, 'stand it up,' and for two hours it was like a PhD viva and that the end of it he said 'you're right, we're not gonna change it', but this was very rare in the bank, in the pensions area, that people were

prepared to be led by the arguments. So, if you look at the history of bank publications, 1994, Averting the Old Age Crisis, the same year as Averting, a World Bank book that I edited called *Labour Markets and Social Policy in Central and Eastern Europe*. The pensions take in those two documents were dramatically different, as you can imagine. Averting had a publicity budget of a quarter of a million dollars. We had a publicity budget of zero, supplemented by my boss who sort of nicked $900 from another budget to get us an illuminated poster in the window of a World Bank bookshop. There wasn't a consensus, it was a punch up and it was never a done deal" (Interview with Nicholas Barr, World Bank Consultant, December 2016).

Soon after this internal battle, a unified and coherent message came out from the Bank for a sustained period of time (Orenstein, 2008). Chapter Seven showed how Averting is a document with a degree of different interpretations. Its core message is that in the context of ageing populations, public pension systems are not sustainable. It also argues that private pension provision has additional economic benefits. It therefore calls for a multi-pillar pension system. For some, it simply stresses the advantages of risk diversification in a multi-pillar pensions system. For others, it advocates a Chilean style pension system across the globe (see for example, James, 1996). Those who drew this hard interpretation, such as Estelle James, were more likely to vehemently pursue reforms and were the most passionate in arguing for the benefits of a Chilean style reform. The Estelle James approach also had the backing from other quarters inside the Bank, as the following quote demonstrates:

"Personally, I feel there was a big push to follow the Estelle James approach. Which I thought was rather extreme at the time and that one size does not fit all" (interview with Emily Andrews, World Bank, August 2017).

In the years that followed, Robert Holzmann was appointed as Director of the newly created Social Protection and Labor Department in 1997. The main bulk of pension reform technical advice and publications would now come from one department. In contrast to James, Holzmann was more pragmatic than ideological:

"The Robert Holzmann philosophy who was not as dogmatic as Estelle was and he did provide objectives with a host of other people who did countries that could see how well the Bank did in terms of meeting its own objectives. Its own objectives were not as strict as Estelle's desire to have a Chilean pension system in every country in the world.” (interview with Emily Andrews, World Bank, August 2017).

In sum, a coherent pension policy stance came from the Bank for a sustained period of time. The campaign for multi-pillar pension reforms won out internally due to the superior resources available to the team behind *Averting*, the institutional backing of other powerful elements of the Bank, like the financial market personnel and the establishment of a supportive department active in pensions, the Social Protection and Labor Department. The department also had a degree of flexibility around the interpretation of Averting, which enabled it to work with more countries. This internal consistency and coherency were necessary to enable the Bank to take its message to the rest of the world with a unified approach.

The ILO 1994 - 2000

The ILO opened up a Budapest Office in 1993, specifically tasked to offer technical assistance and to influence on the transition process (ILO, 2018). However, on pensions, as Chapters Five and Six showed, it found itself in an unaccommodating policy environment when the World Bank launched its campaign for pension privatisation. The ILO was trying to defend a pension system demonstrably failing, such as high contributions but low benefits and diminishing coverage, in a region with politicians unsympathetic to the public sector and a public suspicious of the government’s commitment to honour pension promises (Fultz, 2012).

The Social Security Department of the ILO had been deeply opposed to the message of *Averting*. It was outlined in Chapter Seven that its initial response to *Averting* was low-key, coming in the form of a journal article in collaboration with the ISSA (Beattie & McGillivray, 1995). This is because the internal structure of the ILO precluded the development of a more significant alternative to Averting (Baccaro & Mele, 2012). The ILO has a tripartite governance structure of employer, trade union and country representatives. A formal position developed by the ILO’s bureaucracy (the International Labour *Office*), must have the support of all of these constituents. Whilst the Social Security Department vehemently opposed *Averting*, not all constituents did. In particular, the quotes below demonstrate how some of the employers' representatives supported the idea of funded pension systems, partially as a result of lobbying from representatives of the FIAP - International Federation of Pension Funds Administrators. This lobby had an interest in expanding individual accounts as a way to generate more business.

> "You have to remember the ILO is a tripartite organisation and actually through the employers pillar we had a strong presence of the global association of the pension funds as a lobby group in the ILO. I don't remember the name of federation, a Chilean guy actually, they put a lot of effort in organising conferences, funded support for the funded model. And every time there was a debate on funded pensions at different ILO conferences, they were there." (interview with Krzysztof Hagemejer, ILO, February 2018).

In addition, Reynaud claimed the Latin American bloc of government representatives also tended to favour funded pensions, given their recent reform experience (interview with Emmanuel Reynaud, ILO, April 2018).

> "You have to understand, the ILO is a tripartite organisation, and if you don't know it already you should know, that within the employers group the Latin American had a very important role and of course the Chilean employers and so in a certain sense the hand of the ILO was limited by the tripartite dimension." (interview with Emmanuel Reynaud, ILO, April 2018).

As Chapter Seven argued, when the ILO finally developed a response to *Averting*, it produced a document broadly in line with the message of *Averting*. Specifically, the ILO recognised a role for both defined benefit and defined contribution pensions, alongside a role for the private sector in pension provision (Gillion, 2000). Inside the ILO there was some dissent at the direction of the organisation following the publication of the Gillion volume from the soon-to-be branch director:

> "If I would have come earlier to the ILO and been responsible I would have not gone in the direction of the Gillion book, it would not have been my approach" (interview with Emmanuel Reynaud, ILO, April 2018).

Reynaud was not alone in opposing the new direction of the ILO. As the quote below shows there were others in the ILO who believed that the organisation was moving in a direction too far out of step with its traditional stance and too close to the ILO's agenda.

> "The direction of the ILO at this time ceded too much ground to the World Bank on the issue of pensions adequacy" (interview with ILO source, January 2017).

For them, by conceding too much ground to the World Bank, it represented a threat to the adequacy of social security across the globe. However, despite this, it was also recognised that the power imbalance between the two organisations was too difficult to overcome and so the ILO needed to end its open confrontation with the World Bank:

> "When I arrived at that department, the assessment I made was the ILO was not in the position to face the World Bank in opposition to pensions. Unfortunately, even though the Bank had a bad reputation it had direct links with the Ministry of Finance in many countries, whereas the ILO has a relationship with the Ministry of Labour and it is not the same in terms of the balance of power. So, even if the reputation of the World Bank in some circles was pretty low, it still had leverage through the Finance Ministry. The ILO was and is pretty weak compared to the World Bank" (interview with Emmanuel Reynaud, ILO, April 2018).

The Campaign for National Social Protection Floors

The next stage of global pension policy breakdown and the emergence of a new form of consensus was established over a long period of time. This section will outline the developments before the global economic crisis. For the ILO, it went from a fragmented position in the aftermath of *Averting* to a unified stance. In contrast, the World Bank's unified and coherent position would break down as a result of continued internal debate. The onset of the global economic crisis would lead to a complete breakdown of the World Bank's three-pillar pension model, whilst initiating favourable conditions for the ILO.

The ILO: 2000-2007

Averting had damaged the confidence of the ILO in exerting influence in the global policy process in one of its key areas of social policy expertise. In the words of one of its branch directors at the time:

> "We had lost the battle and there was not a possibility to get back on the battlefield and so my strategy was to change the battlefield" (interview with Emmanuel Reynaud, ILO, April 2018).

It was partly for this reason that the ILO began to focus on extending the coverage of social protection (including pensions) in developing countries. It was also a functional response to a growing policy problem. As was discussed in Chapter Seven, the ILO had traditionally championed wage-related social security in the formal sector as the best way to develop a comprehensive social security system. It had envisaged the formal sector growing in parallel with economic development. However, this had not happened and there was substantial evidence of the informal sector continuing to grow. The ILO estimated that only 20% of the world's population had adequate social protection (Reynaud, 2002). It therefore needed to develop a new policy to expand coverage to the informal sector. A campaign was initiated by the ILO as an attempt to place extending coverage onto the international agenda. The theme of its 2001 International Labour Conference was "extending social security to all." The main conclusion from the session was 'highest priority should go to policies and initiatives to extend social security to those who have none' (ILO, 2001: v).

The new focus for the ILO in the area of social security on coverage developed at a time of internal disorganisation. The Director-General of the ILO, Juan Somavia, had undertaken a considerable reorganisation of the ILO hierarchy. This entailed a flattening of the managerial structure. This would create problems for the social security department as it would break down into smaller silos. This was argued to be a huge mistake by Reynaud:

> "I can tell you the reason if you want and you can even quote me, it basically was a big mistake of Somavia when he came in as Director-General, it was not just for the social security department, it was for all the departments that were destroyed, he got rid of all the D2[9] when he came in, and if you look at the article by Guy Standing, he says the same thing, he was very critical of the ILO." (interview with Emmanuel Reynaud, April 2018).

[9] D2 was the level of Technical Director in the ILO.

As a consequence, the Social Security Department lost its director when Colin Gillion retired. His retirement came at a time of intense rivalry between the different branches of the department.

> "The closer we were coming to the date of retirement of the director of the department, it became an issue of personality, during the ten years from 1990-2000, there were different chiefs of branches and everything was ok but the last few years, I think it was 1996-2000 the chiefs of the two branches had different ideas about where it should go and more and more the director of the department was losing interest in imposing anything and there was this problem. It was ok until two personalities became head of branches" (interview with Krzysztof Hagemejer, ILO, February 2018)

> "When Colin Gillion was retiring, again this is my interpretation of this story, is that simply the people at the top of the ILO tried to avoid the decision of appointing the new director as there was a rivalry between the two heads of branches and that was the reason they decided to establish these two separate units with two separate budgets" (Interview with ILO source, August 2017).

The two branches of the department (one dealing with social security policy design and standards, the other with social security financing and quantitative policy analysis) joined the new Social Protection Sector, one of four technical sectors of the International Labour Office. The new social protection sector also had a small team working on socio-economic security. The two branches of the previous Social Security Department and the socioeconomic security project each effectively became their own silos, competing with separate visions for social security (Deacon, 2013).

The more dominant unit was Social Security Policy and Development (SOC/POL). It was headed by Emmanuel Reynaud and was seeking to develop micro insurance as one of the ways to expand coverage (see Reynaud, 2006). The other unit was the Social Security, Financial, Actuarial and Statistical Services (SOC/FAS). It had more involvement in the field. Its team supported the development of social insurance schemes in developing countries by offering technical assistance. At the same time, it was searching for policy solutions to enable the extension of coverage beyond those in formal employment. The leader of this smaller branch, Michael Cichon and his team were much more involved than other units in criticising the World Bank pension reform stance, using its economic, financial and actuarial knowledge capacity to challenge Bank models and assumptions. They were also sceptical about micro insurance. Cichon and his team were part of an emerging global coalition of actors who were seeking to promote the concept of a floor. It first entered the global discourse as a 'global social floor' during the ILO's contribution to debates on a social dimension of globalization (ILO, 2004). However, at this point it had no institutional support and remained one of several policy ideas in the primeval soup. The idea was kept alive by Cichon and a small group in international policy circles (Deacon, 2013). A smaller branch, headed by Guy Standing, the InFocus Program on Socioeconomic Security (IFP/SES), championed a more radical citizen's income (Maier-Rigaud, 2009). Therefore, despite having a unified objective of extending social security provision, substantial disagreement on the means to achieve it meant that stasis was a feature of the ILO's social policy stance (interview with Krzysztof Hagemejer, ILO, February 2018).

This stasis lasted for around five years. In 2005 Juan Somavia reverted back to a structure similar to the one he had reformed. The two branches of the Social Security Department were once again subsumed into one department. Reverting back to one structure meant a promotion for one of the branch directors, Michael Cichon, and it was therefore highly political.

