

Individualisation reversed: the cross-class politics of social regulation in the UK's public/private pension mix

Manuscript accepted for publication (29.10.2017) in *Transfer: European Review of Labour and Research*. Volume 24, Issue 1

Paul Bridgen University of Southampton, UK

Traute Meyer University of Southampton, UK

Summary

Since the turn of the century UK pension politics has been dominated by legislative and regulatory efforts to increase the state's redistributive role in the pension system. Such developments are unexpected by the theoretical literature on welfare states. This predicts regulatory disputes in multi-pillar pension systems, but does not expect egalitarian reforms in liberal systems like the UK where organised labour is weak. We explain these reforms as a product of a temporary cross-class alliance, facilitated by a cohesive pension policy network, and formalised by an independent Pensions Commission. The consensus was possible because the public/private nature of the UK pension system politicised the non-state sphere, shaping the preferences of pension policy actors, and leading business to reach a compromise agreement with unions.

In a seminal 2001 paper on the implications of the 'new' politics of welfare for pension systems, Myles and Pierson predicted that regulatory disputes about non-state provision would dominate the post-austerity pension politics of multi-pillar systems, like that of the UK. They identified a 'distinctive political dynamic' in the 'family of nations' where capitalised forms of provision played a major role. Pension politics here, they suggested, would 'revolve around the role of government as regulator to address problems of market failure and the uneven distribution of benefits among plans' (Myles and Pierson, 2001: 317).

Developments in UK pension politics at the turn of the new century seemed consistent with these predictions. Business concerns about the cost implications of government regulation of defined benefit occupational pensions were an important reason for their rapid demise from the mid-1990s (Bridgen and Meyer, 2005; Meyer and Bridgen,

2012). This in turn led to a concerted re-evaluation of the system and ultimately a reconfiguration of the public and private sector (Pensions Commission, 2004, 2005). Yet, more unexpected with regard to Myles and Pierson's predictions is the extent to which this process was dominated by efforts to increase the redistributive role of the state in the UK system. Thus, after a period beginning in the late 1980s, of public and private retrenchment and risk individualisation (see below), from 2012 reforms significantly increased the status of the flat-rate public pillar and extended social regulation¹ of the non-state sphere, by:

- introducing a more generous, redistributive and accessible Basic State Pension;
- quasi-mandating occupational pension contributions from all but the smallest employers;
- establishing an independent, defined contribution pension fund (the National Employment Savings Trust – NEST), as a 'public option' in the defined contribution pension market (Benish et al., 2017)² for lower-paid workers and their employers (Bridgen, 2010).

These developments do not fit Pierson's subsequent suggestion, that resistance to individualisation processes would be weak in the UK, and other liberal archetypes (e.g. New Zealand), because of weak labour movements, conservatives' domination of parliamentary politics, the attachment of employers and the middle classes to market provision and the unorganised nature of the policy process (Pierson, 2001: 4–10, 432–434).

So why has UK pension politics since the turn of the century been dominated by efforts to increase the role of the state as a provider and regulator? On the basis of what political dynamics has individualisation been reversed in the late 1980s and early 1990s? The obvious answer to the first of these questions is that, atypically, between 1997 and 2010 the Labour Party dominated Parliament (see Gelepithis, 2014). As will be seen, this factor is certainly part of the explanation, particularly because it increased opportunities for union influence on the policy process. Yet, we argue that relying solely on a traditional power resources explanation is problematic. Labour was led during this period by politicians broadly sympathetic to a Thatcherite agenda, a fact

exemplified with regard to pensions by its 1998 White Paper, *A New Contract for Welfare*, which committed the Blair government to a shift in the balance of public and private pensions from a 60/40 ratio to a 40/60 one; it resisted the unions' agenda up to 2002 and only relented once a more broadly based coalition for reform developed. Moreover, business was never merely an 'antagonist' during this process (Korpi, 2006); it played, instead, a consenting, even supportive role, in developing the negotiated consensus upon which the reforms were founded (Meyer and Bridgen, 2012).

To explain these trends in UK pensions policy we thus propose a different approach building upon the insights of three main literatures. First, we draw upon work on liberal or liberalising welfare states which is influenced to a lesser or greater extent by Polyani's ideas on the embedded nature of markets (2001). This emphasises the complex public/private interactions within such welfare states, as opposed to institutionalist theories which assume a stricter public/private divide (e.g. Leisering, 2011; Mabbett, 2011; see also Hacker, 2002). Secondly, and related to this literature, we explain how these complex public-private interactions can affect preferences and create the potential for cross-class alliances in such systems (Mares, 2001a; Meyer and Bridgen, 2012). Finally, to explain how policy coordination is possible in circumstances where interests are fragmented and unorganised, we refer to longstanding literatures on the policy process in liberal systems. These suggest that less formal types of political coordination than corporatism, such as policy sub-systems or networks, can play an important consensus-building role in the policy process in liberal regimes (e.g. Marsh and Rhodes, 1992; Marsh and Smith, 2000; Rhodes, 1990). The UK provides a good case to illustrate these arguments because its pension system is widely regarded as one of the closest to the liberal pension regime archetype (Bridgen and Meyer, 2011).

The article is organised in the following way. In the next section we explain and develop more fully our analytical framework. We then show that while the UK pension system is consistent institutionally with the liberal ideal type, extensive public/private interaction affects the organisation of the policy process and actors' preferences. We show how these pension network negotiations led to the reforms mentioned above. The article relies for data on document analysis and a series of interviews held by the authors with various members of the UK pensions network intermittently over the last 12 years.³ It uses 'analytical narratives' (Bates et al., 2000) in its empirical sections to

develop its theoretical argument, i.e. we relate systematically our case to our overall argument (see also Gourevitch and Shinn, 2005: 95).

