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Policy developments in the area of old-age pensions

The Open Method of Coordination: a tool to influence national pension policies?

Bachelor Thesis European Studies

Author: Franziska Marie Marquard (s1119109)

First Supervisor: Dr. Ann Morissens
Second Supervisor: Dr. Minna van Gerven-Haanpää

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List of Abbreviations

BSP	Basic State Pension
EES	European Employment Strategy
EU	European Union
MS	Member States
NAPF	National Association of Pension Funds
NIC	National Insurance Contribution
NRP	National Reform Programme
NSR	National Strategy Report
OECD	Organisation for Economic Co-operation and Development
OMC	Open Method of Coordination
PPM	Premium Pension Authority
S2P	State Second Pension
SPSI	Social Protection and Social Inclusion
TEU	Treaty on the European Union
TFEU	Treaty on the Functioning of the European Union
TRP	The Pensions Regulator
UK	United Kingdom

Summary

Demographic change is a threat many countries face (Eckardt, 2005) and most pension systems are functioning in a way in which those who work pay the retirement provision for those who are retired. The circumstance of demographic change, so the trend that people tend to get older and fewer babies are born (European Commission, n.d.), may be seen as a call to adjust pension systems. Moreover, as we live in times of greater mobility concerning labour, especially across the European Union (EU), it is of great importance to know in how far pension regulations among the member states differ. This greater mobility can amongst others be explained by the four freedoms: free movement of people, goods, services and capital. These freedoms established by the European Union and its member states facilitate that people start working in other countries than their origin and thus are subject to different pension policies.

That is why this study aims at developing an insight on how social policies within the member states have changed over the last decade and if the influence of European governance changed them in a manner that pension policy is regulated in a similar or even equal way. Hence, this thesis tries to answer the question:

"What is the role of the Open Method of Coordination in fostering Europeanization in the area of old-age pensions in the United Kingdom, Germany and Sweden in the period between 1999 and 2010?"

The selection of three countries is based on the welfare state typology of Esping-Andersen, which are liberal, conservative and social. The United Kingdom (UK) represents the liberal welfare state, Germany the conservative and Sweden the social. The Open Method of Coordination (OMC) on pensions and the objectives of the Laeken Summit are outlined within the paper. The OMC on pensions required the member states to provide a National Strategy Report (NSR) for 2002 and 2005. In the analytical part, the paper is limited to two goals of the Laeken Summit (objective 5 and 10). Moreover, National Reform Programmes (NRPs) are used for the analysis.

With the help of the theory of Europeanization it was found out that the OMC on pensions drives Europeanization of national pension policies a little bit further. However, it turned out that this research field is very complex and due to the fact that the OMC on pensions is rather vague, giving an explicit answer is difficult. In sum, the UK, Germany and Sweden largely argue that changes in the policy area of old-age pensions are done mostly because of demographic changes and not because of the OMC as such.

1. Introduction

During the course of writing this bachelor thesis, the European Union (EU) welcomed a new member state, Croatia. Next to the geographic expansion, this enlargement brings questions of European governance back on the agenda. From now on, Croatian politics will be influenced by European policies, which means that the Croatian government becomes to some extent Europeanised. But not only Croatia experiences the influence of this process. Observations of this kind can be made in all member states (MS). One of the core elements of European integration can be found in the economy and the labour market since European regulations allow for free movement of services and persons. Therefore, it seems to be worth knowing, in particular for students who are going to operate on a global or rather European scale, how old-age pension systems, as one expression of labour market policies, are regulated and in how far one can speak of Europeanising old-age pension systems.

Nowadays, the labour market, especially within the EU, is not necessarily nation bound. This is amongst others due to the four freedoms established by the EU for the citizens of its member states: free movement of people, goods, services and capital. In times of globalisation, these freedoms are very important to facilitate the mobility of the citizens. This aspect is also a major challenge for EU policy makers. Even if many things are regulated on European level, the competence within the field of social policy is still mostly covered by the member states as outlined in article 4 of the Treaty on the Functioning of the European Union (TFEU) (European Union, 2008). Consequently, it is no surprise that there is no single European pension system. Therefore, it appears relevant to see how the EU and its member states deal with pensions and if there are similar or even equal attempts concerning pension reforms. Moreover, demographic change is a threat many countries face (Eckardt, 2005) and it is of a logical consequence, that there are attempts to improve the pension system with new reforms. Thus, countries' reforms will also play a role within this research.

