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Harrysson, Lars; Werner, Erika

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Lars Harrysson & Erika Werner

E-post: lars.harrysson@soch.lu.se

Socialhögskolan, Lunds universitet
Box 23, 221 00 Lund

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Preparing for retirement - a comparative view

Personal experiences of financial preparations from four nations

Lars Harrysson[1]
Erika Werner[2]

We all grow older. This is a fact that we have to deal with in life. Over the life course our thoughts regarding age changes. When young, age commonly restricts what one can do. Under age means to be kept out of certain areas such as pleasures of tobacco and alcohol, and, perhaps, sex. Restrictive structures, however, are often there to protect. Why is clear in the intoxication examples above, which are clearly health related. Even under age sex is to be considered in that category. Prohibition ages that are not physiologically determined are morally or socially defined, and not necessarily acknowledged by legislation. This may be obvious in the sex example, eg. no sex before a stable relationship or marriage, and despite the risks of illnesses due to unprotected sex, which of course is not necessarily age related.

Entering old age is a subjective matter. However, one formal understanding of ageing is the acceptance of being old as connected to the retirement from the labour market, the exit process. Despite the clarity of such definition, research on the exit process shows a fair bit more blurred picture. Mark Elchardus and Joachim Cohen (2004) points to a process of lowering the exit age in Belgium, which is nothing specific Belgian even if the case is extreme. But the fact that older workers have felt a contextual pressure to leave early is interesting (p. 229) and possible to elaborate in a qualitative approach, such as the study presented in this chapter.

The preparations for later life are not of financial (public or private) nature alone; there are a number of non-financial preparations as well. “For many older workers, retirement involves not so much a line to be crossed as a status to be approached with care with approaching age”

1. Lars Harrysson, PhD, is Senior lecturer at Lund University, School of Social Work.
2. Erika Werner is MA in Social Work and is a PhD student at Lund University, School of Social Work.

(Hansson et al, p 220). The financial aspect of retirement as a status is an important one, but there are other variables in action as well. Areas concerning the personal and familial aspects such as illness, inheritance, divorce or intergenerational responsibilities are examples of experiences that can operate as catalysts or constraints for the individual's retirement planning (C.L Kemp et al, 2005). Pensioners who have been asked what they had prepared for before retirement and what they as pensioners considered as important to prepare for stated a greater emphasis not only on the financial aspects, but on psychosocial adjustment and use of time (Rosenkoetter & Garris, 2001). Thinking about and planning for retirement is positively linked with retirement satisfaction (Mac Ewen & Barling, 1995), irrespective of whether the retirement decision is voluntary or not (Elder & Rudolph, 1999). To be financially secure during the working part of one's life doesn't necessarily equate with being confident about your economy as a pensioner. High-income earners have been shown to be less positive about their life as pensioners, when compared to those with lower incomes as they can expect a greater economic loss (Mutran & Reitzes, 1997). Activities, such as participating in some kind of "work like" activity, hobbies or having an active social life with friends or members of an organisation are also important factors to shape a prosperous existence during later life (Lo & Brown, 1999; Jonsson, 2000).

The term retirement is commonly connected to a withdrawal from paid work. It is closely connected to the process of ageing and can imply stereotypic references to inactivity, passivity or detachment (Kite & Wagner S, 2002), despite the fact that the majority of today's elderly, at least in industrialised countries, is healthy (WHO, 1999). The elderly population has during the 20th century prolonged longevity, but as we live longer the group of the oldest old will increase as well, which in turn risks to strain the public outlays for care and health care (Thorslund et al, 2004).

These views can be furthered and challenged in several ways. Ruth Lo & Ron Brown (1999), for example, argue that retirement ages vary considerably among different countries. This is observable when mandatory retirement ages as well as when actual retirement ages are compared between nations. Another possibility is to view the opposite, namely the right to lift an old-age pension. The eligibility rules set in existing pension/superannuation systems holds a political desire concerning when to retire, which as Jay Ginn & Sara Arber (1996) argues, provides employers with an excuse to lay off people regardless of their financial position. Lately many schemes have changed. Greater flexibility in retirement or gradual retirement decisions has been introduced, and often but not always at the expense of benefit levels.

As young, dependence on the socio-cultural context is obvious, e.g. schooling and parental powers. For quite a number of young people adolescence is troublesome, see for example some of the earlier chapters in this book, but for most it is a healthy mixture of emotional pain and pleasure. As old it is often expected that decisions are independently made, in rational decision making theory it is even taken for granted. But how does it work in the real world, where social relations and not individuals in isolation create the setting? (Inspired by Spicker, 2000).

In the terminology of Gøsta Esping-Andersen (1990, 1996) we would say that young people are not commodified, but perhaps under commodification regarding their expected entry in the labour market. In a similar vein older people closing up to their exit from the labour market are getting prepared for de-commodification.

In retirement a new situation of socially defined contextual dependence occurs. An episode in the life starts which in many respects is expected to turn out in a somewhat pre-destined way. Citizenship based social rights, as well as moral rights play a major role, and despite felt need of political reform sometimes, existing structures block quick and extensive changes. Extended individualised property rights in pensions limits possible political interventions even further.

This chapter is about how people closing up to retirement, or just retired, describe their preparations. When, what, why, how...

A brief introduction

Historically aspects of retirement are class related. People from the ruling classes and the aristocracy grew older, socially speaking, on different terms than other less influential and economically weaker partitions of society. In retirement terms, class as a divider was based in ownership of property or other assets. Land was transferred from generation to generation, sometimes with subdivision as a way of giving parents a possible subsistence living. Warfare did of course change ownership patterns from time to time. People without property were dependent on their work capacity and, if that was lacking, on patriarchal employers, poor-relief or begging.

In the 19th century life insurance and mutual insurance started to develop even outside the guild system and the government. These forms are dependent on money transfers, and thus developed alongside with growing numbers of wage labourers.

Industrialisation demanded new ways of viewing the limitations of a wage labouring system. The concept of work capacity was derived from poor-relief systems and used in pension schemes to divide those who were eligible from those who were not. Old age was for quite a long transition period considered a lowered work capacity, not exclusion from the labour market (Harrysson, 2000a & b). Early social insurance constituted a retirement age, but it was originally seen as equal to negligible work capacity. At the time of introduction the number of persons living many years after retirement was limited, which mirrors the problems often cited today as most burdensome to existing pensions schemes. Thus, a set retirement age introduced a social rights based scheme which did not encounter for changes in longevity and health over time. Most systems, despite their character of insurance in some parts, were developed to solve poverty and equity problems for those unable to work. The former of these problems, that is contributions, benefits etcetera, can be discussed in an economic analysis. However, the inability of liberal economic theory to explain the social basis of poverty we require a wider sociological stands to make sense of the latter, distribution and equity, where the normative and moral issues are visible.