Analytical framework

Institutionalist theories of welfare politics, whether based on the welfare regime (Esping-Andersen, 1990) or the varieties of capitalism approach (Hall and Soskice, 2001), expect liberal systems such as the UK to be bifurcated, with capital on one side, supportive of market provision and resistant to state provision or regulation, opposed on the other by a weaker pro-state labour movement (Pierson, 2001). Certainly, the varieties of capitalism framework and other work (Swenson, 2002; Mares, 2001a) has shown that employers might sometimes be sympathetic to public welfare provision, but this has mainly been in coordinated market economies. In this research earnings-related welfare systems are complements of a production system reliant on workers with firm- or industry-specific skills (Estevez Abe et al., 2001; Hall and Soskice, 2001). In liberal market economies, general skills dominate, reducing interest in social provision. Voluntary occupational welfare might be available, but primarily for better paid workers (Korpi, 2006: 182). Only pressure from organised labour could lead to its universal extension, but such mobilisation is not expected in liberal regimes (Myles and Pierson, 2001: 331; see also Trampusch, 2007).

Business in liberal systems is thus expected to limit costs and maintain control (Mares, 2001a) and to be largely successful, given the weakness of labour. These models thus separate public and private spheres (Goodin and Rein, 2001); the state is viewed mainly as a *provider* of public benefits against employment-related risks, unemployment, disability, illness and old age, not as the *regulator* of private benefits (Mares, 2001a: 189, 190, 191, 193). Thus, changes to non-state provision, such as reductions in benefits, are not expected to affect greatly public welfare debates; and because they are viewed as the responsibility of individuals or market providers the state avoids blame or credit (Bonoli, 2003; Pierson, 2001). Even if in these unpromising circumstances policy-makers should consider an increase in public benefits, the unorganised politics of liberal systems is regarded as a further impediment (Martin and Swank, 2004; Swank and Martin, 2001). Only in countries with highly centralised associations and cohesion between employers is business likely to develop positions which go beyond the interests of individual companies and address broader policy problems (Martin and Swank, 2004: 594; see also Martin, 2000).

On the basis of institutionalist theories, therefore, recent UK pension policy is only explicable as the product of a temporary shift in the balance of political forces, led by a Labour government between 1997 and 2010. Gelepithis (2014) makes such an argument, particularly with respect to the passage of an employer mandate. She shows how UK trade unions shifted their position on pensions in the mid-1990s, accepting, after years of opposition, state concentration on flat-rate rather than earnings-related provision. To protect income in retirement they campaigned instead for employer compulsion with respect to occupational provision (Gelepithis, 2014: 141–142), and succeeded in getting this proposal on the political agenda by the early mid-1990s using their connections with the Labour government (Gelepithis, 2014: 146).

Yet, the role of unions in the reform process can be exaggerated: employer compulsion was certainly on the agenda from the mid-1990s, but it was repeatedly rejected by the Blair government between 1997 and 2002, and even after this date Labour remained cautious (see below). It was only once a more cross-class coalition for reform was mobilised beginning in 2002 that the reform process made progress.

Pension politics in a public-private mix

Given these problems with a labour-power based explanation of recent developments, the analytical approach should be based on a fuller acceptance of the public/private nature of liberal pension systems. We argue that recent reforms of the UK system were the product of a cross-class compromise facilitated by negotiations in its pension policy network. In developing this framework below we are mainly influenced by three approaches. First, we use Polyani's conception of market provision as socially and politically embedded (Polyani, 2001) to highlight the public/private nature of provision in liberal welfare states and the impact this has on political dynamics. As has been seen, mainstream institutionalist theories have tended to regard the public and private sector as separate spheres; the state's role in stimulating the market in liberal systems has been recognised, but the extent to which public and private spheres are intertwined has been underestimated. They therefore do not pay attention to the social and political forces generated by this relationship. Polyani, in contrast, regarded markets as a product of public action which regulates and frames them. Non-state provision thus has the potential to shape political actors' broader preferences and coalition strategies (see also Leisering, 2011: 242–243). Case studies on the USA and

UK are evidence of such a politics. Hacker's work on the USA (Hacker, 2002) for example, highlights the scale and centrality of the private sector in the US pension system and shows how the interrelationship between the public and private spheres was crucial in shaping politics with major consequences for the development of both systems (see also Stevens, 1988). Similar dynamics have been identified in the UK as we explain below (Mabbett, 2011).

Against this background, our understanding of business preferences in liberal regimes rests on the assumption that welfare politics will focus on the public/private mix. As shown, for mainstream institutionalist theories the politics of liberal systems are divided. Business is concerned about costs and control and thus resistant to the state and supportive of market solutions; opposing it is the pro-state labour movement. These divisions look much more fuzzy viewed through a Polyanian lens. Because the public/private boundary is complex, business preferences are broader and more flexible. For example, regulations affecting the cost and control of non-state provision can encourage business to favour public provision. Meyer and Bridgen have considered when such a shift in business preferences occurs, amending Mares' model of business welfare preferences (Mares, 2001a, 2001b). Mares suggested that large firms employing workers with firm-specific skills were likely to establish occupational provision but would favour its public replacement when the risks of their employees increased, leading to increased demand for occupational benefits and thus higher costs. Under these circumstances employers would trade-off the benefits of controlling occupational provision for a wider sharing of the costs. Meyer and Bridgen argued that state regulation had been overlooked as one of the standard risks that increase employers' costs and reduced control (Table 1).

Table 1 about here

Meyer and Bridgen also argued that there are structural differences between the interests of employers and insurers in occupational welfare, which need to be disaggregated. Both are generally in favour of a small and inexpensive state and private sector voluntarism; they will tend to reject measures that reduce their control, particularly if these drive up their costs and reduce profitability. However, unlike employers, insurers' dominant social policy preferences stem not from the skill/risk/control trade-offs made at the company level but from their role as providers

of private welfare in a broad, heterogeneous market. Insurers' concern in this respect is the maintenance of such a market at the lowest possible risk. This requirement can, as will be seen, lead them to adopt quite different positions on state provision and regulation from employers

