

Daniel Franz Unterweger

**REFRAMING PENSION POLICY**

A Comparative Perspective on Communicative Discourse in Austria and Germany

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Supervisor: Professor Liisa Häikiö

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## **Abstract**

*Bismarckian pension systems are usually depicted as path-dependent. Nonetheless, many formerly traditional Bismarckian systems shaped by public old-age provision have recently been reformed towards capital-funding and privatization, therefore paving the way for structural change usually not accounted for by path-dependency literature. However, the extent of those reforms varies drastically, even between relatively similar countries like Austria and Germany. Those very similar countries, previously organising their pension systems through a social insurance principle (Bismarckian pension systems), having the same welfare regime (conservative), being subject to demographic and budgetary pressure with roughly the same economic performance, have taken drastically different paths in the beginning of 21st century. This master thesis now aims to address this research puzzle through empirically assessing the power of ideas and discourse in explaining policy change. The main argument of this research is that policy actors and entrepreneurs in Germany were able to implement wide ranging reforms because they successfully handled the policy and political stream, framing communicative discourse until privatized, funded pension policies were seen as a cognitively and normatively acceptable solution, while their Austrian counterparts failed to do so. Methodologically, this master thesis tries to present evidence through a discourse analysis of 357 newspaper articles published during the specific reform periods in which privatization was considered as a policy alternative in Austria as well as Germany. Ultimately, evidence suggests that ideas and discourse can indeed make a difference. Not everything happens behind closed doors, even in corporatist, multi-actor systems. Policy entrepreneurs indeed act as discursive actors and engage in communicative discourse to promote their favoured policy ideas. Pension reform in Germany involved a long and decisive framing process. In Austria, such an open attempt to frame communicative discourse towards privatization and capital funding was not visible. Ideas incompatible with the hegemonic discourse have had a hard standing because they were cognitively and normatively not accepted and provoked decisive action by opposing discursive actors, suggesting that the framing process has to begin early enough and has to be coherent and consistent. Respectively, strong opposing discursive actors can also defend the hegemonic discourse through quick and decisive action.*

**Keywords:** *pension reform, pension privatization, discursive institutionalism, communicative discourse, framing, policy ideas.*

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## 1. Introduction

In recent years, welfare states were subject to fundamental change. This especially holds true for pension systems. In general, pension reforms are often seen as policy responses to factors like demographic change, increased budgetary constraints or slow economic growth. What is stunning are the different kinds of policy reforms resulting. Regularly, not only in the public discussion, but also indirectly in some papers in the academic field of social policy (for example Busemeyer 2005), a reform towards a “funded” or privatized mode of pension financing is promoted, and many countries have already implemented such a pension reform. What appears to be puzzling is the very different extent in which some very similar countries, all previously organising their pension systems through a social insurance principle (Bismarckian pension systems), having the same welfare regime (conservative), being subject to demographic and budgetary pressure with roughly the same economic performance, have introduced elements of funded or private pension schemes, often through introducing a system of multiple pension pillars.

In this master thesis, the research puzzle shall be addressed that why very similar countries such as Austria and Germany differ significantly with respect to the extent in which they introduced elements of funded or private pension pillars, and therefore, initiated a structural change in their national pension system. More specifically, the research question of this master thesis addresses the role of ideas and discourse in explaining such policy changes: *How do policy ideas and discourses influence the (pension) policy to be implemented in very similar contexts like Austria and Germany?* Therefore, the main hypothesis of this research is that *the differences in pension reforms result from the varying success of policy entrepreneurs to frame public discussion and discourses about pension policy* in order to make private and funded pension systems a normatively accepted way of old age provision. This argument is mainly based on the assumption that policy discourses and ideas, defined as concrete policies as well as “organized principles and causal beliefs”, can help explaining policy reform (Béland 2005: 2). The hypothesis will be tested through a comparative critical discourse analysis of newspaper articles concerning pension reform in Austria and Germany between 1998 and 2002. However, the aim of this thesis is *not* to assess those reforms implemented according to their necessity, adequacy, financial sustainability or effects on social inequality, but rather to analyse how discursive actors influenced the national policy discussion in favour of their reform ideas of privatization and capital-funding.

Chapter 2 will establish the cases used in this research project. First, an overview of the different historical and technical properties of pension systems will be given, lining out important concepts and definitions. Afterwards, the specific policies concerning privatization and capital-funding introduced in Austria and Germany will be lined out in more detail. Those familiar with the design of Bismarckian pension systems and pension reform in Austria and Germany can skip chapter 2.1 to 2.3. In chapter 2.4, based on secondary literature, the differences in the extent in which Germany

and Austria implemented privatization and capital-funding in their pension systems in the early 2000s will be lined out. Chapter 3 constitutes a literature review and explores possible existing explanations for such a divergence of the reform paths, coming to the conclusion that the different extent in the pension reforms towards privatization and capital-funding between countries which previously organized their pension system through a social insurance principle (Bismarckian pension systems) cannot be explained by conventional social policy theory. Therefore, the possibility to explain those reform differences by a rather new theory strand in social policy will be highlighted, namely the theory strand about the power of ideas and discourse.

Chapter 4 then constitutes the theoretical and methodological section of this paper. Chapter 4.1 presents the theoretical foundations of this master thesis, referring to theories from Kingdon (2001), Béland (2005), Schmidt (2002, 2005, 2008) and Brettschneider (2009). Discourse is here defined as the “sum of policy and political actors’ accounts of a policy programmes purpose, objectives, and ideals which serve as a guide to action by defining the concepts and norms to be applied, identifying the problems to be solved, explaining the methods to be followed, developing the policy instruments to be used, [...] framing the national policy discussion“ (Schmidt 2002: 214). Discourses are influenced by ideas and influence ideas, which can take the form of specific proposed policies, policy paradigms or their underpinning “deeper” worldviews (Schmidt 2008: 306). In other words, discourse also captures political actors’ understandings of social policy reform, the ways in which those actors try to argue in favour of their policy ideas and how they frame those ideas in order to influence the public as well as their (political or intellectual) competition. Chapters 4.2 shows how those theoretical foundations can be transferred to an empirical research setting, lining out the main hypothesis as well as the research design. This paper of course aims to add additional explanatory arguments (discourse) into the discussion of pension and welfare state reform in general. Chapter 4.3 goes into detail how the data was collected and how relevant articles were filtered out. Chapter 5 finally constitutes the empirical section of this paper and constitutes a structural analysis of overall 357 newspaper articles. Chapter 5.1 and 5.2 are the respective country chapters for Austria and Germany, while 5.3 lines out further comparative evidence between the two discourse strands analysed. In detail, it will be argued that German policy actors were indeed more successful in framing the public discussion on pension reform, and that this was the case because they started their framing process early enough, they used their discursive strategies consistently and coherently and because there were nearly no opposing discursive actors present in the discourse. The thesis will finally end with some conclusive remarks and suggestions.

## 2. Paradigm change in Bismarckian pension systems? Establishing the cases

### 2.1. The diversity of pension systems

Pension systems have varied drastically in different countries as well as over time. Important categories for analysing and categorizing pension systems are so-called “pillars” and “tiers”. The usage and meaning of those terms varies drastically in the literature. Throughout this thesis, the definition of Ebbinghaus (2011) will be used, who makes a clear distinction between *tiers* and *pillars*. Pension *pillars* are distinguished by their *providers*, which can either be the state (first pillar), the employer (second pillar), or the individual (via individual contracts with private pension funds; third pillar). Correspondingly, the second and third pillar can be considered as private pension pillars, while the first pillar is public. However, three *tiers* distinguish between the basic *functions* of a pension system. While the first tier is responsible for granting a minimum income for needy pensioners or a universal basic income for everybody, the second tier should preserve one’s income standard when entering retirement. Finally, the third tier only acts as some sort of bonus, “topping-up” one’s retirement income. While the first tier is usually part of the first pillar (the state), the second and third tier can (theoretically) be found in all pension pillars.

This distinction has to be presented in a historical and ideological context. Originally, the World Bank promoted reform of pension systems towards a system of three tiers in which the first tier is publicly managed while all other functions (the second and the third tier) were supposed to be fully funded and privately managed – a strategy that became highly controversial as time went by, especially in the light of the financial crisis (cf. Stiglitz/Orszag 1999: 2, Schmähl 2000). In practice, this would have meant a far reaching structural change towards privatization, especially in Bismarckian pension systems. Historically, different kinds of pension systems emerged in industrialized countries, with different “public-private mixes” according to the design of its tiers as well as pillars. Roughly, pension systems can be ordered into two groups. The first one, often called the Bismarckian (Myles/Pierson 2001: 316) or social insurance pension system (Bonoli 2003: 400), is usually shaped by one single public pension scheme, financed through a pay-as-you-go system. This means that current workers finance the current generation of pensioners, therefore creating an “intergenerational contract”. Typical countries with a Bismarckian pension system are Austria and Germany. The benefits granted are usually dependent on contributions during employment and therefore the former level of income, as well as the total time employed (following the “equivalence principle”). Ultimately, the strategy of the Bismarckian system aims at income replacement and status maintenance for retirement. Other means to make provisions for one’s retirement were usually not necessary in countries with Bismarckian pension systems. In order to avoid poverty for individuals who were not able to acquire sufficient benefit rights during their employment, some sort of minimum, means-tested pension was usually granted. However,

there is often no distinction between the first and the second tier possible in Bismarckian pension systems, as both functions are in the responsibility of the state and often combined in one single scheme (Bonoli 2003: 400).

The Bismarckian system stands in contrast to a Beveridge-type pension system. Such pension systems have historically emerged as programmes only for the elderly-poor, in order to eradicate old age poverty while not acting as an instrument of income replacement (Myles/Pierson 2001: 316). Typically, states with a Beveridge-type pension systems introduced second tiers which granted income-related benefits through pay-as-you-go financing much later, while some other countries never did. Therefore, the second tier is also often funded and/or private (ib.: 316).

However, this historical distinction between Bismarckian and Beveridge (or multipillar) pension systems is increasingly eroding. Especially the early 2000s marked a period of high pension reform activity, for example in Austria and Germany, in both countries conducted by newly elected governments. As already outlined, a reform towards a “funded” and privatized mode of pension financing was publicly often promoted and was de facto mainstream opinion. However, there were already expert opinions, now also increasingly in the World Bank, which highlighted the dangers resting upon such a restructuring (for example Stiglitz/Orszag 1999, Schmähl 2000). Nonetheless many countries attempted to implement reforms aiming for structural change towards privatization, also in Austria and Germany. In Austria, a centre-right government wanted to introduce a pension reform based on a “model of 3 pillars” (i.e. multipillar) in the early 2000s. In addition to the old, pay-as-you-go financed pillar, two additional pillars should have been reinforced, namely an employer-based pillar and a private-based pillar. However, many of the planned aspects of the reform were cancelled. The state’s role in the pension system remained still distinct. In contrast, in Germany, the 2001 reform marked the start of a strong subsidization of occupational as well as individual private pensions, with significant long-run cutbacks in the public, state-funded pillar (Meyer 2015: 192). Those reforms will be outlined in more detail in the next chapter, therefore establishing the cases used in this research project.

## **2.2. Germany**

### **2.2.1. German pension politics in a historical perspective**

Like Austria, Germany has a Bismarckian pension system, shaped by a strong pay-as-you-go first pillar with the purpose of providing a constantly adequate, earnings related income for the elderly. Therefore, the scheme is administrated by self-governing bodies supervised by the state and financed by contributions which are split in half between employers and employees and by transfers from the federal government (Schludi 2005: 130). Second and third pillar pension existed already in the 20<sup>th</sup> century, but were not very important. For example, occupational pensions were only seen as a supplement for high wage earners and financed only by employers in order to bind

qualified employees and as a measure of self-financing (Ebbinghaus/Gronwald/Wiß 2011: 130). Treated as liabilities due to their book reserve nature, such schemes became increasingly unattractive in the process of financial market development and the importance of shareholder value (ib.: 130). Rising non-wage labour costs lowered the attractiveness of those schemes, and increasing unemployment in Germany made the binding of qualified employees less relevant (Schmähl 2004: 158). Therefore, the 90s are generally seen as an age of diminishing importance of occupational pensions schemes.

Consistent with the theory of blame avoidance, pension politics were generally a field of consensual policy making in Germany, with all major parties and social partners traditionally backing reforms of the system (Wiß 2011: 134; Schludi 2005: 132). Since 1977, the pension system was frequently subject to benefit cuts in order to stabilize contribution rates, which became a major issue in German pension politics as the contribution rate was projected to reach 36 percent in 2030 (Schludi 2005: 130f.) The results were falling pension spendings until 1992 (Schludi 2005: 130). Stabilizing contribution rates below 20 percent was also the main target of the first wide ranging reform in 1992, but all measures targeted a reform within the existing system, for example raising the retirement age or increasing the federal subsidy of the system (Schludi 2005: 134). Financial institutions are naturally favourable towards private and funded pension schemes (ib.: 171). In general, employers also have an incentive to demand cutbacks in the public pension systems in order to reduce their labour costs (Schmähl 2004: 171). Privatization was not yet on the table, but employer representatives already announced their wish for higher shares of private forms of pension provision (Wiß 2011: 134f.).

The costs of German unification, raising the contribution rate from 17.5 to 20.3 percent in 1997, quickly placed another reform of the pension system on the political agenda, ultimately resulting the in pension reform of 1999, which was decided by the conservative liberal government of Kohl in 1997 and triggered massive protest from the opposition and trade unions (Schludi 2005: 134f.; Wiß 2011: 143). The “Bündnis für Arbeit”, a tripartite committee between trade unions, employer representatives and state representatives broke down as the government decided to implement tighter eligibility criteria for disability pensions and the reduction of the standard pension level from 70 to 64 percent through a demographic factor (Schludi 2005, Wiß 2011: 143-150). Much like in 1992, the reform did not constitute drastic change of the existing pension system, but rather a change within the system. In the government, the “traditionalists” led by labour minister Blüm prevailed, but voices from the business wing of the Christian Democratic CDU and employer representatives favouring more private ways of old age provision as well as capital funding were much louder than in 1992 (Schludi 2005: 139-144; Wiß 2011: 145).

### 2.2.2. Private provision as a new paradigm in German pension politics

The social democrats made the reform a major issue in the elections of 1998, promising to abolish it if elected for government. Ultimately, the social democrats won the elections, formed a coalition with the green party, and indeed cancelled the demographic factor and the reform of disability pensions (Schludi 2005: 145). In order to stabilize the contribution rate and gain time for a more comprehensive reform, the government increased the federal subsidy of the pension system again (Wiß 2011: 150). Already in 1999, a first draft of a new reform was published (ib.: 153). One of the major goals of the 2001 reform was, much like in earlier reforms, to ease the financial burdens of the first public pillar, also because high non-wage labour costs were considered as a major problem for the German economy (Busemeyer 2005: 573). But in contrast to previous reforms within the existing system, a complete redesign of the pension system was now aimed at. With labour minister Walter Riester, former second chairman at the trade union IG Metal, a now dedicated “modernizer” was favoured over the long-serving social policy speaker of the social democratic party, Dreßler (Schludi 2005: 147; Wiß 2011: 125). It was stated that the first pillar should hereafter only constitute a “basic pension”, while no longer ensuring the previous living standard – this was now considered to be the purpose of the redesigned second and third pillars. As already mentioned, those pillars existed before the reform, with second and third pillar accounting for each 10 percent of overall pension expenditure (Busemeyer 2005: 330, 573; Schmähl 2007: 320ff., 325).

The first drafts proposed a means-tested basic income for the elderly within the first pillar<sup>1</sup>, and a mandatory privately funded third pillar pension accounting for 2.5 percent of gross earnings (Schludi 2005: 148f). Especially as this proposal was constructed internally in the ministry without much external involvement, opposition to it was manifold, with large shares of the government parties and all trade unions except IG BCE (mining, chemicals and energy) favouring a traditionalist reform within the existing first pillar (Wiß 2011: 153-156). Additionally, the mandatory aspects were seen as very problematic by the opposition and large parts of the coalition (Wiß 2011: 164f.). Ultimately, the largely traditionalist trade unions were not able to prevent privatization, but mainly due to lobbying activities by IG BCE, the main focus of the government was shifted from third pillar towards collectively agreed second pillar pensions, which grants trade unions in general more influence due to the specific nature of the reform (cf. Wiß 2011: 166-170).

In the final reform, the means-tested basic income for the elderly was not included anymore and replaced by a means-tested transfer payment in case of insufficient income for the elderly, similar to previous social assistance for pensioners, but without potential costs for the children of the

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<sup>1</sup> Germany previously had no real minimum pension, but pensioners were also eligible for means-tested social assistance if their household income falls below a certain level (Schmähl 2004: 161).

respective pensioners (*Grundsicherung im Alter*) (Schludi 2005: 157; Busemeyer 2005: 574; Schmähl 2004: 161f.). Second, every employee was granted the right to transfer a certain share of his or her income into an occupational pension scheme (*Entgeldumwandlung*) (Wiß 2011: 191ff.). The conditions of those schemes were subject to collective agreements and therefore under the influence of trade unions (*Tarifvorbehalt*) (ib.: 194). Obligatory elements were not implemented, but instead the 2001 reform marked the start of a strong subsidization of occupational as well as individual private pensions. Through the so-called Eichel relief, contributions to occupational pension schemes were exempt from tax and any social insurance contributions (but subject to deferred taxation) for up to 4 percent of the upper earnings limits, which constituted 200 percent of average gross earnings in 2003 (Wiß 2011: 165; Schmähl 2004: 184). In the third pillar, the so-called “Riester-Rente” (Riester-Pension) was introduced, named after the Minister of Social Affairs. Basically, the “Riester-Rente” was a heavy subsidy for fully capital-funded pension schemes, consisting of direct subsidies or tax exemptions. Those become due if an individual “invests a certain share of gross income in certified investment products” (Busemeyer 2005: 573). The criteria for those products include the necessity of regular savings into the product as well as the prohibition of lump-sum payments (Schmähl 2004: 185). Subsidies can be quite significant as Busemeyer outlined. They are by 2008 granted for up to 4 percent of gross wages contributed to an investment product (starting at 1 percent in 2001), reaching up to 50 percent of individual third pillar pension savings for individuals with low income (Busemeyer 2005: 573; Meyer/Bridgen 2014: 42). Additional subsidies are granted in Riester contracts per child (Schmähl 2004: 186).

It was also possible to use the Riester subsidy in the occupational pillar, allowing to choose between Eichel or Riester plans (Wiß 2011:160). While Riester plans generally favoured individuals with lower income, Eichel plans were better for individuals with higher earnings (Wiß 2011: 200). In 2004, the re-elected red-green government supplemented those two plans by similar Rürup plans with tax privileges, allowing the self-employed to also make use of the third pillar (Wiß 2011: 191-193).

Table 1: Subsidy in case of a private certified pension contract

Year	Required contribution rate as percentage of earnings	Transfer payment		Exemption from income tax base (Maximum)
		Basic payment for adult persons	Additional payment per child	
Euros per year				
2002 and 2003	1	38	46	525
2004 and 2005	2	76	92	1050
2006 and 2007	3	114	138	1575
2008 and later	4	154	185	2100

Note: Reproduced from *Paradigm shift in German pension policy: measures aiming at a new public-private mix and their effects* (p. 186) by W. Schmähl, 2004. Northampton, Cheltenham: Edward Elgar.

All those plans also constitute a shift away from pay-as-you-go towards capital funding in Germany. In the occupational pillar, the Eichel subsidy is only granted for capital funded occupational pension schemes (Wiß 2011: 200). In Germany, there existed 4 types or implementation channels (*Durchführungswege*) of occupational pensions up to the reform of 2001, with only 2 of them being managed through external institutions and allowing for a certain amount of stocks (*Pensionskassen* and *Direktversicherungen*) (Wiß 2011: 202). The amount of stocks is then again capped to a maximum of 35 percent because those implementation channels are regarded as an insurance (ib.: 202). In order to allow for riskier and flexible investments and therefore theoretically higher interest rates, a new implementation channel was introduced in the reform of 2001, called pension funds (*Pensionsfonds*) (ib.: 191). Eichel plans were consequently usable in the capital funded *Pensionskassen*, *Direktversicherungen* and *Pensionsfonds*. As those plans are voluntary, externally managed and often only financed through contributions from the employee<sup>2</sup>, the occupational pillar is now also highly individualized, with the employer more or less being only an intermediary between the individual and the financial institutions. Nonetheless, the plans are still subject to collective agreements. Ultimately, collective agreements for example can (but do not have to) determine the split between employer and employee contributions or the implementation channel (Ebbinghaus/Gronwald/Wiß 2011: 140ff.).

As Schmähl outlines, the reform was based on the principle of the “carrot and the stick”. As the public first pillar was retrenched, people somehow had to compensate their loss in pension benefits

<sup>2</sup> 39 percent of all employers who use *Pensionskassen*, 46 percent of all employers who use *Pensionsfonds* and 68 percent of all employers who use *Direktversicherungen* do not contribute to their employee’s occupational pension plans (Wiß 2011: 199).

(the stick), while the subsidization of the third pillar and second pillar (the carrot) creates incentives to use voluntary pension pillars (Schmähl 2007: 324). According to Ziegelmeyer and Nick, the coverage rate of the introduced Riester contracts reached more than 37 percent of all persons eligible in 2011 (Ziegelmeyer/Nick 2013: 506), while occupational pensions increased from 14 to around 19 million employees, constituting a coverage rate around 65 to 70 percent (Wiß 2011: 194). Moreover, people were now officially expected to make use of those voluntary second and third pillar pensions. First pillar pensions were now permanently linked to a hypothetical contribution rate of the second and third pillar through a highly complicated formula. The higher this contribution rate, the higher are the cutbacks in first pillar benefits. This contribution rate is not empirically observed, but rather a fixed rate of individual income the government has chosen to grant subsidies to, starting from 0.5 percent of individual income in 2002 to 4 percent in 2008 (Schmähl 2007: 327). It does not matter for the calculation of the cutbacks if the population actually makes use of those subsidies (on average reaching the hypothetical contribution rate). This led to the grotesque situation where current pensioners who were never able to make use of the reformed private pillars were subject to pension cuts due to a fictively higher coverage rate of private pensions (Wiß 2011: 201f.). After the pension reform of 2001 and consequent elections, the newly re-elected red-green government again initiated a pension reform in 2004, which introduced more pension cutbacks, for example through a sustainability factor adjustment, but did not further deepen privatization (except from the already mentioned and only marginally important Rürup pensions) (Wiß 2011: 170ff.).

## **2.3. Austria**

### **2.3.1. Austrian pension politics in a historical perspective**

As a Bismarckian pension system, the Austrian system of old age provision is also shaped by a strong public pay-as-you-go pillar with the goal of income replacement. However, it has to be noted that the link between contributions and benefits is much weaker in Austria than in Germany, resulting in generally more generous benefits (Schludi 2005: 165). This first pillar is run by statutory self-governing pension insurance organizations and financed in part by employer and employee contributions with deficits covered by government expenditures (Schulze/Schludi 2007: 567; Schludi 2005: 166). Like in Germany, due to the generosity of the first pillar, occupational and private pensions were traditionally of relatively minor importance in Austria. Consensus between the government parties as well as the social partners was also traditionally the main mode of pension politics in Austria (ib.: 167). Rising financial problems of the scheme were tackled since the 1980s mainly through expenditure cuts, with pension costs and contribution rates as well as state subsidies stabilizing around 1985 (Schludi 2005: 167). The Christian Democratic/conservative ÖVP articulated demands for an increasing role of private pension

provision already in 1990, resulting in a reform of occupational pensions (Obinger/Tálos 2006: 86). In addition to internal direct pension commitments and external group life insurances, external *Pensionskassen* were introduced<sup>3</sup> (Url 2003: 65). The latter two both allowed for a certain amount of stocks, 30 and 50 percent respectively<sup>4</sup> (Mum/Klec 2006: 119, 121). The newly introduced implementation channel was relatively successful, as more than 50 percent of all occupational pensions were at least partly financed via *Pensionskassen* in 1993 (Url 2003: 65).

In the beginning of the 1990s, a worsening budgetary situation of the pension system in the face of the European Monetary Union criteria and rising unemployment triggered new reforms, and public debate got increasingly heated (Schludi 2005: 168f.). As a first break in the traditional pattern of pension politics, social partners were initially not included in the construction of the budgetary emergency steps concerning the pension system in 1994 (ib.: 169). Throughout the decade, pension politics were shaped by demands for expenditure cuts (especially via raising the retirement age) by the ÖVP, while the SPÖ generally presented itself as a defender of the welfare state and against pension cuts (ib.: 171-173). After several budgetary emergency steps which reduced the generosity of the pension system, an expert commission under German pension advisor Bert Rürup proposed yearly adjustments through a demographic factor, an increase in women's retirement age, a strengthening of actuarial "fairness" as well as strengthening of the second and third pillar (Schludi 2005: 175; Schulze/Schludi 2007: 584). The government's draft proposed mainly other, but not less controversial steps, ultimately resulting in fierce resistance by the trade unions and a more modest reform in 1997 which limited benefit cuts to 7 percent and also included some expansionary measures like credits for child rearing (Schludi 2005: 174-188). One of last measures of the SPÖ/ÖVP government concerning pension reform was the introduction of the *Prämienbegünstigte Pensionsvorsorge*, which included subsidized individual private pension saving plans (*Pensionszusatzversicherung*, *Pensionsinvestmentfonds*) as well as subsidized additional voluntary insurance possible in the public as well as the occupational pillar (Url 2004: 37; Url 2011: 24, 45). Only rather low contributions can be paid in this supplementary insurance, and the availability of the occupational pillar is still dependent on employer's decisions (cf. Url 2011: 24). All of those options necessitate a lifelong commitment and pay-out as an annuity, therefore it is only possible to suspend payments, but earlier access is not allowed (Url 2004: 37). Maybe also due to those strict rulings, those products were never popular and did not spread much (ib.: 41).