> "I think there might have been three things that were important for Cichon's selection. One is what you just said, he had been crying in the wilderness on universal pensions for years. I think the leadership of the ILO realised there was some change needed because the three-pillar model was prevailing for a while and it looked like the World Bank was the winner and the ILO was the loser, so when it filtered up to the highest levels in the ILO, they thought 'oh jeez, what do we do? Are we out of touch, are we old-fashioned?'. So, there was a need for some change of focus there, so I think from the point of view of the leadership. Now, you know about the 2001 a new consensus on Social Security, was managed by Reynaud, and that document says all the right things. It says coverage, that increasing coverage is the most important priority for social security, more so than the type of social security. So, it took a new perspective, a new consensus and Reynaud managed that, he was in charge of the 2001 deliberations, However, Reynaud was still was more affiliated with the old ways. He was closely tied in with the French trade unions. He managed that report and it was a good report, I think it was seen that Cichon was cutting more edge. And the second thing is, Cichon had strong German backing for his promotion whereas Reynaud

> had French backing and that matters. I would say that the German government backing was stronger, because the German government was very much stronger at backing candidate's promotions within the ILO. I know of other instances where they pushed and pushed so hard, it's kind of like a badge of prestige that other governments don't feel so strongly about. So, I think the German government was very, very strong, And the third thing is field experience. I don't know if it's true now, but it was back then that if you want to get promoted in the ILO, you need to go to the field. You need to spend some years in the field to get a higher-level job. some people hate it and when come back and expect to get a better job. Cichon had been in the field, he had worked in Budapest. Reynaud had not done any field work." (Anonymous interview, ILO, August 2017)

The intervention of the German government in the internal affairs of the ILO is significant. Chapter Two outlined the different theoretical approaches to international organisations from international relations theory. The constructivists argue that international organisations have autonomy from nation states, allowing them to create policy in their own right, acting as purposive social actors (Barnett & Finnemore, 2004). Realists, on the other hand, argue that the international organisations are simply the subordinates of nation states with no real autonomy (Hawkins et al., 2006). Germany is the largest donor to the ILO and therefore would have more leverage over other countries in influencing the decisions of the Office. However, the intervention with regards to internal promotions was not policy related. The German government was not seeking to influence the policy direction of the Office. Rather, it was simply about nationality and wanting a German in a more senior position. From the perspective of someone who supported Cichon's rival, his promotion was not related to his policy stance, but rather him being the only German at D1 level who was viable for promotion to D2. Furthermore, from their perspective it was not down to explicit German backing or Cichon would not have got the job:

> "My view is that it was not the German backing, the Germans, I don't know if they were clever enough, but they didn't back him, because if they had of backed him he would have not got the job. There were only two D1 Germans and the other one was not adequate for some reason. In my view, the Director-General's approach was closer to Reyanud's approach than Cichon's. So, it was not at all with regard to Cichon's strategy from a political point of view that got him the job, it was his nationality. They needed to have a German D2 and so it was him." (Anonymous interview, ILO, April 2018).

When Michael Cichon was appointed director he began to move the stance of the department in line with his vision for the extension of social security. Cichon came from the development tradition in the ILO. He framed social protection in the language of social rights (Cichon & Hagemejer, 2007). This represented a break from the tripartite heritage of the organisation. A departure of this nature would inevitably be met with considerable opposition from within the department. For many in the department, a focus on minimum protection posed a threat to the adequacy of social insurance benefits and ceded too much ground to those, such as the World Bank, who advocated a residual, social safety net policy (Interview with Elaine Fultz, ILO, May 2017). Cichon would therefore have to convince his department, as well as the governments, trade unions, and employer associations that ultimately determine ILO policy, and then the world.

Internally Cichon was able to convince the department of the utility of social protection floors by framing them in the traditions of the ILO. He argued that the concept built upon two previous ILO Recommendations: No. 67 on universal income security and No. 69 on universal medical care. It was also an accompaniment to the ILO Convention 102 on minimum standards. In addition, the social protection floors strategy was to be two-pronged: a horizontal dimension focused on a universal minimum, and a vertical dimension, committed to extending social protection beyond a minimum in the traditional contributory way of the past (Deacon 2013).

The campaign for social protection floors was both an internal one, within the ILO, and a wider global campaign. More detail on the internal campaign will be outlined in the next section on the ILO below. The external campaign began before the social floor was official ILO policy. In 2007, Cichon convened a meeting with representatives from UNDESA (United Nations Department of Social and Economic Affairs), UNICEF (United Nations Children’s Fund) and Help Age International. The meeting formalized the *Coalition for a Global Social Floor (2007)*. It sought to be a steering committee to bring together a movement for social protection floors under the UN umbrella. It was established in the context of debates around a fairer globalisation and global inequalities. In addition, these debates were taking place in parallel with the positive experiences of modern forms of universal social policy in the global south, such as the conditional cash transfer programs being rolled out in Latin America (Huyse et al., 2017). As it will be shown below, the campaign would be given further impetus in the response to the global economic crisis, with the ILO's role in policy debates substantially enhanced and formalized. However, it is important to note that the ILO's reorganization took place prior to the onset of the global financial crisis.

The World Bank: 1999-2008

While the ILO was shifting to a new consensus on social protection, the World Bank was undergoing substantial internal debate on its promotion of a multi-pillar pension model. As Chapter Seven argued, Opposition to *Averting* was first brought into the spotlight at the end of the 1990s with a provocative paper co-authored by its Chief Economist titled: *Rethinking pension reform: Ten myths about social security systems* (Orszag & Stiglitz, 1999). Whilst the paper proved controversial, it did not immediately affect policy change, not least because, Andrews argued it had been undertaken without consulting the Social Protection and Labor Department.

> "By the way did you see the Joe Stiglitz writing critiquing the reform? You know it was funny, Joe was brilliant, I met him once years and years ago, he was so brilliant, but I was so furious at him because he actually had the arrogance – some of these arrogant guys are absolutely brilliant, Larry Summers is another one – but he had the arrogance of not speaking to any of the people who were actually doing the reforms in the field. So, he just went off and did his own thing without engaging with the staff working in the area. Joe is eccentric and does his own thing. As I said it's absolutely brilliant, but you know he should talk to people and this is why a lot of people in the department didn't take it seriously because he never consulted them and so they thought it didn't matter." (interview with Emily Andrews, World Bank, August 2017).

As more criticism from inside the World Bank came in the form of a report in 2005 titled *Keeping the Promise of Social Security in Latin America,* its assessment was not universally accepted within the Bank. Some were critical that the project did not consult industry or policy makers in the region:

> "I was highly critical of the Latin American piece [Keeping the Promise of Latin America], not because… at the end of the day, the first draft was terrible some of

things should have happened, most importantly those who wrote the book did it essentially without consulting with the industry there and without consulting with the governments. This is simply not a good way of doing it, I'm always willing to listen to the arguments, but the arguments were often not in line with reality and for this reason, the final version: yes was it critical, It asked good questions, but my sense was those who wrote thought it was a way now to get a profile, international, which actually didn't happen." (interview with Robert Holzmann, World Bank, December 2016).

The report was not translated into Spanish, which is significant given it is the spoken language of most of the continent, including all of the countries that had adopted multi-pillar reforms. This was argued by Barr to be a result of internal World Bank politics.=:

> "The other one I respect is Keeping the Promise. That was a group of people working in the Latin America region, which internal bank politics tried very hard to stop being published. It was only published because the chief economist or vice president of Latin America (can't remember which) went to bat for the book. It needed high level protection to reach publication at all. It was never translated into Spanish. Which is why when someone offered to translate mine and Peter Diamond's book into Spanish we jumped at the chance. I mean it had exactly the right messages: Individual accounts all fine and dandy, what about poverty relief? Answer is, the Bank was not monolithic. Even within the Bank there was hostility towards it." (interview with Nicholas Barr, World Bank Consultant, December 2016).

When Nick Stern became Chief Economist at the World Bank, he initiated an update to *Averting*. This new volume would be a joint cross-sectoral report by the World Bank to explain to the rest of its staff, and the world, its position on pensions (Holzmann & Hinz, 2005). As Chapter Seven explained, whilst it largely reasserted the case for a multi-pillar framework of public and private provision, as a way to diversify risk, it acknowledged that more needed to be done on poverty alleviation and coverage. The report was reviewed by five external experts, including prominent critics of *Averting*, Nicholas Barr and Peter Diamond. It was during this review that the idea for a formal evaluation of the World Bank's pension projects was born:

> "I take some pride in that because when Nick Stern became chief economist at the Bank he asked Robert Holzmann to write a position paper on pensions which is what grew into the Holzmann and Hinz volume. Nick then said to Robert, 'be good to have an international advisory committee', which included Peter

Diamond and me, good people. There was enough money to invite us all to Washington for one visit to comment on the draft, and without any pre-consultation, we all trashed it, for exactly the same reason. I'd arranged to meet Peter for a drink afterwards (this is before we began writing together, we'd met, but didn't know each other that well) and over a drink, he wondered if the bank ever evaluates its own work. I said only on a project by project basis, but doesn't do it across all sectors, I said that 'would be good if it did an evaluation of all its pension projects 'and Peter said 'I'll mention it to Nick, I'm having dinner with him tonight' and that was the origin of that 2006 evaluation by Emily Andrews, when I read it, I was hugging myself, these are exactly the points to be looking at, and you know introducing funded accounts when there is a large budget deficit or when inflation is running away is just barking mad. So that was in a way, not the Bank changing its view, but Nick Stern in his quiet and effective way nudging things along" (interview with Nicholas Barr, December 2016).

The Independent Evaluation Group was led by Emily Andrews who was approaching mandatory retirement at the Bank. As Chapter Seven showed, her report argued that some of the benefits of multi-pillar reform had been oversold by the Bank. It called for greater attention to parametric pension reforms and echoed the findings on the Latin American report that of multi-pillar reform had been disappointing in its promise to extend coverage of pension provision. It argued that much greater attention needed to be paid to initial conditions before advocating multi-pillar reform (Independent Evaluation Group, 2006).

The appointment of Andrews to lead the Evaluation was because of her pragmatism in the field. She was part of a group within the Bank who would use judgement, and not simply enact the core message of the Headquarters. The privatisation of the Kazakh pension system was cited by numerous interviewees inside the Bank such as Robert Holzmann, Mamta Murthi and Emily Andrews as an example of a country where many they thought it was not sensible to pursue a Chilean style pension reform, as the initial conditions were not right for such a dramatic reform. For example, Kazakhstan did not have a functioning capital market for funds to invest in:

"My first job in 1997, I was asked for assistance by Kazakhstan, where the president there wanted to introduce a funded system reform and it wasn't ready for reform. But I decided to go as it was better to be involved than not, as they had made the decision and it might turn into a catastrophe. By coming along, it enabled us to implement a number of reforms, so a number of projects were

> initiated, which otherwise wouldn't have been. We assumed if they made the decision to do that they might make the other reforms which did not turn out to be the case" (interview with Robert Holzmann, World Bank, December 2016).

This distinction between the views of the Headquarters and the actions in the field is one that has been underexplored in the literature in global social policy. A recurrent theme in interviews with staff was the autonomy in the field and the mismatch between official policy and actions on the ground. It was noted above how Averting drew different interpretations. These differing views could have consequences for the type of reform that a country would pursue following World Bank assistance.

> "I think if we tailored more to country needs depending on, you know, there was a variety of people, I think Robert Palacios would have gone further towards the Estelle James view and there are other people who went less. You know I worked on the Kazakhstan reform and there were a group of people who wanted me to work on it there because they knew I wasn't dogmatic about it" (interview with Emily Andrews, World Bank, August 2017).

In summary, in the years prior to the global economic crisis, it is clear the consensus on Averting that had been formed in the mid-1990s was beginning to break. Internal politics at the World Bank had initiated internal critiques of many of the central propositions that had dictated Bank policy. In addition, the varying interpretations of Averting on the ground was also diluting the controversial aspects of pension privatisation. Alongside the critique of multi-pillar pension systems, the World Bank was also beginning to shift its focus towards coverage. Holzmann and Hinz (2005) recognized this as an area where the Bank had more work to do. In 2009, this was expressed more explicitly in *Closing the Coverage Gap,* which focused on the role of non-contributory pensions and minimum pension guarantees (Holzmann et al., 2009; Deacon 2013).