Finally, the conceptualisation of liberal welfare politics as the politics of a public/private mix also affects our understanding of coordinating processes in such systems. As shown, according to mainstream institutionalist theories, shared cross-class views are rare in liberal systems, and where they exist the absence of formal corporatist institutions makes coordination difficult (Martin, 2000). However, such work fails fully 'to capture the range of patterns of interest intermediation and state-societal linkages' (Skogstad, 2005: 4; see also Richardson and Jordan, 1979) in advanced capitalist societies. Less formal types of political coordination, such as policy sub-systems or networks, are capable of playing a consensus-building role in liberal regimes (e.g. Marsh and Rhodes, 1992). Indeed, the governance literature (for a review see Rhodes, 1997) shows how policy networks and sub-systems have become important as public/private interaction has increased and as states seek to achieve goals through bargains with – and the regulation of – non-state agencies (see also Bridgen and Meyer, 2005; Hacker, 2002; Leisering, 2003). States need the expertise of private actors, so encourage their cooperation in policy-making (Rhodes, 1997), while employers who act collectively will maximise their lobbying potential. Channels for coordination thus facilitate solutions of shared policy problems. This process can be further encouraged by 'policy experts' in the network, who adopt a problem-solving perspective rather than acting purely according to the interests of their institution (Martin, 1995). In the following section we show the advantages of this analytical framework over traditional institutionalist theories when analysing the development of UK pension institutions and the policy process since the 1970s.

The UK's pension system as a liberal public/private mix

The British pension system at the turn of the century displayed all the main features expected in a liberal type (Esping-Andersen, 1990: 50, 70; Pierson, 2001). It offered largely flat-rate public contributory benefits, with quite strict entitlement conditions below the poverty threshold, and mature voluntary occupational, defined benefit pensions, managed solely by companies and supplemented recently by defined contribution pensions operated either by companies or by individuals. A brief social

democratic interlude saw the introduction of an earnings-related pension (SERPS) in the mid-1970s. However, employees with occupational provision were allowed to contract out of this additional state provision and it was substantially retrenched in the 1980s before it had had time to mature (Timmins, 1995: 402–403). Thus, public pension levels declined from 1975 to 1999, with means-testing playing an ever-increasing role. While state provision was increased for low earners and carers during this time (in 1999, 2000, 2002, 2007; Meyer and Bridgen, 2012: 270), overall Britain continued to have one of the lowest public pension levels in the OECD (OECD, 2005: 23, 49).

Market provision was dominated by occupational pensions which had grown voluntarily on a company-by-company basis. In an archetypal liberal regime access to this type of provision would be restricted, because of union weaknesses or because few firms would have labour requirements associated with occupational welfare. The coverage of occupational pensions in Britain has largely fitted this model although coverage did rise to around 50 per cent in the mid-1960s, largely because it was near-universal in the public sector (Russell, 1991). Yet, in the private sector, by the end of the 20th century only just under 30 per cent of the private sector workforce were covered (Pensions Commission, 2004: 82–83) with large employers most likely to offer schemes. The insurance industry has always played a major role in the occupational system, as administrator, particularly of smaller company schemes which often function like insurance policies, or as fund managers, particularly through the operation of managed funds (Blake, 2003). It has also driven the growth of the defined contribution personal pensions market. This developed initially for the self-employed but expanded with rising prosperity, and, as a consequence of government encouragement in the 1980s (see below) its share of total pension assets increased from 12 to 20 per cent between 1988 and 1995 (HM Treasury, 2002).

Yet, while the limited role of the state and large role for the market in pension provision in the UK made its system consistent with the liberal ideal type, public and private elements became increasingly intertwined after the 1970s, contrary to the assumptions of mainstream institutionalist theories. Regulation of occupational pensions began in the late 1950s, when employees were first allowed to contract out of state insurance and into occupational provision, but it accelerated in the early 1970s, slowly converting the occupational pension sector into a surrogate welfare state. The development of this public/private mix was the product initially of a cross-

class coalition between the insurance industry and public sector unions (well-served for defined benefit occupational provision), which was formed to oppose the type of encompassing state scheme introduced in Sweden and Germany and envisaged by leftist Labour politicians (Baldwin, 1990; Pemberton, 2012; Oude Nijhuis, 2015). Instead, the smaller SERPs scheme introduced in 1975 entrenched more regulated occupational provision (Blake, 2000). Thus, for example, from 1975 occupational pension providers had to offer a Guaranteed Minimum Pension no less generous on first payment than that of the state scheme. Regulation further increased during the Conservatives' retrenchment period as part of a 'layering' strategy (Mabbett, 2011; Streeck and Thelen, 2005). Fearing their emasculation of SERPS would be politically unacceptable, the Conservatives introduced, for example, compulsory indexing of defined benefit occupational provision (Timmins, 1995: 402; for more details see Meyer and Bridgen, 2012). In the late 1980s the Conservatives went a step further, seeking to individualise more fully the non-state sphere by encouraging the growth of personal defined contribution pensions. Thus, employees were given the option of using personal as well as occupational defined benefit pensions to contract out from state provision with national insurance rebates as an incentive (Timmins, 1995: 402–403). These developments generated a self-reinforcing logic of regulation (Myles and Pierson, 2001: 317): because non-state provision was a significant tax-subsidised supplement to state benefits, the state had to ensure its viability, particularly in the face of negative externalities such as financial impropriety of companies and insurers (also Hacker, 2002: 122–123, 149–153; Levy, 2006: 372; Mabbett, 2011). Under the Labour government from 1997, for example, a Pension Protection Fund was established to provide compensation in case of scheme insolvency. Similar developments occurred in the personal pension sector, particularly when the insurance industry 'mis-sold' personal defined contribution pensions in the 1990s as a better alternative to occupational defined benefit provision (Waine, 1995).⁴

In summary, then, while Britain has all the classic institutional features of a liberal pension regime, its public and private spheres are closely intertwined. Consistent with Polyani's notion of embedded markets, the state regulation of non-state provision, ongoing since the 1970s, has politicised the non-state sector. In the following we see how this process has affected the organisation of pension politics and the preferences of the main policy actors, leading to a cross-class alliance on reform.

The public/private mix and the organisation of UK pensions politics

Organisationally, the non-state sector has developed political influence through a tightly knit pensions policy network. This emerged to a considerable extent because the state needed to manage the extensive regulatory framework discussed in the previous sector, and therefore relied on coordination and consultation (see below) (Pemberton et al., 2006; Bridgen and Meyer, 2005).