Discussion about reform remained heated in the elections of 1999. The ÖVP, placed third in the elections after the populist radical right freedom party (FPÖ), made a raise of the retirement age

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<sup>3</sup> Two additional options exist: voluntary supplementary insurance in the public pillar and *Unterstützungskassen*. Both are of minor importance in Austria (Scholz 2006: 85; Url 2003: 65).

<sup>4</sup> The cap for *Pensionskassen* had to be raised to 70 percent in 2005 for products without a guaranteed rate of return due to the European Union's Pension Fund Directive.

conditional for engaging in a government coalition and already pushed for the incremental privatization of the pension system (Schludi 2005: 177; Schulze/Schludi 2007: 587). The coalition agreement between the SPÖ and the ÖVP triggered protest in the trade unions as well as within the SPÖ, and ultimately the ÖVP broke the long-lasting Austrian tradition of grand coalitions and formed a right-wing coalition with the FPÖ (Schludi 2005: 177).

### **2.3.2. Reform with limited privatization**

The goal to reform the existing pension system towards a “model of 3 pillars” was already stated in the coalition agreement of the centre-right government in the early 2000s (Obinger/Tálos 2006: 87f.; Schulze/Schludi 2007: 588). In addition to the old, pay-as-you-go financed pillar, the two additional pillars should have been reinforced. Social partners were from there on no more the dominant force in the construction of pension reforms under the ÖVP/FPÖ government, with apparently independent experts playing a larger role (Schludi 2005: 178ff.). The main features of the first pension reform of the newly elected government in 2000 included an increase in the early retirement age as well as the retirement age for civil servants, greater penalties for early retirement, abolition of early retirement due to disability as well as cuts of widow pensions (Schulze/Schludi 2007: 588ff.; Schludi 2005: 178). In contrast to earlier reforms, cuts were more substantial and went into effect nearly immediately – a measure justified by a zero budget policy (Obinger/Tálos 2006: 88; Schulze/Schludi 588). This reform was ultimately decided against fierce resistance of social partners like the trade unions and the worker’s chamber (Schludi 2005: 178ff.). The consensual nature of pension politics in Austria therefore finally came to an end.

Privatization was carried out later in 2 separate laws. Austrian occupational pensions existed already previously, as outlined earlier. However, only 16 percent of the dependently employed were eligible to those pensions (Url 2003: 67). In contrast to Germany, the reform did not touch those old elements of the employer-based pillar, but rather changed severance pay legislation (*Abfertigung neu*) (Steiner 2013: 280ff.). Only 15 percent of all terminated work contracts were eligible for severance pay in the old legislation (Obinger/Tálos 2006: 91). The old scheme amounted for 2 to 12 months of salary for an employee, varying according to the length the employment relationship (Obinger/Tálos 2006: 91; Schludi 2005: 181). The criteria necessitated an employment relationship of at least 3 years as well as a one-sided termination of the contract by the employer or mutual termination (Obinger/Tálos 2006: 91). Severance pay was handled internally in the individual employer’s accounts, amounting for at least half of all entitlements which might fall due (Schludi 2005: 181). A reform of the system towards external capital-funding was already in talks by the SPÖ/ÖVP coalition, while the ÖVP favoured a transformation of the system towards pension provision (ib.:91).

In contrast to the pension reform of 2000, social partners were included in the construction of the reform (Schludi 2005: 182). Ultimately, the new severance pay legislation passed parliament with

the agreement of all parties in June 2002 and now covered all *newly* signed employment contracts with no eligibility criteria (Schludi 2005: 181; Steiner 2013: 282; Obinger/Tálos 2006: 92). 1.53 percent of an employee's wage are now saved in an external fund, named *Mitarbeitervorsorgekasse* (employee provision fund) (Schludi 2005.: 181; Obinger/Tálos 2006: 92). If the employment contract is terminated (regardless of the old criteria), the employee can either choose to get a full pay-out<sup>5</sup> or leave the money in the fund as a tax-free annuity for old age provision (Schludi 2005: 181.). Originally, a complete replacement of the severance pay option in favour of occupational pensions was planned, but given up due to protests by the social partners (Blank et al. 2016a: 10). According to Wöss, this optionality stands in contrast to the conception of an employer based pension pillar (Wöss 2002: 428). This position was also held by the opposition parties agreeing to the reform, as for example the Green party stated that the reform does not constitute any second pillar of pension provision (Tálos/Obinger 2006: 93). On the other side, authors like Obinger and Tálos (2006: 98) argue that the reform may not have formally, but de facto contributed towards a stronger occupational pillar. The labelling of the funds handling the severance pay reserves as employee *provision* funds may also have a psychological impact on the decisions of individuals on whether to choose a pay-out or an annuity. However, the monthly contributions to those new funds are rather low considering that it was labelled a second pillar of pension provision by the government (Obinger/Tálos 2006: 92). Also the fact that the employee can choose the pay-out at situations which are generally shaped by financial hardship is also most likely influencing individual preferences against choosing the annuity.

After the second pillar had been, at least according to the government's judgement, reformed and strengthened, establishing a third pillar was scheduled next. This was carried out within the scope of a thematically totally unrelated emergency compensation package for victims of the 2002 flooding in Austria which passed parliament in September 2002 (Obinger/Tálos 2006: 93). New subsidized individual private saving plans were introduced (*Prämienbegünstigte Zukunftsvorsorge*), which replaced the old unpopular plans previously introduced by the SPÖ/ÖVP government (Url 2004: 41). Savings are bound for 10 years; earlier access necessitates the repayment of the subsidy (ib.: 44). To be eligible for those subsidies, at least 40 percent<sup>6</sup> of the money saved in those respective products has to be invested in stocks, which makes them relatively risky, while at least a 0 percent interest rate has to be guaranteed by the financial provider (ib.: 44). In 2004, already 470.000 new contracts were signed (Obinger/Tálos 2006: 93). The coverage rate of this new way of pension provision was around 27 percent of the working age population in 2009 (Url 2011: 42.). Subsidies are variable and amount between 8.5 to 13 percent<sup>7</sup> of the total upper

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<sup>5</sup> This pay-out is significantly lower than in the old scheme (Schludi 2005: 182).

<sup>6</sup> Originally, even 60% were provided for by law.

<sup>7</sup> Depending on the current subsidy of another subsidized savings instrument in Austria (*Bausparvertrag*) (Url 2004: 44).

savings limit of around EUR 2000 per year in 2005 (Obinger/Tálos 2006: 93). The upper limit is indexed and rises together with the upper earnings limits for social insurance (Url 2011: 46). Furthermore, it has to be noted that money saved through that scheme is not necessarily used as a pension (annuity), as customers can also choose a pay-out with half of the original premium at the end of the contract (Url 2004: 46). Not surprisingly, all parliamentary parties agreed to the emergency compensation package for flooding victims, despite criticism for this new form of old-age provision (Obinger/Tálos 2006: 94).

After snap elections in 2002, which resulted again in a government between the FPÖ and the ÖVP, the government imposed two consequent major pension reforms after 2002. First and foremost, those reforms were shaped by pension cuts (as well as a few expansionary measures), harmonisation, increased transparency and administrative measures (Obinger/Tálos 2006: 89-97). According to Tálos and Obinger, the individual loss of pension payments could reach a peak of 30 percent, but due to protest from the social partners, unions, the opposition and finally also within the FPÖ, the loss regarding pension payments was limited to 5 to 10 percent (Obinger/ Tálos 2006: 91, Steiner 2013: 284). Without this cap on pension cuts, the effects on current as well as future pensioners would have been severe. Also due to this cap on pension cuts, the reforms generally did not move the pension system towards further privatizations, and will therefore not be subject to this analysis. However, it has to be noted that some of the cutbacks were justified with the availability of the previously introduced private plans for old age provision (*Abfertigung neu, Prämienbegünstigte Zukunftsvorsorge*) (Obinger/Tálos 2006: 90).

## **2.4. Pension privatization in a comparative perspective**

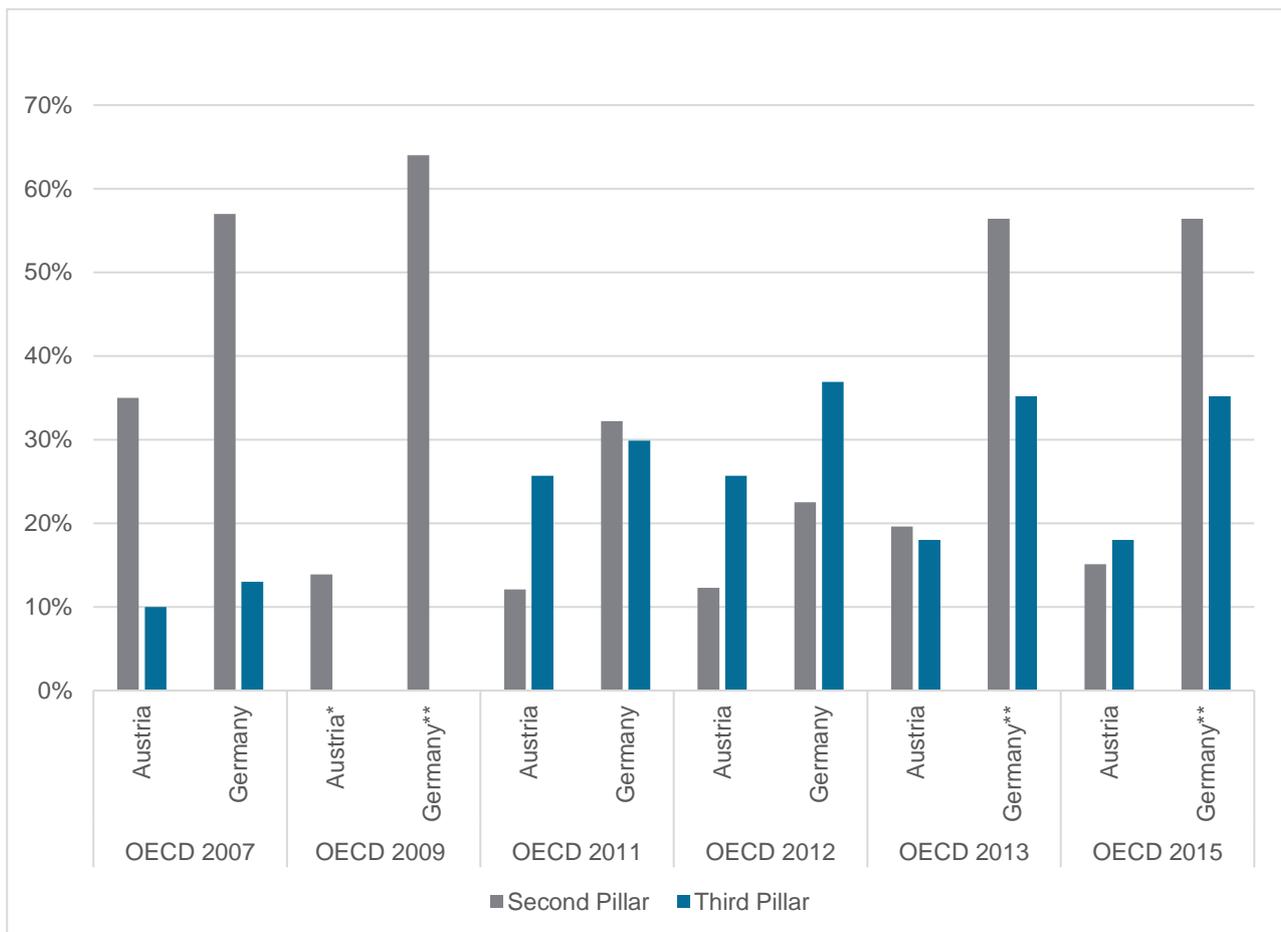
In the literature, there is consensus that the German reform is far reaching, as retrenchment combined with subsidization led the German pension system into structural change (cf. Schmähl 2004, 2007; Busemeyer 2005). Overall, while Tálos and Obinger argue that with the pension reforms in Austria, elements of de-commodification were reduced, linking the pension system more individually to the wage-level, the state's role in the pension system still remained distinct. (Tálos/Obinger 2006: 89; Dirninger 2013: 251). Busemeyer comes to conclusion that the reform in Austria led to no structural change in the countries pension system, with elements of private pension schemes remaining limited (Busemeyer 2005: 576). The Austrian pension system continued to provide a much higher replacement rate than the German one, even after relatively high short-run cutbacks (Busemeyer 2005: 576, OECD 2013: 137). In contrast, in Germany, the 2001 reform marked the start of a strong subsidization of occupational as well as individual private pensions, with significant long-run cutbacks in the public, state-funded pillar (Meyer 2015: 192). A new report by Blank et al. (2016a) comes to a similar conclusion.

The difference of the pension systems' structure after the reforms can be seen in the design of the respective policies as well as in the coverage rate. Regarding second pillar reform, the German reform is far more wide-reaching than its Austrian counterpart. The Austrian severance pay legislation is admittedly mandatory, but as the name suggests, still a severance pay scheme - at best a hybrid system between severance pay and pension provision. While factors like the naming of the severance pay funds as employee provision funds may influence employees' decisions to choose the annuity option, the possibility to access the savings when losing one's job and therefore in times of unemployment suggests otherwise. In contrast, the German system offers the right for occupational pension provision as well as a variety of subsidies and tax exemptions which create heavy incentives to make use of the voluntary occupational pillar.

Concerning private individual savings (and therefore a so called "third pillar), German Riester plans and their Austrian counterparts are quite distinct concerning their generosity. While the highest amounts of granted *subsidies* were roughly equivalent in Austria and Germany, German savers are granted a much higher subsidy relative to the amount of savings they have invested. For example, considering a yearly wage of 30.000 Euros, where the maximum amount (4 percent) of earnings is saved in a Riester account, this leads to yearly total savings of 1200 euro and a premium of 154 euros. Considering the same amount of yearly savings for an Austrian individual, the premium is around 1/3 lower. This tendency is even stronger for lower incomes than in the example, and the possibility for *tax exemption* which is especially beneficial for higher incomes does not exist in Austria. Furthermore, for every child, additionally up to 185 euros of subsidies a year are granted in Riester contracts (Schmähl 2004: 186).

It is very hard to find internationally comparable data about the coverage of the second and third pillar, let alone data comparable over time. Nonetheless, the information available always points in the same direction. De Deken assesses private pension provision in Germany to be more developed than in Austria (De Deken 2013: 280f.). And all OECD reports of the last years containing internationally (but not intertemporally) comparable information about private pension schemes show that the coverage of the second and third pillar in Germany is far higher than in Austria – with differences around 10 to 20 percent of coverage in the occupational and up to 10 percent in the individual private pillar (OECD 2007: 78, OECD 2009: 141, OECD 2011: 173, OECD 2012: 105, OECD 2013: 189). Due to the hybrid nature of the severance pay legislation in Austria, it is not considered as a second pillar pension in OECD publications. A comparison of those OECD publications is given in Figure 1.

Figure 1: Coverage of private pensions according to different OECD publications  
(as % of working age population)



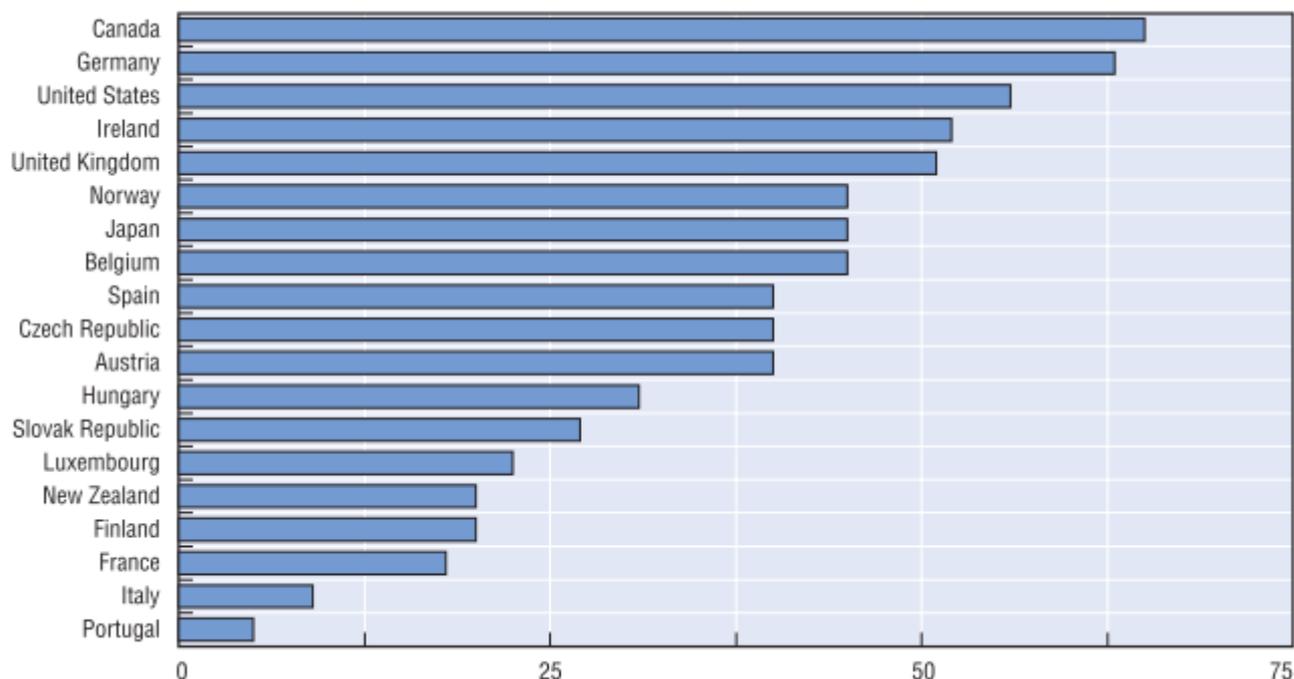
\*taken as percentage of total population

\*\* taken as percentage of employees subject to social insurance contributions

Note: Figure 1 compares data from different OECD publications; own depiction. Data is not intertemporally comparable nor does the year of the publication correspond to the year the data refers to. Source: OECD 2007: 78; OECD 2009: 141; OECD 2011: 173; OECD 2012: 105; OECD 2013: 189; OECD 2015: 187.

Furthermore, it is not easy to assess total coverage of private pensions and therefore the second and third pillar combined. Figure 2 shows such a comparison of second plus third pillar pensions between several OECD countries, including Austria. It is clearly visible that private pensions show a much higher coverage rate among the workforce in Germany than in Austria, which is consistent with the previously cited research.

Figure 2: Coverage of voluntary private pensions



Note: Reproduced from *Pensions at a Glance. Public Policies across OECD countries* (p. 78) by the OECD, 2004. Paris: Organization for Economic Co-operation and Development.

As a cautionary remark, it has to be noted that in Germany, the second and the third pillar are not acting as a real substitute for the first pillar, even if their subsidization and coverage rate is much higher than in Austria. The *short-run* cutbacks in the public system were smaller than in Austria (cf. Busemeyer 2005), but in the long-run, the cutbacks in the German system are much more significant. Additionally, the second and the third pillar cannot fully compensate the *long-run* cutbacks of the first pillar, which are projected to be substantial (cf. Meyer 2015: 192ff.). For example, it is often argued that the German reform will most likely to produce fundamental inequality and old age poverty among future recipients (Schmähl 2007; Bridgen/Meyer 2014, Meyer 2015: 189). This may be due to the risks of longer absence from the labour market, financial market crisis as well as due to the voluntary nature of the new schemes - especially persons with lower income are unlikely to make use of them, which leads to substantial coverage gaps (Schmähl 2007, Meyer 2015: 189). In this respect, Blank et al. even talk about a “model of 1 to 3 pillars” (Blank et al. 2016a: 7). The financing mode of third pillar plans has also strong implications on future benefits, as an interruption of payments (for example due to unemployment or childcare) will directly affect benefits. Riestar and Rürup plans are not indexed to inflation, and the indexation of occupational plans is usually lower than inflation (Wiß 2011: 196-200). However, according to Meyer (2015: 194), those failures of the reform are unlikely to result in a change in governmental policy back towards the traditional Bismarckian system due to the expected loss of reputation of political players, foreseeable resistance by employers as well as the comparatively rather low

political importance of the topic at recent elections. So as could be seen in this chapter, pension reform in Austria and Germany differed drastically. But how can we explain those differences in the reform of the German and Austrian pension systems? Maybe a look at the literature will provide some first hints

### **3. Studying pension reform**

#### **3.1. Explaining early reforms before 2000: path dependency and policy feedback**

This chapter will now explore the academic literature regarding pension reform, lining out the research puzzle and significance of this research. In the literature regarding welfare state and social policy reform, one of the most important approaches in explaining pension reform is clearly centred on the argument of path dependency and policy feedbacks. One of the most popular studies explaining the different pension policy reform paths is “The Comparative Political Economy of Pension Reform” by Myles and Pierson (2001). They argue that the initial differences between Bismarckian and Beveridge-type pension systems have heavily influenced the following pension reforms, therefore constituting a case of path-dependency. In the 1980s, the first discussions about a “pension crisis” began to spread. Demographic change, increased budgetary constraints or slow economic growth were all seen as immediate threats to pension systems, and voices for a reform away from pay-as-you-go financing towards funded pension systems were increasingly prominent. While the threats towards pension systems were roughly similar in many countries, policy reactions differed drastically (Myles/Pierson 2001: 308).

The authors explain the choice between a further reliance on a pay-as-you-go system versus the reform of the first pension pillar towards a new capital-funded pension system mainly as a result of policy feedback effects. They identify two distinct groups of countries with regard to their pension policy paths, namely “latecomers” (which are roughly the abovementioned Beveridge-type countries) and countries with mature pay-as-you-go systems (which can be Bismarckian countries as well as Beveridge-type countries which introduced their second tier pay-as-you-go system relatively early). The central factor influencing the different reform options between “latecomers” and countries with mature pay-as-you-go systems lies in the varying costs resulting from the so called “double-payment” problem, so the authors. This means that in countries with a “mature” pay-as-you-go system, much more people have gained expensive pension rights which must be financed by the present working population. If such a mature country now decides to switch to a funded pension system, the present working population will have to finance both the current pensioners in the old pay-as-you-go system as well as save for their own retirement in the funded pension system, resulting in a dual burden. In contrast, this barrier is lower in countries where pay-as-you-go systems are relatively young (as fewer individuals have gained expensive pension rights) or did not even exist previously. Therefore, the reform options in countries with mature pay-as-you-go systems are much more restrained, and it is highly unlikely that those countries will fully change to a funded pension system. The timing or sequencing of pension reforms (before or after

having a mature second-tier PAYG-scheme) is therefore highly relevant (Myles/Pierson 2001: 313).

In latecomer-countries, which mainly have Beveridge-style pension systems with a first tier flat-rate basic pensions without a (significant) pay-as-you-go, earnings related, second tier pension system, a construction of a funded scheme was “not only politically feasible but also the norm” (Myles/Pierson 2001: 315). Furthermore, according to Myles and Pierson, pension reform was mostly conducted with broad political consensus, as even labour parties favoured a funded system (often because of the underdeveloped or non-existent second tier). The authors argue that this change in the mode of financing went hand in hand with a change in responsibilities, as benefits depend on returns on investment. Now, financial markets or fund managers were to blame for pension cuts, rather than the government. Ultimately, the authors mention that only a minority of countries with a mature pay-as-you-go pension system have introduced funded modes of pension financing, and if, then only partially. Policy reforms were usually shaped by austerity. However, similar to latecomer countries, those reforms were often conducted via consensus and with the approval of the labour party. Myles and Pierson emphasize that broad consensus was necessary in order to be able to avoid blame for retrenchment, therefore, political “side payments” in form of new privileges for risk groups were popular. In both groups of countries, *politics of blame avoidance* dominated, which Pierson and Myles consider to be a major element of welfare state reform (ib.: 313-326).

### **3.2. The development of the private pensions: varieties of capitalism and the two worlds of pension reform**

Myles and Pierson’s theory explains fundamental reforms for Beveridge-type countries, while in Bismarckian style countries, reform options remain limited due to the respective policy path of those countries. However, those theories are mostly limited on the first, public pillar of pension provision and do not adequately explain the different extent in which private second and third pension pillars have emerged in countries with a Bismarckian tradition of pension provision.