An important aspect within this research area are the different types of welfare states since it is the type of welfare state which determines the degree to which the government is involved in promoting and protecting the economic and social well-being of its citizens (Oschmiansky & Kühl, 2010).

Due to the fact that the EU has a set of principles, namely the Copenhagen Criteria, which are essential criteria all MS need to fulfil before entering the Union, it looks as if there are no major differences between the member states. Nonetheless, just by taking the welfare system into account, it becomes obvious that there are varieties between the states. Some of them have a liberal while others have a conservative or a social welfare system. But having in mind on the one side, that the EU is known for promoting equality amongst its member states as well as its citizens, and on the other side, that social policy is majorly dealt with by the member states, and thus limiting the EU in enforcing their claims, evokes the feeling as if guaranteeing equality in all kinds of fields is difficult. Moreover, integration is a key aspect of the EU and with regard to its development, the history of the EU shows various levels of integration (Europäische Union, n.d.). The establishment of the EU started solely from an economic perspective, but included over time political as well as social integration (Europäische Union, n.d.). Research has shown that the EU is relatively well developed in terms of economic and political integration, but lacks social integration (Delhey, 2004; Threlfall, 2003).

Due to the existence of EU institutions comparable to those of member states, it seems interesting to examine in how far the EU is able to transpose guidelines in an area of social policy. Because studying all social areas would be too extensive for a bachelor's thesis, this paper will solely concentrate on pensions. The guiding research question of this paper is:

"What is the role of the Open Method of Coordination in fostering Europeanization in the area of old-age pensions in the United Kingdom, Germany and Sweden in the period between 1999 and 2010?"

The main aim of the research is to find out if the EU contributes towards promoting Europeanization among its member states with the help of the OMC and influences its MS, or more precisely, their policies in terms of old-age pensions.

Literature provides a variety of different types of welfare states (Bonoli, 1997). However, this paper will concentrate on the classification by Esping-Andersen (1990). He introduced three different welfare states typologies: liberal, conservative, and social. Due to the fact that studying all member states would be too complex, this paper will be restricted in terms of country selection. Therefore, the role of the OMC with the help of three countries based on the Esping-Andersen typology will be explored. These countries can be further classified according to two different pension models, the Bismarck-Model and the Beveridge-Model (CESifo, 2008). The focus for each country will be the development of the old-age pensions, or more precisely, recent reforms in pension polices in the respective country. It will be examined if these reforms are influenced by the OMC.

The liberal welfare system will be represented by the United Kingdom (UK), the conservative welfare system will be represented by the Federal Republic of Germany (henceforth referred to as Germany) and the social welfare system will be represented by Sweden. Further, it has to be said that the selected countries also differ in terms of pension systems.

In order to link the concept of old-age pensions to the European level, policy recommendations made by the EU which belong into the field of pensions will be examined. As social policies within the EU are largely regulated on national level and only guided by the EU, the Open Method of Coordination, the tool used by the EU within the field of social policies as well as in the area of pensions, will also be essential for this paper.

The thesis contains five chapters. After this introductory chapter, the paper will continue with the theoretical framework. The theoretical framework will briefly refer to the welfare state typology of Esping-Andersen (1990). This is followed by clarifying the concept of Europeanization. Subsequently, four modes of governance, *coercion, targeting, framework regulations and voluntarism* (Treib, Bähr, & Falkner, 2007), used by the EU in order to steer member states policies and actions, will be regarded. Thereafter, it will be looked at the OMC, the tool of EU governance used in the area of social policy, in more detail. Moreover, reference will be made explicitly to the EU and its OMC on pensions. The methodology chapter presents amongst others information concerning case selection and the procedure of the analysis. This is followed by the analytical part, containing amongst others some background information on the pension systems of the three states under study and the development of their pension policies as well as the impact of the OMC on national reforms. Therefore, a selection of the eleven goals of the Laeken Summit, which is an agreed set of targets by the member states, will be made and discussed in detail. The final chapter will shortly summarize the findings and will give an answer to the research question.