Membership of this network remained relatively consistent over time. The Treasury and the Department of Work and Pensions and its predecessors were the major players within government. Outside government, the most influential private actors were the largest organisations representing the private pensions industry and employers: the Confederation of British Industry (CBI); the National Association of Pension Funds (NAPF); and the Association of British Insurers (ABI). The involvement of trade unions was less direct, but the Blair government facilitated greater contacts between the TUC and the network from 2002. Of the representatives of business in this network, the National Association of Pension Funds (NAPF – now known as the Pensions and Lifetime Savings Association (PLSA)) was the biggest organisation of pension funds in Britain (Work and Pensions Committee, 2006: 296). It acted on behalf of large employers who voluntarily sponsor pension schemes and of companies providing services to pension funds (e.g. actuaries; plsa.co.uk/Membership.aspx; Interview B). Its interests were the most homogeneous of the three organisations. The CBI was the biggest employers' organisation and because it represented general business interests, pensions were much less central than they were for the NAPF; moreover, of all CBI members, small and large employers, only some had an interest in this area (Interview A, D). The ABI was the umbrella organisation of the insurance industry, representing those involved in selling and administering defined contribution schemes (Interview A). Thus, the ABI spoke on behalf of those whose main business interest was to sell and ensure the profitability of insurance products.

Our interviews show the cohesiveness of the UK pensions policy network. All three business organisations maintained strong connections with government and with each other. Thus, the ABI, NAPF and CBI experts described their relationship with government as 'close' (Interviews A, B and C) involving frequent meetings and conversations. The relationship was one of inter-dependence according to the NAPF, CBI and ABI experts: the DWP needed them as much as they needed the DWP, because of the lack of expert knowledge within the administration (Interview B).

These contacts were strengthened by personal links, which developed first because the British pensions policy network was a very 'small world' of actors concentrated in close proximity to each other (Interview D); and secondly because of inter-organisational movement by policy experts: '... the average person working on policy for the ABI is an ex-civil servant ... [I was] from the Westminster policy making world, ... not a hard-bitten insurance company'. This type of movement between organisations facilitates communications between them, enabling knowledge transfer and sometimes, like the company-based experts identified by Martin (1995) in the USA, opening their institutions to broader policy agendas. There were also regular meetings of all main stakeholders, organised by, for example the Department for Work and Pensions, and the Pensions Policy Institute, an independent think tank (Interview A, B and C). These meetings created constant opportunities for exchange and discussions.

In summary, the political dynamics in the UK's liberal pension system at the beginning of the millennium cannot be properly understood without reference to the public/private nature of this system, and the coordination of the policy process through the UK pensions network. It was on the basis of these political dynamics that the main policy actors negotiated a significant reform in the early 2000s, in response to a growing perception from the late 1990s that the UK's public/private system was in crisis. Before outlining this process, it is important to summarise the dimensions of the pensions crisis it sought to address.

The UK pensions crisis in the late 1990s

The political left had long believed that the UK pensions system was in a state of crisis because it had failed to provide adequate income or poverty protection for retirees (on relative poverty among pensioners in the late 1990s see Evandrou and Falkingham, 2005: 168). To alleviate poverty, the Blair government increased means-tested benefits and used other targeted public provision. It reversed a long-term Labour commitment to rebuild SERPs and re-establish the earnings link for basic state pension up-rating. Instead, SERPs was renamed 'State Second Pension' (S2P), and made more redistributive towards lower-paid workers as a prelude to becoming a flat-rate benefit (Agulnik, 1999). At the same time, tentative regulatory measures were made to shore up the employer's role in income protection. Thus, companies were required to guarantee workers access to a personal pension while insurance

companies were encouraged to offer 'Stakeholder' pensions to serve this potential new market (DWP, 1998). These were largely 'pure' defined contribution pensions with no regulated guarantees on rates of return, but charges for Stakeholders were pegged, initially to 1 per cent, and after industry pressure to 1.5 per cent.⁵ The TUC, led at this time by New Labour sympathisers, generally accepted this approach but also pressed (unsuccessfully) for greater employer commitment to occupational provision in the form of an employer mandate amounting to 10 per cent of salary (Gelepithis, 2014: 141).

The Blair government's approach reduced poverty rates in the early 2000s (DWP, 2015: 68), but the desired expansion of personal pensions did not happen (ABI, 2003). Doubts rose about savings incentives given the increasing level of means-testing. Moreover, broader pension insecurities started to surface as ever larger numbers of companies began closing their defined benefit schemes to new members (Bridgen and Meyer, 2005). It was these latter developments in particular which began to generate a more general sense of crisis. It was becoming clear across all parts of the pensions policy network that the UK's public/private mix had become incoherent.

Negotiating a policy consensus through the UK pensions policy network

The perception that the UK pensions system was in crisis forced the government to act (Interview B). It established an independent Pensions Commission with the remit to investigate a move 'beyond the current voluntarist approach' in private saving (DWP, 2002: 5). However, while this was a partial concession to the TUC's emphasis on compulsion, the government remained primarily focused at this stage on individual savings, not an employer mandate (Gelepithis 2014: 142; Tempest, 2005).

Chaired by Adair Turner, a former CBI director general, the Pensions Commission also included a well-regarded moderate trade unionist, Jeannie Drake, and a London School of Economics professor with connections to the Labour Party, John Hills. The establishment of this Commission mobilised activity in the pensions policy network and it played a facilitating role in the negotiations that were to follow, particularly by establishing a trusted line of communication between business and the unions (Interview C; see below). However, much of the coordinating effort that ultimately generated a consensus on reform took place in and between the three business peak organisations. This process generated a largely unified business position on reform, which was acceptable to the unions. In the analytical narrative below we show how

the preferences of the three main business organisations were shaped by the public/private nature of the UK system; and how the policy network coordinated the preferences of the various policy actors, facilitating the cross-class agreement about the reforms required to address the pensions crisis.