A new global consensus on social protection?

The convergence of both organizations around the issue of coverage prior to the crisis opened up an opportunity for increased dialogue and cooperation in the years that followed. This was partially a consequence of the internal dynamics of both organizations. The World Bank would cease to vigorously campaign for multi-pillar pension reform. The ILO, on the other hand, ceased to solely champion wage-related social protection and developed a coherent policy stance with Recommendation 202 on National Social Protection Floors. This section outlines the internal politics of these developments and offers some concluding thoughts on the new era of collaboration between the two organizations.

The World Bank from 2008 onwards

In 2009, Robert Holzmann reached a mandatory service cap and was replaced as Director of the Social Protection and Labor Department. His successor, Arup Banerji, did not have a background in pensions, and so the momentum of a director focused on pensions, ended.

> “Ok, now I want to say a little bit, I contributed to Averting, but as a consultant, I was not a key person. I liked many of the key messages, but had always had some reservations to financial markets, perhaps it’s my central European upbringing. My 2005 paper is different. It is a much smoother message than Averting. But when I left, at this time many people at the Bank resented that someone without a financial background was in charge of pensions. When I left my successor, he was not interested in pensions. So essentially there was no policy.
>
> INT: So the shifting of the Bank away from pensions is result of personnel basically?
>
> “Exactly. Yes, there was no one to lead it. There were changes at the president level with all the issues I’m sure you read about, the structural changes internally” (interview with Robert Holzmann, former Director of Social Protection and Labor, December 2016)

Under Banerji, the department took a broader focus on social protection. The Social Protection and Labor Strategy, published in 2012, outlined the role social protection can play in managing risk. It focused on three core principles: Resilience, Equity and Opportunity. It argued that social protection offers resilience against the new social risks, equity in reducing poverty and opportunity through human capital investment. Importantly, the strategy made extensive references to the ILO Social Protection Floor and spoke of an ‘emerging global consensus’ (World Bank, 2012: 14).

The shifting away from pensions by the Social Protection and Labor Department came at a tumultuous time for the organization at large. In 2012, the World Bank formally elected Jim Yong Kim to serve as its president. Upon assuming office, Kim initiated a restructuring of the Bank that proved highly controversial. It was noted in Chapters Five and Six, how the region of Central and Eastern Europe had become less dependent on the Bank's finance. This was also true of the many of the world emerging economies. In order to remain relevant, Kim sought to breakdown the regional silos that, he argued, discouraged the sharing of best practice (Lowrey, 2014). His reorganisation consisted of abandoning the geographical structure of the Bank to replace it with global practices, with technical expertise in specific policy areas. It was believed this would keep the Bank's lending channels alive to emerging markets for specific projects, alongside lending to those locked out of international capital markets (*Financial Times*, 2014). The reorganisation was conducted over two years and was unpopular with World Bank staff. Alongside concerns about losing the local expertise necessary for policy implementation, it coincided with a high turnover of senior departures. To illustrate the level of dissatisfaction, in an emergency town hall style meeting with the President, 8000 out of 10,000 staff were present, including 5,000 tuning in online from across the globe (Birdsall, 2014).

As a consequence of this controversial restructuring, the World Bank was arguably inward looking at a time when one of its flagship pension schemes was being abandoned across the globe. In 2008, the World Bank issued guidance on the crisis and funded pillars. At this point only Argentina had closed down its second pillar and the Bank was (correctly) fearful of more countries doing the same. It cautioned against dramatic systemic responses to short-term shocks (Dorfman, Hinz, & Robalino, 2008). However, this was when Holzmann was still the director. When countries did begin to carry out reform reversals in Central and Eastern Europe, no response came from the Social Protection and Labor Department and the Bank took no formal view on the developments. A somewhat informal response came from Mamta Murthi, the Bank's regional director for Central Europe and the Baltics, in the form of a blog post (Murthi, 2014). Here she gave an overview of pension developments in the region and suggested why countries had opted to scale down or close their second pillars but stopped short of criticizing them.

> "I was fielding calls from Brussels and other places asking me what was going on in Central and Eastern Europe as the reversals started to happen. I was given no instructions from the headquarters on what our position was. In the end I decided to write a blog post explaining what was happening. In some cases I could understand the reversals, like Kazakhstan did not have a good system, it was essentially cycling T bills [investing in government bonds]" (interview with Mamta Murthi, Country Director for Central Europe and the Baltic Countries, June 2017).

A candid assessment came from outside the Bank by its former Social Protection and Labor Director. Writing a in a personal capacity, the position paper acknowledged many of the challenges for multi-pillar pension reforms such as market volatility, exorbitant fees and the possibility of a new permanent low in returns on assets (Holzmann, 2012).

In sum, as a result of personnel changes, internal disruption and an unaccommodating external environment, the World Bank's promotion of multi-pillar pension reform broke down. In addition, the client base of the Bank was now primarily developing countries, where the establishment of social pensions or the so-called zero pillar was the priority. This sharpened the focus on coverage and systems development to administer non-contributory benefits.

The ILO from 2005 onwards

Once the Social Security Department had reached a unified position on social protection floors, it was able to move the campaign to the next stage. The campaign for social protection floors had three dimensions (interview with Krzysztof Hagemejer, ILO, February 2018). First, it needed to convince all interested parties about the affordability of a social protection floor for low income countries. Here the department developed sophisticated modelling exercises to demonstrate that social protection floors were not out of reach for even the world's poorest countries (Pal, et al., 2005).

The next stage in the campaign was to convince the rest of the ILO of the importance of social protection. The social protection department is much smaller than other ILO departments and does not carry the same authority as employment and labour rights (Huyse, et al., 2017). Cichon was able to raise the status of social protection by aligning his agenda with the wider Decent Work agenda promoted by the Director-General Juan Somavia. The Decent Work Agenda has four pillars: full and productive employment, rights at work, social protection and the promotion of social dialogue (ILO, 2012: 9). Cichon campaigned to give social protection the equal weight as the other four pillars.

Finally, the task was to convince the constituents of the ILO in order to adopt a recommendation at the ILC in 2012. Cichon demonstrated pragmatism in this process. He abandoned the campaign for a singular concept of a social protection floor, to the plural concept of national social protection floors. The concept of a social protection floor was also refined from a set of benefits to a set of guarantees, that could be delivered in a variety of ways (Deacon, 2013). This diluted the concept as it allows national governments to interpret minimum standards. However, it shielded the ILO from criticism from the global south that it was a tool of the global north to impose protectionist standards. In the event, these trade-offs resulted in the ILO Recommendation 202 being unanimously adopted by the ILC in 2012. The ILO had a unified position on social protection, which had been endorsed internationally all of the ILO's member states.

Shortly after the passing of Recommendation 202, Cichon retired as Director of Social Security. However, unlike in the instance of the World Bank where retirement stalled the policy development, his replacement, Isabel Ortiz was something of a continuity candidate with the ILO's stance on social protection floors. In her previous roles at UNDESA and UNICEF she had been part of the Coalition for a Global Social Floor. The Department of Social Security was renamed the Department for Social Protection (SOCPRO) to bring its name in line with the terminology used in global policy documents. In addition, the department shifted focus slightly from technical assistance to global advocacy. This was done by reorienting existing capacity away from highly specialized technical positions to a larger number of junior profiles to support global advocacy campaigns (Huyse et al., 2017).

The outcome of the increased resources dedicated to global advocacy has been effective for the ILO. It was successful in its efforts to influence the UN Sustainable Development Agenda. This agenda will largely determine the orientation of development-related resources both globally and nationally. After lobbying from the ILO, social protection was integrated into five of the seventeen sustainable development goals. This means that social protection is now a key focus of the development agenda for many years to come. Notably, goal 1.3 explicitly mentions social protection floors. As a response, the ILO, in collaboration with the World Bank, launched the Global Partnership for Universal Social Protection. This will be one of the main mechanisms for delivering the Sustainable Development Goals on social protection, with the ILO as a lead actor. It brings together a large number of international organisations and development partners, presenting itself as a follow up to earlier global universalism initiatives on universal education and universal health coverage.

A new partnership or old rivalries?

The Global Partnership is symbolic of the development of the relationship between the ILO and World Bank. As this chapter and the previous ones have shown, at one time the two organisations were in heated opposition in their visions for pension policy. The evolution of positions in both organisations has paved the way for a much more collaborative relationship over the past decade. However, whilst both organisations use similar discourse on universal social protection and social protection floors, differences remain. A key difference is the interpretation of "universal." For the World Bank, universal means everyone having some form of coverage, for the ILO it means everyone having the same coverage.

> "Our President and the Director-General of the ILO jut signed at the UN General Assembly, they signed an agreement on the working of the universal social protection, and I see that as a boost to our cooperation towards the objective of universality. It is going quite well, we already have different initiatives, so I will

be focusing on working with them, it is very important, we share objectives, we have a lot of things to discuss in terms of how to get there, and I see this agreement as facilitating discussions. For instance, when we discuss universality, for us the starting point is what is happening on the ground, given the starting point is 90% informality in any given country. How to improve working conditions etc. Sometimes ILO colleagues will start in the 10% of the formal labour market and try to work out how to expand this, which is not the process to begin to tackle these issues. So, we share objectives, but we start at different ends. Perhaps we have different sympathies, different values but we share the objectives" (interview with Michal Rutkowski, Director or Social Protection and Labor at the World Bank, December 2016).

"I think the issue in the last five years is the coverage issue. Because after all these years we see no progress on coverage and the formalisation of the economy. You go back 50 years in documents you can see from the ILO, there is this assumption that eventually the formalisation of the economy will bring people into the system and that's not happened so that's led countries to find ways to deal with the ageing and other risks for the large informal sector. That I think is, and that's being done in a number of ways and what's most important in terms of magnitude is the expansion of non-contributory pensions." (interview with Robert Palacios, World Bank, January 2017)

This brings the role of means testing into sharp focus. In a recent report, the World Bank argued that means testing was more effective at reducing poverty in old age social pensions (World Bank, 2018: 83). For now, the rolling out of coverage to those who have none fosters close collaboration between the two organisations, since both are primarily focused on creating coverage. However, these differences in interpretation and orientation may have implications in for activities in the field and the technical advice given, particularly in the years to come as the vertical dimension of social protection takes precedent.

Conclusion

The internal dynamics of international organisations can be instrumental global policy agendas. At critical moments in global political economy, change agents in the World Bank and ILO were instrumental in shaping debates and orienting action. When ideas align with the prevailing paradigm, a coherent, organised message can supersede rival ideas. This analysis has shown how the World Bank gained superiority in global pension debates during the 1990s. These ideas aligned with the dominance of neoliberal ideas across the globe. However, they were also dependent upon an organised internal campaign within the Bank and an accommodating internal structure. The ILO, which was frozen out during the World Bank's campaign for pension privatisation, realigned its priorities and organised for impact with the restructuring of its Social Security Department. The global economic crisis gave the social protection floor the impetus it needed both within and outside of the ILO. However, this would not have been possible without the promotion and ascendancy of Michael Cichon and his team, who prepared the ground for the idea to take off. As Deacon argued, the biographies of actors can be instrumental in the global social policy process (Deacon, 2013). This chapter has developed this argument through the framework of an external environment and the internal dynamics of international organisations

Chapter Nine

Discussion

Introduction

This chapter draws together the four previous chapters in order to outline the key arguments of the thesis. They offered a multi-faceted analysis of global pension policy; this type of analysis is necessary to capture the multi-dimensional nature of the making of pension policies within international organisations and how they interact with national institutions. International organisations operate within, and simultaneously influence, the global structural environment in an iterative fashion. It is therefore necessary to capture the micro and macro foundations of the policy field. The main findings set out below were an interplay between the global structural environment, the institutions in which global pension policy ideas were implemented, the evaluation of different pension systems produced in reports by the World Bank and ILO and the internal politics at each organisation. This discussion sets out the following arguments that are the key contributions to knowledge of the thesis:

- The World Bank and ILO are cooperating much more closely on their pension and social protection policies, than in the past. Global pension policy is no longer characterised by contestation.
- The main focus of international organisations in pension policy is pension coverage. Entrenched positions on adequacy and sustainability have given way to a new shared objective.
- Central and Eastern Europe was the site where pensions innovations around the second pillar were experimented; the subsequent reversal of many of these pillars has influenced global policy ideas on pension provision.