2. Theoretical framework

This section will concentrate on different concepts used within the thesis. First of all, it is to say that the welfare state and its division by Esping-Andersen into three different typologies, namely the liberal welfare state, the conservative welfare state and the social welfare state, is a relevant concept of the thesis. Due to the fact that this typology is used as a basis for the country selection, this typology will be dealt with in the next chapter, the methodology of the paper.

The theoretical basis of the thesis will be the concept of Europeanization and the tools used by the European Union in order to regulate or rather govern EU issues. Thus, after elaborating on Europeanization, the competences of the EU will shortly be elucidated. Subsequently, the OMC, the tool used by the EU in order to deal with social policies, will be presented. Because this paper majorly deals with pensions, OMC provisions specifically addressed for pensions will be presented.

2.1 Europeanization

Nowadays it is the case, that the term *Europeanization* has been put in the centre of attention amongst others by politicians, media and academic scholars. But the question, whether everyone does really know the idea or the concept behind Europeanization, remains open. This section tries to shed some light on the concept of Europeanization with the help of existing literature. The term as such seems to be rather vague as well as abstract and various authors communicate a different understanding of Europeanization.

One of the definitions of Europeanization is done by Lawton (1999). The author emphasizes that Europeanization refers to the shift in sovereignty from domestic to European level and not to the "sharing of power between national governments and the EU" (Radaelli, 2002, p. 106), which he classifies as the concept of "Europeification" (Radaelli, 2002, p. 106).

Moreover, Radaelli (2002) refers to Börzel (1999) and her classification on Europeanization. According to Börzel, Europeanization is the trend that policy areas of national competence progressively turn out to be a matter of European policy-making (Börzel, 1999, p. 574; Radaelli, 2002, p. 107).

Yet, another definition on Europeanization referred to by Radaelli (2002) is delivered by Risse, Cowles and Caporaso (2000). They refer to Europeanization "as the emergence and development at the European level of distinct structures of governance, that is, of political, legal, and social institutions associated with political problem-solving that formalize interactions among actors, and of policy networks specializing in the creation of authoritative European rules" (Radaelli, 2002, p. 107). In addition, another definition on Europeanization underlines that it "involves the domestic assimilation of EU policy and politics" (Radaelli, 2002, p. 108).

In sum, it seems as if all authors point out that Europeanization is a process dealing with the infiltration of national matters by EU politics. In other words, national politics and policies are influenced by the EU and a change on national level can be observed.

Börzel and Risse (2000) categorize three different degrees of national change created by Europeanization: *absorption*, *accommodation* and *transformation*.

First of all, they talk of a*bsorption* which causes minor changes on national level. Here, it is the case that "member states are able to incorporate European policies or ideas and readjust their institutions, respectively, without substantially modifying existing process, policies, and institutions" (Börzel & Risse, 2000, p. 10). Secondly, they refer to *accommodation* which causes modest changes on national level. Here, it is the case that "member states accommodate Europeanization pressures by adapting existing process, policies and institutions without changing their essential features and the underlying collective understandings attached to them" (Börzel & Risse, 2000, p. 10). This can be done by vamping up "new policies and institutions onto existing ones without changing the latter" (Börzel & Risse, 2000, p. 10). The third and last degree of national change is referred to as *transformation*. In terms of national change, this type creates the highest change. This is because "member states replace existing policies, processes, and institutions by new, substantially different ones, or alter existing ones to the extent that their essential features and/or the underlying collective understandings are fundamentally changes" (Börzel & Risse, 2000, p. 10).