Intra-organisational mediation

At the level of intra-organisation mediation, all three organisations first sought to establish an agreed position between the different views within their organisation. In all three this process was influenced by policy experts who sought to mediate between the positions within the organisation and between these and the broader policy debate. This approach went furthest in the NAPF (Interview A). Here a senior policy expert directed the organisation to support a significant reform of the public pension in 2002, the introduction of a 'citizens' pension set at the poverty level (i.e. about 22 per cent of national average earnings), which was to rise in line with earnings (NAPF, 2002a, 2005). The reform aimed to simplify the regulatory regime and reduce the costs for employers as social policy players. Employers in the NAPF were prepared to put aside their suspicion of state provision in return for a policy consensus they believed would give them greater freedom in the non-state sphere (NAPF, 2002b, 2006; Interview A). The NAPF's approach to compulsory employer contributions was more vague. Such a policy would obviously increase regulation of occupational provision, which they wanted to reduce. However, most NAPF members had pension funds and thus already paid pension contributions, and the organisation was not ideologically opposed to the idea, having proposed greater compulsion in the mid-1990s, albeit mainly for higher earners (Gelepithis, 2014: 140). Consequently, as the policy process proceeded the NAPF was willing to compromise on this issue (Interview A).

Among policy experts at the ABI, there was general sympathy with the NAPF's position on the need for more generous public provision, if not for the idea of a 'citizens' pension (Interview B). Their reasons reflected the structural interests of the insurance industry. First, the ABI favoured a higher state pension because existing policies had involved the growth of means-testing. This dampened savings incentives, reduced business, and complicated the system, raising concerns about 'misselling' (Guha et al., 2002). In addition, the insurance industry had misgivings about Labour's 'Stakeholder' reform, most particularly the prospect of being forced to take unprofitable business. 'Stakeholder' pensions were targeted on lower-waged individuals, paying low

contributions often intermittently. Insurance companies feared fixed charge levels for this business would not cover their risks and costs. Thus, from a different structural starting point the ABI reached a similar conclusion to the NAPF on the public pension: improved public provision was better than a regulated non-state sphere which was hampering companies' business interests.

On employer compulsion the ABI was more positive than the NAPF, but opinions were divided. Some members supported it because it had the potential to increase insurance companies' business and improve the profitability of savings by lower-waged individuals (i.e. by ensuring persistence of savings). Other members were concerned it would simply generate a large number of small pension pots, creating management difficulties for insurance companies. Eventually, a cautious agreement was 'thrashed out' in the ABI's pension savings committee in 2003 which only committed the organisation to support compulsion should savings incentives fail (ABI, 2003). However, like the NAPF's attitude to compulsion, this position shifted as negotiations continued (Interview A), and by 2006 the ABI had moved towards a more categorical supportive position (ABI, 2006).

In comparison with the other two business members of the pensions policy network, the CBI responded more slowly to the policy dynamics unleashed by the pensions crisis. It finally entered the negotiations in 2004, realising that a policy consensus was developing which challenged its interests. Its policy expert told us: 'It was clear that the Pensions Commission would end in a messy compromise ... we tried to make its conclusions the best messy compromise for [our members]' (Interview C). The CBI thus adopted a damage-limitation approach, adjusting its position to reflect the emerging consensus among the other business organisations, accepting this would inevitably involve some degree of compromise of its preferred positions. To ensure broad support from its members for this approach the CBI first established a broadly based strategy group with strong input from small and medium-sized businesses, whose members did not generally provide occupational benefits and whose interests differed from the larger companies (Interview C). On the basis of this approach, and given developments elsewhere in the policy network, the CBI was able to reach a position quite easily on the public pension. It supported a significant increase in the state's role: the Basic State Pension should be raised at least to the level of the means-tested benefit, a step to be partly financed by an increase in the state pension age to 70 between 2020 and 2030 and partly by tax increases (CBI, 2004). Like the other two

business organisations, therefore, the CBI preferred an increased role for the state to continued regulation of non-state provision. The additional cost would be low for employers; it would be shared between capital and ordinary taxpayers, and partially be offset by a rise in the state pension age.

However, unlike the NAPF and ABI, the CBI's support for a higher state pension was also determined by its categorical opposition to compulsory employer contributions (CBI, 2004, 2006). This was stronger than that of the NAPF and ABI because the CBI represented the interests of more small and medium-sized companies (CBI, 2002). Yet, notwithstanding this strong public opposition, within the pension network's negotiating process the CBI's position was more flexible (Interviews B and C). This was not least because some of the organisation's larger members, especially in skilled engineering trades, favoured compulsory employer provision on the basis that some employers were shifting the costs and burdens onto others (EEF, 2005; see Swenson, 2002). The CBI also recognised that the actions of companies in closing defined benefit plans were perceived by many to be the most important aspect of the pensions crisis (CBI, 2004). In the face of these issues, the organisation compromised. On the CBI's changing position, one member of the pension network said: 'they probably became more mature in terms of their overall views as time went on; once they began to realise the way things were going, they modified ... they wanted a voice on pensions [so] they could not simply say we won't do anything at all, and became more nuanced' (Interview B).

Inter-organisational coordination

None of the main organisations negotiated their intra-organisational positions in isolation. Policy experts were mediating between the interests of their members and those of the other two organisations and government. The agreements represented the different interests in the organisation but they were also framed in relation to policy debate at the time. Mediation occurred first on the basis of systematic communication between the three organisations. Joint strategies were not formally agreed and interest differences remained, but through regular contacts all actors were informed about the intentions of other actors (Interviews A, D) and acknowledged in the interviews that their contacts with the other organisations influenced their decision-making. Secondly, coordination was eased by the inter-personal and inter-organisational connections among the policy experts of the various organisations. These encouraged them to take

an overarching position on the pensions crisis as a problem of public policy, not just one affecting the narrow interests of their organisation (see Martin, 1995). Thus, one ABI official told us: '... one of the things that helped with consensus ... look at x's personal career, x is gone from TUC to the ABI to the NAPF ... x was probably important in sometimes rowing the industry back a bit, and making it like a big tent ...'. As has been seen, such inter-organisational biographies were typical for many of the policy experts working in the pensions policy network.

At the very least, on the basis of these contacts all three business organisations agreed that the state had gone too far by expecting the private sector to engage even more in pensions, while not considering an increase in public benefits (Interview B). To the pensions expert at the CBI, raising the state pension was an idea that gained 'credence' within the pensions policy network in 2002 (Interview C).