- Pension institutions, with their path dependencies, can act as an independent variable on policy ideas. Traditional institutional analysis has treated policy ideas as the independent variable, shaping institutional change. This analysis shows a more iterative relationship between institutions and ideas.
- The global structural environment influences the types of pension policies pursued by international organisations.
- Internal politics at both organisations, that aligned with the prevailing paradigm were able to have global influence over policy debates.
- Internal coherency on a policy message can supersede resources in the battle for policy influence.
- The application and adaptation of the ASID framework in global pension policy.

The Emerging Cooperation of the World Bank and ILO

The entry of the World Bank into the global pension reform arena in 1994 brought it into direct conflict with the ILO. Chapters Five, Seven and Eight showed how the World Bank imposed itself on the traditional policy domain of the ILO with a radically different set of objectives and priorities. This contestation for policy influence has been the traditional way in which global social policy has been portrayed in the literature. As Chapter Three demonstrated, it has been portrayed as an arena in which international organisations and transnational actors compete to influence the welfare reform trajectories of national governments (Charlton and McKinnon, 2002; Deacon et al., 1997; Fergusson and Yeates, 2014; Orenstein, 2008). Deacon described this contestation as "something a 'war of position' between those agencies and actors within them who have argued for a more selective, residual role for the state with a larger role for private actors in health, social protection and education provision and those who take the opposite view" (Deacon, 2007 p. 171). In their seminal work in the field, Deacon and colleagues (1997) painted a picture in Central and Eastern Europe as a battleground, with the International Monetary Fund (IMF) and World Bank on one side arguing for a liberal approach to social policy, against the corporatist approach favoured by the ILO and European Union (EU).

However, Kaasch (2013) has challenged this approach of global social policy, as an arena solely characterised by contestation. In the field of health policy, there is not one dominant model for international organisations to promote as a beacon for others to aspire to. In addition, international organisations are pressured to justify their own activities in the field. There are therefore better incentives for cooperation rather than competing for the exclusive right to shape the policy. The policy environment portrayed in this thesis demonstrates growing similarities with health in the global pension and social protection field. One of the main findings of the thesis is therefore the end of direct contestation in the pension reform arena.

The closer alignment of the two organisations in the pensions and social protection field has been shown in this analysis to have been the outcome of a multitude of factors. In Central and Eastern Europe, international financial institutions had significant leverage over the region in the early phase of the transition. It gave the World Bank the opportunity to pursue multi-pillar pension reforms in a region with mature pension systems. However, that leverage through lending diminished over time as new sources of capital became available to countries in the region in the form of the European Bank for Reconstruction and Development (EBRD) and through Foreign Direct Investment (FDI). Indeed, on the eve of the global economic crisis, Central and Eastern Europe was the region with the largest inward investment of FDI in the world (Appel & Orenstein, 2018). As a consequence, demand for World Bank expertise in the field of pensions and social protection has come from developing countries that are not yet ready for a multi-pillar pension system. Therefore, the majority of World Bank work on pensions is now on first pillar reforms, particularly in expanding coverage. A clear overlap with the ILO's agenda.

A second reason for increased cooperation is the delegation from nation states (Deacon, 2013). Chapter Five showed how the global economic crisis enhanced the importance of social protection in global policy circles. One of the outcomes of this was the establishment of the Social Protection Inter-Agency Cooperation Board (SPIAC-B) by the G20. It tasked the ILO and World Bank to work collaboratively on social protection, including on pensions. The two organisations are the lead organisations, hosting a forum of other international organisations interested in social protection such as the IMF, OECD, UNDESA, WHO and many others. It also includes bilateral agencies such as the UK's Department for International Development (DFID) or the Swedish International Development Cooperation Agency (SIDA). At the time of publication, there have been ten meetings of SPIAC-B. One of the major outcomes of the forum is the establishment of the Global Partnership for Social Protection announced during the UN General Assembly week in September 2016 (ILO, 2016). This will be one of the main mechanisms for delivering the Sustainable Development Goals on social protection, with the ILO as a lead actor. It brings together a large number of actors and development partners, presenting itself as a follow up to earlier global universalism initiatives on universal education and universal health coverage.

The increased collaboration of the two organisations has also been brought about by an evolution of both policy positions and evaluations of pension models promoted by both organisations. Averting drew a line in the sand on pension provision, shifting the debate towards sustainability and promoting defined contribution pensions as the dominant pension model. After initial hostility, the ILO shifted towards the World Bank's model by accepting defined contribution systems as part of the pension architecture (Cichon, 2004; Deacon, 2007). Over time the World Bank modified its position on pensions taking a critical approach to some aspects of its earlier positions (Béland & Orenstein, 2013; Orenstein, 2008). This continued evaluation of positions and a shift towards focusing on coverage brought both organisations closer together in the pension models they advocate since both are focused on expanding the public pillar.

Finally, the internal politics of both organisations fostered closer collaboration. Changes in personnel within both organisations meant that those most hostile to the other organisations position on pension provision no longer work in their respective departments. The World Bank's Social Protection and Labour Department was taken over by someone much more in line with the ILO's vision for social protection once Robert Holzmann retired. It meant the momentum for a continued campaign for privatisation was lost and the focus of the department shifted towards expanding publicly financed social protection. Both organisations moved away from the heated politics of pensions to a more harmonious advocation of the expansion of social protection. To date, the appointment of a former proponent of pension privatisation, Michal Rutkowski as Director of the Department at the World Bank has not initiated a major change in direction from Arup Banerji . The failure of the model in Central and Eastern Europe has modified the World Bank's approach. This is an example of how the institutions within the region have shaped pension ideas globally. This will be explored in more detail in the next section.

Ideas, Institutions and Resources

As chapter three outlined, a growing number of scholars have begun to focus on ideas as explanatory variables in the process of institutional development and change (Béland, 2005; Béland & Cox, 2011; Blyth, 2002; Hall, 1993; Hay, 2008). These scholars have stressed that change is not driven (solely) by material conditions and fixed preferences, but rather by how actors interpret their material conditions. From a constructivist perspective within international relations theory, international organisations act as purveyors of policy ideas. Through their power of classification, they can influence how actors interpret their surroundings and what social problems and solutions make it onto the political agenda (Barnett & Finnemore, 2004; Kingdon, 2014). The burgeoning literature on ideas was argued in Chapter Two to be a response to the overly deterministic and static approach of historical institutionalism. Blyth (2002) argued that ideas act as blueprints for change under uncertainty. Ideas could therefore enact change by changing how actors interpret their interests. They have traditionally been posited as independent variables in a process of institutional change.

However, the analysis within this thesis offers a more dynamic approach, with a more iterative relationship between ideas and institutions. The multi-pillar pension reforms in Central and Eastern Europe challenged traditional scholarship on pension reform and path dependency (Myles & Pierson, 2001; Pierson, 1994) this stressed continuity within public systems given the 'double payment problem'. One strategy for reform was through a gradual transition using institutional layering (Hacker, 2005). Yet, within in Central and Eastern Europe, a more radical transformation was undertaken through the ideational influence of the World Bank (Orenstein, 2008). It seemed that the obstacles to radical pension reform could be overcome.

It was the interaction of privatisation policy ideas with the existing PAYG pension institutions that would eventually reshape global ideas on pension reform. The difficulty of transition, particularly the double payment problem, was underestimated by the proponents of pension privatisation. In addition, the ease with which political actors were able to reverse the pension reforms completely took its proponents by surprise. The accumulated assets were not viewed as private property by pension contributors as the World Bank had assumed. In addition, the assets represent a growing and continued temptation for governments to relieve themselves of transition costs and a way to either reduce the national debt, enact tax cuts or spending increases. These are strong incentives for political actors with short-term time horizons compared to the long-term horizons of pension systems. These path dependent issues, which had previously been posited as obstacles by historical institutionalists, would eventually influence policy ideas at the global level. There is no longer a campaign for partial privatisation coming from the World Bank. As Chapter Six showed, the limits of what could be achieved within the constraints of Central and Eastern European pension institutions, has shifted the perspective of actors within the World Bank who were originally strong proponents. This analysis contributes to the scholarship on ideas and institutions by showing that ideas are not only an independent variable which can enact institutional change (eg Hudson et al., 2008), they are also dependent variables, shaped and refined by institutional logics and preference structures. It also shows a huge lacuna in the global social policy literature. There is surprisingly very little engagement historical institutionalism within the global social policy literature. Exceptions include (Béland, 2009), however, this focuses on how global ideas can initiate institutional change rather than how institutions can shape policy ideas.

A further contribution of the thesis within the field of policy ideas is on the debate between resources and ideas. The influence of international organisations has often been characterised through the power of their lending capacity and ability to enact conditionality (Collier, et al., 1997; Levitsky & Way, 2006). This gives international financial institutions more leverage over states than other organisations (Müller, 1999). With a multitude of ideas on the menu of policy options, the reasoning behind which ideas are selected is often under-explored. If those with superior resources are able to push their ideas onto the agenda or coerce states to adopt their ideas, then ideas become redundant as an explanatory variable, and material resources become the most important factor. The analysis in this thesis shows that internal coherency and organisation, alongside an enabling zeitgeist, can supersede resources. Chapter Eight showed that the interaction between internal politics within organisations and the prevailing paradigm or zeitgeist can be influential over global policy agendas, irrespective of resources. The internal coherency and aligning ideas with the current zeitgeist were shown to be decisive in the ILO superseding the World Bank as the primary international organisation setting the social protection agenda. The findings echo those by Appel and Orenstein (2013) who also showed that ideas can be an explanatory variable for policy change.

Internal Politics Matter

Within the global social policy literature, scholars have more often analysed debates between international organisations, rather than within them (Mesa-Lago 1996; Queisser 2000; Ervik 2005). There is often the implicit assumption that international organisations have a fixed position. However, the analysis in this thesis shows that internal politics is also an important determinant of global pension policy. In both instances where an international organisation was influential, it was in no small part due to a successful internal campaign prior to an external campaign. The literature has tended to overlook the different positions within organisations, instead characterising them largely as monolithic. Chapter Eight showed that extensive debate took place within both the World Bank and the ILO. In addition, even when a fixed position had been asserted, this did not end the debate. As the chapter showed, internal debate and opposition to the World Bank's three-pillar model continued after the publication of Averting. This led to critical evaluations in 2005 and 2006. These evaluations were not simply an outcome of policy analysis and evaluation, but also a consequence of internal debate and politicking. In addition, internal politics also attempted to suppress the evaluations. In particular the Latin American analysis required institutional support from the Latin American division to reach publication. However, it was not translated into Spanish which no doubt subdued its impact across the region.

These insights also have a methodological significance. The analysis of the internal politics shows that triangulation through a mixed methods approach to policy analysis is necessary. For example, a document analysis would not have been a strong enough analysis to capture all of the nuances of global pension policy. Chapter Seven offered an analysis of the evolution of the different pension positions of each organisation. However, this was not the whole story. The elite interviews enabled the story behind the documents to be told; how the documents came to be published is equally important as their content in understanding the dynamics of global pension policy. As Atkinson & Coffey (2004) have argued, documents are not simply a 'window into reality' they have an ontological reality of their own, a 'document reality'.