Consistent with the analysis by Myles and Pierson, Bonoli (2003) argues that due to the limited role of the state in Beveridge-type countries, multipillar pension system have started to emerge. As the state was only responsible for the basic needs, “this limited role [...] has left ample room for the development of private and or occupational pensions” (Bonoli 2003: 401). In other words, a second and third pillar of pension provision, based on a funded mode of financing, was often integrated as a (quasi-)compulsory service into domestic pension systems. In contrast, in Bismarckian style countries, the state was crowding out private pension provision and therefore the development of private pension pillars – at least until recently (ibid.: 400f.).

Bonoli (2003) lays a greater emphasis on the reforms of those Bismarckian style countries. In his study, he examines four countries with a strong social insurance tradition, namely France, Germany, Italy and Sweden, which have all experienced pension reforms in the 1990s. Public pension benefits have been reduced, and elements of multipillar pension systems, namely a funded second and third pillar, have slowly been introduced, supposedly compensating the reduced public pension benefits. While Bonoli acknowledges that those pension systems will remain dominated by the first pillar for a few years, he nonetheless states that those countries are becoming more similar to multipillar countries. He argues that while “the size of change in this direction is probably not so impressive, [...] its political and potential long-term implications could be enormous” (ibid.: 412f.). The strategy of shifting responsibility from the state (and therefore public pay-as-you-go pensions) to the private sector and financial market performance resembles the strategy of *blame avoidance* in Pierson and Myles’ latecomer countries. Higher contributions to funded pension schemes are directly linked with higher future benefits, and lower benefits will be attributed to financial markets or fund management rather than government policy. However, he concludes that total convergence of Bismarckian and Beveridge countries is rather unlikely, due to the different policy responses towards changing and more flexible labour markets. Even in this small set of countries observed by Bonoli, not all Bismarckian-style countries seem to take that direction, as in France, funded pension systems remain unpopular (ibid.: 405-414). Ultimately, the divergence between recently reformed Bismarckian style pension systems can still not be adequately explained.

Another theory trying to explain the different predominance of funded versus pay-as-you-go pension systems has been conducted by Jackson and Vitols (2001) with the Varieties of Capitalism approach. They argue that market economies, like the United States or United Kingdom, tend to rely heavily on externally managed pension funds, while the role of private pension funds in coordinated market economies, like the Scandinavian or continental European countries, remains relatively limited due to the predominance of generous public pensions. In coordinated market economies, the authors find occupational second pillar pension systems which rely predominantly on internally administered schemes, for example through book-reserves, as they historically emerged in order to create loyalty between the worker and his employer instead of his social class. Due to the internal book-reserve financing, firms would be able to use “interim cash as internal finance” (Jackson/Vitols 2001: 18) with additional tax privileges. Therefore, those schemes would supply long-term capital to firms and enable them provide secure employment opportunities corresponding to the concept of coordinated market economies. The authors put those countries in contrast to liberal market economies, external market-based pension funds are predominant, and self-investment of pension funds into their sponsoring companies is usually prohibited or capped. Maximizing returns on investment, they increase the size of the equity market as well as market volatility, creating short-term pressure onto firms to increase profits, therefore increasing radical

innovations but also employment insecurity, which are features of liberal market economies (ibid.: 4-24.). Ultimately, this approach offers additional explanations for the development of multiple pension pillars, but it does not explain differences between the development of those pillars between relatively similar coordinated market economies like Austria and Germany.

### **3.3. New politics, policy preferences, veto players and hidden mechanisms of change**

Another aspect of the famous “new politics of the welfare state” literature connected to policy feedback and path dependency arguments explains opposition to pension reform from the viewpoint of the beneficiaries of those systems (Pierson 1994). As rational actors, beneficiaries accordingly oppose reform of pension systems if this means personal benefit cutbacks. However, not only direct beneficiaries may be part of such a tendency, as the same may also be true for persons who only indirectly benefit from such programs, for example bureaucrats. Another factor which reinforces these dynamics is the often assumed loss aversion of individuals (Pierson 1994: 18). In other words, they are assumed to oppose benefit cuts more than promote possible equivalent gains (cf. Pierson 1994). This has several implications for pension systems and their reform.

One popular prediction is that due to the ever rising cohort of beneficiaries of pension systems, pension reform will become increasingly unlikely as demographic change progresses. This would be consistent with the theories of Esping-Andersen, who argued that social policies could be frozen due to the preferences of the median voter (cf. Esping-Andersen 1999). Lynch and Myrskylä (2009) try to verify those theories by examining voter’s preferences for pension policies. However, they find no evidence for the policy-feedback hypothesis that beneficiaries of pension systems show policy preferences in favour of “defending” the status quo. The authors have tested this hypothesis not only regarding the level of pension benefits, but also the financing mechanism. Interestingly, also the latter preferences seem not to be influenced by the current level of pension income. Therefore, they suggest that “fluid, political factors rather than more permanent institutional ones may drive public opinion about particular reform options” (Lynch/Myrskylä 2009: 1093). Another useful insight of this study is that other explanations like ideological factors and general welfare state attitudes seem to be highly connected to pension policy preferences (ibid.: 170). Policy preferences are not as simple as the “new politics” approach assumes. Therefore, a study of the role of ideology and ideas in general might prove to be especially fruitful.

Policy preferences are also central in theories about “veto players” and “veto points”. Concerning veto points theory, Immergut (1990, 2007) argues that too much focus is laid on the strength and preferences of veto groups, i.e. special interest groups in a society, while the decision is actually dependent on the institutional characteristics of the different political systems, namely the

existence of so-called “veto points”. As political decisions are made within executive, legislative, judicative and electoral arenas, the number and location of veto points as well as the preferences of the representatives within those veto points determines the political success of policy reform proposals. Examples for veto points are presidents, lower chambers, constitutional courts or referenda. (Immergut 1990: 391, 393, 398; Immergut 2007: 7)

The veto player approach extends this framework. Tsebelis (1995) defines a veto player as “an individual or collective actor whose agreement is required for a policy decision” (Tsebelis 1995: 293). There are several types of veto players. Tsebelis focuses on partisan veto players, which are the parties which constitute a coalition government, and institutional veto players, specified by the constitution. The former are informal veto players, as it may be possible for a political party to bypass its coalition partner, although it is most likely unfavourable. The latter are equivalent to Immergut’s veto points. Additionally, Tsebelis mentions that there may be several other types of veto players like central banks, corporatist institutions, courts or referenda. The major determinants of how veto players influence policy reform are constituted by 3 dimensions according to the author: the number of veto players, the difference of the political positions between different veto players, and the internal cohesion of each veto player. Ultimately, the theory predicts that the number and the internal cohesion of veto players have a negative effect on the likelihood of policy and therefore pension reform, while congruence between veto players has a positive effect (ibid.:293, 302-305, 313).

The veto player and veto points approach has been extremely useful for explaining recent pension reforms, and several studies have made use of those frameworks. Busemeyer (2005) tackles the different outcomes of pension reform in Germany and Austria. He argues that due to the higher influence of informal veto players in the German political system, the government had to choose a strategy of low visibility policies concerning pension reform. Therefore, the German pension reform systematic change where significant cutbacks occurred only in the long-run. In contrast, due to the lower importance of veto players in Austria, the Austrian government would have been able to choose a much simpler method to reduce the costs of pension systems, namely a direct strategy of “pushing through” and short-run cutbacks, even in the face of political resistance from the opposition (Busemeyer 2005: 1f., 578).

While Busemeyer’s argument sounds reasonable in the first place, it is implicitly based on a crucial assumption, namely that the only goal of pension reform in both countries was to reduce welfare state expenditures. However, there may have been other goals, namely reinforcing market mechanisms. This is especially likely if we look at the rhetoric of the Austrian centre-right government, which made individual freedom and a stronger market economy one of their central election issues (cf. Tálos/Obinger 2006: 26). However, why was the Austrian government not able to increase marketization of the pension system (and therefore the introduction of funded pension

schemes) as far as the German government? A possible answer comes from Wiß (2012), who argues that pension reforms are even possible in countries with a high number of veto players if they can be properly compensated for giving their agreement to policy reform – namely through so called “package solutions”, which grant them a strong future veto position within the administration of the newly reformed pension system (Wiß 2012: 468f.). Therefore, in the light of this theory, we could expect that the German government has been more successful in offering “compensation” to their respective veto players than in Austria.

However, Busemeyer’s study not only incorporate elements of veto player and veto points theory, but also notes that “the existence of powerful veto player encourages the use of low visibility policies” (ibid.: 570). This strongly resembles recent studies which have shown that there are several ways through which policy makers can enact reforms against heavy resistance, mainly based on the works of Thelen (2003) and Hacker (2004). Thelen criticizes the path dependency and policy feedback theories as overly emphasizing “lock-in mechanisms” or “choice points”, therefore coming to “a rather deterministic view of institutional reproduction” (Thelen 2003: 212). She emphasizes that there are more “subtle” ways of institutional change, happening often creepingly over longer time periods, namely policy layering (Schickler 2001: 13) and policy conversion (ibid.: 212f.).

Hacker (2004) incorporates those elements into a model of four modes of policy change with which welfare state retrenchment can be conducted. While he acknowledges that path dependency and policy feedback may be crucial for policy reform, he argues that such approaches are only able to focus on one single mode of institutional change, namely formal policy revision, which is possible in the presence of low policy feedback effects, or highly discretionary modes of institutional governance and few veto players. However, there are other “hidden” mechanisms with which institutional change is possible and which are not based on legislative reform, namely policy drift, policy conversion and policy layering. Drift happens in the presence of societal change, slowly distorting the effect of policies while leaving policies themselves untouched. However, efforts from other parties to adapt those policies to new social circumstances have to be actively blocked. Policy conversion is possible through changing the institution’s purpose or goal internally within the institution, while leaving formal legislation untouched. Finally, through layering, new institutions are added on top, slowly undermining the old ones, without officially changing their legislation. Hacker argues that layering is especially often used in situations with high partisan power but high levels of policy feedback (which creates lock-in situations for some aspects of the institution) and a rather low leeway for inter-institutional agents like bureaucrats to implement legislation. (Hacker 2004: 244-248)

Not surprisingly, layering seems to be especially fitting for many pension reforms, especially recent reforms in Bismarckian countries which aimed to introduce multiple pension pillars. As Thelen

outlines, “even though conservative parties may be incapable of dismantling the old [public PAYG] system, in some cases they can effect changes in the overall trajectory of social security by actively promoting the development of privately funded [second and third pillar] pensions alongside the public system” (Thelen 2003: 226f.).

## **4. Analysing ideas and discourse in pension reforms**

### **4.1. The role of ideas in pension reform**

This chapter presents the theoretical foundations of this master thesis and how they are connected to the research puzzle lined out in chapter 3. Béland (2007) delivers a fresh approach to those “hidden” mechanisms of policy change mentioned at the end of chapter 3. He addresses the issue that while policy drift, conversion and layering can offer a plausible explanation for welfare state change and show the limits of path dependency theory, they nonetheless cannot explain the directions of those changes. Therefore, Béland proposes to lay greater emphasis on the role of ideas in explaining social policy change. Like Hacker (2004), Béland identifies several periods of policy conversion and policy layering in the development and reform of the US American social security system. The direction of those policy conversion and layering is, Béland argues, heavily influenced by ideational processes and therefore so-called policy paradigms (Béland 2007: 23, 24-27).

The concept of policy paradigms is based on Hall’s famous work on policy change, constituting one of the earlier works addressing the role of ideas (Hall 1993). Hall introduces a three-tier system of policy change. He defines first order policy change as mainly a change in the level or conditions of a certain policy, for example the level of unemployment benefits, or generally changes in the government budget. He explains such changes are mainly due to learning processes and the influence of experts - as a reaction to “past experience and new information” (ibid.: 278). Second order policy change occurs when policy instruments or “techniques” change. In social policy, one example would be a change from benefits in kind to monetary benefits. Like in the case of first order policy change, the process of social learning by experts is the main explanatory factor. Ultimately, Hall characterises third order change through a change in policy goals, or in their hierarchy, for example a shift from the goal of low unemployment to low inflation. This is accompanied by a shift of policy paradigms, which offer contrasting explanations and descriptions of certain problems and the ways in which they can be addressed. When a policy paradigm proves itself to be unsuited to address reality, the struggle between paradigms will be decided in the political or public arena (ibid.: 278f., 281, 283, 287).

This explanation for paradigm change is consistent with the arguments of Jacobs (2009). Jacobs answers the question how ideas matter in welfare state policies with a theoretical framework through which ideas can explain policy preferences and the attention of political actors. He argues that ideas can act as a sort of filter for new information, especially if the political field of reform is shaped by causal and informational complexity. Building on social psychology, he introduces the concept of “mental models”. Mental models are a simplified framework for understanding descriptive as well as causal contents of a certain issue. One example could be the mental model

of pensions as insurance, highlighting the pension scheme's balance of income against obligations. Ultimately, such mental models influence an actor's preference in a way in which the models "guide[s] [...] attention toward certain causal logics and pieces of information" (Jacobs 2009: 253). In other words, ideas weight certain pieces of information heavily while discounting alternative information, therefore influencing the agent's policy preferences. Political actors are subsequently subject to a confirmation bias, taking only information into account which confirms their conventional mental models. Only if outcomes incongruent with the mental models arise extensively and at multiple times, ideational change is possible, Jacobs argues. Ultimately, those mental models seem to be mostly similar to Hall's definition of a policy paradigm (ibid.: 253f., 258f., 260, 264).

Béland (2007) now argues that in addition or also due to other factors like electoral competition and interest groups, such a change in policy paradigms can explain the direction of policy layering, drift and conversion. According to Béland, one example is the development of US social security. A paradigm change from a "conservative actuarial paradigm" to a new emphasis on the role of adequacy, redistribution and support for the "family unit" has led to the restructuring of the originally self-supporting social security system based on a trust fund into a "clear-cut concept of social insurance" with general revenue financing through policy conversion (Béland 2007: 24f.). Similarly, Béland argues, a paradigm change to the so called "financial paradigm", which promotes liberal (libertarian) values of individualism, personal responsibility and economic stimulation through increased savings, will too have its effect on the pension system. It has justified the partial and indirect privatization of social security since the 1970 through the introduction of optional and privately funded retirement schemes and therefore policy layering. This ultimately means that the logic of the former pay-as-you-go system is increasingly questioned. Therefore, Béland comes to the conclusion that "layering is an instrument of conservative policy change that favours the promotion of specific policy ideas aimed at convincing citizens [...] that it is in their interest to support Social Security privatization" (Béland 2007: 31). Therefore, even politicians opposed to privatization are under stark pressure to somehow support such measures "considering the ideological weight of the financial paradigm" (ibid.: 29-32).

Manow's (1998) arguments about the development of the German pension system resemble those of Béland (2007). Similar to the work of Hall (1993) and his framework of first, second and third order policy change, the article by Manow (1998) shows that major changes in pension policy (which are third order policy changes) were not only the outcome of a simple government change, but were rather associated with the different concepts of society influencing how trust in pension systems was fostered in the political and public arena. Those different concepts of society are similar to Hall's policy paradigms.

Ultimately, Manow (1998) is able to identify distinctive time periods. In those periods, different concepts of society were prevailing. Indirectly, he associates a change in political and public discourse during those time periods with reforms concerning the mode of financing pension systems, namely funded versus pay-as-you-go pension systems. He argues that different concepts of society have dominated the discourse since the beginning of the 20<sup>th</sup> century. Those concepts (or paradigms), which shaped pension policy from the Weimar republic up to the second half of the 20<sup>th</sup> century, are the “individualist” perspective (a funded system) versus the “collective” perspective (a pay-as-you-go system). Up to the end of the second world war, a funded pension system was preferred. Even in the case of a collapse of the state, such a system should have ensured that the citizens could still get back their contributed money. Second, a pay-as-you-go system was associated as “living on the future generations expenses”, while saving for retirement, like in a funded system, was considered as the only respectable way of designing a pension system based on conservative ideology. Even after the collapse of the system due to hyperinflation and economic crisis following the First World War, discourse did not change, and trust was still laid in a funded pension system. A funded system was still regarded as the “only respectable financing method” (Manow 1998: 195-199).

As the National Socialists came into power, this marked a shift towards the period called “national time” by Manow, lasting from 1935-1969. Discourse changed, as the state (or the Third Reich) was now considered to be eternal, and corresponding scientific concepts emerged not only in Germany, but also in Great Britain. One of the most important theories in this regard was the “Mackenroth-Thesis”. It states that pensioners could only consume what workers produce, therefore, savings accumulated in a funded system were irrelevant – if fewer goods are produced, the lower supply would drive up prices and diminish the net-worth of the pension fund. This marked a paradigm change, as the society was now identified collectively, and the state guaranteed stability. To rebuild Germany, redistributive conflicts were adjourned, and even redistribution from future towards present generations was seen as acceptable, as this could be compensated from wealth generated in the present. Manow connects this reference to Keynesian economic policies. Ultimately, discourse has changed again, as the oil crisis of the 1969s marked the end of the prevailing Keynesian paradigm. Suggestions towards a (independent) funded system have emerged again, and are still in talks. The battle between the “individualist” perspective (a funded system) versus the “collective” perspective (a pay-as-you-go system) has gained new relevance (ibid.: 199-207).

Of course, the article by Manow was written in the 1990s, and misses recent reforms towards funded pension schemes in Germany. Furthermore, this study lacks a comprehensive theoretical framework in order to capture the effect of ideas on policy reform, mainly because the aim of his study is a different one. Nonetheless, it already indirectly points towards the importance of ideas and discourse. Not external shocks alone led to a change in the organization of the pension system, as can be seen in the time period after the First World War. Similar to Hall’s framework,

reform became only possible in combination with a change in policy paradigms and public discourse.

## 4.2. From theory...

The goal of this master thesis however is to incorporate the possible influence of policy ideas and discourses (both in the sense of specific policies and as policy paradigms) in a theoretical framework in order to help to explain the different extent of reform towards funded pension systems in previously mature pay-as-you-go pension systems, namely Germany and Austria. *How do policy ideas and discourses influence the (pension) policy to be implemented in very similar contexts like Austria and Germany?* A useful starting point for examining the impact of policy ideas can be reached through building upon Kingdon's (2001) "three stream" framework and its further development by Béland (2005).

Kingdon identifies "streams" through which ideas shape policy outcomes: the problem stream, the policy stream and the political stream (Kingdon 2001: 16-20). All those three problem streams show mechanisms with which ideas can either favour or complicate the introduction of welfare state reforms, with the greatest policy changes resulting from a combination of all three streams. In the problem stream, relevant political issues are selected, in other words, the agenda is set. In the policy stream, a list of acceptable and prominent alternatives to tackle the identified problems is produced. Those alternatives are offered through policy experts, interest groups, or governmental agencies and are influenced by heterogeneous interests like business or think tanks (Béland 2005: 6-9; Kingdon 2001: 16-20). They are usually based on specific policy paradigms, which are a "coherent set of assumptions about the function of economic, political and social institutions" (Béland 2005: 8,) standing in opposition to other policy paradigms, and also on a "dominant national ideology" (Kingdon 2001: 134). Kingdon describes this process similar to "biological natural selection" according to constraints like efficiency, feasibility or dominant values and ideals (Béland 2005: 6-9, Kingdon 2001: 16-20). Finally, the political stream captures the political capacity to implement a certain policy alternative in reaction to a problem. This depends on elections, campaigns by interest groups and public opinion. First, somebody has to promote the alternative, namely a "policy entrepreneur". The concept of *framing* shows how actors are able to break the hegemonic discourse (Campbell 2002: 26ff.). *Frames* are a strategic combination of "certain ideas from amongst a range of options" (ib.: 429), also drawing from competing discourses, telling coherent "policy stories" (ib.: 430) and making a policy normatively and cognitively acceptable (Campbell 2002: 27). The policy entrepreneur uses so called "shared ideological repertoires" (which can be cultural concepts like solidarity) in order to "frame" public and political discourses about the problems until the proposed policy alternative is seen as an acceptable solution. Béland

argues that framing is crucial in welfare state politics because it helps to moderate the public uproar about possibly painful reforms (Béland 2005 :10).

According to Kingdon (2001), several actors can participate in the three streams. While there may be some groups who are most likely to participate in a specific stream (like academics or civil servants in the policy stream), there is generally no limitation to where they engage. Such participants may be politicians, civil servants, interest groups, academics, consultants, political parties, the media as well as public opinion and so on. Kingdon furthermore brings in the term “policy entrepreneur”. In general, everybody of the earlier mentioned actors can be a policy entrepreneur if he is “willing to invest [...] resources in pushing [...] proposals [...], coupling solutions to problems and [...] coupling both problems and solutions to politics” (Kingdon 2001: 20) because of an expected future return. However, this does not mean that policy entrepreneurs act only because of (monetary) self-interest, as this “future return” may also be of ideological nature. Therefore, policy entrepreneurs are the key actors responsible for policy change (Kingdon 2001: 20, 122f.).

Béland offers no detailed explanation of the process of how various actors are able to frame discourse, while Kingdon solely focuses on the US American political system without explicitly studying discourse. This is where Schmidt’s so called “discursive institutionalism” has provided a ground-breaking framework for analysing the role of ideas and discourse in policy reform. As defined by Schmidt, policy discourses are the

sum of policy and political actors’ accounts of a policy programmes purpose, objectives, and ideals which serve as a guide to action by defining the concepts and norms to be applied, identifying the problems to be solved, explaining the methods to be followed, developing the policy instruments to be used, [...] framing the national policy discussion. (Schmidt 2002: 214)

Schmidt’s focus on *discourse* reflects that she is not only interested in the content of ideas, which are policies as well as “organized principles and causal beliefs” like argued by Béland, but also on the “interactive process by which ideas are conveyed” (Schmidt 2008: 305f.). Ultimately, discourse constitutes the missing link between ideas and policy change, capturing the process of “how ideas go from thought to word to deed”, or in other words, how ideas result in policies and how they influence and are influenced by certain actors (Schmidt 2008: 309). In other words, discourse captures the ways in which policy actors try to argue in favour of their policy ideas and therefore their understandings of social policy reform. Furthermore, this also means that we have to analytically separate policy discourse to some extent from its underlying values, beliefs and ideas in order to highlight the ability of using discourse in order to change those very same things (cf. Schmidt 2002a: 216). Discourses are therefore influenced by ideas, which can take the form of specific policies, policy paradigms or their underpinning “deeper” worldviews, as well as influence them (Schmidt 2008: 306).

Concerning the influence of discourse on policy change, Brettschneider even argues that policy entrepreneurs (like defined by Kingdon) always have to be “discursive entrepreneurs” too (Brettschneider 2009: 190). Schmidt is more reserved, arguing that discourse can be a cause of policy change *under certain assumptions*, namely if it not only reflects interests, institutional paths and cultural norms, but rather serves to “reconceptualise interests, [...] chart new institutional paths [...] and reframe cultural norms” (Schmidt 2002a: 212). This reflects the understanding of institutions within discursive institutionalism. Institutions are regarded as both the context as well as the result of actions, rejecting too strict arguments of path dependency, rational choice or cultural norms (Schmidt 2008: 314). Schmidt argues that agents are able to speak and act outside and even against their institutions even when they are inside them, enabling institutional change through discourse (“breaking the hegemonic discourse”) (ib.: 314ff.). This is why Schmidt argues that discursive institutionalism “puts agency back in institutionalism” (ib.: 316).

Schmidt distinguishes between several dimensions of discourse. First, discourse can be either cognitive or normative (representing “*what you say*”). *Cognitive discourse* contains causal arguments in order to justify policies programs, therefore for example referring to concepts like technical feasibility or efficiency (Schmidt 2008: 306f.). It highlights that the promoted policy is the best way to reach a certain goal. However, it does not necessarily offer “facts” or the “truth”, but rather tries to convince that the promoted policies are necessary (Schmidt 2005: 7). In contrast, *normative discourse* assesses policies according to certain sets of norms and values, judging if the policy is “the right thing to do” (Schmidt 2008: 306f.). Brettschneider argues that policy entrepreneurs use discursive strategies (cognitive and normative ones, which are techniques of persuading public opinion), in order to change prevailing societal values, ideals and preferences (Brettschneider 2009: 191).

Brettschneider (2009) offers several types of cognitive as well as normative strategies for framing discourse with reference to discourse about the German Pension system. Cognitive strategies would be for example strategies of *problem construction and knowledge market closure*. Dramatization is one such strategy, which includes efforts to produce a permanent atmosphere of crisis and “staying on message”. Other strategies are selective communication or deliberate de-thematization. Brettschneider also mentions *paradigm destruction*, which attacks the fundamentals of the pension system through referring to exogenous change or alleged design flaws and vicious cycles. Concerning normative strategies, the author presents strategies of *re-interpreting existing* as well as the *introduction of new shared ideological repertoires* (or adopting old one’s present in discourse in other policy fields) (cf. Béland 2005: 10). Those can be popular concepts like solidarity, justice or equality. Many of Brettschneider’s strategies are used in the empirical chapter 5, supplemented by some strategies inductively discovered.