On compulsory employer contributions, there was initially less agreement. However, it became clear throughout the negotiating process that without concessions on this matter, little progress could be expected in the other areas of dispute. This was a mark of the TUC's success in entrenching itself more centrally in the policy process through its connections with the Blair government and (through Jeannie Drake) the Pensions Commission. A negotiated consensus, it was clear, had also to be acceptable to the unions. The NAPF and ABI recognised the need for a cross-class agreement from a fairly early stage, the CBI was eased towards this path by its contacts with the Pensions Commission. They were kept closely informed of the developing ideas of the Commission's chair, Adair Turner, a former director general of the CBI, and according to the CBI's pension expert they had a 'very good relationship with the [Commission's] secretariat'. On this basis the Pensions Commission was able to 'put something between the two groups' that was acceptable to both sides (i.e. the employers' groups and the unions) (Interview C). Thus, while the CBI made clear, once the Commission had reported, that '[m]any CBI members, including the vast majority of smaller firms, continue to oppose [employer compulsion]' it 'accept[ed] that the government [was] committed to taking forward this policy' (DWP, 2006). Notwithstanding this concession, the CBI was satisfied that the proposed mandate was only to be triggered on the basis of auto-enrolment, that it would be delayed until 2012, and that it would be introduced on a transitional basis up to a level of 3 per cent, considerably below the 10 per cent favoured by the TUC. Moreover, employers' rights to close their defined benefit

schemes to new and, as was increasingly common, existing members remained untouched.

In summary, the case study shows that the preferences of the representatives of business were shaped by the politicised nature of the private pension system. This is consistent with the expectations of scholars of social regulation influenced by Polyani. To avert further state intervention in non-state provision the three business organisations favoured increased public provision. The case also shows stronger policy coordination in a liberal pension system than would be expected in the institutionalist literature, instead confirming the assumptions of the governance literature: through peak organisations, regular contacts with government and with each other business established robust channels of communication. On the basis of this network and negotiations the Pensions Commission was able to propose in 2005 a reform which most actors supported, and which made possible the legislation of 2007 and 2008.

Discussion

This article has shown how a significant increase in the role of the state as benefit provider and regulator in the UK's liberal pension system was achieved between 2002 and 2012. Institutional theories would not have expected such a result. The development was supported by the greater involvement of the unions in the UK pension policy network during this period, but it was not primarily a product of their increased influence during the Labour government of 1997–2010 (Gelepithis, 2014). Rather, the development of a cross-class consensus in favour of reform was more important, facilitated by negotiations in this pension policy network, and formalised by an independent Pensions Commission. The consensus was possible because the public/private nature of the UK pension system shaped the preferences of pension policy actors and the policy process. The peak organisations of business wanted to reduce the impact of regulation by increasing the role of public provision; to secure agreement they were prepared to concede the trade unions' demand for a quasi-employer mandate. Despite divergent interests and organisational plurality, a policy proposal was negotiated in a cohesive informal pensions policy network, informed by the inter-organisational perspectives of the policy experts who populated it. We expect that many of the dynamics of this case can also be found in other liberal systems. Evidence is emerging on this (Gelepithis, 2014), but more research is needed.

Policy developments in the years after the reforms described in this case study suggest that the consensus developed between 2003 and 2007 had a longer lasting impact. Despite Labour's loss of power in 2010, no serious consideration has been given to reversing them. Indeed, between 2010 and 2015 the Conservative/Liberal Democrat coalition government improved the generosity of public pension up-rating and considered (unsuccessfully) further measures to collectivise the non-state sphere, in light of the continuation and acceleration of companies' shift away from defined benefit pensions. Certainly, the Conservatives retain a strong interest in individualisation, made manifest by the 2014 liberalisation of the annuities market and introduction of lifetime tax-free savings (lifetime ISSAs). These changes conflict with the more collectivist policy direction pursued since 2002, and may again make the system incoherent, but there remains strong resistance to any general unravelling of the policy compromise so painstakingly negotiated in the early 2000s.

References

- ABI (2003) *Simplicity, security and choice: ABI response to the Green Paper*. London: Association of British Insurers. Available at: www.abi.org.uk/Display/file/300/final-DWP-response.doc.
- ABI (2006) *Memorandum submitted by Association of British Insurers*. London: The United Kingdom Parliament, Select Committee on Work and Pensions.
- Agulnik P (1999) The proposed S2P. *Fiscal Studies* 20(4): 409–421.
- Baldwin P (1990) *The Politics of Social Solidarity. Class Bases of the European Welfare State 1875–1975*. Cambridge: Cambridge University Press.
- Bates RH, Greif A, Levi M, Rosenthal J-L and Weingast B (2000) The analytical narrative project. *The American Political Science Review* 94(3): 696–702.
- Benish A, Haber H and Eliahou R (2017) The regulatory welfare state in pension markets: mitigating high charges for low-income savers in the United Kingdom and Israel. *Journal of Social Policy* 46(2): 313–330.
- Blake D (2000) *Two decades of pension reform in the UK: What are the implications for occupational pension schemes?* London: The Pensions Institute Discussion Paper PI-2004, ISSN 1367-580X.
- Blake D (2003) *Pension schemes and pension funds in the United Kingdom*. Oxford: Oxford University Press.
- Bonoli G (2003) Two worlds of pension reform in Western Europe. *Comparative politics* 35(4): 399–416.
- Bridgen P (2010) Towards a social democratic pension system? Assessing the significance of the 2007 and 2008 Pensions Acts. In: Greener I, Holden C and Kilkey M (eds) *Social policy review 22: Analysis and debate in Social Policy 2010*. Bristol: Policy Press, pp.71–96.