Social solidarity beyond the closely knitted neighbourhood, beyond the direct personal relationships, and created inside the national boundaries of a state, was one of the major 20th century social innovations: The welfare state. The design of pension schemes was an important part in this creation (Baldwin, 1990). Even though pension schemes normally were not first in this development process of universal social insurance systems, it soon became at least financially in a dominant position. Over the years we have learnt how hard it is to foresee future consequences of pension provision decisions (Edebalk, 1996).

The existence of pension schemes creates expectations, and the design partly shapes them. It is hard to fully picture how a particular individual has developed their expectations of their future as old and past working life. However, analyses of retirement preparations require some platform accepting both the existence of a pension system and of retirement expectations. We observe this platform as a ‘pension regime’.[3] It is how things are done, not what they are. Regimes catch action. Such a regime is not possible to understand outside the common context of qualitative empirical data on expectations and interrelated systemic information on existing and available pension schemes.

What we have done, and how

The comparative framework

All research is in one or the other way concerned with comparisons. However, there are major differences between making referential comparisons and making comparative analyses. A simplified stands is to say that common comparisons produce new questions, while a comparative analysis is an aid in explanation, i.e. to answer the question why. How is this?

Watch these apple and pear.

By viewing we can accept them being different in many ways. If we taste them, we can compare their flavours. They might even sound differently when bitten in. There is also a possibility of ranking them as better as or worse than the other. Despite these possible sensations, *we have no clue in why they differ even though they in a very concrete way carry a meaning to us.*

3. Esping-Andersen (1990) refers to regimes not only as welfare state regimes, but also as pension regimes. Solidarity plays in his regimes a central role as basis for expectations. See also Gough, Wood et al (2004) for further discussions on regime as a way of categorising.

To deal with the explanatory question, why, a comparison needs some stable criteria to which an analytic reference can be made. For example we can set a criteria to growth region and from there create a hypothesis which states some differences or similarities. The hypothesis can be tested and result in an explanation of the connection between growth region and some other characteristic.

It is obvious that a comparative analysis of human activity is far more complex than one about fruit because humans are persons that feel, observe, think, consider and act in a cumulative as well as repetitive way (at least in a way more obvious than fruits do). In such a setting it is clearly so that both ways are important; common comparisons and comparative analysis. A good hypothesis is always formulated out from well developed knowledge about context, and the answers derived from the testing of the hypothesis is valid and understandable in that context only.

To be able to say something about or understand a phenomenon is not dependent on making comparative analyses. There are plentiful of possible solutions to such an endeavour in social science and other scientific genres. However, a wish to explain this phenomenon using a comparative analysis requests a proper use of the methodological tool. That is hard and often only partially possible. Thus, most comparative analyses are limited attempts facing problems with existent empirical sources such as inconsistencies in collection techniques, time periods, missing data, language and translations problems etcetera (Kennett, 2001). These problems do not qualify poor preparations in thought and theory, but merely provides a lack of possibility to draw extensive and convincing conclusions.

Our settings...

The design of our study, forming the empirical basis of this chapter, follows two main paths. First, we have a wish to say something about the conditions of retirement in a few western welfare states. Second, our interest is in how variation in systemic solutions to retirement provisions, pension or superannuation schemes, interacts with people's preparation for retirement.

To fulfil this we use a comparative analysis approach to the choice of nations and pension/superannuation scheme profiles in relation to our qualitative design of individual oral description of retirement preparations.

Briefly this means that we are interested in if there is some basis for talking about pension regimes as discussed above, and if so, how this concept can be used. However, we are also interested in our interviewed retirees' stories as such. How have they prepared and to what extent do they refer their ways of preparation to existing systems?

Comparing similarities, differences or variations

The comparative methods of "Most similar systems design" (MSSD) and "Most different systems design" (MDSD), to which we refer below, take their departures in the following three criteria (Landman 2000:27):

- Similarities explain similarities (the method of agreement). *"If two or more instances of the phenomenon under investigation have only one circumstance in common, the circumstance in which alone all the instances agree is the cause (or effect) of the given phenomena"* (Mill 1891:255, from Denk 2002:56).
- Differences explain differences (the method of difference). *"If an instance in which the phenomenon under investigation occurs, and as instance in which it does not occur, have every circumstance in common save one, that one occuring only in the former; the circumstance in which alone the two instances differ is the effect, or the cause, or an indispensable part of the cause, of the phenomenon"* (Mill 1891:256, from Denk 2002:58).
- Variation is explained by variation (the method of concomitant variation).
  "Whatever phenomenon varies in any manner whenever another phenomenon varies in some particular manner, is either a cause or an effect of that phenomenon, or is connected with it through some fact of causation" (Mill 1891:263, from Denk 2002:59).

Our two hypotheses deal with the choice of states to include in our study. They are formulated in a sequence. The first one follows a MSSD method, whilst the second one follows a MDSD method. In connection to the second we are considering a possibility to say something regarding interviewed people's experiences from retirement preparation and its connection to pension/superannuation system design, thus producing a basis for a discussion concerning pension regimes.

Hypothesis 1

This hypothesis aims at revealing differences by stating similarities in the choice of welfare states (MSSD) (Lijphart 1975). It is placed on a highly aggregated welfare regime level. What people actually say is to be considered as attitudes steaming from practical and emotional experiences, as well as ideologically motivated reasoning based in social and political belonging.

> The four chosen nations, Australia, Denmark, New Zealand and Sweden, are all well developed, substantial, comprehensive and generous welfare states aiming at reducing poverty among its citizens. Despite this we expect to find clear differences in how and to what extent this is fulfilled in the four states in meeting people's needs in preparation for, and life in, retirement.

In a structural and systemic way the first hypothesis has been verified already in the work with formulating the second. These four nations provide significantly different pension/superannuation systems. Their historical development differ too except for the fact that all started in the period around 1910, and that they in many respects have been extended over the years. In some cases with added on parts, in others with total reform and changed balance between private and public influences.

Hypothesis 2

However, creating pre-requisites for wellbeing in later life in different ways does not necessarily lead to differences in people's experiences of their retirement preparations and opportunities in their life as retirees. The second hypothesis focuses on stabilising differences to make it possible to check for similarities (MDSD) (Lijphart 1975). It is positioned in the intersection between policy design and delivery.

> Australia, Denmark, New Zealand and Sweden have developed pension/superannuation systems along different paths. Today's age retirees in the four nations meet very different systems. Following such

a statement it would be expected that preparations for retirement also follow different paths. However, we believe that despite major differences in the systemic setting retiree's preparations follow similar paths in many respects.