Second, coming back to Schmidt's dimension of discourse, it also matters *how* you say something, as this drastically influences the political success of a certain policy with respect to criteria like adequacy, appropriateness or relevancy but especially consistency and coherence. Therefore, discourse at the same time promotes but also constrains policy reform with regard to past and present discourses. Arguments should nonetheless not be overvalued, as bargaining is also most likely another important way to gain support for a policy (Schmidt 2008: 312).

Third, discourse can happen in 2 different spheres, the policy sphere or the political sphere, and therefore addresses different recipients ("*to whom* you say something"). Those two spheres are roughly equivalent to the concepts of the policy stream and the political stream as used by John Kingdon or Daniel Béland. However, in contrast to Béland, who locates discourse and the necessity to frame discourse mainly in the political stream, Schmidt distinguishes between two types of discourse according to the stream (or sphere) where they take place. *Coordinative discourse*, as it takes place in the policy stream, concerns policy construction. Actors in the policy stream promote policy alternatives compatible with their cognitive and normative ideas until "key policy groups" reach an agreement – which somehow resembles the "natural selection" process within the policy stream as described by Kingdon. Schmidt assumes that cognitive ideas are prevalent in the policy stream and therefore in coordinative discourse. *Communicative discourse* is situated in the political sphere, speaking to the public and trying to convince them that the policies and agreements reached through coordinative discourse in the policy sphere are necessary and normatively acceptable (Schmidt 2002b: 171f.) – what Béland defines as framing public discourse. As a reaction, the public can assert pressure through protest and periodic elections. However, as assumed by Kingdon, we can expect politicians often not to "squander their energy and capital on a losing cause" as the "costs of resources and reputation would be too great" in order to overcome a possible well-organized opposition (Kingdon 2001: 151ff.).

Ultimately, Schmidt connects the importance of either coordinative versus communicative discourse to the institutional environment and the design of polities ("*where* you say something"). She argues that in political systems with a single authority (shaped by majoritarian representative institutions like Great Britain or France), communicative discourse is more important, while in countries where government activity is split between multiple actors (shaped by the importance of coalition governments as well as corporatist policy making), coordinative discourse would be predominant. This predominance of coordinative discourse in corporatist states stems from the assumption that a detailed communicative discourse with the public about reform agreements could contradict the compromises reached in the coordinative discourse by violating cognitive and normative criteria of reform partners as well as reveal the incoherence and inconsistency of those programs with respect to a certain discourse and its arguments. Therefore, communicative discourse will be vaguer, while in coordinative discourse, key policy groups also try to legitimize

“agreements through sub-discourses to their constituencies in terms of their own particular cognitive and normative criteria” (Schmidt 2005: 15). (Schmidt 2008: 313; Schmidt 2005: 15)

### 4.3. ... to practice

In this master thesis, the research puzzle shall be addressed that why very similar countries such as Austria and Germany differ significantly with respect to the extent in which they introduced elements of funded or private pension pillars, and therefore, initiated a structural change in their national pension system. More specifically, the main research question of this master thesis addresses the role of ideas and discourse in explaining such policy changes: *How do policy ideas and discourses influence the (pension) policy to be implemented in very similar contexts like Austria and Germany?* Therefore, the main hypothesis of this research is *that the different extent of reform (incorporating new elements of private or funded pension systems via a process of layering a second and third pension pillar onto the old, public pay-as-you-go pension pillar) in Germany and Austria is (at least partly) a result of varying policy ideas and discourses (both in the sense of specific policies and as policy paradigms) in the respective domestic political as well as public arenas.*

In other words, it will be argued that Germany and Austria differ in how political actors, and therefore especially policy entrepreneurs, *framed* discourse while being relatively similar in other accounts. Through comparison of two very similar cases, namely Austria and Germany, alternative explanations are controlled for, therefore helping to highlight causal influence. Both countries are considered as conservative welfare states (cf. Esping-Andersen 1990) and are therefore similar considering their institutional characteristics. Both countries organized their pension system through a social insurance principle (Bismarckian pension systems), and both countries show a quite similar economic performance, have open economies and are part of the European Economic Area. In both countries, pension reform was *seen* as inevitable with respect to demographic and budgetary pressure, therefore, the countries problem streams were quite similar<sup>8</sup>. Taking into account all those possible alternative explanations, the effect discourse on pension reform is highlighted, providing for comparative evidence.

However, the aim of this master thesis is *not* to assess those reforms implemented according to their necessity, adequacy, financial stability or effects on social inequality. *The main hypothesis is that policy actors and entrepreneurs in Germany were able to implement wide ranging reforms because they successfully handled the policy and political stream, framing communicative discourse until privatized, funded pension policies were seen as “a normatively acceptable*

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<sup>8</sup> However, it has to be noted that already in the 1990s, OECD demographic projections for Germany hinted towards a more pessimistic scenario than in Austria (cf. Leibfritz 1995), and the costs of the German reunification reinforced the pressure lying on the German pension system (Meinhardt/Zwiener 2005).

*solution*”, while their Austrian counterparts failed to do so. This hypothesis shall be examined by a discourse analysis of Austrian and German communicative discourse captured through newspaper articles. In case that this hypothesis proves right, communicative discourse in Austria would be unfavourable towards privatization and structural change, while in Germany, the opposite picture should arise. If communicative discourse contrary to this hypothesis indeed does not influence the implementation of a reform, significant traces of deliberate framing in the communicative discourse would be unlikely.

This research deliberately neglects the presumed importance of coordinative discourse, which remains unobserved as it (per definition) happens behind closed doors. According to Schmidt, we would expect coordinative discourse to be most important, as it has the most influence in corporatist countries like Austria and Germany. However, several arguments raise doubt on this assumption. First, Schmidt mentions that if coordinative discourse “breaks down”, communicative discourse can “reframe” coordinative discourse in order to bring all parties back to the negotiating table (Schmidt 2002b: 172f.). In such situations, communicative discourse can also legitimate reform without the agreement of key policy groups like corporatist institutions (ib.: 172f.). Such situations were visible during the pension reform process in both Germany and Austria, where coordinative discourse between the government and corporatist institutions broke down several times, necessitating commitment to a stronger communicative discourse (cf. Tálos/Obinger 2006: 100; Anderson/Meyer 2003: 39). Second, pension reform in both countries was conducted by a newly elected government coalition. As Schmidt outlines, communicative discourse is especially important in times of elections (Schmidt 2002b: 172f.). Therefore, we could expect communicative discourse during the election campaigns to have a fundamental impact for the subsequent reforms. And finally, communicative discourse may also be important due to the design of the pension reforms. Pension reform was conducted through layering a private second and third pillar on top of the first public pension pillar, and participating in an additional pillar can be voluntary. Therefore, the public has to be convinced in order to make use of those newly available forms of old age provision, which again highlights the importance of communicative discourse.

#### **4.4. Methodology and data**

First, an important aspect of this master thesis was to assess the extent of pension reform towards private and funded pension schemes and therefore structural change. This is necessarily captured in two dimensions. First, it was necessary to assess the extent of reform towards private and funded pension schemes through the actual design of the policy. For example: Are the newly introduced ways of pension provision voluntary or mandatory? What is the extent of subsidies? However, since parts of the pension system may be voluntary due to the reform, it was also necessary to take the take-up rate of the newly introduced pension pillars into account. For

example: How many people are using the third pension pillar? What is the coverage rate of those private pension funds? This variation was assessed through relying on secondary literature and is described in chapter 2.

However, the main part of the thesis is the discussion of the variation in discourses. Methodologically, I incorporate some of the “methods for discourse- and dispositive analysis” (Jäger 2001: 96; translation: D.U.) outlined by Sigfried Jäger. Jäger is an advocate of critical discourse analysis (CDA). This theoretical tradition states that discourses are institutionally established manners of speaking, therefore expressing power relations, determined by as well as determining actions and shaping agency (Wodak/Busch 2004: 111). Therefore, knowledge can also be produced by discourses, and reality can be constituted through the repetition of discursive practices. A consequence of this logic are so called discursive struggles, which are a form of power struggles trying to define or redefine a standard (and the deviation from it), for example moral standards (Keller a.o. 2001: 12). This is what makes Jäger’s methods fitting for this thesis, as this conception of discourse is close to Schmidt’s discursive institutionalism, where she states that discourse reflects interests, institutional paths and cultural norms, but vice versa can also “reconceptualise interests, [...] chart new institutional paths [...] and reframe cultural norms” (Schmidt 2002a: 212).

One of the most important terms within the Jägers’ (2001) CDA methods are so called discourse fragments. Basically, those fragments are parts of texts, however, one text can consist of many discourse fragments of different topics. Therefore, if a text only approaches one topic, then the whole text is a single discourse fragment of this topic. In Jäger’s terminology, all discourse fragments of one topic combined are a discourse strand. Therefore, the relevant discourse strand for this research project is the discourse strand about pension reform in the respective countries. Additionally, Jäger introduces discourse levels, which he describes as social locations. Discourses operate on many different levels, for example politics, media, education, and those levels can be interlinked. Transferring this terminology to Schmidt’s discursive institutionalism, the political discourse level is consistent with coordinative while the media discourse level is consistent with communicative discourse (cf. Jäger 2001: 96ff., 102f.).

Insights by Schmidt and Brettschneider which were already offered in the previous section should furthermore give a first impression of how discourse varies and functions. Generally, *what is said* is the main category analysed in this research project, which is equivalent with cognitive and normative discursive strategies. Discursive strategies are taken from Brettschneider (2009) and therefore deductive, but additional discursive strategies were discovered inductively. Through discourse analysis in chapter 5, such discursive strategies will be identified and discussed. Discursive strategies taken from Brettschneider (2009) as well as new inductively discovered strategies are listed in Table 2.

Table 2: Deductive and inductive (\*) discursive strategies analysed

Strategies favoring pension privatization and capital-funding	Cognitive strategies	Dramatization	
		De-Thematization	
		Scientific Objectification	International comparison
		Paradigm Destruction	Experts talk*
			Vicious Cycle
			Exogeneous Change
		Selective Communication	
		Win-Win Situation*	
		Common Knowledge*	
		Normative strategies (ideological repertoires)	Saving the welfare state*
		Fairness and Justice	Christian values* (thrift, neighbourly love)
			Equality*
			Generational justice
		Self-responsibility	
Strategies opposing pension privatization and capital-funding	Cognitive Strategies	Diversion through acceptance*	
		De-thematization	
		Paradigm defence*	
		Dramatization	
		Normative strategies (ideological repertoires)	Expansion talk*
		Solidarity and Justice	

Note: Inductively discovered strategies are marked with \*. Other strategies are taken from Brettschneider (2009).

Analysis will also incorporate *how* those things are said, focusing mainly on coherence and consistency. However, in addition to already existing theoretical contributions from Schmidt and Brettschneider, it will be argued that *when* something is said also matters, bringing time into the analysis. And finally, it matters if *strong opposing discursive actors* are present which may be able to defend their policy ideas. Those issues (how, when, opposing discursive actors) are partly already mentioned during the specific empirical country chapters 5.1 and 5.2 but are more explicitly tackled in chapter 5.3.

*Communicative discourse* is empirically captured by analysing media coverage about pension reform in Austria and Germany. Media articles are provided via the “APA Online Manager Library” database as well Axel Springer SE’s “DIGAS” online archive. The APA database provides access

to all Austrian newspapers as well as a broad selection of foreign (and therefore also German) newspapers. The mostly read quality daily newspaper in Austria, namely *Der Standard* (leftwing-liberal), would in general be available there. The German mostly-read counterpart to *Der Standard* would be the *Süddeutsche Zeitung* (leftwing-liberal), followed by the *Frankfurter Allgemeine Zeitung* (conservative). However, only the *Frankfurter Allgemeine Zeitung* is available freely in the APA Online Manager Library, while the archive of the *Süddeutsche Zeitung* is restricted by a paywall. Therefore, the *Frankfurter Allgemeine* was chosen for this analysis. Due to their different political agenda, analysing *Der Standard* and *Frankfurter Allgemeine* would impose problems to the comparability of the data. Consequently, it was chosen to analyse the two quality newspapers with the respective second-best media penetration, *Die Presse* and the already mentioned *Frankfurter Allgemeine*, as both of them show a conservative agenda (cf. Bundeszentrale für politische Bildung).

The above listed newspapers are quality newspapers which most likely do not reach a majority of the population. Therefore, we cannot necessarily expect those newspapers to reflect communicative discourse unbiased, as public discourse and public opinion will most likely be framed through TV and boulevard media to a certain extent. However, an analysis of TV shows may be too time consuming for this master thesis, therefore, a pragmatic approach with newspaper articles was chosen. While the mostly read boulevard newspaper *Die Krone* is available via the APA Online Manager Library, this does not hold for the German boulevard counterpart *Bild*, which only offers a very expensive archive service (DIGAS). However, funding was granted for this research project by the Austrian Chamber of Labour in Vienna, which makes it possible to access the archive of the *Bild*. Therefore, the APA Online Manager Library was used for gathering *Frankfurter Allgemeine*, *Die Presse* and *Krone* articles, while DIGAS was used for gathering *Bild* articles.

For analysis and data collection of media articles, the extent of the discourse strand analysed has to be additionally limited. Jäger mentions the possibility to limit discourse strands according to discursive events, which influence future discourse dramatically (Jäger 2001: 96ff.). Those events must have been emphasized in the political or public sphere. With regard to this research project, important discursive events are the elections (and therefore also the election campaigns) of the respective governments which introduced reform as well as the introduction of the pension reform itself. Therefore, discourse analysis will focus around such discursive events. For the case of Austria, such events were the election in 1999 and mainly the reform of the severance pay legislation as well as the introduction of the subsidized private pensions in 2002 (Schulze/Schludi 2007: 572f., 587, 590). For Germany, the election of 1998 as well as the pension reforms of 2001 will be analysed (Schulze/Jochem 2007; 677f., 686, 693).

The articles were gathered via a keyword search as the topical marker search proved to be rather incomprehensive. Additionally, selection according to headings was also not suitable as many relevant articles would have been skipped. Therefore, the articles which have shown up in the keyword search have been sorted out again manually. This means that only articles which have either an own paragraph about pension reform or pension systems in general as well as articles whose topic is pension reform or pension systems are considered as “relevant articles” from here on (which practically means for most of the cases that at least 2 of the keywords are present in every relevant article). This second selection process reduces the overall number of articles substantially. Overall, 357 articles were considered as relevant and analysed within the scope of this master thesis. Articles were then imported into the qualitative data analysis package Dedoose, read and subsequently coded according to deductive discursive strategies as provided by Brettschneider (2009) and Schmidt (2002) as well as discursive strategies discovered inductively. Those strategies were identified through searching for justifications of policy alternatives proposed by the author directly as well as rather indirectly. For example: What is the main argument through which a certain policy is presented as favourable by a policy entrepreneur? Which kind of arguments does the policy entrepreneur actually introduce? Do they address cognitive or normative concerns? Then, the structure, functioning and logic of those justifications were compared to the discursive strategies presented by Brettschneider (2009). If no existing strategy matched the justification provided by the author of the respective article, a new (inductive) strategy was constructed.

All quotations of newspaper articles in this paper are translated by the author of this thesis.

## 5. Communicative discourse on pension reform from an empirical perspective

### 5.1. Germany

#### 5.1.1. The 1998 elections

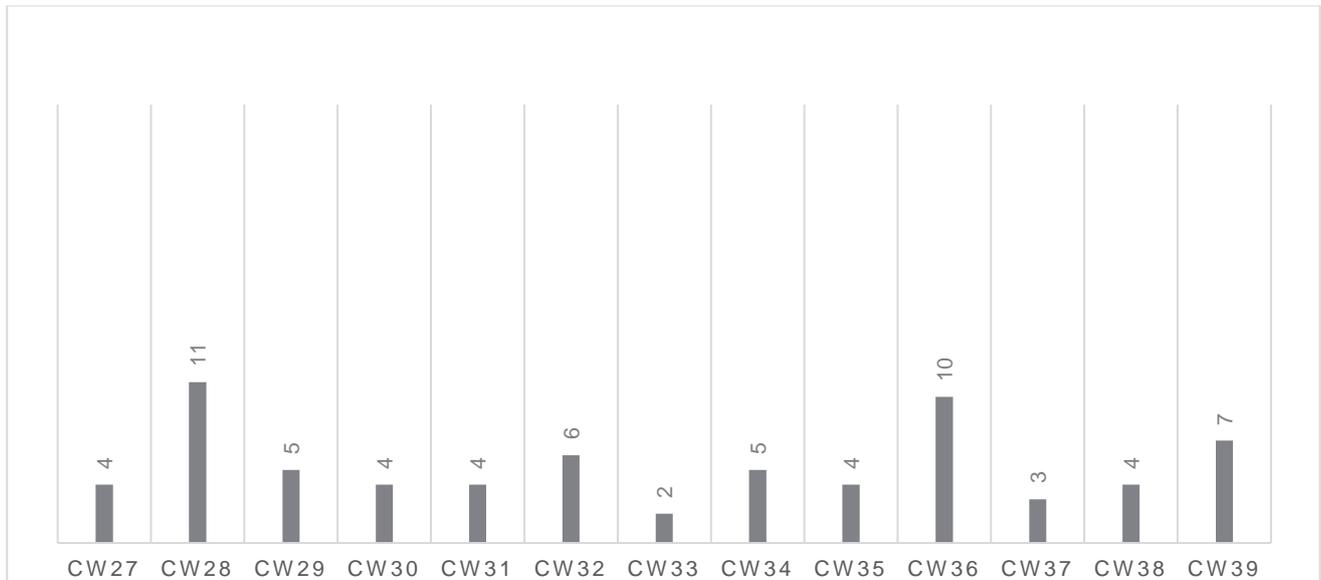
For the elections of the 27.9.1998, 3 months before the elections (and 1 day after) were analysed. The selection process for relevant articles reduces the overall number of articles gathered to 69 and constitutes the data to be analysed for this period<sup>9</sup>. Pension reform was a major part of the discussion in the months before the elections of 1998 in Germany and relevant articles are distributed more equally over the observed period than in Austria, where most articles were posted in one single week. An interesting aspect regarding the actors of the German discourse is that the *Frankfurter Allgemeine Zeitung (FAZ)* published a quite high share of commentaries regarding pension reform (in comparison to *Die Presse* in Austria), from guest writers as well as their own journalists. Because such personal opinions of journalists are often also transferred indirectly in other articles of the newspaper and may therefore be present in de facto every article gathered, it was decided to not create an own actor group of journalists. However, guest writers are identified as “experts” if they are presented as such<sup>10</sup>. These criteria will be applied throughout this paper and holds for all newspapers. Regarding these criteria for the identification of discursive entrepreneurs, the biggest actor group emerging are politicians of the Christian-democratic CDU/CSU with 22 mentions. The second group following are experts with 14 mentions, which also includes many representatives of banks if they were presented experts in the newspapers. Other important groups are the social-democrats with 12, the liberals with 11 mentions and the greens with 6 mentions.

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<sup>9</sup> It was searched for articles containing one of the following keywords: Pensionssystem, Rentenreform, Rentenversicherung, Altersversorgung, Altersvorsorge, Alterssicherung, Rentenniveau, Betriebsrente. Adding additional search instruments for filtering articles with at least two occurrences of the word “Rente” increase the number of articles in the keyword search but only marginally increase the number of relevant articles.

<sup>10</sup> For example through descriptions as “professor for economics”, “head of the institute”, and so on.

Figure 3: Number of relevant articles according to calendar weeks before the election in Germany



Note: Search conducted in APA online manager library in the FAZ and in the DIGAS online archive in the Bild.

#### 5.1.1.1. Pro-Structural change: Hegemonic discourse in Germany

Discourse about pension reform in Germany before the elections of 1998 is an ideal-typical example of a constant atmosphere of crisis. What is stunning in this regard is that there was already more or less a cross-party consensus about the existence of this crisis, only the proposed answers to this crisis differed. However, also the nature of this crisis was subject to a relative consensus, and all parties to a certain extent criticized at least one aspect of the German pension system: its financing mechanism through pay-as-you-go or the low importance of private pension provision.

The most important discursive strategies which stabilized the hegemonic discourse in Germany were of cognitive nature (with overall 92 occurrences in the data). Problem construction and knowledge market closure (cf. Brettschneider 2009) are dominating, with dramatization being the mostly used strategy, identified 32 times in the data.

The public system has no future. The pay-as-you-go model for old-age does not pay off any more – at least not without steadily increasing federal subsidies and according to a fair treatment of acquired pension rights. This conclusion is accentuated in periods of economic downturns and through the burden of high unemployment. But the relevant reasons lie deeper, and they are of a constant nature: a reduction of working-time, increase of life expectancy and long-term demographic change are the real reasons for the overextension of public pension provision. A thorough reform towards capital-funded and profitable savings for old-age is necessary. (FAZ, 21.8.1998)

Above we can see an ideal-typical example of dramatization. Besides from especially lurid wording, like declaring that the pension system has “no future”<sup>11</sup>, such dramatization efforts often involve “staying on message” (cf. Brettschneider 2009), which refers to emphasizing a statement through constant repetition. Like in most articles, the increasing federal subsidy (*Bundeszuschuss*) is depicted as a problem and as a symptom of the dysfunctionality of the pension system. The underlying assumption of this critique is the conception of the pension system according to the insurance principle. This is consistent with Jacobs’ (2009) analysis of German pension politics before the second world-war. He argues that policy makers predominantly chose their policy preferences according to information which confirmed their conventional mental model of a pension system, namely a pension system as an insurance. As this mental model depicts “a pension program as a closed self-supporting arrangement, much like a private insurance firm” (Jacobs 2009: 264), actuarial balances and an alleged risk of insolvency are overemphasized. Other alternative information not conforming this mental model is discounted and remains unmentioned, for example the dangers of capital funding as an alternative to pay-as-you-go systems and macroeconomic consequences to prices and currency values (Jacobs 2009: 264). The post-war mental model of pension systems as a redistributive model (cf. Jacobs 2009) seems to lose its relevance in the German pension politics of the 90s.

Another aspect of dramatization can be seen in the following excerpt from an FAZ article, under the title “into pension nirvana”:

Broken trust in the public pension system cannot be rebuild through promising additional benefits, in situations where already the existing level can hardly be financed. The labour unions do not leave any space for building up a second (occupational) or even third (private) pillar of pension provision in their pension model, despite paying lip service towards a multipillar model. Giving such ideas the attribute “reasonable” is reckless. (FAZ, 17.8.1998)

Not only is a constant atmosphere of crisis produced here, not least through especially lurid wording like before, delegitimizing any policy alternatives beside privatization. Many of such phrases may also act as self-fulfilling prophecies: if everybody talks about the “broken trust in the public pension system”, it is likely that people will indeed lose trust. Another form of problem construction outside of dramatization is so-called selective communication, which happened mainly through referring to the allegedly “low yields on contributions” in the public pension scheme, over 13 times in the data.

An alternative to the public pay-as-you-go pension system (where contributions are not saved, but instantly used for financing the current generation of pensioners) would be a capital-funded form of pension provision. Already since decades, such capital investments would yield higher rates of return than the public system for everyone born after 1930.

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<sup>11</sup> Other examples for such lurid wording would be stating that “contributions [are] melting away” (FAZ, 6.7.1998), declaring a crisis “even in the most optimistic scenarios” (FAZ, 6.7.1998), adjuring “radical steps” (FAZ, 29.7.1998) or privatization as an “necessary supplement” (Bild, 6.7.1998).