Nevertheless, it is also crucial to underline what Europeanization is not, but how closely it is related to other models. Radaelli (2002) for example stresses that Europeanization should not be confused with the concepts of "convergence, harmonization, integration, and policy formation" (p. 111) even though a linkage of the concepts cannot be denied. With regard to the connection between Europeanization and convergence, Radaelli (2002) points out that convergence "can be a consequence of Europeanization" (p. 111), but because Europeanization is a process and not like convergence a consequence, the two concepts must be differentiated. Nonetheless, interconnectedness can be observed in so far as Europeanization can be regarded as a circumstance in order to explain divergence. Further, Europeanization and harmonization should also be differentiated because national policy changes, fostered by Europeanization, do not necessarily mean that harmonization takes place. This can be explained because member states have the possibility to choose different tools to reach a policy change and consequently, the change as such could vary (Radaelli, 2002).

The next aspect Radaelli (2002) raises is that Europeanization is not to be set equal with political integration, even though he also highlights that "Europeanization would not exist without European integration" (p. 111). European integration is rather that countries cooperate with each other and shift part of their sovereignty to a supranational level and therewith create new institutions. Europeanization in contrast focuses on the situation beyond the shift in sovereignty. Said differently, what these newly established supranational institutions do is about Europeanization. The last aspect Radaelli (2002) points out is that Europeanization and EU policy formation are concepts which need to be separated in theory even if they are interrelated in practice. The concept of EU policy formation comes into being “from processes of bargaining, imitation, diffusion and interaction between national (and often sub-national) and EU-level actors” (Radaelli, 2002, p. 111). Interconnectedness of the two concepts can be observed in so far as consequences of Europeanization can result in a change of policy formulation. More explicitly, member states or rather their governments learn lessons from Europeanization and, hence, strive for changes and adjustments with regard to EU policy. Consequently, Europeanization is understood by some authors as “a two-way process” (Radaelli, 2002, p. 112): “Member states ‘upload’ their preferences to Brussels via complex negotiations and ‘download’ them from various EU policy ‘menus’” (Radaelli, 2002, p. 112).

The concept of Europeanization is relevant for the thesis and for answering the research question because it is an essential component of the research question. That is why it is important to understand what is behind this concept. Moreover, crucial for the analysis are the different levels of Europeanization as introduced by Börzel and Risse (2000) and referred to in the above section. With the help of this classification it is expected to shed some light on the influence of the OMC on Europeanization. More precisely, it will be shown in how far national pension regulations undergo changes of *absorption*, *accommodation* and *transformation*, which are triggered by this tool of EU governance.

2.2 Modes of Governance

Countries, governments but also institutions on different levels make use of various types or styles of governing. In the following, one specific conceptualization concerning EU modes of governance will be presented. Treib, et al. (2007) have introduced four different modes of governance: *coercion, targeting, framework regulations and voluntarism,* of which every single one features two dimensions. The first dimension focuses on the instruments used in order to reach a goal. In this respect, it is essential to differentiate whether an instrument holds legally binding power or not. The second dimension relates to the implementation. Within this respect, it is vital to distinguish between the ways of implementing measures. In other words, do member states have to stick to strict rules or are they free concerning the choice of implementing measures? Generally speaking, these modes are the tools the EU can use in order to exercise its power and to make its member states behave in certain ways (Treib, et al., 2007).

With regard to the first mode of governance, namely *coercion*, member states are obliged to carefully stick to the pre-set as well as the instrument when implementing measures. Thus, it is legally binding. An example is the establishment of the internal market, as within this area the EU has the sole competence. The second mode of governance is the so-called *targeting*. This implies that member states have to adhere to the pre-set; however, the tool of implementation is not binding. The third mode of governance is basically the exact opposite of targeting and concerns *framework regulations*. To be precise, member states are free with regard to the implementation method but the instrument is binding. The fourth mode is called *voluntarism* because member states are not required to do anything. This mode of governance allows the member states to decide on their own how to implement a certain measure and the instruments are non-binding. Besides, these four modes of governance can also be divided into two top-categories in terms of legal binding power. More precisely, they either are legally binding, meaning they belong to the category of hard law, or they are not legally binding, meaning they can be classified as soft law (Treib, et al., 2007, pp. 13-15).