Our approach is not one of hypotheses testing in a statistical fashion. What we try to do is to stabilise some crucial factors concerning the setting in which our respondents have formed their experiences of preparations for retirement. Following this path we hope to be able to make at least some logical inference concerning the relations between social welfare structure and individual action regarding retirement. In particular we are interested in the combined consequence of people's expectations of retirement and actual retirement provisions, i.e. what we would call a pension regime.

A third preliminary hypothesis, applied in our final discussion, would therefore be that the differences and similarities derived from the first and second hypothesis respectively will provide an understanding of varying pension regimes.

Some critical aspects of our setting

Why hypotheses? Is this really the way to go? Well, considering the problems surrounding an analysis based in a single case study, the introduction of several case studies for comparisons seem to need some guidance and stability. Our way of formulating hypotheses and eventually treating them can not, and shall not, be seen in the light of an experimental approach. Rather our hypotheses provide reference points to which we can refer when conclusions are drawn. Thus, an important remark is that despite clarifying hypotheses statistically tested conclusions are absent. In this respect a longitudinal study would be most welcome.

Our method based in a combination of country descriptions and qualitative interviews makes it possible to conclude if and how people understand and act upon existing systems. *Do they really know how these systems work, or is it just actions on beliefs and hopes - the pension regime?* A specific problem connected to this is the ways in which actions on different levels of society may be analysed. By using qualitative interview data we can argue that these individuals are able to refer to in what ways they interact with society on different levels. Insofar we can argue that it is true for them, depending of course on how well our interview guide comprehends their ideas.

Introducing our hypotheses these stories can be analysed in relation to each other. Apart from these possibilities, all other connections made are solely material for new hypotheses.

The empirical study

The study which this chapter is based upon shall be viewed as a pilot study.

Our interviews

A very important aspect for our furthering of this particular project has been to learn about the selection of retirees. During the course of the study several different approaches have been used. In Australia the main group interviewed was contacted through a local branch of Lions Club. In New Zealand a couple of small articles in local newspapers were used. In Denmark the selection was made through using a snowball method. In Sweden contacts with a local branch of an organisation for retirees was used. None of these approaches is unbiased, but rather they produce plentiful of questions regarding the reliability of more general conclusions. However, our impression is that the validity of the approach is high, regardless of selection method. Hence, our approach has encountered a similar conclusion as most qualitative research - high validity in collected information.

Our sixteen interviews were fulfilled by four different interviewers. In Australia, which was the first nation to be done in autumn 2003, Lars Harrysson did all four. The four New Zealand interviews were made by a colleague at Massey University in Auckland in spring 2004. Erika Werner did the five Swedish interviews in early 2005, and a Danish undergraduate student, selected by a colleague in Copenhagen, did the three Danish interviews.

This might seem unnecessarily complicated, but we have worked through pros and cons regarding letting others do the interviews. A major disadvantage is the lack of possibilities to further an argument when reading the transcripts, something possible when making the interviews yourself. Latent information, what is said between the lines, is another obstacle in a similar vein. Further, we believe that especially in the Danish case the language creates some obstacles. Yes, Swedish and Danish is pretty close, but in a situation where closeness and privacy is considered there are many possible misunderstandings. Using your native tongue is probably to prefer. However, the experience from making the interviews in Australia does not disqualify any of us two to make interviews in English.

The interview guide was organised to make it possible for those we interviewed to describe their knowledge of existing systems and contacts with other people in their preparations, experts as well as others. Further they were given a possibility to describe and explain their choices and unfolded strategies.

It is convenient when you have designed your guide and use it yourself, being able to make minor changes along the way. However, letting other people use it, as we have, require that you keep inside some limits. In our study the guide has been used in two different versions, one in English and one in Swedish. During the Swedish interviews a complementary set of question was used due to some broader objectives. These extra questions were put forward after the original set. All respondents received the guide in advance. The Danish interviewer provided translations if asked for by the respondents. It made it possible for them to think through their process as well as gathering materials they reckoned would be important in their context.

The four cases…

As an introduction to the four cases used in this chapter a few tables have been constructed presenting some basic data of each nation. The first table is concerned with the first hypothesis, and the data would suggest that our first hypothesis is valid, that is; a sample of four small developed and generous welfare states.

Table 1. Some basic socioeconomic data on Australia, Denmark, New Zealand and Sweden.

	Australia	Denmark	New Zealand	Sweden
GDP growth fixed prices 1998-2002, (%)	3,9	2,0	2,7	2,9
Sectors of production (agri/indu/serv)	3/26/71	3/26/71	8/23/69	2/29/69
Terms of trade (1999) 1980=100	79	n.a.	109	110
Per capita income (GDP / capita $US PPP) (2000 est.)	24974	27375	19462	24250
Share of household income highest / lowest 10%	25,4 / 2 (1994)	24 / 2 (2000)	29,8/0,3 (1991)	20,1/3,7 (1992)
Gender earnings ratio (2002)	0,69	0,70	0,67	0,68
Comparative price levels (OECD average = 100)	80	117	73	110
Net social expenditure as of GDP (%) (2001)	21,9	27,5	17,5	30,6
Human development index (2002)	0,939	0,926	0,917	0,941

Source: www.nationmaster.com

Table 2. Demographical data for Australia, Denmark, New Zealand and Sweden, year 2000 and 2025.

		Australia	Denmark	New Zealand	Sweden
Population (1000s)					
	1980	14726	5124	3160	8318
	1990	17169	5146	3385	8591
	2000	19169	5336	3819	8873
	2005	20190	5281	3804	9039
	2025 (est)	22523	5244	4228	9362
Age distribution (retirement age) male/female (1000s)					
65-69	2000	323/345	104/115	60/63	182/198
	2025	627/682	158/166	109/120	257/269
70-74	2000	296/377	88/106	55/61	164/197
	2025	515/594	136/151	89/103	234/255
75-79	2000	219/290	69/98	38/52	143/191
	2025	411/502	120/144	69/87	216/253
80+	2000	204/369	89/140	38/72	158/296
	2025	450/696	129/208	74/121	266/405
65+ as share of total population					
	2000	0,126	0,152	0,115	0,171
	2025	0,194	0,213	0,165	0,231
Births / deaths per 1000					
	2000	13 / 7	13 / 11	14 / 8	10 / 10
	2025	11 / 9	11 / 11	8 / 8	10 / 11
Life expectancy at birth (average men/women)					
	2000	79,8	76,7	77,8	79,8
	2025	82,3	80,6	81,2	82,4
Total fertility per woman					
	2000	1,8	1,8	1,8	1,5
	2025	1,7	1,7	1,8	1,7

Source: www.census.gov for all but total population statistics which is www.library.uu.nl/wesp/populstat/

The second table carried further information on the four nations particularly showing similarities concerning the demographical setting.