Considering realistic assumptions, the birth cohort of 1980 could build up wealth equivalent to 3 times as high as in the public system with the same expenses. (FAZ, 6.7.1998)

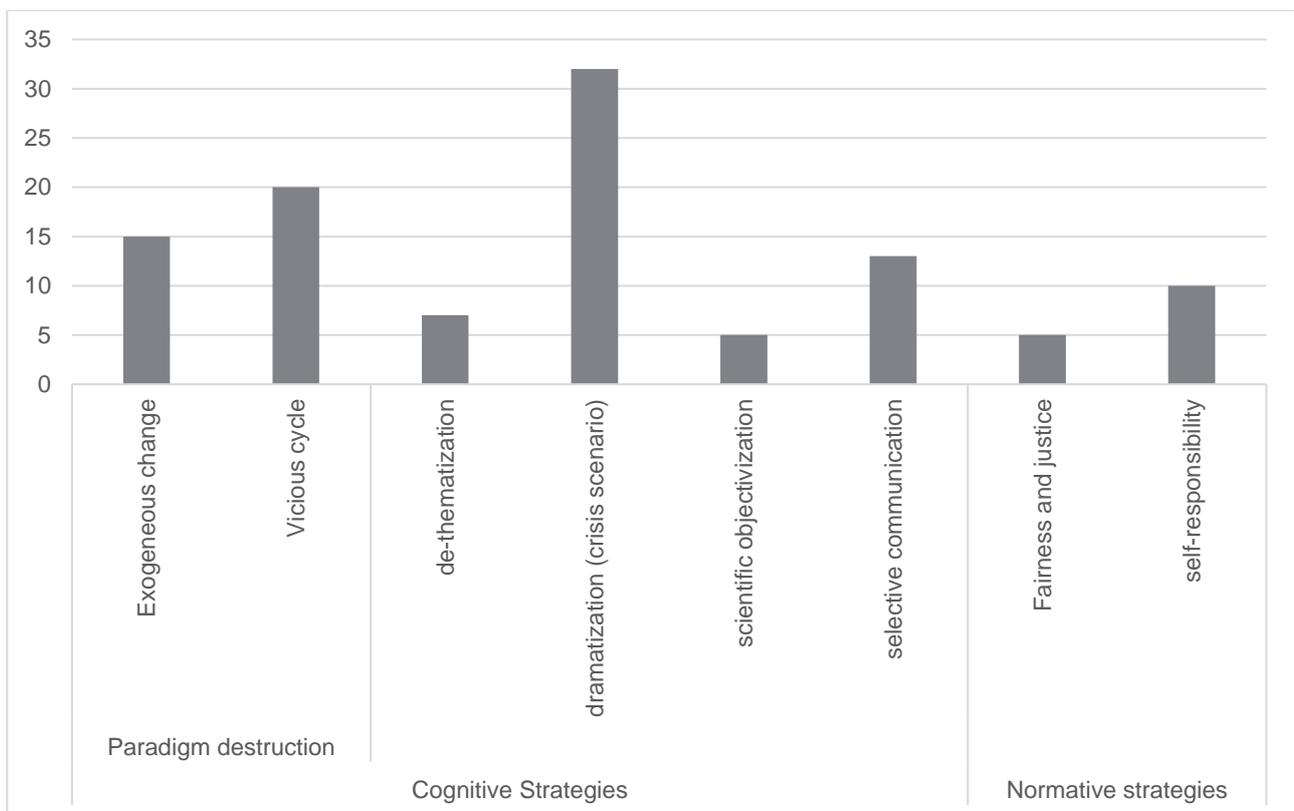
This can also be seen in the earlier quoted excerpt from the 22<sup>nd</sup> of August 1998. Only in a capital funded scheme, so the argumentation, would an adequate rate of return be possible, while the public pension scheme would be responsible for a “real loss of wealth”, as argued earlier in the abovementioned article. In contrast, drastically higher rates of return are promised by “experts” in a capital-funded scheme. Another even more radical example of such a line of argumentation depicts the public pension scheme as the original problem, not only its financing mechanism.

The people have to save more, or they must work longer, or you would have to allow them to make a rate of return, like offered by the capital market for those who do not have the misfortune of being under the states tump. But politicians do not want to make those simple causalities transparent. Instead, they use trickery, close to cheating, sometimes ending in a breach of trust. (FAZ, 20.7.1998)

Financial markets and capital funding are displayed as some kind of utopia, which is kept away for people “who have the misfortune of being under the state’s thumb”. After times of the global financial crisis in the beginnings of the 2000s, such statements appear unintentionally hilarious. The low rate of return in the public system is constituted as a problem via a comparison with a capital funded scheme, which is displayed as being far superior. Not only are the risks of capital-funded schemes (financial market risks, vulnerability to inflation) totally omitted in those representations, but the advantages also highly exaggerated through unrealistic but unmentioned assumptions about future interest rates and administrative fees (black boxing). For example, in 2016, the nominal rate of return on all contributions of Riester-contracts introduced in 2001 was only marginally higher than 0 percent – in contrast to the promised 4 percent (Blank et al. 2016a: 5f.).

“Knowledge market closure” as defined by Brettschneider (2009) is also visible through deliberate de-thematization (7 occurrences), as can be seen in the already quoted statement of 20<sup>th</sup> of July 1998. Statements which do not comply with the hegemonic discourse are quickly disqualified as “trickery, close to cheating”, or untrue (and also “bogus” (FAZ, 20.7.1998), often without further elaboration on the specific reasons for arriving at such a conclusion. Politicians are here usually not depicted as only incompetent, but also as deliberately telling the untruth, therefore reinforcing the picture of a “lying politician”. Such a strategy quickly delegitimizes opposing discursive entrepreneurs but more importantly also their proposals of change within the current system (in contrast to structural change). Ultimately, those actors cannot easily respond to such an accusation when done by newspaper commentators, and simple rectifications in later issues (which did not happen) seldom reverse the already done damage to the credibility of the actors’ arguments. Other forms of problem construction and knowledge market closure like scientific objectification (for example through comparison) were far less important in Germany than in Austria, with only 5 reported cases.

Figure 4: Mostly used discursive strategies in favour of privatization and capital-funding in Germany in the election period of 1998 (3 months)



However, outside of problem construction and knowledge market closure, so-called paradigm destruction with 35 occurrences in the data is one of the main elements of Germany’s hegemonic discourse in the forefront of the elections. One way to conduct “paradigm destruction” is through referring to a change of exogenous conditions, which allegedly leads to a failure of the current pension system and would therefore necessitate systematic change. Of course, demographic change is the number one exogenous factor used for this strategic paradigm destruction, as can be seen in the already quoted statement of the 22<sup>nd</sup> of August 1998. Even generally pro-welfare parties like the Greens made similar statements:

The Greens do not want to take back the pension reform [of the previous government] if they win the elections on the 27<sup>th</sup> September. The pension plans of the SPD would be “absolutely irresponsible”, so a strategy paper of Green’s budgetary speaker in the parliament, Oswald Metzger, says. “A complete abolishment of the pension reform is the opposite of what is necessary. A demographic component is indispensable”. (Bild, 7.9.1998)

Cutbacks in the public system, and consequently an expansion of private ways of pension provision and capital-funding (also in the public pillar) is promoted as the ideal solution. The question why a partly private system may be more successful to cope with such exogenous challenges or why it should be overall less expensive always remains unanswered – let alone the

presentation of empirical evidence. And the double payment problem (cf. Myles/Pierson 2001, or chapter 3.1 in this thesis) seems to be completely unknown to those who favour a complete restructuring of the public pillar towards capital-funding (for example in FAZ, 21.8.1998).

Far more fundamental is the discussion about a demographic vicious cycle produced by public pension systems, which dominates half of the discussion about vicious cycles in the pension system. This is a type of paradigm destruction where problems of the pension system are said to exist endogenously due to its design (and not only due to exogenous change; cf. Brettschneider 2009).

There are only two ways to invest in the future: have children or create savings. Adenauer had the opinion that those investments would not need to be facilitated by the pension system, as people would have children anyway. He could not have imagined that [...] social norms and life experience, being responsible for the behaviour of humankind and the pyramid form of the population structure for over centuries, would be abolished within a short period of time. However, this indeed happened, and it shows that disconnecting the costs of children from their benefits for their parents leads to a fundamental change in the behaviour of humans, in contrast to a normal family with children. (FAZ, 31.8.1998)

According to this line of argumentation, public pension systems would create a free-rider problem. As everybody is covered by a public pension, the economic incentives to have children as a mean of old-age provision becomes irrelevant. However, as the pensions in a pay-as-you-go system are financed by the younger generations and are therefore dependent on the fertility rate, this would necessarily initiate a vicious cycle, ultimately leading to the systems break-down due to low fertility. So the public pension system is not only said to be subject to severe pressure by demographic change, but is also said to be the root of this demographic change, which again emphasizes the need for structural change in contrast to a simple change within the system. Of course, the implications of such a statement are twofold: on the one hand, it proposes to cut-back public pensions and increase forms of private provision but on the other hand it also favours the return to more traditional and conservative family patterns. Much like the mental model of pensions as an insurance, it leaves alternative ways of financing and many problematic aspects of capital-funded and private schemes as well as problematic aspects of the family as a major welfare provider out of the picture.

However, there are also other vicious cycles outside of this demographic cycle. The same strategy of paradigm destruction with reference to endogenous design problems is inextricably linked with the height of social insurance contributions in the public discussion in Germany. High social insurance contributions (and therefore non-wage labour costs) are said to increase the cost of labour for employers and therefore decrease their labour demand, ultimately producing unemployment. This culminates in a statement that even a small reduction of the contribution rates is seen as negative.

The Social Advisory Council reminds [...] that the expectations concerning the pension reform were not met. Only a few months again, the measures of the pension reform of 1999

together with an increased federal subsidy through tax revenue were expected lead to decreasing contributions in the intermediate-term, so the report of the council says. Instead, there will only be a stabilization. (FAZ, 18.7.1998)

So even the status quo or only a small improvement of the status quo is seen as unsustainable, not only future challenges for example due to demographic changes. Only radical change is accepted in this argumentation. Of course, this also incorporates elements of selective communication and black boxing as the proportion of non-wage labour costs as a share of total labour costs and therefore also its effect on employment is drastically overemphasized, as can be seen in Bäcker (2008: 342). But more importantly, the depiction of such a vicious cycle can only exist vis-à-vis the conception of a fundamentally different system of pension provision, namely capital-funding and private provision. What remains unmentioned is that the alleged “burden” of the employers can only be reduced via private provision if employer-sided contributions are cut and transferred to the employees’ side, de facto reducing employees’ wages if they make use of private pension provision in order to compensate the cutbacks of the public pillar. This is especially interesting as the height of contributions is also often considered as an unacceptable burden for the employees (FAZ, 8.9.1998).

But also *normative strategies* were used in Germany, with overall 23 identified attempts. A broad range of ideological repertoires are used for such normative strategies, but the reference to the concept of “self-responsibility” is by far the most common (14 occurrences). In addition to the CSU/CDU, also the social democrats take up the concept of self-responsibility.

SPD chancellor candidate Schröder wants to take back the current pension reform through a “pension correction law” in the case he wins the election. In 1999, the SPD wants to start working on a “big pension reform”. Self-responsibility and private pension provision will gain more importance there. (FAZ, 21.8.1998)

The possibility that some people cannot afford additional private insurance and therefore the possibility that such cutbacks in the mandatory pension insurance may actually increase old-age poverty remains unmentioned in this new paradigm of self-responsibility, which covered nearly all parties of the German political arena.

Simultaneously, public welfare provision in general is delegitimized as “old” and not suited for a modern society through referring to its foundations 100 years ago and historical figures like Bismarck.

The main question, what social justice means, was already solved in Germany by Bismarck, who tried to introduce a welfare state one hundred years ago. Such a state does not function according to abstract values like justice or the Christian commandment of neighbourly love, but rather through the unemotional and business-like principle of “tit for tat”, “Do ut des”. Wolfgang Schäubele has called this once reciprocal altruism, where others take care of you in the expectations that they will be treated similarly. That is, at least in this country, the hard and dry core of everything “social”. And with that principle, the state failed. Even defenders of the social [principle], who always deny it, prove through their own reforms that collective insurance cannot be trusted anymore. Care insurance, the last

masterpiece of the welfare-industry, was only necessary because the pay-as-you-go system has not proved itself. (FAZ, 5.9.1998).

Therefore, public welfare provision is rejected as “paternalistic”, and consequently not just as economically inefficient but also as morally wrong, unjust and unreligious. This is reinforced by neologisms “welfare-industry” or “social-bureaucracy” mentioned later in the article. Such words emphasize the allegedly cold and business like nature of public welfare provision, not without ultimately declaring its collapse. Consequently, the author also attacks the public pension system on its fundamentals. Not only can the system not sustain the logic of equivalence between contributions and benefits, but mandatory insurance based on this equivalence principle is depicted as unjust, therefore rejecting the overall conception of such a public system.

However, the author does not stop there, he directly attacks the principle of solidarity which “differs from its Christian predecessor [neighbourly love] mainly through the fact that it willingly demands, but reluctantly gives” (ib.). Another ideological repertoire used is the one of “thrift” which would be contradicted by the current system which promotes consumption. Basically, Adam uses existing religious and ideological repertoires in order to delegitimize the public pension system and one of its main ideological pillars (solidarity), which is allegedly incompatible with superior values and moral beliefs (neighbourly love, thrift) which he sees as “just”. Such a strategy is targeted to depict the pension system as fundamentally and subjectively wrong in the eyes of the majority of the population. Accepting the system can be understood as rejecting those “superior” values and beliefs, while political action in favour of privatization and capital-funding encouraged and depicted as “just”.

The most important feature of the individual [private pension] insurance is that it is individually agreed based on civil law, and that individual premiums are based on insured risk and benefits. Why should that be unjust or unsocial? In public social insurance, there are no risk-adjusted premiums. Contributions are based on the requirements of politically wanted, and basically of course necessary means of social compensation. The design of contributions and benefits is – in contrast to individual insurance with guaranteed benefits according to contract – completely at the disposition of the legislator. Such redistribution by law does not exist in the individual insurance, and this is what makes it different to social insurance. The belief that those differences in the [public] social insurance necessarily lead to social justice is a social romantic legend and as untrue as the claim that individual insurance would be unsocial or unjust. Looking at the public pension system and comparing contributions of the young and middle aged generations with their future benefits, it is hard to detect any social justice. (FAZ, 15.9.1998)

Through reference on allegedly too high contributions, it is well visible here that cognitive and normative strategies are often mixed. Private pension provision is here depicted as socially just as. The state, and therefore democratic decision making, is depicted as incapable to provide social justice, basically writing off the welfare state’s capability to fulfil one of its most basic purposes. This line of argumentation is suggesting that public pension provision would be redundant or even more harmful as market-based solutions (based on individuals and self-responsibility) already

provide sufficient social justice. Market-based solutions are reframed as socially just and fair, restrained by public forms of welfare provision.

Ultimately, we can see contrasting understandings of the ideological repertoire of “justice” among normative discursive strategies in Germany. For example, one author promotes business-like principles which another author rejected as unjust. This depicts two ideological strands of criticism on public pay-as-you-go pensions which also have different understandings of justice. On the one hand the liberal critique in the article of the 15<sup>th</sup> of September, depicting the pension system as unjust due to its redistributive, allegedly uneconomic (and therefore unjust) elements, while on the other hand, the critique in the article of the 5<sup>th</sup> September comes from a much more conservative world-view, arguing that the public pension system destroyed traditional family forms, thrift and Christian neighbourly love. But both favour a redesign of the pension system towards privatization, and both are using normative strategies through referring on the same ideological repertoire of “justice”.

#### **5.1.1.2. The lack of a discursive struggle against pension privatization: no opposing discursive actors**

Like already outlined, all parties except the PDS (which appears in the data on only one occasion) supported privatization up to a certain extent in the forefront of the elections of 1998. This means that there was no systematic opposition to the hegemonic discourse and therefore also no systematic attempts for a discursive struggle in favour of a strong public pension pillar. However, there were occasional attempts from actors within the CDU/CSU which tried to reframe public pensions in a more positive light. One of the most important discursive entrepreneurs in this regard was clearly Norbert Blüm. “No system of pension provision is so successful as the German model” (FAZ, 22.8.1998), so the minister of labour in the conservative-liberal government and traditionalist with regard to welfare provision argued. However, such statements were not often present in the media, making a strategy of de-thematization through “staying on message” impossible, with only 6 attempts identified in the data. Exemplary of the public discussion is a statement which originally proposes other forms of reform outside increased capital-funding and privatization, namely promoting a higher fertility rate through measures within the pension system but unsurprisingly ends propagating capital-funded pensions.

A family with two kids gains six earning points [in the pension insurance]. This makes clear that the dimension of such a financial compensation is only moderate and does not bear the dangers always mentioned in the discussion. It is a mechanism of financial compensation which is necessary in a pay-as-you-go system based on upcoming generations. Of course, a capital-funded system would be better. But complaining does not help: a political consensus is impossible. (FAZ, 29.8.1998)

So even some of those partly defending the public system are caught in the hegemonic discourse about pension systems which fundamentally frames public pensions as in every aspect inferior to private and capital-funded provision.

However, as can be seen in this statement, a discussion about alternative ways of financing the pension system was indeed visible in the public debate. Such a discussion may negate the hegemonic doctrine that privatization and change to capital-funding is without an alternative. Of course, the discussion about an expansion of the federal subsidy generally depicted the public pension system in a negative light. Also plans for an increased share of tax-financing like proposed by the Greens is only mentioned in interplay with a reduction of higher earners' pensions (FAZ, 24.9.1998). But there were also other ideas of alternative financing. One of those was the expansion of social insurance contributors (9 occurrences in the data) through lowering the income limit for social-insurance free employment circumstances, like proposed by both the CDU and the SPD (Bild, 21.7.1998, FAZ, 11.8.1998), or the inclusion of the self-employed in the social insurance, like proposed by the trade unions and the SPD (FAZ, 26.8.1998). But the most important idea of financing in the respect is the discussion about promoting fertility through the pension system as mentioned in the earlier quoted statement, namely through *Aufkindern* and *Abkindern* (16 occurrences), which means lowering social insurance contributions or raising benefits for those with children and/or raising social insurance contributions or reducing benefits for those without children. This debate directly addresses the so-called demographic vicious cycle which was already mentioned earlier in this text. Those who have children would support the pension system as their children are future contributors, therefore counteracting the whole demographic change – so at least the logic behind the idea. There was of course also a normative side of this discussion.

There is still great injustice between those who have children, and those who stay childless. Also the pension system has to take account of that when times of budgetary problems are over. Accrediting times of child rearing is the right approach. It has to be further developed. This holds for the level of benefits, as well as for the level of contributions. (Bild, 28.7.1998).

The ideological repertoire of justice is here applied to the pension system, framing equal treatment of childless couples as unjust towards those who have children and therefore “support” the pension system. We can clearly see that this familiarist and anti-individualist attitude in favour of *Auf-* or *Abkindern* supports conservative values, but can be found in many corners of the political spectrum. Proponents of ideas of *Auf-* and *Abkindern* do not generally share a similar opinion on privatization, with for example the Greens being in favour of both awarding those with children and increased privatization (Bild, 6.7.1998), while president Roman Herzog was a defender of public pay-as-you-go pensions” (Bild, 28.7.1998). Other discursive entrepreneurs were in favour of awarding those with children but generally heavily attacked public pension insurance in general (FAZ, 5.9.1998). Nonetheless, it can be argued that positively mentioning this way of alternative financing nonetheless may reduce the depiction of privatization as being without any alternative.

However, this debate also had a highly controversial factor as newspaper commentators and the liberals displayed *Auf-* and *Abkindern* as population policy. Population policy has a negative connotation in German discourse as it is often seen in the context of national socialism.

Historically, the current issue of low fertility rates began to influence policy makers in Western Europe as early as in the 1930s, as the Baby Boom was only a small intermezzo in the broader trend of falling fertility rates (Demeny 2003: 10-16). “Pro-natalist” policies relied on a variety of instruments, including exhortations, social welfare spending for families, but also repressive measures like banning abortion and birth control (Finkle 2001). One of the most repressive population policy regimes emerged in the 1930s in national socialist Germany. Measures included “vigorous” pro-natalist policies for people which were thought to be of Aryan race, while people regarded as “hereditarily unfit” or “racially impure” were sterilized or even killed (Finkle 2001). This still has implications for current policies and their political discourse in Austria and Germany, and population policy promoting fertility has still a slightly negative undertone today (Hara 2003: 182). One author takes up such arguments in the FAZ:

One can only warn from such plans. The pension system would suffer a financial death; would they be introduced. Connecting financial compensation for child rearing with the earnings-related pension insurance would be another step towards illuminating publicly driven redistribution. The consequence would be a hardly bearable discrimination of those childless. But more importantly: *Auf-* or *Abkindern* in the pension formula stands in the shadow of the [national-socialist] mother cross ideology. (FAZ, 21.8.1998)

Therefore, the author argues against such a policy through referring to normative ideological repertoires like anti-fascism, democracy, liberty and equality. Consequently, such attempts can be identified as normative discursive strategies. But it has to be repeated that this debate was, while being one of the main determinants of the public discussion in the forefront of the elections, generally not for or against privatization, as both groups of proponents and opponents of *Auf-* and *Abkindern* had no uniform opinions on privatization and capital-funding and also rarely articulated them in such articles. However, it may have nonetheless influenced public debate as it showed other alternative ways of financing public pensions.

### **5.1.2. Early 2001: Privatization uncontested, reform under fire (*Altersvermögensergänzungsgesetz*)**

As the German government lacked a clear majority in the Germany's second chamber, the *Bundesrat*, they decided to split the pension reform proposal into two parts. The first part of the German pension reform of 2001 (*Altersvermögensergänzungsgesetz, AVmEG*) passed the parliament on the 26<sup>th</sup> of January. One month before (and 1 day after) this date will be analysed. Overall, after a keyword search and the subsequent selection process, 81 articles were gathered and constitute the data to be analysed for this period<sup>12</sup>. In the forefront of the pension reform of 2001, media coverage was quite intensive. This can be seen also in the amount of relevant articles

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<sup>12</sup> It was searched for articles containing one of the following keywords: Pensionssystem, Rentenreform, Rentenversicherung, Altersversorgung, Altersvorsorge, Alterssicherung, Rentenniveau, Betriebsrente, Riesterrente, Riester-Rente, "Riester Rente", "Eichel Rente", Entgeldumwandlung, "Eichel-Rente", "Durchführungsweg", "Tarifvorbehalt", Zusatzrente, Rentenpolitik.

found in the month before the reform, which even surpasses the amount of relevant articles in the 3 months before the election of 1998. The biggest actor group emerging is clearly the SPD with 25 mentions, followed by the CDU/CSU with 19 mentions, “experts” with 8 mentions and the Green party as well as labour unions with 7 mentions respectively. Like in the election of 1998, the biggest government party (SPD) has the most mentions. What has changed is the decreasing coverage about “experts”, as well as a (slightly) increased importance of labour unions in the discourse. Comparing this period and the period before the elections of 1998, not much has changed in the public media coverage about pension reform. Advocates of structural change and privatization are still the main opinion leaders, without any significant counter-discourse. Other reform options have further lost relevance in the public debate. However, the pro-privatization advocates have mostly split in two competing camps. On the one side are the defenders of the government’s reform package, on the other side mostly supporters of the opposition (FDP and CSU/CDU, but not PDS) which picture the reform as not going far enough, therefore advocating more drastic cutbacks and privatization.

Like in the election period, cognitive strategies could be observed as the mostly used ones. Comparatively seen, deliberate de-thematization clearly gained importance and was observed in 17 cases, and was mostly used by the radical privatization supporters. Apart from already described attempts of de-thematization showed in earlier chapters, more radical discursive entrepreneurs leaning towards the opposition parties are for example discrediting the pension forecasts of the government as too optimistic and demanding even more radical reforms.

The benefits of the public pension pillar are insufficiently retrenched; the tendency of rising contributions remains. At the same time, it gets more difficult to communicate the importance of supplementary private pension provision to the citizens. A strong incentive is dropped, only subsidization remains. One can guess that the subsidy pot has to become more and more generous over the years. (FAZ, 29.12.2000)

As visible, such statements are also often linked to a liberal critique on the concept of subsidization. This way of argumentation does not only provide the opposition a tool to delineate themselves from the government and delegitimizing the governments’ policies without sacrificing their own political goals (privatization and capital-funding), but also pave the way for further reform. However, this is also one form of deconstruction as the discursive entrepreneurs also show elements which are usually left out of the picture by government advocates, namely the costs of subsidization. Additionally, they can picture the current coalition as being “dishonest”, again referring to the picture of a lying politician who is not telling the population the (uncomfortable) truth, therefore discrediting their political opponents and their reform:

It was honest to mention the necessity of private pension provision. It was dishonest to promise a replacement rate of 67 percent of net wages. It was dishonest announce a 22 percent cap for pension contributions. (Bild 27.1.2001)

Therefore, such attempts do not only have a cognitive side, but also try to take up normative ideological repertoires like honesty in order to picture privatization as not only rational, but also the right thing to do<sup>13</sup>. On the other hand, government advocates did not make use of de-thematization strategies substantially, with only 4 of the 17 cases originating from this camp. However, they somehow tried to boost their legislation through positively emphasizing the (in the eyes of the opposition) too low cutback, therefore trying to reframe them as one of the positive aspects of the reform:

The reduction of the replacement rate to 67 instead of 64 percent “should not make a difference for the creation of the capital-funded pension provision”, so the minister expects. Of course would the incentives be stronger in the face of a darker future. But the replacement rate, a not so unproblematic benchmark, should not be strained. (FAZ, 29.12.2000)

Scientific objectification was identified 10 times, which happens only through seemingly neutral international comparison here. Advocates of more radical reform use such international comparison to discredit the new implementation channel in occupational pensions, pension funds (*Pensionsfonds*), as too strictly regulated, through comparing it to allegedly successful and far more liberal legislation in other countries:

It is good that the government has taken up on the issue of pension funds. But they do it to hectically, and they construct something which has nothing to do with the successful models from America or the Netherlands. (FAZ, 24.1.2001)

Such statements are often presented as neutral observations, however, they are subjective first and foremost in the ways in which they withhold information and make certain assumptions (“selective communication” and “black boxing”). Possible advantages of the planned German legislation like increased shareholder security are often not even considered, as well as possible downsides of foreign legislation. Furthermore, international success stories are ‘cherry picked’ and presented as a universal strategy suitable for every country – including Germany. That a different institutional context may be responsible for the success of such deregulated pension funds in liberal market economies, like outlined in the varieties of capitalism literature (cf. chapter 3.2), is not considered.