The European Union is comprised of various states that aimed at creating supranational institutions and transferring some of their sovereignty to these institutions. This means that there is a catalogue of competences that is divided between the EU and its member states. At large, there are three types of competences (European Commission, 2010): *exclusive competences, shared competences* and *supporting competences.* Exclusive competences mean that "the EU alone is able to legislate and adopt binding acts in these fields [and] the Member States' role is therefore limited to applying these acts, unless the Union authorises them to adopt certain acts themselves" (European Commission, 2010). *Exclusive competences* can be found in the area of the customs union or economic and monetary policy. *Shared competence* means that both, the EU and the member states, have the right to make laws or choose the appropriate mode of governance. Member states are allowed to exercise their power to the point where the EU does not do so (European Commission, 2010). This joint competence can be found in social policies and the area of freedom, security and justice. Moreover, there are areas in which member states basically hold autonomy and thus the EU is theoretically not having power of decision. However, this is in some areas only partly true, as the EU supports its member states on a financial basis and has the task to act as a coordinator in areas such as education, tourism and sports (Citizens Information Board, 2009). There are competences which are solely granted to the governments of the member states such as taxes, health care and spending of public money and in which the EU subsequently has no say (Citizens Information Board, 2009).

Socio-political concerns are, as stated in article 4 TFEU, part of shared competences (European Union, 2008). Old-age pensions belong to this category of social policies and therefore also fall under the scope of shared competences. Moreover, it is the case that within the area of old-age pensions voluntarism is at stake because member states are not forced to do anything and it is up to them how to implement measures. In both cases the tool used by the EU is the so-called Open Method of Coordination (OMC) and therefore, it will be explained in more detail in the next section.

2.2.1 Open Method of Coordination

The competences of the EU within social policies are rather limited. One important tool, that is used, is the Open Method of Coordination (OMC).

The OMC has had its birth in the year 2000 when the European Council met in Lisbon (Cini & Pérez-Solórzano Borragán, 2010, p. 218). The OMC is a system bringing together different actors in terms of transparent collaboration and in an accessible manner. However, the system lacks legal binding power and thus leaves a lot of room with regard to manoeuvre for the involved parties (Goetschy, 2003). Moreover, this method leaves the actual competence and responsibility within the member states, but is "designed to be a method of benchmarking best practices in a decentralized approach in line with the principle of subsidiarity" (Cini & Pérez-Solórzano Borragán, 2010, p. 218). In other words, the intention of the tool is to arrange a system of mutual recognition and relevance. At large, it is to say that every individual member state has a certain way of, for instance, coping with a problem and finding the best solution. These best solutions from different member states are communicated among the member states and are compared to each other in order to show how strategies differ and to be able to see which solution works best. Consequently, member states can learn from each other and adopt other solutions if they for example work better in a certain context. The European Union has the role of a supervisor and coordinator, ensuring that member states work on, communicate about, and compare the same things (Cini & Pérez-Solórzano Borragán, 2010, p. 218). In other words, the EU sets targets which the national governments would like to see reached. The ways of dealing with these targets are exchanged and watched among the countries (European Commission, 2012a).

As introduced in the previous section (2.2), there are areas in which member states are free to choose the method of implementation. Further, when guidelines have no legally binding effects, one speaks of soft law. Both cases hold true for the OMC. Despite the lack of legally binding power, the OMC can be regarded as creating legislative activities as representatives of the member states gather and agree on certain goals, benchmarks and timelines. Thus, the partaking countries are obliged to do anything necessary in order to ensure that the targets set will be reached within the given timeline.

The OMC is used as a tool because it takes the various backgrounds of the member states into account. It explicitly aims at continuing the connection between policy-making at domestic level and co-operation at EU level, by linking common action and national autonomy in a unique way (Borrás & Jacobsson, 2004): “The intention with the OMC is to incorporate initiatives at various levels of governance; this opens up the possibility for truly bottom-up political dynamic, which differ from the top-down structures of the previous soft law-making” (Borrás & Jacobsson, 2004, p. 189). The broader area of the OMC on social policies is comprised of two major targets: firstly, “to improve economic competitiveness” and secondly, “to foster social cohesion” (Natali, 2009, p. 814).