The third table provides information on taxes and social security contributions. It does in a quite clear way point to how different the four has chosen to solve the funding of social security. Thus, table 3 briefly also refers to our second hypothesis.

Table 3. Taxation and contribution data for Australia, Denmark, New Zealand and Sweden. (year 2000)

	Australia	Denmark	New Zealand	Sweden
Total taxation as % of GDP	31,5	48,8	35,1	54,2
Income taxes as share of total:				
corporate /payroll /	20,6 / 6,2 /	4,9 / 0,4 /	11,7 / 0,9 /	7,5 / 4,3 /
goods - services/ personal income/	27,5 / 36,7 /	32,5 / 52,6 /	34,5 / 42,8 /	20,7 / 35,6 /
property	8,9	3,3	5,4	3,4
Contributions to social security:	* **		**	
employer	n.a.	0,7	n.a.	22
employee	n.a.	3,9	n.a.	5,5
Tax distribution: top 30%	65,1	48,7	n.a.	53,3
middle 40 %	31,1	37,2	n.a.	35,8
bottom 30 %	3,7	14,1	n.a.	11
Total tax wedge single worker	23,1	44,2	19,6	48,6
Total tax wedge single income family	13,1	31,3	16,8	41,4

* Superannuation in Australia is based in employer contributions while New Zealand is following a general taxation path.

** The total of contributions regarding all social security systems is possible to calculate, but has been left aside here.

Source: www.nationmaster.com

Four paths to and solutions of retirement provisions

In the following section the four nations' systemic structure and historical trajectories are discussed. First, a three pillar description is adapted. The idea of three pillars is enforced by the World Bank (2005) and is widely used as a way of sketching pension systems. It is not the only way, but convenient. Second, another common model is used to deepen the description of how the systems are intended to work concerning funding, control/regulation and administration (Rothstein, 1994/2002). Third and last of this section, a short comparison is made.

Three pillars compared

Referring to three pillars as a description of a nation's pensions system is common. However, doing so does not imply a necessity of having three pillars. Larry Willmore & Susan St John (2001) did for example question this in the article "Two legs are better than three", falling back on experiences from New Zealand (compare St John, 2003a). The World Bank (Holzman & Hinz, 2005) notion of three pillars is one of a system handling poverty reduction (the first pillar), consumption standard or income replacement (second pillar), and individual choice (third pillar). Each pillar can be connected to other principles as well, but these will suffice for now.

The 1st

The first pillar is usually referred to as a basic pension guaranteed by the state. A basic pension exists in all four nations, but with somewhat different design and purpose.

Australia's first pillar, the "Age pension" is means-tested. Both incomes and assets are considered in the test. The test that gives the lowest outcome is counted for. This construction is basically the same as when first introduced in 1909. It is a "pay-as-you-go" system, meaning that current retirees' pensions are paid by the current working population's taxes or contributions. The funding is based on federal tax revenues. It is an individual pension, and earlier versions where wives had special solutions are phased out. Eligibility for an Australian basic pension involves apart from the means test, an application, a minimum of ten years residency whereas five in a row. Retirement age is 65 for men and 60 for women (1995), but equality is to be reached by 2014. A continuous increase of women's retirement age is in motion. Being a nation having fought several wars, war veterans are provided with a "Service pension". It is similar to the "Age pension" following a means test, but regarding other services connected to the retirement, such as health care and public transports, the "Service pension" is more generous.

The Danish retirement system has undergone several changes over time (Andersen & Larsen, 2002). The first pillar is since 1970 a flat-rate basic pension, which is means-tested in relation to family income. It is a "pay-as-you-go" system and reaches more or less all retirees from 67 years of age, fully or partly. Retirement age is 65 from 2004, but all our respondents follow the old rules. To be eligible for a full pension a minimum of 40 years of residence is required. Fewer years results in a linear reduction of pension rights. The Danish system is complex due to several parallel retirement paths. Especially the existence of a tax funded social disability pension as well as generous early retirement provisions provided by the State increase the complexity. However, as in the Australian case retirees are eligible for both means tested and more general financial support systems regarding e.g. housing and transportation. A particularly discretionary system involves testing for expenses, such as glasses, among poor retirees.

The system in New Zealand differs from other OECD-nations since it is a two pillar system only. The State organises the first pillar as a universal fully tax-funded flat-rate system which follows the "pay-as-you-go" principle. It provides the same rates for women and men, but makes a differentiation between couples and singles, between couples where both qualify or only one, as well as between singles living alone or sharing. If only one in a married couple qualify, e.g. a partner is yet too young, they can accept half the married rate without any means test or the full rate after such test. The retirement age is 65. Other forms of assistance are either means or needs tested, e.g. accommodation supplements or disability allowances.

The Swedish system is individualised via a system of notional individual accounts defined by contributions (NDCs) which form lifetime earnings profiles for every person between 16 and 65 (or older) earning a living in Sweden. The first pillar is a "pay-as-you-go" system, and a combination of a guarantee level which supplements all that do not reach a certain level in their accounts, and an income pension related to your former earnings/contributions. The guarantee level is means-tested in relation to other forms of pensions from the system. It is tax-funded and universal. To become eligible for a full guarantee pension however, 40 years of residence is required. Substantive groups, particularly immigrants, do not fulfil that requirement. A system has therefore been introduced making sure that retired people unable to survive without a supplement rather gets it via the social insurance system than the municipal needs tested social assistance.

The Income pension is based on contributions equalling 16% of earned income. Employers and employees pay half each, but the collection is done by the employer. Contributions are accounted for during your full working life, 16-65 years of age on average since the retirement age is flexible from 61-70. The flexibility has considerable impact on the level of the pension, i.e. early retirement means a lower pension for the rest of a person's life. Even as a "pay-as-you-go" system five extensive public capital funds (AP-fonderna) work as to balance long term swings in the relation between current contributions and pension payments.

The 2nd

The second pillar is commonly referred to as a supplement to the first. However, that can be questioned, especially concerning people with earnings above the ceilings of the first pillar. Such ceilings exist in all the four nations under review. The way the second pillar is designed differs greatly, in the New Zealand case it does not even exist.