Dramatization clearly lost importance and is only present with 7 occurrences in the data, with arguments which are largely consistent with those in the election period. Selective communication is also of less importance, with 6 identified occurrences in the data. However, there a few interesting new arguments visible in those strategies. One concerns the split of contributions between employers and employees.

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<sup>13</sup> However, for the purpose of including those strategies in quantitative statistics, they are considered as knowledge market closure and therefore cognitive discursive strategies in this paper.

Even in the case that 200 000 people immigrate in the near future, it will take by far higher contributions than today to finance the money necessary for pension provision. In principle, it does not matter if that happens through contributions or taxes or through both. Some think, that the employers should pay more. However, those people forget that everybody is also paying for the employers' contributions, which are costs for them, through the prices for goods and services. The only thing that really helps is thrift. (FAZ, 6.1.2001)

This would suggest that a lower contribution rate would automatically lead to lower prices. Unmentioned remains the underlying assumption of totally flexible prices. However, even contemporary academic studies which advocate a reduction of nonwage labour costs like a study by Walterskirchen et al. (2000) mention that prices are relatively sticky concerning a downward adjustment, and that a full price adjustment is unlikely.

Also the so called dependency ratio is now explicitly subject to debate, while demographic change was earlier only more abstractly depicted as a threat without reference to such an academic concept.

During the last 30 years, the so called old-age dependency ratio, which is the relationship between the generation in retirement age to the generations in working age, remained roughly the same, but in the coming 50 years a constant increase of this ratio up to two-times of its current value has to be expected. Only if a larger part of those in retirement age remains in employment, the problems of the public pension pillar can be reduced at least to some degree. (FAZ, 29.12.2000)

With this statement, the author has allegedly proven the unsustainability of the public pension system based on more or less objective and neutral facts. He then later emphasizes the need for private pension provision and cutbacks:

The long-term goal of a reform of the German pension system should include the creation of basic security [at old age] for everyone in employment - or even better, for the whole population (like in Switzerland) - supplemented by employment specific, occupational or individual private forms of pension provision on the basis of a public regulatory framework. (Faz, 29.12.2000)

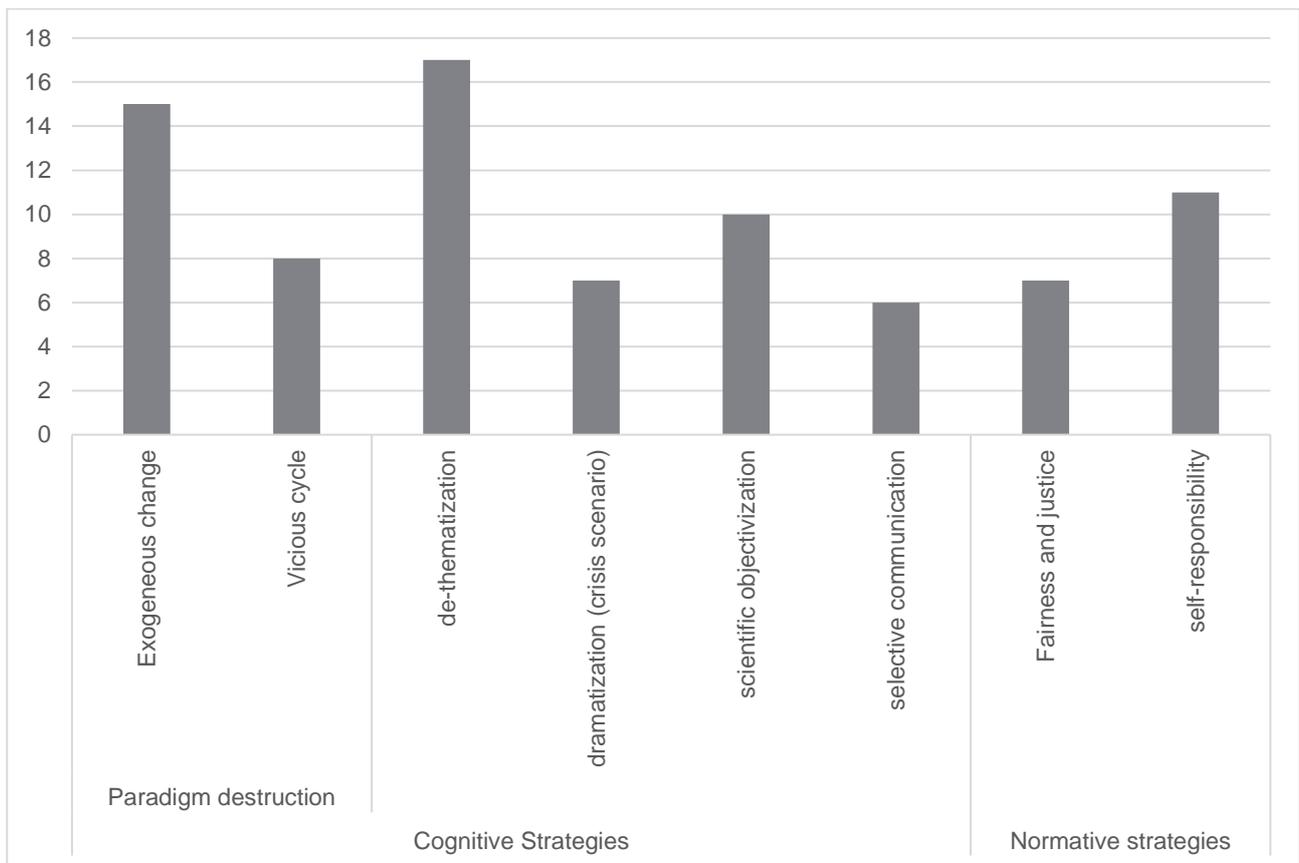
The technical explanation of the dependency ratio is true: the demographic old-age dependency ratio usually divides the number of people with an age of 65 or higher by the number of people from 15 to 64. The higher the ratio, the more people are over the age of 65 relative to those under this age. However, its interpretation is incomplete and selective, as the demographic dependency ratio is not suitable to analyse the sustainability of pension systems. Conclusions derived from the demographic dependency ratio may be biased by presupposing that certain cohorts and therefore age groups automatically engage in several normatively accepted and socially obligatory activities. For example, people may tend to think that all individuals between the age of 15 and 64 work and are therefore in employment, while every person of age 65 and over is thought to be in retirement. Dannefer (2001) emphasizes such ascribed characteristics of age, as our definition of an adult or an elderly also come with expectations of capabilities and obligations of those people. However, those normative age-graded roles are not consistent with reality and furthermore assume hypothetical economic situations like full employment. This becomes especially problematic if we

want to derive the financial sustainability of the welfare state (and in particular the pension system) from the demographic dependency ratio, as the government budget and the social security system is usually financed by contributions of the *working* population, and not by *all* people between the age of 15 and 64. Authors like Türk and Wöss (2011) or Eurofound (2012: 21) therefore argue that the concept of the demographic dependency ratio is inadequate for comparing the working population to the non-working population and cannot capture the sustainability of the welfare state as it (per definition) only refers to the population out of working age relative to people in working age. It totally neglects that there are many people in the working age who are currently not working (and receive unemployment benefits) as well as people over the age of 65 who still work (and pay contributions). Consequently, the demographic dependency ratio allows no comprehensive analysis of the future costs of pension systems nor the welfare state in general. Alternative indicators like the economic dependency ratio which are not using age groups but are rather separating analytical categories according to economic status usually show much more optimistic scenarios concerning the future of public pension systems (Wöss/Türk 2011, Wöss/Türk 2014).

Finally, the wording in the analysed newspapers is quite misleading concerning the nature of the implemented private pension provision, also resulting in selective communication. Often, an increase of the private pension provision is simply presumed without acknowledging the possibility that many individuals, especially with low income, may not even make use of the private pension pillars, therefore possibly creating old-age poverty. While this possibility is usually totally omitted from the debate, certain sentences may create the misleading image of a quasi-mandatory private pension provision. For example, at the day of the reform, the Bild wrote: "Today, the parliament will decide on the pension reform. Most important aspect: in the future, we also have to save privately for retirement" (Bild, 26.1.2001). The day after, they state: "The contribution rate [for private pensions] should increase from 1 percent of gross wages (2001) to 4 percent of gross wages (2008)" (Bild 27.1.2001). Also a month before, the Bild argued "The government wants to commit us to use private pension provision" (Bild, 29.12.2000).

Paradigm destruction remains important, with overall 23 occurrences, from which 15 refer to exogenous change (demographic aging) and 8 construct a vicious cycle (mostly referring to too high pension contributions). Generally, the arguments used do not differ from those in the election period. However, what is also visible here is the accusation that government reforms will not be able to decrease the height of contributions to the extent the government promised, again emphasizing that the reform would be not radical enough: "In the face of the expected demographic developments, a permanent reduction of the burden of pension contributions appears to be surreal if the replacement rate is only reduced to 68 percent" (FAZ, 16.1.2001).

Figure 5: Mostly used discursive strategies in favour of privatization and capital-funding in Germany in early 2001 (1 month)



*Normative strategies* are still used with overall 27 observations, but are broadly split between different ideological repertoires. Mostly used is still the repertoire of “self-responsibility” (and therefore also anti-paternalism, 11 occurrences), but mainly from the camp of radical privatizers, which picture the planned regulation for private pensions as too strict: “[Former economic secretary of state Johann Eekhoff] suspects that the ‘enormous bureaucratic control apparatus’ only exists for constraining the citizens' choices concerning private pension provision” (FAZ, 20.1.2001). Much like the public pension system in the period of election, the planned reform towards privatization is now pictured as paternalistic, and therefore not only inefficient but morally wrong: “The attempts for creating capital-funded private pensions are insufficient. Too tight regulation is patronizing the citizen” (FAZ, 22.1.2001). Consequently, those discursive actors use the same strategy for demanding further privatization and more radical reform as they did before in delegitimizing public pensions. Interestingly, such accusations are again often connected to some sort of welfare-annihilating and overly bureaucratic leviathan state.

“Fairness and justice” is also often used in early 2001 (7 occurrences), mostly in the sense of “generational justice”. Both government as well as opposition advocates try to make use of this repertoire.

The pension reform must be and will be introduced in 2001. The reform will distribute the burden of an aging society equally on old and young. That is just. Pensions will rise after a modified gross wage adjustment around the same amount as income, from the 1<sup>st</sup> of July 2001 presumably by 2.1 percent in east and west. I pledge to all those politically responsible to reach a broad consensus concerning this pension reform. It increases trust in the pension system. (Bild, 27.12.2000)

The understanding of the concept of generational justice is connected to several aspects and underwent severe change since the end of WW2, as Brettschneider (2009) outlined. Due to the rather low importance of this ideological repertoire in the observed media, attention will be focused here on two aspects, which appear to be of direct relevance with respect to the analysed articles. First of all, generational justice is here used by a discursive entrepreneur in order to justify cutbacks of the public pension system. Lower contributions and subsequently pension cuts for the current generation of pensioners, so the argument goes, would release the burden of demographic aging from the younger generation. The interests of the younger generation are only constituted as paying the lowest possible contributions to the pension system. However, what is completely neglected here is that current contributors will also be retired one day and will be also negatively affected by the cutbacks imposed to the pension system today, like Ebert (2005: 23) outlines.

Second, the usage of generational justice here drastically overemphasizes the role of public pension systems for intergenerational economic transfers (ib.: 21f.), therefore redistribution from the young to the old generation and subsequently neglects transfers from old to young (nurturing, education, infrastructure, heritages). This leads to the shallow conclusion that the pension system is the sole mechanisms of generational justice and would therefore have to be drastically adjusted for the benefits of the young generation in the face of demographic change. A more sophisticated discussion on generational justice, especially concerning its different understandings is provided for example in Ebert (2005) or Leisering (2000). Those authors tackle the issue of generational justice as justice and equality between simultaneously living age groups (old and young) versus justice and equality between age cohorts and therefore justice and equality between their individual rates of return in the pension system. The latter understanding gained dominance in in the late 1990s and was used to justify lower contributions and/or benefits.

Same as in the election period, a consistent discursive struggle against the paradigm of privatization and capital-funding is not visible in the period before the early 2001 reform, which does not come as a surprise considering that traditionalist Norbert Blüm dropped out as minister of labour after the elections of 1998. Cognitive strategies are visible only in attempts which curb the enthusiasm for capital-funding and privatization a little bit, without clearly arguing against it: “I recommend only using products which are under strong public regulations, and not letting oneself be blinded by promises for enormous rates of return” (FAZ, 2.1.2001). Overall, only 10 attempts of using cognitive strategies could be identified, including such strategies which do not clearly argue against reform. The only organized actor sceptical of privatization and capital-funding in the public

discourse are the PDS and the labour unions, mostly arguing through normative strategies. However, not much space is given to such statements in the media coverage, resulting in only sketchy statements. For example, both PDS and IG Metal declare that the pension reform would be unsocial (FAZ, 30.12.2000, 2.1.2001).

Concerning this question, they [the party] would have another opinion as the coalition partner SPD in the federal state government, so the PDS' federal group chairman Gramkow said in Schwerin on Monday. She articulated the fear that the reform will lead to the withdrawal of employers from solidaristic pension provision. (FAZ, 23.1.2001)

As visible above, the PDS goes one step further. Not only is the reform itself declared as unsocial, but it is displayed as a threat to the principles of the current pension system itself ("solidarity"). Furthermore, they try to construct a class struggle in the reform legislation, with the capital side (the employer) ultimately prevailing if the reform passes. However, much like in the cognitive ideological repertoires mentioned above, the positions of labour unions are generally, at least in the public media coverage, not clearly directed against capital-funding and privatization, but rather address the split of contributions between employees and employers (FAZ, 25.1.2001). On overall 6 occurrences, such normative strategies were used.

Similar are also attempts by opposition parties to attack the reform because of other aspects of the reform which are generally not connected to pension privatization and capital-funding. One of those aspects of the discourse is again a discussion about *Aufkindern* and *Abkindern* (7 occurrences), which may be seen a form of alternative financing and was already discussed in the last chapter. A similar position has the discussion about a retrenchment of early retirement legislation, which may also be seen as a form of alternative financing with overall 6 occurrences. However, such discussions are usually not depicted as an alternative to the reform by the discursive entrepreneurs, but as a necessary supplement:

The introduction of a supplementary private pension provision, which is subsidized or tax exempt, was called a quantum leap forward by [SPD general secretary] Müntefering. Müntefering advocated for prolonging the lifetime spend in work, otherwise the pension system would face financial problems soon again. (FAZ, 8.1.2001)

The picture of a "lying politician", presenting the governments reform as dishonest, was also observed a couple of times in articles which do not show a specific positive or negative orientation towards privatization and capital funding (9 occurrences). Another huge topic was subsidization of property ownership within private pension provision (17 occurrences), which mainly split the privatization supporters again in two camps. However, a further elaboration of this discourse strand will be omitted here as it appears to be of rather low relevance in answering the research question of this paper.

All those debates elaborated in the last paragraph generally do not attack the paradigm of privatization and capital funding. This does not mean that there was an overall political consensus for the specific reform of the government, as opposition politicians had multiple reasons for voting

against it, including critique on minor details which helped those parties to delineate themselves from their political competition. However, the general direction of reform (towards capital funding and privatization) was unquestioned in the public discourse, even if the reform itself was criticized by the opposition for abovementioned reasons.

### 5.1.3. Mid 2001: Passing the Bundesrat

The second part of the pension reform (*Altersvermögensgesetz, AVmG*), which additionally necessitated a majority in the *Bundesrat*, was approved on the 11<sup>th</sup> of May. Again, one month before (and 1 day after) this date will be analysed. Overall, after a keyword search and the subsequent selection process, 70 articles were gathered and constitute the data to be analysed for this period, which is (compared to the election period) again substantial<sup>14</sup>. The biggest actor group emerging is clearly again the SPD with 24 mentions, followed by the CDU/CSU with 15 mentions and the Green party with 10 mentions. Small opposition parties gained relevance again, which might be connected to government participation in several federal states, making them important partners for getting the reform through the second chamber (Bundesrat). Therefore, the FDP is mentioned 9 times and the PDS 9 times. Experts appear in 7 articles.

In this month before the final approval of the reform in the Bundesrat, this struggle on minor details relatively unconnected to privatization and capital-funding becomes increasingly dominant in public media coverage. Discussion about the main principles of the reform, namely capital-funding and privatization, has become a secondary in the discourse. In the election period and in early 2001, privatization and capital-funding were seen as dominant and there were clear attempts visible to frame them as not only necessary, but also the right thing to do. Now those topics have lost relevance, and other details of the reform are highlighted and increasingly questioned by the opposition, which will be discussed in the end of this chapter. First, the remaining cognitive and normative strategies for framing private and capital-funded pensions in this time period will be outlined.

Selective communication is the mostly used cognitive strategy in this period (11 occurrences). New here is the framing of the height of contributions as not only a problem for employment and economic stability, but also for the employee because of the relatively unimaginative claim that the contributions would eat up a too large proportion of the wage. The fact that individuals will have to spend an increasing proportion of their wage for private pension provision in order to compensate pension cuts is not mentioned by any party present in the public discourse. Such strategies reduce the complexity of paradigm destruction strategies usually used to present the need for low

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<sup>14</sup> It was searched for articles containing one of the following keywords: Pensionssystem, Rentenreform, Rentenversicherung, Altersversorgung, Altersvorsorge, Alterssicherung, Rentenniveau, Betriebsrente, Riesterrente, Riester-Rente, "Riester Rente", "Eichel Rente", Entgeldumwandlung, "Eichel-Rente", "Durchführungsweg", "Tarifvorbehalt", Zusatzrente, Rentenpolitik.

contributions in a much more graspable way, highlighting allegedly positive effects for the majority of the population.

All pensioners are winners [of this reform], as they get exclusively higher benefits, so Schröder said. The working population is also a winner because their contributions to the pension system are stabilized. Schröder explicitly praised his minister of labour. Against resistance, Riestler would have introduced a “large-scale reform”. (FAZ, 12.5.2001).

Relatively often used is also de-thematization (10 occurrences), where we can observe an increasing will of government proponents to frame the reform in a generous and positive light, playing down cutbacks and delegitimizing any attack based on too low pension benefits, as can also be seen in the quote above. Of course, such claims depend on a lot of different (unstated) factors like interest rates (cf. chapter 5.1.1) – however, the opposition usually uses other means of attacking the reform which do not criticize capital-funding on its principles, like alleging the government to use unrealistic assumptions about immigration or demographic change. Also interesting is media coverage about the PDS, as it was the only party which fundamentally rejected capital-funding and privatization. In this observed period, the PDS is relatively often mentioned in the media in connection to the pension reform, now with even 7 articles. It is stunning that in none of those articles, the reasons of the PDS’ rejection of the pension reform is mentioned. Only one article at least mentions those reasons implicitly.

In the last days before the ballot concerning the last part of the pension reform, the PDS so openly and repeatedly articulated their refusal; one could have guessed that they want to get over the fear of being persuaded otherwise at the very last minute in the Bundesrat. The PDS justifies its rejection of the reforms through arguments concerning the content of the reform, but the reasons also have to be sought inside the PDS. (FAZ, 11.5.2001)

Consequently, none of the arguments concerning the content of the reform are mentioned, while the rejection of the reform is depicted solely as a matter of party politics. Therefore, this can be seen as a type of deliberate de-thematization, somehow also delegitimizing the PDS’ rejection of the reform. Dramatization (4 occurrences) as well as scientific objectification (6 occurrences) does not differ much from the attempts already used in the two observed periods earlier and is relatively unimportant in this period. The same holds for paradigm destruction, with 5 observed attempts referring to vicious cycles and 4 attempts referring to exogenous change.

Normative strategies remain important, with overall 21 attempts. Again, the ideological repertoire of “fairness and justice” is used most often (9 occurrences), but besides generational justice, another aspect is now introduced, namely distributional justice. The old public pension system is framed as unsocial und unjust through the argumentation that only rich people could afford private pensions in such a system. In contrast, a subsidization of private pensions as in the new system would allow also poorer people to make use of private pension provision.

The transition from a pure pay-as-you-go system towards a mixture of public and private pension provision was urgently required to break the eternal cycle of increasing contributions and decreasing benefits. The public subsidy now gives everybody the chance

to make use of interest rate effects, also small-wage earners. Therefore, with help of the tax-payer, everybody now has a chance to plan a save and affordable pension provision, which roughly corresponds to the benefit level of a current pensioner. (FAZ, 12.5.2001).

Other statements also refer to such an argumentation, therefore being especially directed at critique from the left, which is visible in other statements like "It would be an afterwit if of all parties the PDS would prevent support for the weak [through private pension subsidization]" (FAZ, 8.5.2001). Fair and just is here what gives everybody the same chances and equal opportunities (equality), and not what leads to equal results (equity). That especially persons will lower income are unlikely to make use of private pensions due to their voluntary nature, which leads to substantial coverage gaps (Schmähl 2007, Meyer 2015: 189), is completely neglected here. A subsidization may lead to marginally higher private pension coverage for those with lower income, but full coverage is even more unlikely than for those with higher income, and together with the public cutbacks, an overall lower benefit level has to be expected for this income group. Self-responsibility is the second most used ideological repertoire, occurring 8 times in the data.

Like already mentioned in the beginning of this chapter, other details besides capital-funding and privatization are now in the centre of public discussion about the pension reform. Besides topics already present in the previous two periods like *Auf-* and *Abkindern* (9 occurrences) and the subsidization of property ownership (19 occurrences), discussions about widow pensions are now increasingly covered in the media (11 occurrences). Changes in widow pensions are harshly criticized especially by the CDU/CSU, however such critique does not address privatization or capital-funding, therefore a further discussion of this topic will be omitted here. Nearly no opposition to the principle of capital-funding and privatization is visible in this period, with only 7 cognitive and 3 normative strategies used. Such strategies again do not attack privatization and capital-funding directly but rather curb the enthusiasm for the reform ("customers [of private pensions] will be faced by quite demanding decisions", FAZ, 25.4.2001) or highlight the cutbacks ("Pensioners, that becomes more and more clear, are amongst the losers of the red-green reforms", Bild, 17.4.2001).

## 5.2. Austria

### 5.2.1. The 1999 elections

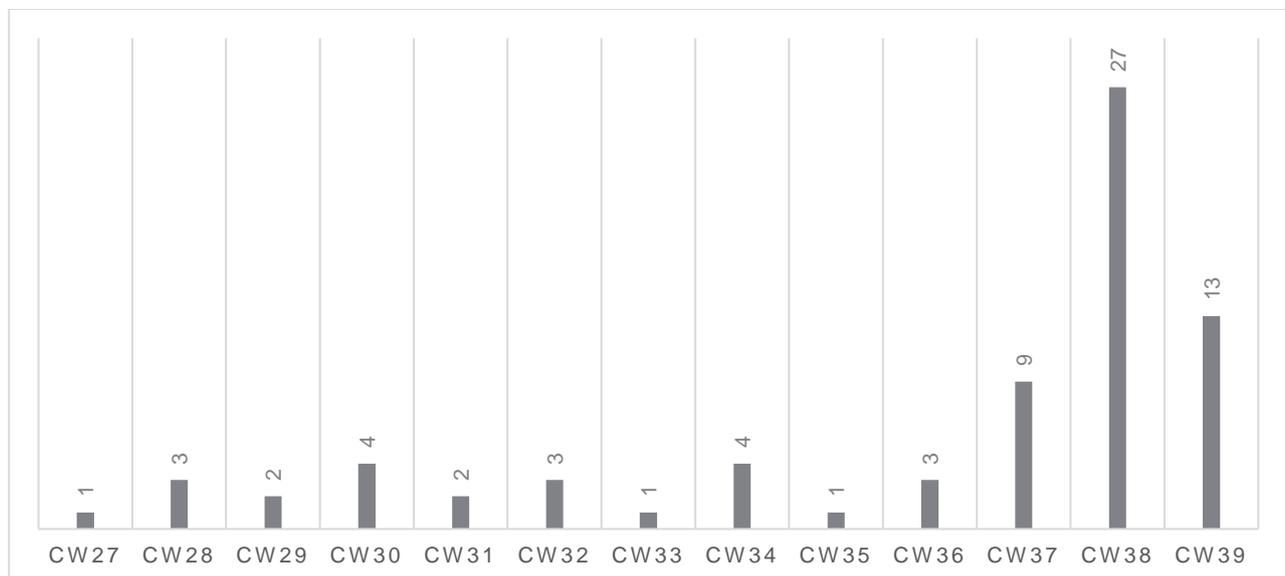
Like in the case of Germany, 3 months before the elections (and 1 day after) were analysed in Austria. The selection process for choosing relevant articles reduces the overall number of articles to be gathered to 71 and constitutes the data to be analysed for this period<sup>15</sup>. In contrast to the

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<sup>15</sup> The search has been conducted for articles containing one of the following keywords: Alterssicherung, Pensionsreform, Pensionsversicherung, Altersvorsorge, "prämienbegünstigte Zukunftsvorsorge", "prämienbegünstigte Pensionsvorsorge", Pensionsystem, Pensionsvorsorge, Zukunftsvorsorge, Pensionskassen, Betriebspensionen, Abfertigung, Pensionsniveau. Adding additional search instruments for filtering articles with at least two occurrences of

discussion in Germany, the Austrian pension system was initially only a very minor part of the public discussion in the forefront of the elections in 1999. However, the discussion started to heat up around 3 weeks before the election, as can be seen in Figure 6. There are 3 main actors, rather groups of actors, in the discussion about pension reform in Austria. The first group is called “experts” and includes all actors which are depicted as experts by the media. The most significant individuals within that group were the two economists Bert Rürup and Erich Streissler, both in favour of privatization. Statements or references to the group of experts are given in 31 of the relevant articles, making it the biggest of all actor groups. The second group of actors is the social-democratic party of Austria (SPÖ) and their associated organizations (mainly the association of social democratic retirees), being present in 24 of all relevant articles and holding a clearly pro-public position with regard to the pension system. This order of actors holds for both *Kronen-Zeitung* and *Die Presse*, which is insofar surprising as *Die Presse* is generally regarded to have a more conservative editorial policy. The Christian-democratic ÖVP follows rather distantly with 16 references or statements in the media. The right-wing FPÖ is present with only 8 articles. Both of those latter parties lacked a clear position on pension policy. Other actor groups include the social partners (chamber of labour, the economic chamber, the labour union federation), the green party and the liberal party (LIF). Those actor groups are only present with a maximum of 5 statements or references in the data.