- Bridgen P and Meyer T (2005) When do benevolent capitalists change their mind? Explaining the retrenchment of defined benefit pensions in Britain. *Social Policy & Administration* 39(4): 764–785.
- Bridgen P and Meyer T (2011) Great Britain: Exhausted voluntarism – the evolution of the British liberal pension regime. In: Ebbinghaus B, Gronwald M and Wiss T (eds) *Governance of Supplementary Pensions in Europe: The Varying Scope for Participatory and Social Rights*. Oxford: OUP, pp. 265–291.
- CBI (2002) *Memorandum submitted by the Confederation of British Industry (CBI) PEN 63*. London: House of Commons, Select Committee on Work and Pensions. Available at: www.publications.parliament.uk/pa/cm200102/cmselect/cmworpen/638/638ap01.ht
- CBI (2004) *Securing our future: Developing sustainable pension provision in the UK*. London: Confederation of British Industry.
- CBI (2006) *CBI submission to the Department of Work and Pensions. Responding to the Pensions Commission final report*. London: Confederation of British Industry.
- Cichowski R A (2004) Women’s rights, the European Court, and supranational constitutionalism. *Law and Society Review* 38(3): 489–512.
- DWP (1998) *A new contract for welfare: partnership in pensions*. London: The Stationery Office, cm 4179.
- DWP (2002) *Simplicity, security and choice: Working and saving for retirement*. London: HMSO.
- DWP (2006) *Security in retirement: towards a new pensions system*. London: Stationery Office, cm 6841.
- DWP (2015) *Households below average income. An analysis of the income distribution 1994/95-2013/14*. London: DWP.
- Engineering Employers’ Federation (EEF) (2005) *Rethinking Pensions: Preparing for an Ageing Society*. London: EEF.
- Esping Andersen G (1990) *The three worlds of welfare capitalism*. Cambridge: Polity Press.
- Estevez-Abe M, Iversen T and Soskice D (2001) Social protection and the formation of skills: A reinterpretation of the welfare state. In: Hall PA and Soskice D (eds) *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press, pp.145–183.
- Evandrou M and Falkingham J (2005) A secure retirement for all? Older people and New Labour. In: Hills J and Stewart K (eds) *A More Equal Society? New Labour, poverty, inequality and exclusion*. Bristol: Policy Press, pp. 167–188.
- Gelepithis M (2014) *Explaining Trends Towards Universal Coverage in Market-heavy Pension Systems*. PhD thesis, London School of Economic, UK.
- Goodin RE and Rein M (2001) Regimes on pillars: Alternative welfare state logics and dynamics. *Public Administration* 79(4): 769–801.
- Gourevitch PA and Shinn J (2005) *Political Power and Corporate Control: The New Global Politics of Corporate Governance*. Princeton, NJ: Princeton University Press.
- Guha K, Tassell T and Timmins N (2002) Government told it has not grasped pensions nettle. *Financial Times*, 18 December, 1.
- Hacker J (2002) *The divided welfare state. The battle over public and private social benefits in the United States*. Cambridge: Cambridge University Press.

- Hall P and Soskice D (2001) An introduction to varieties of capitalism. In: Hall PA and Soskice D (eds) *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press, pp.1–68.
- HM Treasury (2002) *Sandler review: Medium and long-term retail savings in the UK*. London: HM Treasury.
- Korpi W (2006) Power resources and employer-centered approaches in explanations of welfare states and varieties of capitalism. *World Politics* 58(2): 167–206.
- Leisering L (2003) From redistribution to regulation. Regulating private pension provision for old age as a new challenge for the welfare state in ageing societies. University of Bielefeld, Regina Working Paper No. 3.
- Leisering L (ed) (2011) *The new regulatory state. Regulating private pensions in Germany and the UK*. Basingstoke: Palgrave.
- Leisering L and Mabbett D (2011) Introduction: Towards a new regulatory state in old-age security? Exploring the issues. In: Leisering L (ed.) (2011) *The new regulatory state. Regulating private pensions in Germany and the UK*. Basingstoke: Palgrave, pp.1–30.
- Levy J (2006) The state after statism: from market direction to market support. In: Levy J (ed.) *The state after statism: new state activities in the age of liberalization*. Cambridge, Mass: Harvard University Press, pp. 367–393.
- Mabbett D (2011) The regulatory politics of private pensions in the UK and Germany. In: Leisering L (ed.) *The new regulatory state. Regulating pensions in Germany and the UK*. Basingstoke: Palgrave, pp. 191–210.
- Majone G (1994) The rise of the regulatory state in Europe. In: Müller W and Wright V (eds) *The state in Western Europe: retreat or redefinition?* Ilford: Frank Cass, pp. 77–101.
- Mares I (2001a) Firms and the welfare state: When, why, and how does social policy matter to employers? In: Hall P and Soskice D (eds) *Varieties of capitalism: The institutional foundations of comparative advantage*. Oxford: Oxford University Press, pp. 184–212.
- Mares I (2001b) Strategic bargaining and social policy development: the case of unemployment insurance in France and Germany. In: Manow P and Ebbinghaus B (eds) *Comparing Welfare Capitalism. Social policy and political economy in Europe, Japan and the USA*. London: Routledge, pp. 52–75.
- Marsh D and Rhodes RAW (eds) (1992) *Policy Networks in British Government*. Oxford: Clarendon Press.
- Marsh D and Smith M (2000) Understanding policy networks: towards a dialectical approach. *Political Studies* 48(1): 4–21.
- Martin C-J (1995) Nature or Nurture? Sources of Firm Preference for National-Health Reform. *American Political Science Review* 89(4): 898–913.
- Martin C-J (2000) *Stuck in neutral: Business and the politics of human capital investment policy*. Princeton: Princeton University Press.
- Martin C-J and Swank D (2004) Does the organization of capital matter? Employers and active labor market policy at the national and firm levels. *American Political Science Review* 98(4): 593–611.
- Mazey S (1998) The European Union and women's rights: From the Europeanization of national agendas to the nationalization of a European agenda? *Journal of European Public Policy* 5(1): 131–152.
- Meyer T and Bridgen P (2012) Business, regulation and welfare politics in liberal capitalism. *Policy and Politics* 40(3): 387–403.