In Australia the Accord between the Labour Government and the Trade unions in 1986 introduced a requirement on employers to pay 3% of gross earnings into their employee's superannuation (King, Baekgaard & Harding, 2001). The growth in coverage was slow and unsatisfactory, and in 1992 legislation introduced "The Superannuation Guarantee" (SG), a scheme in which employers had to make contributions to individual accounts. Hence a negotiated system had become mandatory. These contributions are tax deductible, but have to be fully vested until retirement or until what is called the preservation age (currently 55). It is possible to organise the vesting of the funds internally in the company (compare US 401k-plans). The contribution rate was in 1992 set to 3% of earnings, but has by then been raised twice, in 1997 to 6% and in 2002 to 9%. Self-employed are outside the system and do instead make tax deductions (Commonwealth Treasury, Inquiry into Superannuation and Standards of Living in Retirement, 2002). Unique to Australia is the way of taxing superannuation, since all three possible points of taxation are used; contributions are made with taxed income, fund profits are taxed, and beneficiaries are taxed when pensions are lifted (King, Baekgaard & Harding, 2001).

The employer makes the decision on how the capital shall be vested, thus a major variation of solutions exist. Defined benefit schemes has been dominating, especially among public employers (ibid).

In Denmark the second pillar is a combination of two mandatory systems, one universal and one directed towards wage earners. The Supplementary pension (SP) is a universal publicly organised mandatory scheme. It is defined contribution based and fully vested. The contribution level is 1% of gross earnings. From 2002 it is organised on the basis of individual accounts. The Labour Market Supplementary Pension (ATP) is a direct supplement to the Public old-age pension, but is organised as a private-public mix. It is a defined contribution fully vested scheme to which all employees working more than nine hours a week pay a third of the contribution, the employer two thirds. Since 2003 the Government pays the employer share for people out of work, a provision called SAP.

New Zealand does not present a supplementary scheme that refers to a second pillar.

The reformed Swedish system has a second pillar called a Premium pension. It is a defined contribution system, fully vested, and organised by the Government. However, the choice of funds is large (> 700) and the government body, Premiepensionsmyndigheten (PPM), is mainly coordinating the flow of contributions. It controls the administrative performance of funds, and is accrediting new funds. Those who do not choose a private fund have their assets in a public fund (the last of the six AP funds). The contribution is 2,5 % of gross earnings, added on top of the 16% that goes to the Income pension in the first pillar.

The 3rd

The third pillar is concerned with complementary systems such as individual pension insurance schemes and collective agreements between the parties in the labour market. During the reform processes, which have played an important part in the last decades of pension development, the boundaries between designs in the pillars have diminished in many countries. Particularly second pillar privatisations show these signs.

A common strategy is to give personal tax exemptions for contributions made to individual pension schemes, or to make contributions fully deductible as costs in businesses. In both cases pensions from these are taxed when lifted.

Regarding the self-employed, third pillar private solutions are the basis for pre-retirement build up of funds. To many the compulsory savings made in second pillar systems may also be used for a third pillar investment as soon as it is possible, as for example in Australia when reaching the age of 55 (60 by 2025). In all four nations private savings play a significant role as a third pillar regarding voluntary savings.

However, in Denmark and Sweden labour market pension agreements are of prime importance and the higher the wages, the greater their weight.

In Australia in 1992, when the former third pillar solution, superannuation through collective agreements, turned to a second pillar scheme, the mandatory employer contributions, possible to vest internally, left mainly private savings as a third pillar. In Denmark labour market pension schemes cover most wage earners. These systems have in many cases changed from defined benefit to defined contribution schemes lately. New Zealand is different to the other three showing a decline in occupational pension coverage. The coverage of wage earners was 14,6% in 2001, even less for women (St John, 2003b), which was a sharp decline of eight percentages since 1990. On the other hand it has become more common among employees to choose the ways and how much they want to save voluntarily in existing occupational systems (St John, 2001). Sweden has more or less full coverage in the labour market through occupational pensions. These are complementary to the public systems. Entitlement conditions often disregard young people in defined benefit schemes due to set entry ages, while in the systems reformed into defined contribution schemes these limitations have decreased in importance. Despite the extensive coverage of public and occupational pensions individual tax-preferred pension investments are common. Earlier this occurred mainly among high income earners, but nowadays also further down the income scales and across the lifespan.

Sum up - Administration, coverage and eligibility rules, financing, and benefit calculations compared

As a sum up we present a table that provides basic information on the retirement systems in the four countries. A comparison is then made to make a base for the next section, which presents the views of the interviewed retirees in our study.

Table 4. Retirement schemes summarised

	Australia	Denmark	New Zealand	Sweden
1st Pillar				
Administration	Public	Public	Public	Public
Coverage and eligibility rules	Mandatory, universal at 65	Mandatory, universal at 65	Mandatory, universal at 65	Mandatory, universal at 61-70
Financing	PAYG, federal tax revenue	PAYG, general tax revenue	PAYG, general tax revenue	PAYG, guarantee pension; general tax revenue, income pension; fees (16% of earnings) split 50/50 employees / employers
Benefit calculation	Flat rate, means test to earnings and capital income	Flat rate, means test to earnings	Flat rate	Related to contributions Guarantee pension fills up to flat rate level if income pension do not suffice
2nd Pillar				
Administration	Private	Public and mixed		Public (fund management mixed)
Coverage and eligibility rules	Mandatory for wage earners, can be lifted as lump sum from 55	Special pension SP; mandatory and universal Labour market pension ATP; Mandatory for and covers wage earners		Mandatory, contribution based, can be lifted from age 61
Financing	Capital reserve, employer contributions of 9% of wage bill	Capital reserve, SP; fees 1% of earnings, ATP; flat rate fees based in number of worked hours		Capital reserve, fees 2,5% of earnings
Benefit calculation	Based on portfolio investments of capital withdrawn as lump sum or actuarially defined annuities	Based on portfolio investments of capital withdrawn as actuarially defined annuities		Based on portfolio investments of capital withdrawn as actuarially defined annuities. The retiree can continue to work.
3rd Pillar				
Administration	Private	Private	Private	Private
Coverage and eligibility rules	Voluntary	Mandatory under collective labour market agreement Eligibility differs between sectors Voluntary private insurance	Voluntary	Mandatory under collective labour market agreement Eligibility differs between sectors Voluntary private insurance
Financing	Individual, capital reserve or saving	Employer contributions into capital reserve	Individual, capital reserve or saving	Employer contributions into capital reserve
Benefit calculation	Actuarial defined contribution	Actuarial as defined benefit or contribution depending on sector	Actuarial defined contribution	Actuarial as defined benefit or contribution depending on sector

Note. PAYG means "Pay as you go" referring to that current workers pay for current retirees.

What did they then say? Empirical findings, theoretical understanding, and policy reform...