Figure 6: Number of relevant articles according to calendar weeks before the election in Austria



Note: Search conducted in APA online manager library in the sources *Die Presse* and *Kronen-Zeitung*. Own depiction.

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the word “Pension“ increase the number of articles in the keyword search but only marginally increase the number of relevant articles.

### 5.2.1.1. Pro privatization: Attempts for discursive change

The hegemonic discourse about the pension system in the elections of 1999 was initially still shaped by the importance of the state as a provider for old age provision. However, there were indeed attempts to reframe discourse about pension policy in the direction of privatization and to a lesser extent also capital funding (especially in the *Kronen-Zeitung*). The most dominant actor group trying to establish such a discursive struggle was clearly the group of “experts” and journalists from the newspapers themselves. The parties of the future right-wing government only partially made statements which can be regarded as challenging the hegemonic discourse, often even supported it.

The most important strategies to challenge the hegemonic discourse were clearly of cognitive nature, and therefore *cognitive discursive strategies*. 73 statements or references given in the relevant articles could be identified as cognitive discursive strategies. This then often happens through dramatization or scientific objectification. Dramatization was identified 29 times in the data and was mostly applied through using especially captivating phrases<sup>16</sup>.

The structure of public pensions is currently in fundamental change. As widely known, the welfare state budget drifts continuously towards unaffordability: Constantly increasing contributions face constantly decreasing benefits. The system is currently like a bottomless pit. (Die Presse, 21.9.1999).

Like in the article quoted above, this happens often as an introduction, sometimes also a small parenthesis in the article, and the message is emphasized through frequent repetition in other articles (“staying on message”, cf. Brettschneider 2009). A more complex technique of dramatization is carefully creating an emergency atmosphere, a crisis which has to be urgently countered. Of course, such an atmosphere of urgency is relatively hard to communicate in an abstract field like pension policy. Austrian discursive entrepreneurs found a way to do so via depicting the demographic aging process not only as a challenge for the pension system but also as a challenge for the functioning of a democracy. Through lining out that through increased life expectancy and reduced fertility, retirees will soon be the majority of the population, the entrepreneurs are able to create an atmosphere of immediate urgency – “soon it will be too late”, so to say. This of course relies on the assumptions that retirees or soon-to-be retirees will never accept pension cuts and act strictly according to their own interests – and that politicians will bow to this pressure. What also happens through such a strategy is the creation of a bogeyman vis-à-vis the youth. This is quite evident in the media, often blaming the youth to be inactive and therefore irresponsible for not demanding lower contributions.

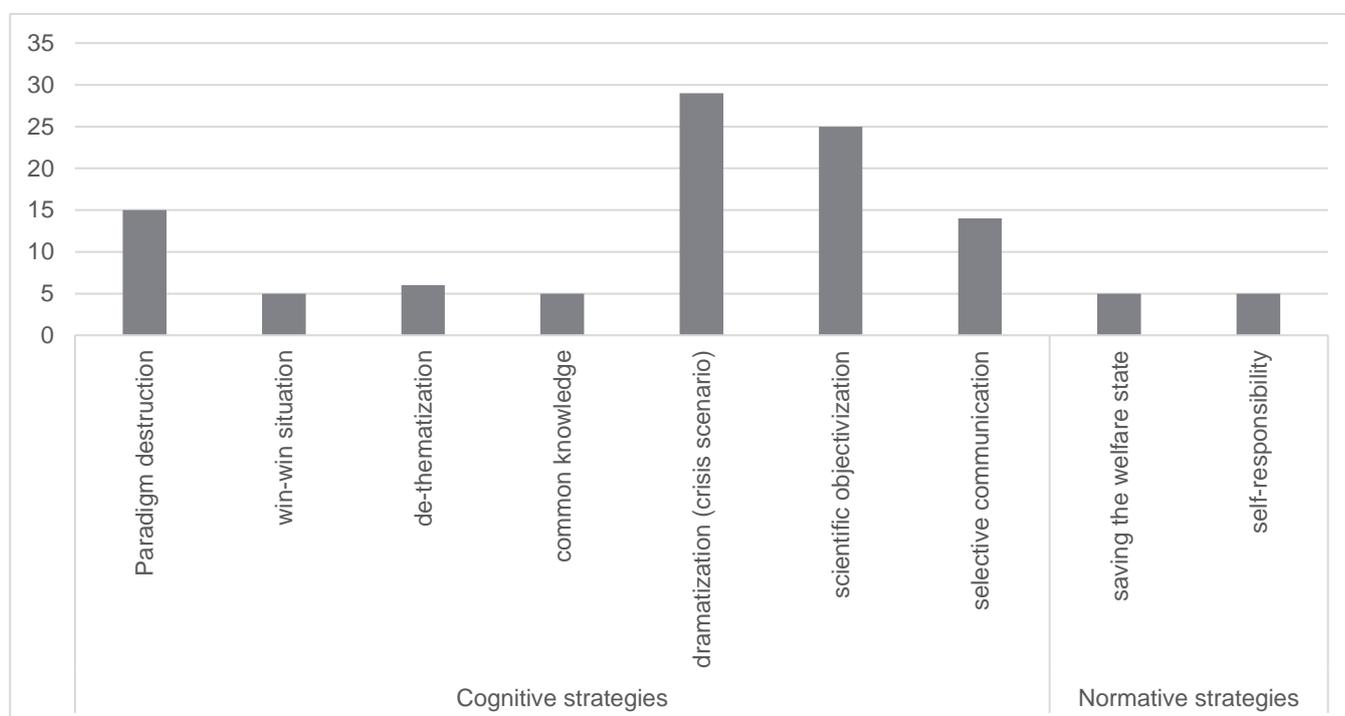
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<sup>16</sup> Other used wordings are for example exploding budgets (Die Presse, 28.7.1999), reform deadlocks (Die Presse, 16.8.1999), approaching hard times (Die Presse, 17.9.1999), all-time highs (concerning expenses, Die Presse, 18.9.1999), abysmal pension gaps (Die Presse, 21.9.1999), shadows of our social achievements (Die Presse, 21.9.1999)

Despite Viktor Klima juggling with multi-billion Schilling numbers after his rapid recovery [from illness], there remains the clear and irrefutable dictum of experts: First, Austria's pension system is the most expensive and least financeable pension system of the world. Second, the longer we wait, the more brutal it will have to get. Thinking just about this time period, many pensioners do not act irrational when demanding promises from the parties. Unreasonable is only the young and middle generation, because they put up with everything: This guarantee is given on their costs. For them, there will be only a ridiculous subsidy of 482 Schilling for building up private pensions. (Die Presse, 27.9.1999)

Such a blaming and shaming of the young generation happens in order to form a coalition between self-proclaimed social policy "modernizers" and the youth. Not "reacting" is equalized with being irrational, cutbacks and privatization are presented as the only reasonable alternative. Such attempts to activate the youth can be seen in 6 articles, with 1 of them being in the *Kronen-Zeitung* (25.9.1999).

Figure 7: Mostly used discursive strategies in favour of privatization in Austria



Another important strategy identified in the Austrian case is scientific objectification, over all being visible in 25 articles. The peak of relevant articles in calendar week 38 as seen in figure 6 mainly results from such attempts. Two events shaped this accumulation of articles which brought pension policy on the election agenda. The first one was a statement made by the German economist and advisor of both the German as well as the Austrian government Bert Rürup. As outlined earlier, Rürup also advised the Austrian SPÖ-ÖVP coalition on the pension reform of 1997. On the 21.9.1999 *Die Presse* published an article on Rürup under the title "Public pensions have to be cut" which triggered widespread reactions and dominated the public debate for the next 14 days until the election. Like outlined by Brettschneider (2009), scientific objectification is easily possible through seemingly neutral international comparison. This is also visible in the article about Rürup

(and the respective follow-ups in both newspapers). First, Austria's pension system is declared as the world's most expensive.

The Austrian pension system would be the world's most expensive, even more expensive than the Italian one, so Bernd Rürup, advisor of the German minister of labour and consultant of the Austrian social ministry, just before the most recent pension reform is introduced. At the St.Wolfgang talks, organized by the insurance industry, the expert only argued that the small reform has changed nothing about this assessment. (Die Presse, 21.9.1999).

Such statements are often presented as neutral observations, however, they are ideological first and foremost in the ways in which they withhold information and make certain assumptions ("selective communication" and "black boxing"). Pension expenditures are here implicitly defined as public pension expenditures. A pension system as a whole however can be organized as a mixture of private and public provision. The article is in favour of privatization, but private pension expenditures are not mentioned and not regarded as pension expenditures here, therefore depicting private pension systems simply as cheaper than public ones. However, scientific objectification does not have to be extensive or somehow sophisticated. A small statement like "so the experts say" may be enough to give the article a scientific touch and completely change its importance for the reader, which happens on 5 occurrences in the data.

Second in the article, Austria's pension system is also presented as comparatively very generous, which is identified as a problem due to demographic ageing. This is also a form of paradigm destruction (cf. Brettschneider 2009): the pension system is regarded as unable to cope to such exogenous change, bringing up a reason to change its organization dramatically. This was identified 13 times in the data. Another form of paradigm destruction which is not present in the Rürup article is referring to endogenous problems of the system, arguing that the system has always had (fundamental) errors. However, this was identified in only 2 articles. For example, an article in the *Kronen-Zeitung* basically argues that a system based on pay-as-you-go has to decrease its benefits per design (not further elaborating why), and that private pensions are therefore absolutely necessary (Kronen-Zeitung 25.9.1999). Other lines of argumentation are that a pay-as-you-go system would reduce the incentive to have children (referring to a demographic vicious cycle like seen in the German discourse) or that it is an area far too sensible to rely on the state (Die Presse 2.10.1999). The propagated solution (for both endogenous as well as exogenous challenges) is always the same: privatization. Again, the question why a partly private system may be able to cope better with such exogenous challenges or why it should be overall less expensive remains unanswered, as well as possible empirical evidence.

Like already mentioned, many follow-up articles were released on the statements by Rürup, even making it to *Die Krone*. All of them show ideal-typical elements scientific objectification, with countless descriptions of Rürup as an international pension expert. A couple of days later, Erich

Streissler, an economist at the University of Vienna, supported the arguments of Rürup and dramatized them even more.

The situation is far more serious than Rürup suggests. Austria – with around 15 percent of the gross national product – does not only have the most expensive pension system in the world. It has also promised its pensioners the world's highest increase of those gigantic benefits, and that to the disadvantage of the youth. In other words: Austria has the most unaffordable pension system in the World. That was found out currently by known world-expert Laurence Kotlikoff in the leading economic journal, the *American Economic Review*. (Die Presse, 25.9.1999).

He underpins this argument with additional international comparisons: not only would the Austrian system be the most expensive, but also the one with the highest rate of increase in expenses - to the disadvantage of the youth. And he still adds more seemingly scientific value to his statements by referring to the “leading” economic journal *American Economic Review* and “world expert” Laurence Kotlikoff. Financing the system in the future would necessitate cuts in social benefits by 60 percent or a tax increase by 20 percent, so he states later in the article. And he even goes so far to declare the Austrian pension system to be the most unsustainable one in the world. First, this is again a case of black boxing and selective communication, regarding the assumptions and methodology of the calculations of the journal article which remain unmentioned and to the limited policy options presented, which for example neglect other options like increased labour market participation. However, it is also a classic case of negative campaigning which also incorporates many untrue statements. Those are later deconstructed by certain reactions from the Chamber of Labour and the economic research institute Wifo (outlined in the next subchapter). For example, the quoted journal article is outdated and refers to data and pension policy of 1995 and does not incorporate the reform of 1997. But Streissler also uses quite simple and so to say primitive methods to underpin his statement, referring to common knowledge: “You can't spend more money than you have”. Apparently, sovereign debt was not part of the economic curriculum at the University of Vienna in 1999. As with Rürup, Streissler was frequently quoted until the election.

However, simultaneously with the Rürup article, another discussion emerged on occupational pensions in Austria. Those articles are released in the same issue of Die Presse as the Rürup article and may therefore profit from his dramatization and negative campaigning about the public pension system in Austria. Occupational pensions are framed as an advantage for all or a win-win situation, closing the pension gap for employees but binding them to their respective employer (Die Presse, 21.9.1999). Overall, such attempts were identified in 5 articles. Those strategies are mainly used by financial market actors who of course have an interest in externally organized occupational pensions. Also international comparison is popular in propagating occupational pensions, referring to Germany as a paragon of occupational pensions, while in Austria, only a privileged elite would be eligible. This is also interesting as in the German discourse of 2001, Germany was usually framed as a country with a comparatively underdeveloped occupational pension pillar. Ultimately, this discussion diverges from Rürup's statement (who favours mandatory

private pensions), as the present voluntary occupational pensions are depicted in a positive light – of course then, the respective part of Rürup’s statement remains unmentioned in such articles.

Finally, with 6 identified phrases in the data, deliberate de-thematization is another cognitive strategy. This is mostly applied to the idea to create the individual right to receive a pension, originally proposed by Karl Blecha, head of the association of social democratic retirees (Die Presse, 17.9.1999). This idea was taken up by Jörg Haider (FPÖ) who now suggested a constitutional guarantee for not cutting pensions (Die Presse, 24.9.1999). This idea was then quickly torn apart by various jurists because of Haider’s plans to abolish the upper ceiling of social insurance contributions. But the basic idea to grant a right to receive pensions was now delegitimized, which may have shifted the discussion away from such proposals. The SPÖ consequently did not take this idea up again in the media until the election.

*Normative discourse strategies* were less important in the elections of 1999. Only 14 cases of normative strategies were identified in the data. Relatively frequent is the attempt to justify the privatization of the pension system through the indirect claim that it would be the only way to sustain or strengthen the welfare state, hinting towards the model of three pillars which the ÖVP proposed during the elections.

Designated head of the Austrian economic chamber’s social policy department, Martin Gleitsmann, is in favour of further pension adjustments and an urgent pension reform. “Those in favour of the welfare state have to refine it”, so Gleitsmann said in a conversation with “Die Presse”. (Die Presse, 23.7.1999)

Another popular normative strategy was to transfer the ideological repertoire of personal responsibility into the pension system. Public pensions were framed as not trustworthy, in contrast to private pensions, which were nearly even depicted as some duty for those not being naive.

It is undemocratic when president Sallmutter states that nobody “needs” private pension provision. It is the right of enlightened citizens to not believe unreasonable politicians, but rather to provide from themselves. (Die Presse, 25.9.1999)

Attempts to create a new understanding of generational justice (2 occurrences) like Brettschneider (2009) proposed or attempts to frame private pensions in the light of equal treatment vis-à-vis public pensions (2 occurrences) were not relevant in the observed media.

#### **5.2.1.2. Contra privatization: Strong opposing discursive actors defending the hegemonic discourse**

Attempts to reframe discourse about pension policy resulted in discursive struggle with actors who defended the old hegemonic discourse. The main actor defending the hegemonic discourse was the social democratic party of Austria. Like among proponents of private pensions, *cognitive discourse strategies* are the most frequent ones.

Deliberate de-thematization strategies like outlined by Brettschneider (2009) are also often used by defendants of public pension systems (24 cases in the data). The strategy behind it is quite simple:

like dramatization strategies of proponents of private pensions, de-thematization strategies defending the hegemonic discourse rely on frequent repetition of simple statements (staying on message)<sup>17</sup>.

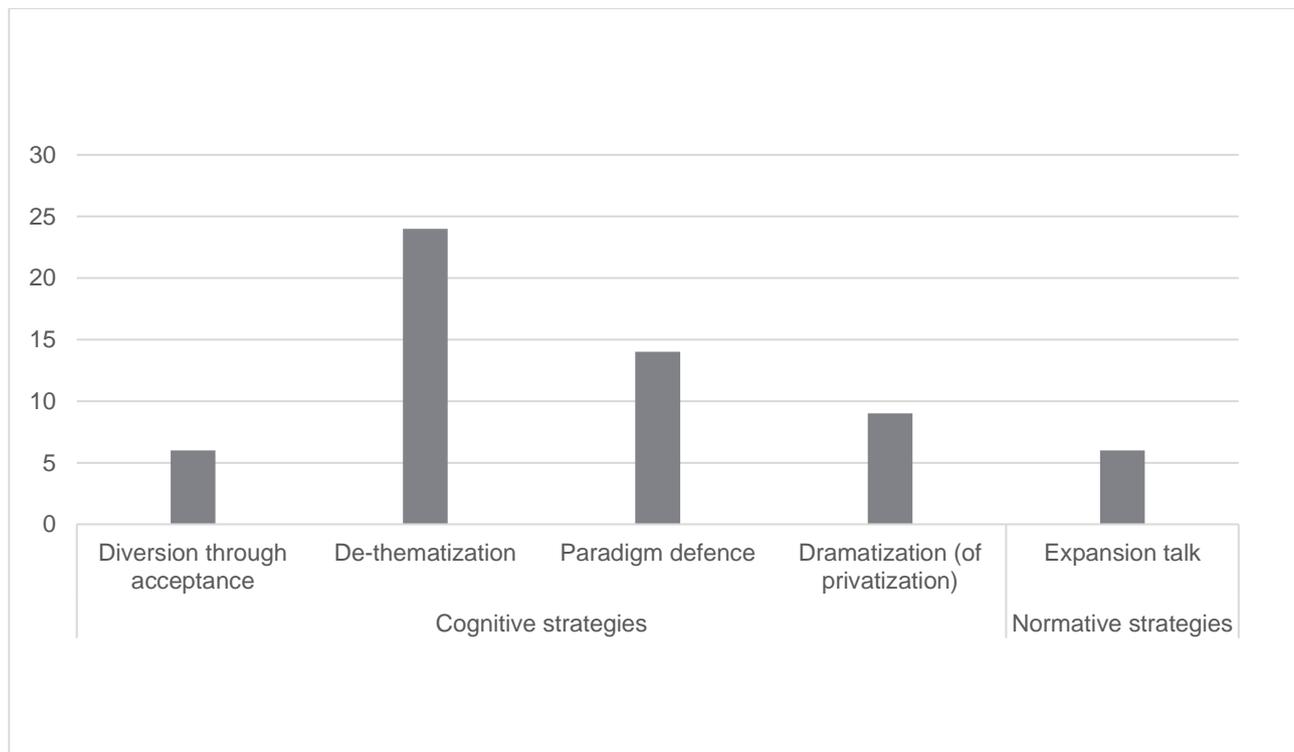
On Tuesday, head of the economic research institute (Wifo) Helmut Kramer has depicted a new pension reform after the elections on the 3<sup>rd</sup> of October as inevitable. Minister of social affairs Lore Hostasch disagrees. At a press conference on Friday, she said that “I absolutely see no necessity to undertake further wide-ranging reforms.” (Die Presse, 31.7.1999)

What is stunning in this regard is that many of those statements are also made by the ÖVP.

Questions concerning pensions play nearly no role in the current election campaigns. The coalition instantly has an explanation for that. “Because of the measures which have already been undertaken, for years to come, pensions are no budgetary problem anymore”, so the ÖVP spokesman for social affairs Gottfried Feurstein. (Die Presse, 18.9.1999)

Such statements come from the party which at the same time also officially promoted a reform towards a three-pillar pension system, therefore totally delegitimizing their pro-privatization and capital-funding strategies. Blecha (SPÖ) also referred to Austria as a “rich country” multiple times, which could afford a generous pension system (Die Presse, 18.9.1999), drawing the attention away from the atmosphere of crisis created by opposing discursive actors.

Figure 8: Mostly used discursive strategies against privatization in Austria



<sup>17</sup> Other examples are “fearmongering among pensioners” (Die Presse, 28.9.1999) and “unpredictability as the main principle of [oppositional pension] policy” (Kronen-Zeitung, 22.9.1999).

The second most popular strategy (identified 14 times in the data) is what I call paradigm defence - acting as some sort of counterpart to Brettschneider's (2009) paradigm destruction. Paradigm defence was applied 8 times through mentioning alternative means of financing for the pension system in order to withstand exogenous challenges like demographic ageing. Examples for such alternative are increased labour market participation (especially for women) (Kronen-Zeitung, 18.9.1999) or increased business taxation (Die Presse, 2.10.1999). However, this strategy can be a double-edged sword as it to some extent may delegitimize the previously mentioned statement that reform is not necessary. Nonetheless, it negates that privatization is necessary. Carefully crafted ways of paradigm defence which I call "deconstruction" were used 3 times in the data. Agnes Streissler, economist at the chamber of labour and daughter of the previously mentioned Erich Streissler, heavily attacked the arguments of her father in a follow-up article. She lists many of the implicit assumptions (black boxing) which her father has made and carefully explains them concerning the methodology of quoted studies applied as well as the data which those studies are based on (Die Presse, 29.9.1999). Alois Guger, chief economist of the Wifo (Die Presse, 2.10.1999) and Peter Merkl (Die Presse, 3.10.1999) also try to deconstruct such implicit assumptions.

Proponents of the hegemonic discourse also use dramatization or strategies of reducing trust in private pension provision, overall 9 times in the data.

In a discussion organized by the Federation of Industry, Schüssel has – not for the first time – proposed a comprehensive pension reform in the next legislature period. Public basic provision, private provision and occupational provision have to coexist with equal rights side-by-side. The SPÖ would "hysterically fight" against such a plan, so the vice chancellor. Consequently, the SPÖ's general secretary Andreas Rudas warned that such plans would lead to "dramatic pension cuts". (Die Presse, 16.9.1999)

This is also clearly visible in the wording of the actors. A three pillar model is also often directly associated with pension cuts in such strategies (Die Presse, 16.9.1999) – a statement which of course also rests on a certain set of implicit assumptions (black boxing) like voluntary provision, low contribution rates, low public participation, and therefore coverage gaps. An already proposed reform of the severance pay scheme towards pension provision is framed as an "elimination" of the severance pay scheme (Die Presse, 16.9.1999). An event which may also have had a negative effect on trust in private pensions and capital funding is the publicly circumvented bankruptcy of an occupational pension fund. This event triggered a series of follow-up articles, which depicted the bankruptcy as an outcome of its mismanaged transformation from pay-as-you-go to capital funding (Die Presse, 11.9.1999). Not only may have occupational pension funds therefore been delegitimized and presented as irresponsible and uncontrollable, but also was the difficulty of changing the mode of financing from pay-as-you-go towards capital funding highlighted.

Finally, a strategy which can be described as "diversion through acceptance" was identified 6 times in the data. It is another double-edged sword: the respective actor has to "acknowledge" the

importance of private pension provision. But this acknowledgment is also relativized, while the importance of public pension provision is highlighted. This on the one hand allows the actor to quickly bypass any opposite strategies emphasizing the necessity of pension privatization without appearing as irresponsible or ignorant while still granting the opportunity to highlight the importance of public pension schemes. A perfect example is an indirectly quoted statement by chancellor Viktor Klima (SPÖ) in reaction to Rürup's criticism.

Responding to Rürup's assessment that pensions will have to be cut, the chancellor argued in the TV-discussion that this would be "wrong". Of course, he added, are public pensions [only] going to suffice for insuring pension provision for people with average income. Occupational and individual private provision of course has to be used by people with higher income. (Die Presse, 27.9.1999)

Through to some extent accepting Rürup's statement (highlighting the relative importance of private provision in some cases), Klima is able to quickly surpass an "expert's" opinion and lay emphasis on the importance and well-functioning of public pension provision for the majority of the population.