Scholars have done quite a lot of research on the Open Method of Coordination and came up with many different questions. To just mention a few: “The Open Method of Coordination: A new governance architecture for the European Union?” (Radaelli, 2003), or “First, to what extent can the method be effectively applied outside the scope of economic policy? Second, will it lead to policy transfer to the EU and hence act only as a transitional mode of governance?” (Hodson & Maher, 2001, p. 719).

To put it in a nutshell, Radaelli concludes that “the OMC is a new mode of governance”, on the one side strengthening “cooperation and imitation” but on the other side fostering at the same time “diversity and competition” (Radaelli, 2003, p. 52). Radaelli further points out that the influence of the OMC on member states will not be the same and that there must be “a re-orientation […] at the domestic level” in order to “increase participation [of member states] within the OMC” (Radaelli, 2003, p. 58). Moreover, the author underlines that the hidden capability behind the OMC has not been taken enough advantage of (Radaelli, 2003, p. 59).

Referring again to Hodson and Maher (2001) and their first question, “whether the open method can be applied effectively in other policy sectors” it can be said that it “depends on whether there are equivalent initial conditions to those which exist for economic policy” (2001, p. 738). As soon as conditions are at least similar, the chance to effectively apply the OMC increases. Turning to their second question, they give the answer that if “common values begin to grow (through the open method), the possibility of a transfer in competence to the EU level could increase” (Hodson & Maher, 2001, p. 722). As soon as this occurs, the OMC could be regarded as a transitional tool in terms of EU governance.

In sum, it can be said that most articles dealing with the OMC are concerning its effectiveness, its influence and in how far this instrument can be applied in various areas. For this paper, the scope is rather limited to the area of pension policy. Therefore attention will be drawn to the role or influence of the OMC in this area in order to support Europeanization.
The following section discusses the OMC on pensions in more detail to explain its intention and way of functioning.

2.2.2 Open Method of Coordination on pensions – the Laeken Summit and beyond

With the initial introduction of the OMC, three social OMC's co-existed until 2005: one on social inclusion, one on pension and one on health and long term care. However, in 2006 these areas were combined within one OMC, namely the OMC on Social Protection and Social Inclusion (SPSI). In many areas, such as the European Employment Strategy (EES), in which the EU operates with the help of the OMC, member states receive individual recommendations from the EU on what to do. This is not the case within the OMC on pension (de la Porte & Nanz, 2004, p. 276). The main goal of the OMC on pensions is to organize "a learning process about how to cope with common challenges, while also respecting national diversity and enhancing the democratic legitimacy of the EU" (Natali, 2009, p. 810). In December 2001, the European Council met in order to discuss the future of Europe. An essential component was the topic on pensions. Thereby the agreement on eleven goals, the Laeken Summit, was reached. The goals are subdivided into three broader topics. Firstly, *"adequacy of pensions"*, followed by *"financial sustainability of pension systems"*, and lastly, *"modernization of pension systems in response to changing needs of the economy, society and the individuals"* (Council of the European Union, 2001, pp. 6-7). These goals are also part of the newly introduced OMC on Social Protection and Social Inclusion and the guideline for member states with regard to pension policy. A detailed overview of the goals can be found in the Annex pages 36-37.

Scholars point out that academic literature provides a variety of results concerning the OMC on pensions (Vanhercke, 2009). Many scientists advocate the theory that this OMC "is […] a bureaucratic nightmare merely involving experts and technocrats, ineffective as a learning instrument" (Vanhercke, 2009, p. 3). Eckardt (2005) for instance stresses that the "OMC on pensions contributes only to one aspect of policy learning (i.e. on information gathering and dissemination), while its influence on actual pension reforms by actively pushing policy transfer seems to be very small" (p. 262).

The goals agreed upon by the MS are essential for the thesis, because this paper focuses on pensions and the OMC within this area. The selection of goals dealt with in the analysis will be presented in the methodology chapter. Moreover, it is expected that these goals had an impact on the development of countries' policies; this will be discussed in chapter 4.