The Global Structural Environment Facilitates the Shape of Global Pension Policy

Alongside the internal politics of international organisations, global political economy is also an important factor in determining global pension policy. Chapter Five traced the development of social security at the global level and showed how the global structural environment was important in influencing the nature of global pension policy. Global political economy can influence it in a number of ways. One of the primary ways in which it influences global pension policy is through the creation of a zeitgeist or prevailing paradigm. In the early post war period, chapters five and seven showed how the importance of social security for maintaining social order was preoccupation of political leaders. The Atlantic Charter and Bretton Woods 'embedded liberalism' (Ruggie, 1982) within the welfare institutions of the developed world in order to protect the legitimacy and support of capitalist institutions. Both Churchill and Roosevelt recognised the importance of social security for peace and stability. This influenced the actions of the ILO, which at this point was the primary international organisation responsible for promoting pension provision. Its central mission with regards to social security was to promote public funded (and managed) social security systems.

The World Bank-led critique of public pension systems came at a time of a growing ascendancy for those who promoted the market as the best way to organise the economy and society. Averting was published at a time when neoliberalism was at its zenith. The previous four chapters showed that the fall of the Berlin Wall and the collapse of communism were critical events in global social policy. The perceived failure of socialism acted as a symbolic marker for the primacy of the market. It also opened up a battleground in Central and Eastern Europe for international organisations to compete to influence social policy. The burgeoning expenditure on pensions in the region offered an idealised critique of PAYG pensions for those who wanted to reform them. The global conditions were therefore advantageous for market-based reforms in the late 1990s.

However, this prevailing paradigm would also be challenged by the global economic crisis. The crisis questioned the orthodoxy of the market, particularly in the early stages of the crisis. A consensus was reached at the G20 whereby the role of social protection in providing automatic stabilisers at the time of a crisis, meant that it should be bolstered and extended. A prevailing paradigm that highlighted the potential for publicly funded social protection systems against the threat of market volatility, offered the ILO a window to promote its social protection floor policy on the national stage. These global conditions also enhanced the advocacy of those within the ILO campaigning for a social protection floor. The crisis convinced many sceptical employers' representatives of the virtues of extending social protection.

Policy Learning

Alongside the internal and external political and economic influences over global pension policy, there have also been policy evaluations and functional reasons for the evolution of the positions of the main international organisations involved in global pension policy making. As chapter seven showed, both the ILO and World Bank have refined their entrenched positions on pensions. The World Bank's entry into the pension reform arena has been shown to have significantly shifted the debate on pension provision. It was argued to be built on a number of assumptions and partly through the Bank's own evaluation, partly through internal and external events, some of these assumptions have proved to be not as conclusive as the Bank assumed and therefore shifted its policy stance.

Administration Costs

The shifting away from viewing multi-pillar pension reform as a panacea for all pension systems has come from a result of evaluating the performance of multi-pillar models against their proposed benefits that were posited by the Bank. There is also a growing realisation that the organisation needs to pay more attention to political economy issues that may prevent the realisation of theoretical pension models (interview with Robert Holzmann). On the performance of multi-pillar systems, a number of assumptions were made that have not been realised and challenge their perceived superiority, even within the organisation. One of the main issues in Latin America has been the exorbitant fees on individual accounts. This was one of the issues highlighted in both *Keeping the Promise of Latin America* and by the *Independent Evaluation Group.* Alongside making pension systems more sustainable, the World Bank argued that pensions would be more generous under a multi-pillar system because market returns are superior to the returns with a PAYG system (r > g). However, this calculation did not factor in the administration costs, which can eat up a significant proportion of an accumulated pension pot (Calvo, Bertranou, & Bertranou, 2010; Casey & Dostal, 2008; Pensions Commission, 2005).

Many of these fees are the functional costs of individual accounts, which are more costly than the simple administration of a PAYG system (Pensions Commission, 2005). For example, the start-up costs of funded pension system are significant. With individual accounts, there are economies of scale that can only be realized with a larger funded element of the system (Broeders et al, 2015). Alongside the buildings to house staff, there are marketing, training and labour costs of running individual accounts. The smaller the size of the private pillar, the larger these costs are as a proportion of the returns on the accumulated funds. Empirical evidence of fund providers shows a U-shaped relationship between costs and size the pension fund (Ambachtsheer, 2010). None of the pension funds in Latin America and Central and Eastern Europe reached the optimum size. Moreover, the notion of a U-shaped cost function is challenged by Bikker (2013), who argues that some economies-of-scale remain constant, suggesting administration fees could continue to fall with a larger pension fund.

International comparisons of funded systems show that the smaller the number of providers, the lower the costs (Whitehouse, 2000). Given that the marketing costs of providers in competition with each other increase the overall administration fees, this encourages concentration of providers rather than competition between providers. However, this violates the idea of market competition in pension provision, one of the key benefits espoused by proponents (World Bank, 1994). Further economies-of-scale can be found by having the collection of fees administered by a single organization rather than the pension providers themselves (Tapia & Yermo, 2008). For example, in Poland, ZUS continued to collect the contributions. However, this keeps in place the public pension infrastructure, easing the process of reversal, which have strong incentives that are highlighted below. Bolivia and Sweden also reduced administration charges in this way (Arza, 2008). A further cost-increasing mechanism involves the high cost of investment in equities over government bonds. International comparisons show that pension funds that have a higher proportion in investments of equities tended to have higher fees (Tapia & Yermo, 2008). However, by having a portfolio made up primarily of government bonds renders a funded system operating in a similar fashion to PAYG one in all but name (Guardiancich, 2011).

In the move towards a funded system there exists an inherent tension which reinforces the direction towards the status quo of a PAYG system. To establish a viable sized private pillar, that can capitalise on efficiencies to reduce costs, requires a larger reduction in the size of the public pillar, raising the cost of transition. If a concern for transition costs constrains the size of the private pillar then the fixed cost nature of some of the fees will lead to them absorbing large proportions of the accumulated pension funds, leading to disappointing returns. This gives ammunition to opponents of the reforms and increases the chances of a reform reversal (Orenstein, 2013).

Investment in Government Bonds

The shift to a funded system was argued by its proponents to improve the sustainability of pension systems in the face of an ageing population (World Bank, 1994). Its core philosophy entails the setting aside of additional resources to finance pensions in older age, alongside the funding of the current generations. By investing in equities as resources for income in retirement, it was also believed the system would aid the development of capital markets of countries in transition from state planned socialism to capitalism (World Bank, 1994). However, the insistence that pension providers invest large proportions of the portfolio violated these principles and ensured the funded systems of Central and Eastern Europe operated as PAYG systems in all but name.

Policy makers had several options to finance the transition to a partially-funded pension system (Fultz, 2012). Government expenditure could be retrenched in other areas to ensure the move to a funded system was revenue neutral. Taxes could have been raised to finance the transition costs (Fultz, 2012). A further option was to use the revenue generated from the sale of state-owned enterprises to finance the transition. Instead, the governments of Central and Eastern Europe chose to finance the transition costs primarily through borrowing. By doing so they failed to fundamentally change the institutional logic of the PAYG pension system. Whereas in the past contributions to the public pension system were paid in to the public scheme and used to finance current expenditure. Now, the only difference entailed some new intermediaries, but essentially contributions to the funded system were still being used to finance current pension expenditure on the unfunded system (Guardiancich, 2011).

As a result of this continued institutional logic, governments seeking re-election still had the same incentives to expand the first pension pillar since the costs were met primarily by future tax payers, whilst credit for expansion or lack of retrenchment was immediate. In Hungary these incentives led to the introduction of the 13th month pension entitlement (Simonovits, 2011). In Poland, this manifested itself in the continued provision of branch privileges to certain classes of employees (Armeanu, 2010). Chapter six showed how these dynamics began to be interpreted by previous proponents of multi-pillar reform.

Accumulated Pension Funds

The continued high cost of transition had been systematically underestimated by proponents of multi-pillar reform. In summary, this cost acted as a constant thorn in the side in the fledgling private pillars. It raised the budget deficit, forcing the governments of Central and Eastern Europe to borrow to finance it (Drahokoupil & Domonkos, 2012; Fultz, 2012). It also incentivised them to encourage pension funds to hold a significant share of government bonds as a proportion of the total portfolio (Datz & Dansci, 2013; Guardiancich, 2011). Moreover, the transition costs constrained the size of the private pillar and therefore limited the efficient functioning of the pillar by restricting the gains from economies-of-scale in reducing the cost of administration of managing individually funded accounts (Broeders, van Oord, & Rijsbergen, 2015).

Yet, alongside these costs of pension reform, there was a substantial parallel benefit, which could be realized by closing down the private pillar – accumulated pension funds. As the debt to GDP ratio grew year-by-year, so too did the size of the accumulated pension fund as a growing incentive to reverse the reforms. The ease with which the governments of across the globe have seized the accumulated pension assets has violated many of the propositions that proponents of multi-pillar pension had posited.

One of the principles that supposedly underpinned the rationale for multi-pillar pension reforms was one of individual property rights. Individual accounts were considered the private property of contributors. It was believed this rendered them free from government manipulation (World Bank, 1994). Indeed, the justification for multi-pillar reform was to diversify risk. The use of the private sector in pension provision was thought to mitigate against the risk of government interference in the private element of the pension system (Holzmann, 2000). This was evidently incorrect.

This issue highlights the difference in time horizons between politicians seeking re-election and policy entrepreneurs advocating their view of an optimal pension system. The proposed benefits of multi-pillar pension reform take decades to materialise, yet politicians are motivated by the electoral cycle (Casey, 2014; Pierson, 2004). Their incentives are therefore much more focused on the short-term. In Central and Eastern Europe, governments that are locked within the fiscal parameters of financing the transition costs, there is built-in a double incentive to renationalise the pension system. The first is the elimination of transition costs, the second is the appropriation of the accumulated pension assets. In the case of Poland, which seized only the government bonds, this reduced the national debt by 8 per cent of GDP (Atkins, 2014). In Hungary, where all accumulated assets were seized, the size of the accumulated fund was about 9 per cent of GDP (Simonovits, 2011). Although, unlike Poland, this was not all used to play down the national debt (Simonovits, 2011). For office-seeking politicians this incentive structure proved hard to resist. In the case of Hungary this act was carried out by a long-term opponent of the multi-pillar pension system. However, in Poland the reform was conducted by the economically liberal Civic Platform (PO), previous supporters of the pension reform. This suggests this action is not limited to long-term opponents of pension privatisation.

The nationalisation of pension assets is not limited to the governments of Central and Eastern Europe. Whilst the closing down of the second-pension pillars demonstrated an overt nationalisation, it is a propensity that has also been carried out in Western Europe as well, to alleviate fiscal pressures in the wake of global economic crisis. In Ireland, €4.4bn of the country's national pension reserves were used to finance the bank bailout (Altman, 2013). Meanwhile, France and Spain also used pension reserve funds to finance current expenditure (Casey, 2014). In the UK, the Coalition Government nationalized the pension assets of the Royal Mail (Williams, 2012). The privatisation of the Royal Mail had been a long-term goal of the Conservative Party. However, an obstacle to the process lay in the pension liabilities the private sector would have obligations for once it took ownership. As a way to circumvent this obstacle, the Coalition Government agreed to honour the pension liabilities of Royal Mail freeing the private sector from these obligations. Whilst this entailed long-term obligations for the state, in the short-term,

£28 billion of pension assets were subsumed by the state. In a similar fashion Portugal nationalized the pension assets of Portugal Telecom (Altman, 2013). This series of nationalisation of private assets points a growing trend of government action in both mandatory and voluntary pension pillars (Casey, 2014).

Pension Coverage

Chapter Seven showed that the main convergence between the ILO and the World Bank has been on pension coverage. This is a result of an evaluation of both of their previous pension positions failing to expand coverage. The ILO traditionally championed wage-related social security as a way to expand coverage. The thinking was that it would allow the development of cross-class coalitions to expand the welfare state. However, the labour market has not formalised in the way that proponents of this strategy had envisaged. Indeed. the informal sector of the economy has been growing in recent years. Over time, the ILO accepted that generous welfare benefits for a small number of beneficiaries may constrain the growth of the formal labour market, or at the very least, focusing on the benefit generosity of a small proportion of the labour force (those in the formal labour market) ignored the vast majority of the labour force who participate in the informal market. Therefore, a strategy to extend coverage to all needed a new framework than the traditional focus on social insurance.