This chapter concerns how people closing up to retirement, or in retirement, have prepared themselves to maintain an, in their view, acceptable level of income after leaving the labour market. We have seen that those interviewed all live in quite generous welfare states, but nations that show in many ways distinctly different solutions to how retirees are supported financially.

In our interviews plenty of interesting information is provided. In our context here we will not touch on more than a fraction. The focus is on two aspects. First, how people know the system they live in, and second, how people prepare for retirement in regard of the system. Finally, seen in a comparative perspective, people's preparations are discussed in if and how they differ due to varying system design. We have introduced the term 'pension regime' as an active concept catching the co-existence of retirement expectations and structures, such as pensions. Continuing into a discussion on pension reform in the next section, this relation will be considered in the context of welfare and social exclusion.

The need of preparation

Do people need to prepare themselves for retirement financially? In answering this question we clash between two ideological thoughts. First, it is obvious that preparations have to be made if you are going to survive in old age without wage labouring. However, second, the way this is done is not given. To some preparations are to do a good job studying and working for 35-40 years, paying their taxes and by retirement receive a pension. This is a 'social rights' ideology, where you in social solidarity terms trust your fellow citizens from generation to generation to do their part. To others preparations are to save and build funds during work life, as individuals or in collectives, from which they in old age can collect dividends. This would be a 'property rights' ideology, where trust is in financial markets and administration.

Even though both ideologies heavily depend on sustained economic development, they are, we suggest, consequences of how people relate to each other as well as to existing systems. Pension regimes are hard to fetch because of time lags, meaning that people's expectations do not necessarily reflect the systems as they are at the time, but rather how they were earlier (compare p. 4 and p. 8 about regimes). This is particularly visible in times of political reform. Further, that a lack of knowledge of how a system really works produce non-rational decisions, a behaviour most probably very common and even in some cases based in more or less deliberate misinformation, as in the 'opting out' process in Great Britain (Waine, 1992).

What did they know about existing systems?

Our answers show a great variety. On the one end two respondents representing a total trust in the system: "I do not know anything actually, nothing." and "It just came". As well as a respondent who "just assumed that the universal superannuation would be there". On the other end people in all nations with a background in either unionism or in the insurance business that provided others with information on retirement planning and saving.

Expectations regarding the need of preparations vary, and it seems as if knowledge about the systems follow suit. While several Australian respondents knew fairly well how the system is supposed to work, they also had used advisory help to a larger extent than others. This help came from consultants, while in the Swedish case similar help came from more official sources, such as the Social insurance offices (as they all are retirees in the old scheme). This reflects the different structural settings in many ways, especially the expected need of personal preparation achievements to maintain an acceptable level of income in retirement.

The Australian respondents stressed the importance of at least having one dollar public pension to be able to receive a senior's cards and public Medicare. They also reckoned that owning their house and being out of debt was in their best interest. Getting out of debt and mortgages was not special to Australians since most respondents saw a full paid house as a kind of basic security, but they stressed it as a planned activity more than others. The Australian basic pension system with its means/assets tests seems to provoke planning to meet set limits, or as in several cases plan for rolling over their funds in earlier retirement, before 65, and then transform them into an allocated pension for a pre-set period. A common feeling was to keep out of claiming social benefits, but rather make their own way. One couple fell in the trap of him being redundant a couple of years before retirement. In his occupation, mining, normal retirement age was 60, but the company's bankruptcy meant quite a few years of waiting until the official social security age of 65 was reached. Existing knowledge became obsolete. Their situation was complicated since it was soon clear that the company had not paid their share into the superannuation system. She had to continue work past planned retirement age. However, the situation was later sorted out by union officials for a partial repayment, and in retrospect, their situation turned out better than expected. He receives a veteran's pension, rather than the old age pension (same amount) and can also claim better services with his gold version of the seniors' card. They did not know much about this until contacts with Centrelink concerning retirement had taken place.

This point of increase of knowledge has its counterpart in Sweden where most of the interviewed actually received their information late and then from the social insurance office or their employers. Even the self-employed in the sample gave this impression, which is a contrast to the Australian self-employed whom was well prepared and looked back at 20 years of planning. However, the picture is partly false. The Swedish person is a widow whose husband prepared for their retirement when their business was sold. Her retirement conditions are far better than on average.

".. put into a nutshell, the biggest difficulty with people planning retirement in this country is the constant change of policy .." This statement by one of the New Zealanders was replicated by others. What was focused was the quick change of the goal posts, retirement age, from 60 to 65. But also the strange effects of the rules regarding couples, e.g. as soon as someone is considered as living together with another person of the opposite sex they get the couple rate, while if several men share they get single rates. Another person wondered if it would be possible for the next generation to save for their retirement at the same time as they have to pay fees to get an education etcetera. "Who will have the resources to think about retirement before educational costs are covered?"

The Danes are in a quite different situation. Social reforms have increased the generosity in the retirement systems. In particular the introduction of an early retirement scheme for unemployment scheme members with favourable compensation rates (efterløn) 1979 has made the transition from work to retirement economically cushioned. The success of this scheme has led to adjustments to make people less interested in using their entitlement in 1992 and 1999, the latter in moving the advantageous age to 62 (Böggild Christensen, 2003). Combined with a lowering of the retirement age to 65 (not at stake for the people interviewed whom retire at 67), these are reforms in stark contrast to the international pensions arena. Compared to our samples in the other nations, the Danes were all "insiders" considering that all had financial responsibilities as part of their everyday work effort.

How did they actually prepare themselves? What did they believe was needed?

In much our respondents' actions regarding the different pension pillars seem to follow their knowledge of how the first and second pillar solutions are designed and expectations of how they will fall out. However, their preparations are also seemingly dependent on existing resources and sudden political reforms. Most of them would have started earlier with parallel private savings if not family life and financial resources had been limited.

Swedish and Danish respondents were characterised as clearly expecting to be able to live on the pension benefits offered by the public system. To some, especially men, the third pillar collective agreements were essential. In most cases however, private insurances had been purchased either as a main part of their pension payments, or as an add on for a few years in the beginning of their retirement.

All Danes had retired early, but the reasons differed between choice, health and changed work conditions. Only the chosen strategy can be viewed as a planned, even though it was initiated very late. Among the Swedes the variety was greater. Early retirement in Sweden is more costly to the individual than in Denmark since it affects the pension level at 65. However, to several asked, early retirement was not a choice, but a necessity based in their health situation.

For couples retirement was prepared together, insofar it was planned. In the Swedish case interviewed couples retired at 65. In one case the male continued working past 65 waiting until she turned 65. In the latter case they started to save in a private scheme as late as at age 60, but would in retrospect have wanted to start earlier. The other Swedes started their private schemes earlier.