10 *normative strategies* defending public pensions could be identified in the data. The mostly used normative strategy is to divert attention away from all the talk about unsustainability and cutbacks and to frame an expansion of the pension system as socially just. In other words, it is a normative way of deliberate de-thematization. One new ideological repertoire introduced in the pension discourse is gender justice, which is used both by the SPÖ as well as the ÖVP. Of course both parties had a fundamentally different understanding of what gender justice is about and which means are necessary to achieve it, but the main point here is that both strategies go hand in hand with an expansion of pension expenditures (Die Presse, 26.8.1999). Of course, such "expansion talk" makes a possible crisis situation appear less serious – why would *both* of the two most important parties of the country talk about expansion if we couldn't afford it? There were also attempts to create an ideological repertoire of generational solidarity, to link the interests of the elderly with the interests of the youth. Representatives of pensioners from both ÖVP and SPÖ emphasized the solidarity which the elderly show towards the youth ("childcare and voluntary work", Die Presse 12.7.1999) and therefore create an atmosphere of liability towards the elderly in which pension cutbacks seem unjust. In this light, pensioner representatives also demanded the inclusion of youth representatives in political decision making (Die Presse, 17.9.1999), therefore implicitly stating they are not the enemy. But the concept of solidarity was also used in another context. General director of Austria's main association of social insurance providers skilfully used the opportunity of a near bankrupt occupational pension fund in September 1999 to praise the "solidarity-based" pay-as-you-go system. An implicit comparison to private schemes is visible here – public solidarity versus private self-interest and irresponsibility which lead to bankruptcy (Die Presse, 18.9.1999).

### 5.2.2. The “pension gap” and the severance pay scheme of 2002: Discursive struggle settled

In Austria, a new severance pay scheme passed the parliament on the 12<sup>th</sup> of June 2002. Like outlined in detail in chapter 2.3.2, the scheme was now constructed as a mixture between a traditional severance pay scheme, where employee's get money in the case the employment contract is terminated, and an occupational pension. Employees could now choose to get a pay-out, or to leave the money in the newly created funds and use them as a supplementary pension later on. Like in Germany, one month before the reform passed parliament as well as one day after was analysed<sup>18</sup>. Ultimately, 43 articles were considered as relevant and were subject to this analysis. In contrast to the elections of 1999, the biggest actor group is now a political party, namely the ÖVP, with overall 19 mentions, directly followed by their coalition partner FPÖ with 18 mentions – which is interesting, as the ÖVP was the junior partner in this coalition. The SPÖ is mentioned only 10 times in this period, experts were identified 7 times. Especially interesting is the strong position of the social partners in the discourse of this period, as in contrast to many other laws of the ÖVP/FPÖ government, the adoption of the severance pay scheme was conducted in the tradition of Austrian neo-corporatism (social partnership). The “social partners” as a *group* were mentioned 5 times, the trade unions were mentioned 4 times, the economic chamber 3 times and the chamber of labour 2 times.

Compared to the time period before the German reform in early 2001, the new severance pay scheme did not produce heavy resonance in the media, which can also be seen in the comparatively low number of relevant articles. Generally seen, privatization and capital-funding were no longer on the table as policy alternatives in reforming the pension system. Only very few articles took up on the occupational pension part of the new severance pay scheme, mainly criticizing the government for not implementing a true occupational pension pillar, therefore having a positive attitude towards capital-funding and privatization (overall 3 articles):

The pension system cannot be saved with a contribution rate of 1.53 percent in the occupational pension pillar. [...] Austria is an underdeveloped country in private as well as occupational pensions. Not only is the contribution rate too low: also the possibility that employees can get a pay-out of their saved capital at the termination of the employment contract is not compatible with pension provision. (Die Presse, 15.5.2002)

Apart from those voices, the new severance pay scheme was generally considered as a success, but for its original role as a severance pay scheme, and not as a pillar of occupational pension provision like advertised by the government. Mostly normative strategies were used to promote the

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<sup>18</sup> Keyword search was conducted according to the following keywords: Pensionsreform, Pensionsversicherung, Altersvorsorge, "prämienbegünstigte Zukunftsvorsorge", "prämienbegünstigte Pensionsvorsorge", Pensionssystem, Pensionsvorsorge, Zukunftsvorsorge, Pensionskassen, Betriebspensionen, Abfertigung, Alterssicherung, Kapitaldeckung, Mitarbeitervorsorgekasse, „betriebliche Vorsorgekasse“, Mitarbeitervorsorgegesetz, Mitarbeitervorsorge, Mehssäulensystem.

scheme. As the new scheme covers all new employment contracts (in contrast to the old one), “equality” was the main ideological repertoire used. However, only 4 articles were found where this repertoire was used in connection to the pension system and the optional functionality of the severance pay scheme as an occupational pension pillar, like seen in the German discourse of 2001 (chapter 5.1.3): “The new severance pay scheme will bring cash or occupational pension to all 3.1 million employees” (Krone, 18.5.2002). Voices criticizing the new scheme were rare in the analysed media, mostly referring to unrealistic interest rate goals. This comes from actors which are sceptical towards capital-funding as well from minister for economic affairs Bartenstein (ÖVP), who makes tight regulation responsible for low interest rates, which would necessitate further deregulation of investment criteria of the newly introduced employee provision funds.

Nobody believes in reaching the six percent rate of return on which the reform is based. Even Bartenstein himself calls this number too high. And vaguely points towards a modernization of investment criteria in 'one or two years'." (Die Presse, 29.5.2002)

This argument frames financial regulation as responsible for low interest rates, ultimately hurting the employees as they get lower severance pay (or a lower pension). Additionally, regulation is depicted as outdated, in contrast to “modern” deregulation, delegitimizing state intervention. The fact that such higher interest rates would then be a result of riskier investments, possibly leading to a lower payoff in the end, is neglected here. So ultimately, talks about unrealistic interest rates can be interpreted for or against capital-funding and therefore the severance pay reform - unless further elaboration is given by the discursive actors. However, Bartenstein was the only one doing so in the analysed articles.

In the end, all parties agreed to the reform, which seems to be rated as a pension reform only secondarily by the public as well as the media. This framing is of course a double edged sword, for the opposition as well as the government. From the perspective of the government, this reform may have had the potential to act as a stepping stone, abolishing the pay-out option fully later on. However, this is only speculation and has never happened, even more than a decade after the reform. On the other hand, the low public conscience for the severance pay scheme as an occupational pension scheme may push a lower proportion of individuals towards actually making use of the pension option. The reform also gave the opposition the possibility to claim that they prevented further pension privatization. Those opposed to capital-funding and privatization did not comment the new severance pay scheme with regard to its pension provision aspects.

Generally seen, other policy alternatives apart from privatization and capital-funding were now seen as suited to solve the “pension problem”. Methods of dramatization (10 occurrences) are often used in this time period, not differing much from statements made in the time of elections. What changed are the consequently proposed policy alternatives, with a reform of early retirement legislation and an increase of the retirement age being the most prominent ideas mentioned, mentioned overall 9 times in the data, mostly by experts.

Since the 70s, life expectancy has increased by 4 years, people enter their jobs 3 years later and retire 5 years earlier. Key for a pension reform is the increase of the factual retirement age. If we manage to increase it by 5 years, pension problems are mostly solved. (Die Presse, 22.5.2002)

What is remarkable here, and differs starkly in contrast to the discourse in Germany (and partly also the election period in Austria), is that the increase of the retirement age is not only seen as a possible solution, but also as nearly sufficient to solve any financial problems of the pension system. This is not only a single opinion in the discourse, but seems to be widely accepted. Privatization and capital-funding was mentioned only 3 times as a possible policy alternative in the observed time period. It seems as between the election period of 1999 and this analysed period in 2002, the discursive struggle between those in favour and those in opposed to privatization and capital-funding was decided in favour of the latter.

### **5.2.3. Subsidized individual private saving plans (*Prämienbegünstigte Zukunftsvorsorge*): “Rescuing” the stock market in 2002**

The FPÖ/ÖVP government presented their attempt to create third pillar individual pensions on a very short notice on the 18<sup>th</sup> of September 2002 and the bill passed the parliament one day later as part of the thematically unrelated emergency compensation package for victims of the 2002 flooding. Therefore, it does not come as a surprise that public discussion in the forefront of the reform remained relatively limited. This can also be seen in the number of relevant articles one month before and one day after the reform: 23 relevant articles were identified<sup>19</sup>, which is substantially lower than in Germany’s reform periods as well as the reform period of the Austrian severance pay scheme. The mostly mentioned actor in this period is the FPÖ (9 mentions), followed by the ÖVP (8 mentions). The social partners are altogether mentioned 6 times (with the economic chamber being the mostly mentioned social partner with 3 mentions). Commercial financial market actors like banks are present in 5 occurrences, the SPÖ in 3 and “experts” in only 2 occurrences.

Up to and including the 18<sup>th</sup> of September, public discussion on pension reform remained very limited. Most articles commented on specific regulatory details of the severance pay scheme reform (which make up 5 of the 23 relevant articles). However, on a few occasions, discursive actors already mentioned the introduction of third pillar pensions.

In a mutual press-conference with the capital-market commissioner of the federal government, Richard Schenz, the president of the economic chamber Christoph Leitl was in

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<sup>19</sup> Keyword search was conducted according to the following keywords: Hochwasser-Hilfspaket, Hochwasserhilfe, Hochwasserpaket, "dritte Säule", Hochwasser-Hilfe, Pensionsreform, Pensionsversicherung, Altersvorsorge, "prämienbegünstigte Zukunftsvorsorge", "prämienbegünstigte Pensionsvorsorge", Pensionssystem, Pensionsvorsorge, Zukunftsvorsorge, Pensionskassen, Betriebspensionen, Abfertigung, Alterssicherung, Kapitaldeckung, Mitarbeitervorsorgekasse, „betriebliche Vorsorgekasse“, Mitarbeitervorsorgegesetz, Mitarbeitervorsorge, Mehssäulensystem, Hochwasserentschädigung, Konjunkturpaket, "private Vorsorge", Privatpension, prämienbegünstigt, prämiengefördert

favour of strengthening the Vienna Stock Exchange. The economic chamber wants to promote models which provide equity capital for businesses. Schenz was additionally in favour of some sort of tax exemption for stock market launches. Leitl and Schenz both consider the introduction of a private pension provision as a central element, where investment in stocks will provide liquidity to the Vienna Stock Exchange. Investment in domestic stocks could therefore be promoted by an Austria-fund. (Die Presse, 22.8.2002).

This statement already shows one of the main cognitive strategies used in framing the necessity of third pillar pensions, namely through depicting private pensions as a way to push Austrian financial markets (6 occurrences). Surprisingly, the analysed articles do not mention any positive effects of “developed” financial markets on economic growth or even the overall welfare of the population, nor does it further specify what the criteria for “developed” financial markets are. Developed financial markets are depicted as a desirable goal without going further into detail. The main justification is a simple comparison to other countries, where Austria would still have a “underdeveloped financial market” (Minister of Finance Karl-Heinz Grassler in Die Presse, 19.9.2002). The dominance of this strategy stands in stark contrast to any previous attempts to frame private pensions as necessary as well as the strategies analysed in the German discourse. The most important aspect is that the necessity of private pensions is not framed through referring to public pensions. Increased possibilities for supplementary private pensions are instead depicted as a “win-win situation”, as it would simultaneously push financial markets. The public system is not attacked here, nor is the private system depicted as being introduced to fill some sort of “pension gap”. The subsidy is rather framed as an additional benefit for the population. This can also be seen as individual private pensions are rather compared to traditional subsidized means of “saving” (*Bausparen*, 4 occurrences), but not necessarily pension provision.

Of course, such strategies which depicted private pensions and capital-funding as necessary due to the weakness of the public system were also used, but rather indirectly and not from the side of government actors. Other cognitive strategies apart from arguing in favour of developing capital markets were identified 13 times in the data. Overall, the functionality of public pensions was questioned through dramatization 7 times.

Economists rightly again and again refer to the overdue reform of public expenditures – the basic requirement that a country can financially empower itself to choose its own way of economic policy. A radical pension reform is on the top of the list. It is disgraceful how this topic is cowardly avoided since years. (Die Presse, 18.9.2002).

However, the propagated solution was not necessarily a strengthening of private pensions, as only 5 of those 7 dramatization attempts showed a specific leaning towards such policy alternatives. Overall, rather indirect ways of promoting private pensions were popular in this reform period. For example, chief of the economic research institute Wifo Helmut Kramer depicted the Netherlands as a paragon for the Austrian pension system, but without once mentioning the wording “private pensions” or a design based on three pillars (Die Presse, 20.9.2002). The latter attempt can be classified as scientific objectification due to its seemingly scientific and neutral international

comparison of the Austrian pension system. Scientific objectification, also with reference to capital markets and through using the alleged knowledge of “experts” happened 3 times in the observed period. Selective communication (mainly referring to also already known interest rate goals) happened 2 times. One of the few really enthusiastic articles in favour of private pensions was published by “Die Krone” after the bill on third pillar pensions passed parliament.

It has to be welcomed that the government promotes the possibility to use private supplementary insurance with a generous premium, which is by far higher than for example [subsidized private savings through] *Bausparen*. Of course it is an election goody from the black-blue [right-wing] government, but a reasonable one. The creation of an individual private “pillar” of pension provision has been postponed in Austria through dumb Sunday-speeches (“the pensions are save”) and ideological blinkers (“the federal subsidy has to be increased”) for years. Of course, the model has to be refined in detail. But in the future, it will also allow those with average income to top up their scarce [public] ASVG-pension. (Krone, 20.9.2002)

This is a case of deliberate de-thematization where previous defences of the public pension system and other policy alternatives (strong public pensions and federal grants as financing) are quickly delegitimized through buzzwords like “ideological” without offering any specific critique.

Normative strategies were identified in 7 occurrences. Besides from the already analysed ideological repertoires of “saving the welfare state” and “self-responsibility”, “equality” could be identified 5 times, similar to discourse on the severance pay scheme reform and the German discourse of 2001 on private pension provision (chapter 5.1.3). As can be seen in the end of the last quote, like in Germany, a subsidization of private pensions is depicted as a supplementary pension for all, allowing also poorer people to make use of private pension provision. That especially persons with lower income are unlikely to make use of private pensions due to their voluntary nature is again neglected here, putting “equality” before “equity”.

Direct attacks on the new individual private pensions are rare in the analysed media, most likely because the government only presented their plans 1 day before voting on it in the parliament. However, there were voices criticizing unrealistic interest rate goals, much like in the earlier period before the severance pay scheme reform. This comes from actors which are increasingly sceptical of high interest rate promises as well as from those who regard regulation which necessitates exclusive investment in Austrian stocks as the problem (altogether 4 occurrences).

Two years ago, banks, insurance companies and pension funds would have yelled “Hurrah! We are doing it!”. Today, reaching a 4.5 interest rate per year like promised by the government is getting doubted in this line of business. (Die Presse, 20.9.2002)

Therefore, such a sceptical view may indeed curb the enthusiasm for capital-funding and pension privatization altogether. And it reveals to the public how shaky the forecasts of those in favour of capital-funding and privatization are.

### 5.3. Communicative discourse on pension reform in a comparative perspective

So what can finally be said about the attempts to reframe the discourse about pension provision towards a more favourable appraisal of private pensions in the observed countries? Hegemonic discourse about pension politics was quite unchallenged in the early election campaigns of 1999 in Austria. According to media coverage, all parties of the political arena mostly ignored this topic in the beginning, with the ÖVP and the FPÖ silently proposing a reform towards a three-pillar model without much enthusiasm or urgency. This changed as “experts” in favour of privatization like Rürup or Streissler increasingly entered the public discussion. However, not only did proponents of private pensions face frequent resistance, but most importantly were their own *attempts to frame discourse not coherent and consistent*. While the ÖVP indeed did favour privatization according to their election program, they nonetheless did not stop to praise Austria’s current pension system as a result of their own work. This heavily challenged the picture of the dramatic situation which the pension system was said to experience and therefore also attempts to frame private pensions as an answer to such challenges. In other words, the ÖVP did indeed propose privatization but did not give a coherent and consistent answer to the question why this reform was needed. But the ÖVP’s incapability to give coherent and consistent public statements (*how something is said*) was only one side of the medal. The SPÖ firmly defended the paradigm of public pension provision frequently, coherently and consistently, and “experts” in favour of public pensions were able to reinforce this defence through deliberate deconstruction (*strong opposing discursive actor*).

Ultimately, the discursive struggle was at its peak at the elections of 1999. This stands in stark contrast to Germany, where the main discursive struggle apparently already happened before the election campaigns as the hegemonic discourse had already been changed in favour of privatization. In the months before the elections, hegemonic discourse in Germany already depicted reform as absolutely necessary and inevitable, determining what could be said and what could not be said. Attempts for discursive change through deliberate strategies are hardly visible, with nearly no actor defending the status quo (*no strong opposing discursive actors*). All parties of the political spectrum (except the leftist PDS) were only moving within that hegemonic discourse, which saw the public pension system as incapable of withstanding endogenous as well as exogenous problems, necessitating reform. This also led to a relatively consistent and coherent public discourse (*how something is said*), independently of the discursive actors responsible for the respective statements. While the discourse positions of discursive entrepreneurs vary in the regard in which they accepted privatization and capital-funding, they did not deny the necessity of those policy alternatives. Alternative ways of financing were delegitimized, while the superiority of private and capital-funded solutions did not stand up for discussion, they were simply accepted. This does not mean that there has not been any discursive struggle in the field of pension reform.

However, this discursive struggle did not have the private-public nexus at its centre but was rather a discussion about other aspects of pension systems, also determining what can be said about population policy in Germany.

However, this lack of discourse struggle about privatization and capital-funding also means that a public pay-as-you-go pension system as a normatively and cognitively accepted way to provide for retirement already lost its hegemonic position much earlier than in the forefront of the elections. This means that the framing process which stabilized capital-funded and private pensions as an ideal in the hegemonic discourse already started much earlier than in the elections of 1998, while nonetheless being constantly reproduced. What is impressive with regard to the hegemonic discourse in Germany is the high amount of paradigm destruction visible in the debate. While of course more basic strategies like dramatization also dominated, in contrast to Austria, paradigm destruction performed an exceptional role in Germany, in the election period as well as early 2001. Scientific objectification is not a fundamental part of the debate in Germany, which may point to the fact that it is especially important in the early phases of framing (like in the elections in Austria), in order to show the availability of other policy alternatives and their alleged superiority through international comparison and the statements of supposed “experts”. In contrast, paradigm destruction attacks the pension system on its fundamentals, somehow necessitating a previously formed awareness of problems and openness to criticism.

This also suggests that bringing up reforms which favour systematic change just before elections may not be an ideal way to success. Systematic discursive change seems to require some sort of a “lead time” to be successful (*when something is said*). However, what also results from this analysis is that quick and fierce resistance to attempts to change the hegemonic discourse may be a successful strategy to counter welfare state cutbacks. Actors opposing privatization did not simply ignore the issue, but actively tried to counter such attacks on the welfare state – with the SPÖ being the second largest actor behind “experts” even in a conservative newspaper. This fierce discursive struggle in the election period of Austria and consequently this heavy resistance in favour of the public pension system has also influenced subsequent public opinion. The public as well as opposing discursive actors could not be convinced by privatization and capital-funding proponents and their discursive strategies. This can also be seen in the wide ranging protests and strikes leading up to subsequent reforms<sup>20</sup>. After losing the discursive struggle in communicative discourse, discursive actors in favour of privatization and capital-funding have given up their straight up attack on the public pension systems, which can also be seen in the relatively low number of relevant articles compared to the reform periods in Germany. It is most likely that

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<sup>20</sup> Furthermore, it appears to be likely that this positive framing of public pensions in Austria as can be seen in the election period of 1999 was at least partially responsible for the significant protest to the original pension reform draft of the year 2003. Only due to this protest, pension cuts were capped, therefore taking not only a large part of the carrot (as seen in 2002), but also the stick away from a reform towards pension privatization.

coordinative discourse regained relevance in the analysed reform periods of 2002, and the nature of the reforms as a product of social partnership negotiations also points towards that fact. Only few actors still tried to frame private and capital-funded pensions as necessary in communicative discourse, and those now used subtler methods, as can be seen in chapter 5.2.2 and 5.2.3. Much like suggested by Schmidt, it seems as communicative discourse can “reframe” coordinative discourse in order to bring all parties back to the negotiating table (Schmidt 2002b: 172f.).

Meanwhile in public discussion, other policy alternatives apart from privatization and capital-funding were considered as most adequate to address alleged problems of the pension system. Additionally, it has now to be differentiated between those who openly frame privatization as necessary for the overall pension system and those who promote private pensions through discursive strategies which refer to completely other topics like optimizing severance pay and strengthening capital markets. An open position in favour of radical reform towards capital-funding and privatization as a partial substitute for the public pension system now seemed to be unacceptable in the hegemonic discourse of Austria, and is also depicted in the far less radical reform of second and third pillar pensions in Austria compared to Germany. This results at least partially from the fierce resistance of discursive actors against privatization, but also from the ÖVP’s inability to offer a coherent and consistent narrative already in the elections of 1999. In contrast, discourse in Germany in the reform periods in 2001 is not only a perfect continuation with respect to the election period in 1998. Discursive actors even managed to create a hegemonic discourse which demands for more radical reforms, depicting the governments reforms as not sufficient and delegitimizing their efforts for privatization and capital-funding on a daily routine in favour of a far more wide-ranging reform, especially concerning public pension cutbacks as well as more liberal regulation of capital-market investment in private pensions. It was not until mid-2001 that discourse on privatization and public pensions lost significance – apparently as this reform path was totally uncontested in the analysed media and did not necessitate further discussion.

## 6. Conclusion

In this master thesis, it was shown that ideas and discourse can indeed make a difference. The thorough literature review has shown that policy change in pension systems cannot fully be addressed by traditional explanations for social policy reform. Evidence from pension reform in the Bismarckian pension systems of Austria and Germany suggests that ideas and discourse can act as possible explanations for policy change. Not everything happens behind closed doors, even in corporatist, multi-actor systems. Policy entrepreneurs indeed act as discursive actors and engage in the communicative discourse to promote their favoured policy ideas. Pension reform in Germany was not exclusively bargained behind closed doors, quickly presented to the public and subsequently passed parliament, as often suggested. It involved rather a long and decisive framing process, which could be verified through a discourse analysis of newspaper articles from the election period and the subsequent reforms 3 years later. In Austria, such an open attempt to frame communicative discourse towards privatization and capital funding was prevented by the SPÖ, the most prominent opposing discursive actor, as well as by the ÖVP through inconsistent and incoherent discursive strategies. The subsequent reforms were of a far smaller scale concerning privatization and capital-funding, and framing privatization and capital-funding in a positive light happened only rarely in communicative discourse anymore. Therefore, discourse is not only influenced by discursive actors but also influences discursive actors and therefore policy entrepreneurs. As could be seen in Austria, ideas incompatible with the hegemonic discourse (privatization and capital-funding) have a hard standing because there are cognitively and normatively not accepted and will provoke decisive action by opposing discursive actors. The analysed data suggests that the framing process has to begin early enough and has to be coherent and consistent, else opposing discursive actors will most likely be able to defend the hegemonic discourse. Respectively, opposing discursive actors can defend the hegemonic discourse through quick and decisive action.

Additionally, this project has given the theory strand about ideas and discourse in social policy additional relevance through an innovative empirical application of those theories. Using the comparative method in combination with critical discourse analysis seems to be a fruitful approach for analysing the role of ideas in pension reform. Through comparing two countries with a very similar history, economic situation, institutional settings, welfare regime, as well as perceived demographic stress it is possible to argue in favour of a causal connection between policy reform and discourse. This does not mean that discourse was the sole reason for wide-ranging privatization in Germany. But it was one reason, and this thesis suggests that it was a decisive one. At the same time, critical discourse analysis has also uncovered taken-for-granted statements and facts as deliberate discursive strategies, revealing that policy choices in pension reform were not necessarily without alternative. This offers additional explanatory power as it reveals that the

choice for privatization and capital-funding was not inevitable due to demographic or budgetary pressure, but was rather only framed this way, therefore additionally removing explanatory power from those factors.

First and foremost, uncovering such practices should support citizens' participation in the political decision-making process. Therefore, the results of this project also have practical significance. This research has not only highlighted the importance of ideas and discourse in the academic field of social policy, but also that certain reforms and policy alternatives are not as unavoidable as they are often depicted. This is not an argument against a constant reform of welfare states in order to adapt them to new challenges and demands. However, it is indeed a warning to accept promoted policies mentioned in the media without question. The promised 4 percent rate of return of the Riester-Rente seems to be unreachable at the moment, and hovers only marginally above 0. As of now (2016), the German pension system is subject to public discussion due to its comparatively very low replacement rate (not only in comparison to Austria). In Germany, the Austrian pension system is now increasingly seen as a paragon (cf. Blank et al. 2016a, 2016b). Meanwhile in Austria, communicative discourse is surprisingly sceptical about the domestic public pension system. Additionally, the Neos, a new market-liberal party in the Austrian parliament, has declared a reform of the pension system as one of its major topics besides education, again making use the same discursive strategies and promoting the same solutions of privatization and capital-funding as seen in the elections of 1999. Those newly re-emerging discursive struggles are not only a promising subject for further research. From an emancipatory perspective, this project may also help the public to refrain from adopting those statements made in such discursive struggles unquestioned - and therefore to prevent the Austrian system from the bitter fate of its German counterpart.

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