This was how the concept of social protection floors was born (Deacon, 2013; Cichon, 2013), which emerged from a protracted focus by the ILO on extending coverage. The organisation concluded that its traditional cooperation and advisory services in the global south which sought to transfer the Bismarckian social insurance concepts to the global south had largely failed to extend coverage in any meaningful way. This was because it had been considered a long-term process determined by the pace of the formalisation of the labour market. This was how social insurance had originally been extended across Europe in the nineteenth and early part of the twentieth century. The social security recommendations and conventions that followed the Declaration of Philadelphia largely focused on the formal economy either in the wording, or in the interpretation (Cichon, 2013). A recognition by the ILO that this had largely failed to extend coverage to most of the world's population initiated a series of measures to begin to extend coverage. The ILO began to focus on a bottom-up approach, acknowledging that focusing on central government did not have much chance of success. It began to deploy innovative ways of expanding traditional social insurance through schemes such as micro-insurance (ILO, 2000). This largely failed to extend coverage in any meaningful way.

In the same way that Chile had inspired the World Bank, Mexico and Brazil inspired the ILO through their Conditional Cash Transfer (CCTs) programmes. Chapter Eight showed that these schemes were used to debunk a prevailing idea in international development circles: that developing countries could not afford universal social security. As chapter five also showed, the global economic crisis would give these ideas impetus. It was this evaluation of the failure to expand social insurance schemes into the informal economy that led to the social protection floor initiative, allowing the World Bank and ILO to work much more closely together as their agendas began to align.

The World Bank also evaluated its policy stance with a recognition that its flagship pension model had failed to expand coverage in the way it envisaged. Averting had assumed that coverage would expand under a multi-pillar system as the incentives to save for a pension were different to paying tax in a public scheme.

The ASID framework

This thesis has utilised and amended the Agency, Structure, Institutions and Discourse (ASID) framework (Moulaert & Jessop, 2006). It was proposed by Deacon and Stubbs as a way to strengthen the field of global social policy and address its cultural northern bias (2013, p. 13). This thesis has refined this method and in doing so, strengthens the analytical capacity of global social policy studies. In Deacon's version of ASID, he defines Structure and Discourse in a similar way to this thesis, the structure chapter here gave an outline of the global political economy of pension reform and the discourse chapter outlined the policy positions of both organisations (chapters five and seven respectively). However, Deacon used the institution part of ASID to give an analysis of the ILO as an institution. This thesis has collapsed the different organisations into the agency chapter, along with the actors within them. For institutions, it has focused on the welfare institutions of Central and Eastern Europe where multi-pillar pension reform was implemented by transnational actors. This has a number of advantages in its application; primarily, as argued above, it enables studies on institutionalism to be embedded within global social policy studies. This moves the sub-discipline beyond an analysis of the battle of ideas and the actions of transnational actors, to one that is more firmly embedded in the local, the regional and the global. It allows ideas to become more iterative with institutions and a better synthesis with comparative social policy.

The empirical chapters of the thesis show the utility of the ASID framework. The analysis of global pension policy required a multi-faceted approach to capture all its various components. Any analysis that ignored one of them would not be complete. It also allows for several types of analyses within the framework since each component interacts with the others in various ways. Standard structuration theory is possible within this framework. It has been shown how structure and agency interact to reproduce structure, but also how agents can alter the structure at key moments. Agents and ideas also interact with institutions at the meso level, the thesis shows an iterative relationship between the two. Ideas can recast institutions and institutions can reform ideas too.

The thesis could have adopted a number of different approaches to the analysis of global policy. These will now be discussed in order to develop a more comprehensive assessment of the framework's usefulness in global social policy studies. In Heneghan and Orenstein (2019), a much simpler framework was used to analyse the relationship between the World Bank and ILO over the past 25 years. The framework in that approach was a more parsimonious analysis of the external and internal dynamics of international organisations and global pension policy. It drew largely on the insights in Chapters Five and Eight, demonstrating how the internal politics in each organisation interacted with the global external political and economic environment in order to shape global pension policy. It demonstrated how the internal and external dynamics had brought about an increase in cooperation between the Bank and the ILO. In addition, it demonstrated how agency can be decisive in setting the global agenda.

The analysis in Heneghan and Orenstein (2019) never focused on the more functional analysis of multi-pillar pension reforms and the internal analyses of their utility that was covered in Chapter Seven. Chapter Eight demonstrated the political nature of how the evaluations came about. However, it is possible the evaluation of the performance of the second pillar pension reforms may have happened without politicking. The issue of coverage was rising up the agenda inside the Bank. In addition, by ignoring the discourse component of the global pension story, it ignores an important aspect of the entire discursive struggle between the World Bank and ILO. Discourse as used in this thesis has been defined as the positioning of a 'strategic debate'. This type of analysis pays careful attention to the framing of policy problems and the solutions the framing leads towards. For example, Chapter Seven showed how the framing of Averting around sustainability and economic development, used the cognitive authority of the Bank to nudge domestic actors into viewing market solutions as the best option to alleviate the problems and opportunities for pension systems outlined in Averting.

A simple analysis of the internal and external impacts on global pension policy also only superficially deals with the institutional analysis that forms one of the major contributions of the thesis. The ASID framework allowed for a full discussion on historical institutionalism, path dependency, increasing returns, constructivist institutionalism and the role of ideas in institutional stability and institutional change. It enabled a reversal of the standard causal relationship between ideas and institutions. Within constructivist institutionalism, ideas have been deployed as independent variables that have led to a change in political actors' understanding of institutional logics and enabled institutional change. The analysis in this thesis shows that ideas can also be dependent variables in their interaction with institutions. The path dependency inherent in public pension systems and the resulting transition costs in seeking to partially privatise them, led to ideational change. Previous proponents of the partial-privatisation reassessed the idea after analysing its interaction with existing pension systems.

The thesis could also have adopted the analytical approach of Organisational Ecology, which has been used in International Relations theory to analyse the role of international organisations in specific policy fields. It draws on the biological sciences and was adapted for use in the social sciences by Hannan and Freeman (1977; 1989) and applied specifically for analysis of international organisations by Abbot, Green and Keohane (2016). It deploys two approaches: the organisational environment and intrinsic features. The intrinsic features approach focuses on the endogenous features of international organisations to analyse how international organisations are capable of acting within a given environment. This is very much similar to how Deacon proposed the institutions component of ASID to be used. For example, one of the intrinsic features of the ILO is its tripartite governing structure. As Chapter Eight showed, the need to build consensus between representatives of employers, employees and national governments, curtailed a rapid response from the Department of Social Security of the ILO to the entry of the World Bank into its traditional domain. The membership rules also shape the authority of an international organisation. If the membership us universal in nature such as the UN organisations, it enhances its moral authority by appealing to universal values. An organisation with restricted membership, such as the OECD, tends to rely more on expert authority as a source of power and influence. However, given the focus of the thesis was the World Bank and ILO – which both have universal membership structures – this distinction was not an important part of the thesis. Within the thesis, the intrinsic features of the ILO and World Bank were collapsed into the Agency part of the ASID framework, and so this aspect of the framework was not missing. Furthermore, a focus on intrinsic features overlooks individual actors, which have been shown to have been decisive in the global pension policy story. For instance, Chapter Eight showed how decisive it was for Michael Cichon to be promoted for the social protection floor to become such a large part of international organisation involvement in pensions.

The second aspect of Organisational Ecology is the organisational environment. It is related to the sociological concept of the organisational field. It is concerned with the characteristics of the field itself, the number of actors in the field and their relationship to each other. This type of analysis is different to the analysis in this thesis in one significant way: had the thesis adopted this approach it would have focused on a larger number of international organisations. The organisational field of global pension policy has the OECD and European Union as actors. The OECD’s focus in the 1980s on the sustainability of the welfare state and its economic impact, paved the way for the World Bank to make these arguments in the 1990s to a much broader audience than the developed world that the OECD focused on. Similarly, the EU has often acted in tandem with the OECD and has engaged in debates on the sustainability of pension systems. This aspect of global pension policy is largely absent in the thesis. However, as it was stated from the outset, the thesis traded the breadth of analysing a large number of international organisations, for depth. By focusing on a smaller number of international organisations it allowed for a deeper analysis of the internal politics and the actors that constitute each department and how that fits within the larger organisation. An external focus on a large number of international organisations and how they all interact would not feature this aspect. Moreover, whilst the EU and OECD have been involved in global pension debates, their restrictive membership limits the extent to which they can be considered global players. For this reason, the limiting of the analysis to the ILO and World Bank was justified. Like the internal-external approach, the organisational ecology approach excludes institutions and discourses, both of which have been argued to be important aspects of global pension policy.

So far, the discussion of the ASID framework has outlined how it was more comprehensive than an internal-external framework and organisational ecology. It encompasses more components for analysis. It also has one further advantage over them: it allows for the analysis to adopt a conjunctural approach. Thinking conjecturally involves an examination of the different, overlapping and sometimes divergent processes that occur at any one moment in time.

> A conjuncture can be long or short: it's not defined by time or by simple things like a change of regime – though these have their own effects. As I see it, history moves from one conjuncture to another rather than being an evolutionary flow. And what drives it forward is usually a crisis, when the contradictions that are always at play in any historical moment are condensed, or, as Althusser said, 'fuse in a ruptural unity'. Crises are moments of potential change, but the nature of their resolution is not given. It may be that society moves on to another version of the same thing (Thatcher to Major?), or to a somewhat transformed version (Thatcher to Blair); or relations can be radically transformed (Hall and Massey 2010 p. 57)

The global economic crisis certainly played a part in the development of global pension policy by triggering a large number of reversals. However, the development of global pension policy was not simply a result of the crisis. There were a number of overlapping processes that came together to shape the development of a new consensus on the roles of the state and the market in pension provision. The multi-faceted analysis ASID analysis allows for a temporal analysis with the longue durée processes analysed at the same time as the more immediate trigger points. For example, in considering the rise of the social protection floor as a dominant idea in pension provision, the structural elements of global pension policy will be very long-term in nature. These include the informalisation of the labour market in the developing world, the waning of the importance of international organisations in Central and Eastern Europe and deregulation of financial markets that led to the crisis. In addition to the long-term processes that would crystallise during the global economic crisis, internal politics in the ILO were moving towards the policy of the social protection floor.

In summarising the usefulness of the ASID framework, as stated from the outset, it enabled a more multi-faceted analysis of global pension policy as it focused on a number of overlapping processes that shape policy-making at the global level. This enabled the analysis to shine a light on the discursive battles over policy and the framing of problems and solutions, the political battles between individuals, the structural processes that shape the environment transnational actors operate in, and the institutions that mediate global policy proposals, which in turn, shape them.

Chapter Ten

Conclusion

This chapter revisits the research questions set out in Chapter One that have guided the thesis. It draws on the analysis of the four empirical chapters, and the discussion, to outline how these have answered the specific inquiry they initiated. Each of the questions draws on the multi-faceted framework the thesis has employed. They therefore utilise all of the empirical chapters in some form.

What Processes Led to the Pension Reforms and Counter-Reforms in Central and Eastern Europe?

The thesis has shown how the pension systems of Central and Eastern Europe have undergone significant upheavals since the turn of the century. Their initial reforms violated the assumptions of social policy scholars who hypothesised that mature public pension systems were extremely difficult to privatise (Pierson, 1994; Myles and Pierson, 2001). The analysis in this thesis has shown they were an outcome of a series of complex interactions between agency, structure, institutions and discourses. Taking each of these in turn gives a comprehensive insight into the multi-pillar pension systems that emerged in the late-1990s and early-2000s across the region.