People in New Zealand expect to get their universal pension. The sudden change in retirement age (change of goal posts) from 60 to 65 made many preparations obsolete. In several cases planning had been toward 60, and private pension schemes as well as capital insurances capitalised at that age. Some of the interviewed struggled to maintain their living standard in the wait of receiving their public pension. In two cases it was obvious that the extra five years dug deep holes into their savings since their chances to uphold positions in the labour market were limited. However, the stories told also include many other events having great impacts on retirement planning, such as divorces and children's problems with mortgages.

One example show how a couple, due to family rearing and the cost, declined entry into an occupational scheme. The same couple had seen their investments in life insurances make no progress in 20 years following, they reckoned, takeovers in the insurance industry. Another couple, on the other hand, started early in private schemes and learnt to revise and update their policies continuously, making it possible for them later to pay off their mortgages at retirement.

However, despite changed circumstances, the interviewed New Zealanders viewed their futures as pretty positive. They were unhappy with the government, but felt as if their efforts in building up private solutions kept them going. They were more worried about the next generation and, it seems, about the degeneration of the New Zealand welfare state.

Finally, in Australia we are shown that mixed responsibilities provide mixed results. The Australian example from above regarding redundancy from a mine show a process where safe guarding in companies is small scale and vulnerable, but expected by its beneficiaries to be safe. In the particular case the person was granted a disability pension due to diagnosed heart problems, thus lifted off the company's responsibility and transferred into the tax financed system.

However, the other people interviewed in Australia showed a particular pattern of being pretty well prepared and with a plan of retirement. Due to the possibility of lifting the superannuation funds at age 55, most of the respondents planned with that as a horizon. All three had their carriers fully or partly as public servants, and insofar they had also accumulated pension funds through employment schemes. In two cases, those who worked in the public sector all along, they started to roll their funds planning for 65 and an allocated pension and seniors' cards. They received help from advisors in the department they worked, and consultants. One clearly pointed at tax reasons as important, the other followed his own plan.

The fourth respondent was a public servant for years, but changed together with his wife into their own real estate business. They bought the family farm and let a superannuation fund grow inside the business. They looked at 62 as a good retirement age. They used an advisors help quite late, and noted that without the advisor they would not have come to the situation where they were eligible for a public pension and public health care at 65. Now they have sold the farm to their son and look forward to the next 20 years to come.

In these three cases the fund management is fulfilled by professionals since retirement.

The comparative view - regimes or not?

It is hard to not withstand that national differences are visible between the persons that were interviewed. Importantly though is that some of these differences are connected to individual cases and causes, such as work careers, personal interests, and in particular as a consequence of our sample, rather than to specific nations. Despite that, however, it is open to shape new hypotheses for further research. We believe, for instance, that the intensity in individual planning actions is linked to the level and design of public social protection. Not a very heroic or exclusive suggestion, but one still to be tested comparatively in a more extensive survey.

People in the four nations studied do not fall into poverty when they retire. At least that is what our pilot study points at. There is more than one social safety net in place protecting those not able to or unfortunate not to follow a mainstream solution. This would qualify our first hypothesis of four generous welfare states even on a disaggregated level.

Our second hypothesis is different. We expected that a lot of the preparation and planning was similar, despite differences in pension policy design. In this respect there are some typical actions crossing the policy divides such as getting out of debt and mortgages, and viewing the public system as a social right. Further that none was prepared to be a burden on the system, i.e. a social assistance beneficiary. Most of them had a mix of financial solutions involved in their preparations. They also made sure of keeping busy and creating new social networks in retirement, as well as, as far as we could see, leaving their kids to shape their own lives.

It is also obvious that existing systems did affect financial retirement planning, but in different ways. On an individual basis structures provided incentives to act. This was particularly clear when viewing the possibility of lump-sum payments in Australia and the generous early retirement scheme (efterløn) in Denmark. At the same time, the opposite situation occurred in New Zealand where a sudden change of goal posts did not produce creative planning actions by the respondents, but very defensive moves. Perhaps this can be seen as a consequence of negligible space for action in the given context, or that the economic sense of incentives is unable to handle time lags when used as an explanatory variable. In other words, economic incentives require resources, thus it seems more plausible to observe such incentives in action when resources are added rather than withdrawn, especially on the margin of welfare.

The way preparations and planning was carried out differed and existing structures and timing was clearly important. Our third and preliminary hypothesis, that the differences and similarities derived from the first and second hypothesis respectively will provide an understanding of varying pension regimes, might be valid to further with a new and differently designed study. In our context we can point to the following few examples.

In New Zealand an obvious frustration regarding political changes to existing rules in the superannuation scheme was visible. It was not only in pensions these changes occurred, but observations find more elements in a long period of neo-liberal reform in New Zealand (Kelsey, 1995). The particular position regarding pensions in New Zealand is discussed in Harrysson & O'Brien (2004). It seems as if this process has had an impact on our respondents trust in the existing system, a system defended in a referendum with a clear majority in the 1990's (compare Ginn & Arber, 1999 for Great Britain). On the one hand the New Zealand two pillar pension model might show its weakness in not providing a more extensive and earnings related second pillar. On the other hand the signals are very clear about what responsibilities the government is prepared to take on. Those signals are also verified by the respondents' agreement on the importance of not being a beneficiary and dependent on public financial support. Thus, it does not seem to be any lack of responsible thoughts among the respondents. Why then undermine the platform from which people can plan and prepare financially for retirement? Well, “someone” was not happy with the pension regime as it was; how people believed they had earned their right to retire via tax payments and work efforts. Perhaps more New Zealanders will retire in Australia in the future where they can receive a higher pension, which New Zealand is bound to pay following bilateral agreements, as one of our respondents described in detail.

It is interesting that the Australian system, in many typologies regarded as targeted (Arts & Gelissen, 2002), seems to promote expectations and actions in line with making public pensions and senior services reachable to the more affluent middle class of the Australian society as well. At least this is a feeling you get when listening to how our respondents have worked their way through financial planning and preparations. Of course, there is an obvious case (the miner) of how the targeting actually works, but it is most interesting to view how easy it is to plan your way past the thresholds. Australia has, it seems, become a far more encompassing welfare state than earlier appreciated, at least when pensions are considered. The Australian pension regime is one of accepted financial planning.

The Australian pension regime is interesting in comparison with the Swedish reform of the public pensions. The premium reserve part added on top of the income pension, as well as the “orange envelopes” sent out with information, is details in making Swedes more involved in their pension planning. However, the persons interviewed in our study are all covered by the old scheme (ATP) with a reformed indexing of the outgoing pensions. They provide a picture of a pension regime that is different to the one that the reformers have described as important to achieve. The increased information has increased our respondents' interest, but for most of them this interest had been intensified anyway closing up to retirement.