- Myles J and Pierson P (2001) The comparative political economy of pension reform. In: Pierson P (ed.) *The new politics of the welfare State*. Oxford: Oxford University Press: 305-333
- NAPF (2002a) *Radical new proposals will boost savings and slash red tape*. London: National Association of Pension Funds, NAPF press releases. Available at <http://www.napf.co.uk/documentArchive.asp>.
- NAPF (2002b) *Memorandum submitted by the National Association of Pension Funds (NAPF) (PC22)*. London: House of Commons. Select Committee on Work and Pensions. Available at: www.publications.parliament.uk/pa/cm200102/cmselect/cmworpen/638/638ap20.htm.
- NAPF (2005) *Towards a Citizen's Pension. Final Report*. Report, National Association of Pension Funds.
- NAPF (2006). *Memorandum submitted by the National Association of Pension Funds (NAPF) Pension Reform, Fourth Report of Session 2005–06, Volume II, Oral and written evidence*. London: House of Commons, Select Committee on Work and Pensions. Available at: www.publications.parliament.uk/pa/cm/cmworpen.htm
- OECD (Organisation for Economic Co-operation and Development) (2005) *Pensions at a glance*. Paris: OECD.
- Oude Nijhuis D M (2015) The TUC and the Failure of Labour's Postwar Social Agenda. *International Labor and Working Class History* 89(Spring): 162–183.
- Pemberton H, Thane P and Whiteside N (eds) (2006) *Britain's pension crisis: history and policy*. Oxford: Oxford University Press.
- Pemberton H (2012) The failure of 'nationalization by attraction': Britain's cross-class alliance against earnings-related pensions in the 1950s. *Economic History Review* 65(4): 1428–1449.
- Pensions Commission (2004) *Pensions: Challenges and Choices. The First Report of the Pensions Commission*. London: The Stationery Office.
- Pensions Commission (2005) *A new pensions settlement for the Twenty-first Century. The second report of the Pensions Commission*. London: The Stationery Office. Available at: www.pensionscommission.org.uk/publications/2005/annrep/annrep-index.asp
- Pierson P (2001) Coping with permanent austerity: welfare state restructuring in affluent democracies. In: Pierson P (ed.) *The new politics of the welfare state*. Oxford: Oxford University Press, pp. 410–456.
- Polyani K (2001) [1944] *The Great Transformation: The Political and Economic Origins of our Time*. Boston: Beacon.
- Rhodes R A W (1990) Policy networks: a British perspective. *Journal of Theoretical Politics* 2(3): 293–317.
- Rhodes RAW (1997) *Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability*. Buckingham: Open University Press.
- Richardson JJ and Jordan AG (1979) *Governing under Pressure: The Policy Process in a Post-Parliamentary Democracy*. Oxford: Martin Robertson.
- Russell A (1991) *The growth of occupational welfare in Britain*. Aldershot: Avebury.
- Skogstad G (2004) Policy Networks and Policy Communities: Conceptual Evolution and Governing Realities. In: *Annual Meeting of Canadian Political Science Association, University of Western Ontario*. London, Ontario.
- Stevens B (1988) Blurring the boundaries: how the federal government has influenced welfare benefits in the private sector. In: Weir M, Orloff AS and

- Skocpol T (eds) *The politics of social policy in the United States*. Princeton: Princeton University Press: 123-48.
- Streeck W and Thelen K (2005) Introduction: Institutional change in advanced industrial economies. In: Streeck W and Thelen K (eds) *Beyond continuity: Institutional change in advanced political economies*. Oxford: Oxford University Press, pp. 1–39.
- Swank D and Martin C-J (2001) Employers and the welfare state – The political economic organization of firms and social policy in contemporary capitalist democracies. *Comparative Political Studies* 34(8): 889–923.
- Swenson PA (2002) *Capitalists against markets. The making of labour markets and welfare states in the United States and Sweden*. Oxford: Oxford University Press.
- Tempest M (2005) Blunkett hints at raising retirement age. *Guardian Unlimited*, 12 May. Available at: <http://money.guardian.co.uk/pensions/story/0,,1483644,00.html>
- Timmins N (1995) *The five giants: A biography of the welfare state*. London: Harper Collins.
- Trampusch C (2007) Industrial relations as a source of solidarity in times of welfare state retrenchment. *Journal of Social Policy* 36(2): 197–215.
- Waine B (1995) A disaster foretold? The case of personal pension. *Social Policy & Administration* 29(4): 317–334.
- Work and Pensions Committee (2006) Pension Reform, Fourth Report of Session 2005–06, Volume II. Report of oral and written evidence of UK House of Commons Work and Pensions Committee.

Tables:

Table 1 Determinants of employers' social policy preference, our addition to Mares's model (Mares, 2001a; and Meyer and Bridgen, 2012).			
	High/Large	Low/Small	
Firm specific skills	firm benefits	state benefits	
Size of company	firm benefits	state benefits	
Importance of control	firm benefits	state benefits	
Risk incidence	state benefits	firm benefits	
unemployment			
old age			
disability			
sickness			
<i>state regulation</i>			

Notes

¹ We use ‘social regulation’ here to distinguish between state regulation of markets to promote consumer choice and market access (i.e. the regulatory state, see for example, Majone, 1994) and ‘social regulation’ of private activity to provide or ensure access to social protection (i.e. the regulatory welfare state, see for example Leisering and Mabbett, 2011).

² As Benish et al. (2017) suggest, NEST is an example of a regulatory welfare state strategy that has largely been overlooked in the theoretical literature: this strategy allows ‘the state to play an active role in initiating a new public service to address a social problem - thus countering the general trend towards privatisation ...[but] is designed to operate within a market environment and to pay for itself financially with no significant public tax-based funding’ (Benish et al., 2017: 327).

³ We conducted 1–1.5 hour interviews with senior pension experts from the main employers’ organisations – the Association of British Insurers (ABI) (interview A), the National Association of Pension Funds (NAPF- now known as the Pensions and Lifetime Savings Association (PLSA) (interview B), the Pensions Policy Institute (interview C) and the Confederation of British Industry (CBI) (interview D) – and other key actors in the network.

⁴ Europeanisation and international accountancy regulators imposed further costs on employers (Cichowski, 2004; Mazey, 1998; see also Bridgen and Meyer, 2011).

⁵ In the de-cumulation phase, pensioners could take up to 25 per cent of their pension pot as a tax-free lump sum; the rest had to be converted into an annuity within 10 years.