Beginning with *agency*, Chapter Eight explains how the transnational campaign for pension privatisation began inside the World Bank in the early-1990s. It was initiated by Lawrence Summers and spearheaded by Estelle James who led the team behind the publication of *Averting the Old Age Crisis* (1994) placing pension reform onto the global agenda, in particular for middle-income and low-income countries. This internal campaign was able to suppress descent from inside the Bank through its superior resources, which interviews revealed, endowed Averting with a generous marketing budget and support from other influential departments, such as the financial markets sector, which was eager to promote privatisation as way to open up new markets. This contrasted with the ILO, which was shown to have not had the resources to compete with the World Bank in the early 1990s and was characterised by fragmentation and internal fighting as the countries of Central and Eastern Europe were privatising their pension systems (Deacon 1997; Orenstein, 2008).

The internal campaign for pension privatisation of the World Bank also aligned with an accommodating external environment, as it matched the prevailing paradigm of the moment (Stiglitz, 20002). The global *structural* conditions were therefore favourable for the World Bank's policy. It was a period in history when market-based ideas were at their zenith (DeMartino, 2002). The failure of communism and the fall of the Berlin Wall represented a symbolic victory for the market over the state (Fukuyama, 1989). The perceived success of the US and UK economies resulted in many countries wanting to emulate their market-based policies (Williamson J. , Democracy and the "Washington consensus", 1993).

Averting promoted a *discourse* of sustainability. The argument presented a bleak picture for public pension systems which were argued to be unsustainable and on the verge of collapse. It urged low- and middle-income countries to act immediately before their systems reached the levels of maturity of OECD countries. Alongside this message of fear, it also presented a message of hope. Namely, that a multi-pillar system not only made pension systems sustainable, but also that it could enhance economic growth through its impact on capital markets and the labour market (Holzmann, 2007; James, 1996; World Bank, 1994). The ILO was shown to have taken a significant amount of time to formally respond to Averting. In the event, its formal response largely accepted the way the arguments had been framed by Averting. It accepted a role for the private sector in pension provision and for defined contribution schemes to form part of statutory provision. In addition, the framework of pillars was also adopted although the ILO's own terminology referred to them as 'tier's (Gillion et al., 2000).

Finally, the *institutional* conditions of Central and Eastern Europe shaped the reforms in a number of ways. The large costs of the transformation, in particular, the huge rise in the number of pensioners, placed radical ideas for pension reform on the agenda (Müller, 199). The region was also uniquely susceptible to market ideas given its recent experience of communism. In addition, the region was completely starved of capital. Pension privatisation enabled the countries of the region to engage in a process of 'competitive signalling' in order to attract international investment (Appel and Orenstein, 2018). A privatisation of the pension system signalled to international investors the market credentials of the country and an increase in investment usually followed the reforms. However, institutional factors also constrained the degree of reforms. No country in the region opted for a full privatisation like Chile. The maturity and extensive coverage of the communist pension system rendered a full privatisation too costly given the large transition costs it would entail. Instead reformers opted for a 'layering' (Streeck & Thelen, 2005), whereby the new individually funded accounts were layered on top of the existing public pension system, with the hope of one day replacing them.

The series of reform reversals in Central and Eastern Europe in many ways represent a mirror image of the processes that led to their inception. Beginning with the global structural dynamics, transnational actors had lost influence in the region by the time the reversals were being considered. During the early transformation period, the countries in the region were heavily dependent on capital from international financial institutions such as the World Bank and IMF (Roaf et al., 2015; Orenstein, 2008). This gave them leverage into the reform process. However, over time this dependence waned as new source of finance became available. The European Bank for Reconstruction and Development, in particular, became an important lender for the transition countries; alongside international private capital, which was much abundant prior to the crisis. When the global economic crisis hit, it proved to be a significant contributor to the rapid reversal of the multi-pillar pension model (Drahokoupil & Domonkos, 2012). The steep downturn across the globe was felt acutely in Central and Eastern Europe. The region's export led growth model rendered it particularly vulnerable to a collapse in global demand and to capital flight as global investors flocked to safe havens. This had two adverse implications for the pension systems in the region. Firstly, it affected the value of accumulated pension assets as returns collapsed declined across the globe. Second, and more importantly, the downturn exacerbated budget deficit problems across the region. This was particularly problematic in Central and Eastern Europe as membership of the European Union required governments to keep budget deficits below 3 percent of GDP and National debt below 60 percent of GDP.

Related to the global structural dynamics, are the specific pensions institutions of Central and Eastern Europe. The analysis has shown how only a partial privatisation was undertaken in the countries in the region as a result of the maturity of the communist pension system. This was necessary due to the large transition costs that arise from diverting contributions into the second pillar (Pierson, 2000). However, the partial privatisation meant that the size of the second pillar was below the optimum size to take advantage of economies of scale, therefore the administration charges of the private pillar were substantial. In addition, the propensity of countries to stipulate that pension providers hold a large share of the portfolio in government bonds meant the system was effectively operating on a PAYG basis – albeit a very expensive one with large administration costs (Guardiancich, 2011). The accumulated pension funds also offered a temptation for governments in the region to renationalise them as they offered an immediate source of funds (Casey, 2014). This was used to reduce the national debt in Kazakhstan and Poland but used for immediate spending in Hungary (Simonovits, 2011).

In the case of agency within international organisations, by the time the reform reversals were taking place, the previous proponent of the reforms, the World Bank, was in very different shape. Key personnel had left the Department of Social Protection and Labor. Interviews revealed the department was headed by Arup Banerji who was not as committed or interested in multi-pillar pension reform. It meant that no formal and organised opposition to the counter-reforms came from the World Bank. Instead, a less formal blog post was the only real public message from the Central Europe and Baltic division of the Bank (Murthi, 2013). This simply explained the process, rather than voicing an opposition to it. Indeed, in an interview with the regional director, she was shown to have completely agreed with the rationale of those undertaking the counter-reforms.

The breaking down of an organised bloc within the Bank to promote pension privatisation aligned with the shifting discourse on its benefits over time. This leads onto the second research question which will now be outlined in detail.

How has the perspective and development of pension policies evolved at the World Bank and ILO?

The thesis has shown how the pension policy positions of the World Bank and ILO have changed and developed over time. These positions have been shaped by Agency, Structure, Institutions and Discourse, to varying degrees. The policy positions of both organisations have been evolving for some time. Whilst the multi-pillar reform reversals no doubt have shaped the perceptions of both organisations, this process was underway long before the reversals. The counter-reforms however, did alter the perceptions of the one-time chief proponents of the idea.

The global structural dynamics inevitably played a significant role in the development of pension policies of both organisations. Pension policies have tended to run parallel with the prevailing global paradigm. In the immediate post-war period the ILO was the main international organisation concerned with pension provision at the global level. Its policies were part of a global consensus on the necessity of social security for peace and stability (Esping-Andersen, 1996). A consensus emerged that these systems were best provided by the state on a PAYG in a unified social administration (ILO, 1944). These ideas were inspired in particular by the Beveridge Report in the UK, which was referenced in the ILO's support for the newly created welfare state in Czechoslovakia (Schoenbaum, 1945).

The first challenge to the welfare consensus, from a rival international organisation, came from the OECD, as it began to articulate a critique of the welfare state as a burden on the economy (Walker, 1990). However, these ideas were targeted at the mature welfare states of the OECD's membership. The first real global challenge to the ILO's pension model came in 1994 with the publication of Averting. As Chapter Seven showed in detail, this publication promoted a discourse of sustainability. The central message from Averting was that the pension systems of OECD countries were unsustainable and therefore middle-income and developing countries needed to act immediately; in order to avoid making the same mistakes it argued had been made with the PAYG pension systems of Europe and North America. It advised that a multi-pillar pension system was desirable, making the system more sustainable. It was also argued that a multi-pillar system would provide superior returns as capital market returns exceeded economic growth rates. In addition, public pension systems were argued to be regressive in developing countries, only covering more affluent urban workers. The secondary message was that pension systems could be a tool for capital market development. A discourse was of sustainability was bolstered by a discourse of economic efficiency. This discourse was shown to align with the prevailing paradigm of the time and the global political and economic climate which was absorbing the demise of the communism.

The entry of the World Bank into the pension reform arena shaped the ideas and priorities of the ILO. Initially the ILO sought to shift the debate away from sustainability towards a discourse of adequacy and security. The central argument was that multi-pillar pension systems replaced the burden of risk onto the individual offering no guarantees of adequacy of income in retirement (Beattie & McGillivray, 1995). However, it was shown in Chapter Seven that after an initial hostile reaction to the message of Averting, a more conciliatory position emerged; accepting a role for the different pillars of the pension system and a role for defined contribution schemes as part of the pension system architecture (Gillion, at al., 2000). However, whilst the ILO was dropping its hostile opposition to the World Bank's model, internal opposition to its central premises was growing. The idea that funded schemes were more sustainable was challenged, as were its assumptions on the benefits to the macro economy (Barr, 2000; Orszag & Stiglitz, 1999). Further critcism from inside the Bank was shown to challenge the orthodoxy of multi-pillar pension reform. In particular, the poor coverage across and high administration charges Latin America (Gill, Packard, & Yermo, 2005), the poor returns on pension asset and the high administration costs (Independent Evaluation Group, 2006).

Meanwhile, the ILO was beginning to shift its preoccupations. Instead of fighting a losing battle trying to protect PAYG pension systems in Central and Eastern Europe, the Social

Security Department in the ILO shifted its focus towards extending the coverage of pension provision and social protection in the developing world (ILO, 2001). This was borne out of the recognition that those who were employed in informal sector were unlikely to be covered by the formal social protection systems of the developed world (Reynaud, 2002). The discourse of the ILO was therefore shifting away from the protracted debate of adequacy versus sustainability to a more consensual message on extending pensions coverage to all. The thesis has shown how, after an intense debate inside the ILO, the organisation came to a strong position on national social protection floors. It then took the debate to the world, culminating in Recommendation 202 on Social Protection Floors.

Structural and institutional dynamics would further shift the position of the World Bank on mandatory second pension pillars. The global economic crisis changed the global zeitgeist (Farnsworth & Irving, 2011). The optimism for the organising of the economy on market-based principles was challenged by the crisis. At the same time, in the immediate crisis period, the role of the state in mitigating the economic costs of economic downturns was recognised by the global leadership of the G20. Over time, this was replaced by an austerity agenda. Both processes would have implications for the pension institutions of Central and Eastern Europe, which would shape the development of pension policies at the World Bank.

The thesis has shown the interaction between institutions and neoliberal pension ideas. Chapter Six showed how this had shaped pension ideas in three ways: First, the large transition costs had been underestimated by proponents of mandatory second pension pillars. These costs proved to be a constant challenge to the viability of continuing with a second pension pillar. Whilst some proponents of mandatory second pillars argued that the European Commission should have been more accommodating of the transition costs within the Maastricht Criteria, there was still a recognition that a multi-decade challenge of carving out a proportion of public pillar contributions into individual accounts is extremely challenging. These findings suggest that the arguments made by scholars that stressed the stability of public pension systems, still applied even when they had seemingly been reformed (Pierson, 1994; Myles & Pierson, 2001).

Second, the poor performance of the second pillar reforms has also altered the perception of their desirability. Reformers in Central and Eastern Europe had a choice between stability and risk in the regulation of pension portfolios in the region. They chose to prioritise the former by mandating that pension funds must hold the majority of government bonds (Guardiancich, 2011). This was argued to be necessary given the nascent capital markets of Central and Eastern Europe (Holzmann R. (., 2009). However, it meant that returns were disappointing. The scheme effectively ran as a PAYG system with an expensive intermediary fund manager cycling pension contributions into current spending.