Swedes are covered by several collectively organised systems, whereas one is through their employment. Several of our respondents also had private coverage, in one case introduced a long time ago. Private coverage has been tax preferred since the 1970's, and thus it can be seen as a legitimate planning instrument provoking peoples' incentives (reversed targeting, Sinfield (1993 p39) cited in Ginn & Arber (1999 p323)), and in a political view a way of legitimising other welfare state expenditures and high taxes. The private-public mix of pensions in Sweden is not that transparent and therefore not easy for common, non-specialists, to foresee in its consequences. The Swedish pension regime has been characterised, as among our respondents, as one based in trust that by the age 65 a pension will be there, and that it will be enough. The newly reformed system does not provide higher levels of transparency, rather the opposite, but more uncertainty on an individual level when risks are transferred from the collective to the individual. Basically all Swedes are to congratulate since them as collective have a public pension scheme that carries no financial risks (if the designers are to be trusted), but only administrative problems and personal mistakes regarding outcomes.

Perhaps the worries from our New Zealand respondents about how to afford both education fees/costs, child rearing, and retirement savings all at the same time is important to review when the consequences of the reformed system in Sweden is debated. Far too often it has been a case of viewing the system as an icon in isolation. A changing pension regime in Sweden is obvious, but not seen among our respondents, when the move from an income compensation principle toward an equity based insurance principle is fulfilled, from outcomes to procedures. "More precisely, this change implies that the criteria determining the pension system's fairness have been transferred from the concrete life circumstances of seniors to the abstract procedure through which pensions are determined." (Lundberg, 2005 p. 33).

The Danes that were interviewed were all happy about their former working career. To one of them, the sale of the business meant a move of workplace and to some extent changed work assignment. In this case the existence of the early retirement scheme (efterløn) was a rescue. Despite changes to the scheme it seems as if it has provided an opportunity for people to choose to step down from employment. Among our respondents two out of three had used this possibility. In two cases their spouses used it.

Seen in the perspective of our introduction there is a strong connection between the processes of retirement and labour market exit. We believe that the transformation is very positively seen in Denmark due to a very generous early retirement pay. Preparations for retirement nowadays, however, are not just this change, but strategic concerns about a long period in life. Without question the transition has worked out very well for those we interviewed, and the welfare structures have been supportive to them.

Patterns of welfare and social exclusion preparing for retirement

If we are to try to systematise the regimes, how would they be defined and how would they relate to welfare and exclusionary patterns? A pension regime is, as said earlier, a mix of structures of rights and entitlements, as well as of expectations, hopes and beliefs.

Pension regimes differ greatly; at least that is our conclusion. From a small material, such as ours, it is hard to be sure about exactly how they look, but our respondents seem to view their positions in relation to existing systems differently. This is probably natural, and scheme design matters.

It could be expected that an Australian pension regime would fall into a welfare regime description commonly referred to as liberal (Esping-Andersen, 1990), or targeted (Korpi & Palme, 1998). Welfare patterns derived from he two first would enhance social stratification where higher income strata are independent and untouched by the system, while lower strata are dependent on the public welfare net and thus stigmatised as beneficiaries. Need becomes the prime focus of entitlement. Further, aspects of de-commodification would be less pronounced.

However, Australia does not fit into this description, at least not regarding a pension regime. It is obvious that the planning in many ways is individualised, but by the introduction of mandatory superannuation offsets, beyond Esping-Anderson's writings, all working Australians become included in the public system. Following our study, the pension regime involves a clear ambition from our respondents to make themselves entitled to at least a small portion of the public good to make them eligible for healthcare and senior benefits. This process seems enhanced by professional advice from consultants. As a result, a possible hypothesis would be that Australians view the existing system as far more encompassing than typological welfare research this far has suggested.

Denmark, which also has a means test connected to their basic pension, shows a similar pattern. The Danish type is referred to as Social-democratic (Esping-Andersen, 1990) or as Basic Security (Korpi & Palme, 1998). We would expect, particularly from the latter, that the State guaranteed a basic amount, and from the former that solidarity and equality would be on the agenda. The Basic security position seems odd when viewing the pension mix where several different parts, private and public, are important. The Danish case is hard to capture in full. Many disparate ambitions seem to meet in the prolonged process of retirement.

The Early Retirement Pay, introduced in 1979 has been a huge success considering the number of Danes that have used the opportunity. Since it is following an income compensation principle a basic security label does not fit that well.

The typical sign of a social democratic welfare regime, strong elements of de-commodification, are clearly visible. It is important though, not to extend that to include all Scandinavian countries without a closer look on their comparability.

Concerning New Zealand we have been a bit confused. Our expectations were that a single fairly generous basic flat-rate social security system, such as the one in New Zealand, would produce simplicity, transparency and satisfaction. A system defended strongly by the New Zealanders. What we met, however, was dissatisfaction and worries, as well as political distrust.

When discussing this it has been pretty disturbing to recall that basic security actually renders into strong exclusionary processes and poverty. This become particularly observable in a nation where welfare retrenchment has been a political goal in itself (Harrysson & O'Brien, 2004), and the system to which changes can be done is a sole system available, the one-pillar superannuation scheme.

Welfare retrenchment has been an important part in Sweden too, but it has taken much different forms. Perhaps it has also been more of rhetoric than reality this far when looking at the major re-distributional systems. The pension coverage has been comprehensive and spread across several systems since the introduction of a secondary pillar in 1960. It is harder to make reductions when other systems might provide entitlements to fill the gap. Pension reform in Sweden has therefore followed other lines working on producing a new individualised, property rights influenced pension regime. An important aspect related to this process is what Urban Lundberg (2005) referred to as de-politicising, making political debate and influence mere rhetorical. The reform has provided individual accounts making personal entitlements somewhat more transparent and indexation principles has been presented as automatically reducing the risk of system insolvency. It has nothing to do with any prognosis of individual poverty risks, an aspect seen to by the first pillar guarantee pension. Reduced entitlements due to periods of unemployment or part time work might mean, to many Swedes, that the pension system becomes a basic security model. The political difference compared to New Zealand is by then quite small.

However, it will take some time before a new pension regime develops, despite hard work with structural incentives. Just yet, those we interviewed were all part of today's regime, one of pension entitlements as a social right.

Finally, existing pension systems play a vital role in shaping people's expectations, hopes and behaviour. We think that an interesting hypothesis for further study is one of time lags, of when reforms actually change the expectations and beliefs of individuals. When does a pension regime turn into a new one?

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