Third, the major shift in ideas of transnational pension actors has been on the assumption that private pensions would be thought of as private property and therefore would be more resistant to political manipulation (World Bank, 1994). The ease with which pension assets have been subsumed into the state coffers has taken transnational actors by surprise. It has raised barely any reaction from contributors (Simonovits, 2011). There were minimal protests from workers and ineffective opposition from the pensions industry. The ease with which these reforms were reversed has significant ontological outcomes that may negate some of the microeconomic arguments that were espoused by proponents of multi-pillar reform. For example, it was argued that public pension provision has an adverse impact on the labour market as taxes distort labour supply (World Bank, 1994). The argument continued that contributions into mandatory second pillars would not be viewed as a tax and therefore would not distort the labour market in the same way. Yet if contributors never distinguished the public and private elements of their pension provision then it is likely that second pillar contributions were also viewed as a tax. The entire demonstrates the opaqueness of pension provision is, which holds for both public and private pensions.

The shifting of the World Bank's position has been two-pronged. The experiences of multi-pillar reform in Central and Eastern Europe have nudged it away from promoting a model of mandatory second pillars, as explained above. In addition, as a Bank, the World Bank's activities are largely governed by the demand for its services and loans. As middle-income countries have become less dependent on World Bank loans, the majority of World Bank activity has been in developing countries (World Bank, World Bank Lending (Fiscal 2017), 2017). These have very different needs to the transition countries and often require loans and assistance in setting up social protection schemes. The emphasis for assistance in these countries is to extend coverage. The vast majority of World Bank activity on pensions is now in the public sector. The World Bank's focus on the extending coverage of public pensions has brought its agenda much closer to the ILO's. This is the focus of the third research question.

How has the Relationship of the World Bank and ILO Evolved?

Orenstein (2008) told the story of a great rivalry between the ILO and the World Bank over pension reform. In the 1990s the World Bank supplanted the ILO as the dominant actor in global pension policy, the ILO was caught in a rear-guard action as country after country opted for the World Bank's vision of pension provision(Orenstein, 2005; 2008). The development of the relationship has been told through the thesis, in contrast to the situation in the late 1990s both organisations now cooperate more closely on pension provision. This has also been a consequence of the structural, institutional, discourse and agency dynamics.

Chapter Five outlined how the structural implications of the global economic crisis raised the stature of the ILO in global governance circles (Deacon, 2013). Alongside the shifting ideas that have been outlined above, there were also actions taken by the UN Chief Executives Board (UNCEB) and the G20 which delegated authority to the ILO on a number of issues. Firstly, the Social Protection Floor Initiative (SPF-I) was the UNCEB's response to the crisis, it called upon the ILO and the World Health Organisation to work together to further develop the idea of a social protection floor. The initiative was given further impetus by the then President of France, Nicholas Sarkozy who was keen for the idea to take off. The SPF-I commissioned the former president of Chile, Michelle Bachelet to author a report on social protection floors in 2009. As was noted in Chapter One, Bachelet would go on to win the presidency of Chile again. In 2010, Bachelet's report was published; it was aimed at the G20 with the message calling for a formal board to be created to coordinate the inter-agency activity on social protection in order to better use the resources of international organisations and to prevent duplication of the same tasks. The G20 heeded this message and created a semi-formal structure, the Social Protection Inter-Agency Cooperation Board (SPIAC-B). This board is chaired by the ILO and the World Bank. It is highly symbolic of two things: firstly, the enhanced role of the ILO in global social policy on social protection, including pensions; secondly, on the increased cooperation between the ILO and World Bank on social protection issues.

The increased cooperation between the two organisations is not only the result of global structural dynamics but also a result of agency as Chapter Eight outlined on the internal politics of both organisations. The hostile relationship between the two organisations in the mid-1990s was ended largely as a result of the internal politics of both organisations. The ILO shifted in direction after a period of stasis on social security between 2000 and 2005. The breaking up of the social security department into three smaller units, each in opposition and working effectively as silos meant that a coherent message from the ILO did not emerge during this time frame. However, when the department was eventually reformed in 2005, internal politics saw Michael Cichon named as director. His vision for the ILO's stance on social security moved the organisation away from its Bismarckian traditions and paved the way for a much closer relationship with the World Bank. The Social Protection Floor idea with a universal minimum is closer to the World Bank than the previous policies of the ILO. For some inside the ILO, this shift is too far away from its core principles. However, it has meant a closer cooperation with the World Bank. Cichon's successor, Isabel Ortiz, was part of the original campaign for Social Protection Floors and renamed the department the Department for Social *Protection* instead of *Security* to ensure a consistency with terminology.

The internal politics of the World Bank also paved a way for a closer cooperation in the immediate global economic crisis period. When Robert Holzmann reached a mandatory service cap his successor, Arup Banerji, did not have a pensions background. As a result, he was not as wedded to the idea of multi-pillar pension reforms as his predecessor. This meant that the campaign for pension privatisation drew to a halt during his tenure. Banerji was more interested in the broader social protection of developing countries, which has been argued in the thesis to now be the main client base of the World Bank. This softening of both stances and the shift in discourses away from sustainability versus adequacy towards extending coverage means a much more cooperative relationship has emerged. Indeed, the World Bank's Social Protection and Labour Strategy for 2012-2020 mentions the social protection floor, which is a mark of the new relationship between the one-time rivals. In addition, the signing of the Global Partnership on Social Protection in 2016, between the two organisations, is highly symbolic of this new relationship.

The thesis has therefore told the story of how the ILO was able to reassert itself into the pensions debates through its Social Protection Floor agenda. A significant finding is it did this despite the superior resources of the World Bank, which had previously given the Bank the edge when the two organisations competed to influence reform trajectories in the 1990s. it suggests that material resources are not the only factor that determine success for international organisations seeking to set the international agenda. If an organisation has internal coherency over a policy area that aligns with the global prevailing paradigm, it has a chance of influencing the agenda. This was the case with both the World Bank in the 1990s and the ILO during the onset of the global economic crisis.

Furthermore, the expert authority (Barnett & Finnemore, 2004) of the World Bank has been damaged by the entire multi-pillar episode. In the words of Nicholas Barr, a former consultant and critic of multi-pillar reform, "it has been seen to fail and lose the argument by people who care about the argument" (interview with Nicholas Barr, December 2016). By default, this raises the expert authority of the ILO in relation to the World Bank, given its criticism of the reforms. It has taken until the end of December 2018 for the ILO to confidently offer a full-scale critique of the experience in Latin America and Central and Eastern Europe, despite the counter-reforms beginning a decade earlier (ILO, 2018). In addition to expert authority, the moral authority of the ILO has also enhanced its influence over setting the agenda. The passing of Recommendation 202 in 2012 gave the ILO an instrument to compel national governments to act on spreading social protection coverage, given the consensual nature of the passing of an ILO Recommendation. This enhancing of the expert and moral authority of the ILO has given the organisation the ability to position itself as an equal partner to the World Bank in the social protection agenda. This is despite the superior resources of the Bank.

Final Thoughts

The thesis has deployed a multi-faceted analysis as a way to comprehensively capture the dynamics of global pension policy. It has focused on the international pensions agenda-setting activity of the two main organisations in the field of global pension policy, the World Bank and the ILO. It has analysed the debates that take place inside the headquarters of the two organisations and the policies that emerge as a consequence. It also analysed the global structural and institutional environment in which these policies emerge and are implemented, demonstrating how the policies are complex interaction between all of these processes. Global pension ideas have been shown to be recast by their interaction with institutions.

However, the global policy ideas that emerge from these processes are still only one component of a much wider policy process. These ideas are then contested at the domestic level where other actors become involved, such as organised interests for labour and capital. As the introduction first set out, these domestic processes are beyond the scope of this thesis, and present to varying degrees in different countries, with little development of organised interests in Central and Eastern Europe. Still, there is also a global pension policy aspect that has yet to be explored. The focus of this thesis has been at the headquarters level of analysis. Here it has been made clear that there is much more cooperation between the World Bank and the ILO on pensions and social protection. However, international organisations also work in the field, offering technical support and guidance. Further research would need to explore the relationship between the ILO and the World Bank in the field. It is not clear whether the increased cooperation between the two social protection departments translates to cooperation on the ground, where field experts are often granted significant autonomy and discretion. The coherency of policy between field and headquarters is a completely underexplored area of global social policy.

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Appendix B: Example Invitation Letter and Information Sheet

Participant Information Sheet

Research Title: Global pension policy after the global economic crisis

You are invited to participate in a research project on pension reform since the global economic crisis. Participation in the project is entirely voluntary and you would be free to withdraw at any time. This information sheet gives all the details on what participation entails. If you have any further enquiries please feel free to contact me by email at m.heneghan@sheffield.ac.uk

The project

This project is funded by the ESRC (Economic and Social Research Council) in the department of Sociological Studies at the University of Sheffield, in the United Kingdom. It is being undertaken for my doctoral thesis, which is being supervised by Dr Liam Foster and Professor Alan Walker. The project is governed by the ethical and good-practice guidelines of the university and the ESRC.

The research is interested in exploring the process of pension reform since the global economic crisis. In particular, reforms to the second pension pillar that have been undertaken across Central and Eastern Europe. The speed, scale and depth of second pillar reforms have caught scholars on pension policy by surprise. It was not envisaged that reforms to the PAYG pension systems that were carried out in the late 1990s and early 2000s would be reversed so suddenly and so soon afterwards in many countries. It therefore offers a unique opportunity to better understand the best model for pension systems in the 21st century by analysing the recent pension reforms. I am seeking a range of views from policy makers within government and from staff that advise on pension provision in international organisations.

What will taking part involve?

Participating in the research will involve agreeing to be interviewed for around 30 minutes on pension reforms before and after the global economic crisis. Depending on the person being interviewed, the research will be interested in the decisions that led to the reforms or opinions on the reforms to date. The interviews will take place at a time that is most convenient to participants in late 2016 or early 2017. Interviews will be recorded using an audio device but you will be free to request that this device is not used for all or part of the interview. Follow up interviews may be desired depending on the data collected and the development of pension reforms in the region.

Agreeing to participate in the research gives the participant the benefit of contributing to a better understanding of pension provision in the 21st century. The reversal of the World Bank's prescribed pension model in many countries calls for a new analysis on how best to achieve a balance between the sustainability and adequacy of pension systems. This project hopes to be at the forefront of this new understanding.

Why have I been chosen?

You have been chosen because of your involvement in the pension reforms or your knowledge of the reforms that took place.

Will my taking part be kept confidential?

Yes. All identities used in interviews will be immediately anonymised. All recordings and transcripts will be stored securely which only the researcher will have access to.

What if something goes wrong?

If you are concerned with any aspect of the research and wish to make a formal complaint or further inquiry you can contact me by email at m.heneghan@sheffield.ac.uk or my supervisor, Dr Liam Foster at l.foster@sheffield.ac.uk. Furthermore, the University of Sheffield can be reached by email at registrar@sheffield.ac.uk or by post at Office of the Registrar and Secretary, Firth Court, Western Bank, Sheffield S10 2TN.

Further Information

If you require further information please feel free to email me at m.heneghan@sheffield.ac.uk or alternatively I can be contacted by post at University of Sheffield, Department of Sociological Studies, Elmfield, Northumberland Road, Sheffield, United Kingdom, S10 2TU. Or by telephone on +447747058797. Thank you once again for taking the time to read this information sheet.

The University Of Sheffield.

E·S·R·C
ECONOMIC & SOCIAL RESEARCH COUNCIL

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13 December 2016

Invitation to Participate: Research into Pension Reforms Since the Global Economic Crisis

Dear Michal Rutkowski

I am writing to invite you to act as a participant in my doctoral research on pension reforms since the global economic crisis.

I am specifically interested in the reforms that have taken place in Central and Eastern Europe. Your instrumental role in leading the reform in Poland and your current senior role in the World Bank make you an invaluable insight into global pension trends. I am also interested in how the World Bank seeks to shape these trends going forward, something which you are at the forefront of.

Enclosed with this letter is an information sheet containing more details about what participating in my research entails. Should you have any further questions about being involved in the research please feel free to contact me using the details provided.

I understand that your schedule must be extremely demanding and so I would like to reassure you that participating in the research would involve no more than thirty minutes of your time.

Yours sincerely

Martin Heneghan