3. Methodology

In this section, the methodology used in order to design the research will be presented. This part is supposed to deliver relevant information to the reader about the research question, as introduced in chapter one, and shows how the question will be answered. Besides, attention will be drawn to information on the instruments as well as materials used within the study.

3.1 Research Design

The aim of most empirical studies is to deliver new evidences about a problem or a situation, and that counts also for this paper. It is supposed to provide the reader with a better understanding of the Open Method of Coordination as an instrument used in the area of pension policies. The analytical approach to answer the research question is qualitative. Meaning "the nonnumerical examination and interpretation of observations, for the purpose of discovering underlying meanings and patterns of relationships" (Babbie, 2010, p. 394). The units of analysis will be the pension systems of three countries showing different welfare systems. The units of observation are policy documents and secondary literature dealing with pensions.

The study will include descriptions of current situations and developments concerning the policy field of old-age pensions within the countries under study. Therefore, the conducted research is descriptive. With the help of a tree presenting the main research designs it becomes clear that the research design is explicitly a 'framework guided descripting (interpretative)' (Gemenis, 2012) because explanations are going to be made with the use of theory.

3.2 Case selection

Turning to the units of analysis of the study, pension systems of three countries with different welfare systems will be the basis for the selection.

Within literature, there is no uniform concept of the welfare state. It is rather the case that the welfare system is formed by economic and historical happenings of individual countries. Nevertheless, there is not a type of welfare state for each country but the concept welfare state is mostly divided into different aspects (Greve, 1996, p. 351). One of the best known typologies of welfare states was introduced by Esping-Andersen (1990). He came up with three types of welfare regimes and these classifications will be used as initial situation for the country selection.

3.2.1 Typology of welfare states according to Esping-Andersen

The first type of welfare system Esping-Andersen discusses is "the liberal type of capitalism" (Arts & Gelissen, 2002, p. 141). Key characteristics within this type are "individualism and the primacy of the market" (Arts & Gelissen, 2002, p. 141). The second welfare system Esping-Andersen classifies is the "conservative-corporatist welfare state" (Arts & Gelissen, 2002, p. 141). Features are amongst others "the twin historical legacy of Catholic social policy on the one side, and corporatism and etatism on the other side" (Arts & Gelissen, 2002, p. 141). The third type of welfare system Esping-Andersen distinguishes is "a social-democratic world of welfare capitalism" (Arts & Gelissen, 2002, p. 142). A key characteristic for this type is the high level of decommodification. With regard to stratification, it is to say that the distribution is supposed to be equal and not income bound. Moreover, this regime is not market friendly but rather favours the welfare state by creating a "universal solidarity" towards the welfare state (Arts & Gelissen, 2002, p. 142).

With this typology, member states of the EU can be classified according to a liberal, a conservative or a social welfare system. In order to limit the extent of the thesis, a selection of three countries will be content of the study. Precisely, every welfare system as introduced by Esping-Andersen will be represented once. The liberal welfare system will be embodied by the United Kingdom, the conservative welfare system by Germany and the social welfare system by Sweden.

3.2.2 Two Pension-Models: Bismarck-Model versus Beveridge-Model

The literature basically states that there are two kinds of pension systems in Europe (Kolmar, 2007). Firstly, the Bismarck-Model, which is a contributory pension scheme, and secondly, the Beveridge-Model, which refers to a basic state pension system. The former system aims at guaranteeing a certain living standard and can shortly be described with three characteristics. First of all, “the insured persons are employees or gainfully employed” (CESifo, 2008, p. 70). Secondly, “the financing is via contributions, graduated according to income, [and lastly,] the contributions to be paid are based on wages or salaries” (CESifo, 2008, p. 70). In contrast to that stands the Beveridge-Model which “focuses on securing a subsistence level” (CESifo, 2008, p. 70). The Beveridge-Model “includes the entire population [and] it is primarily financed from the state budget” (CESifo, 2008, p. 70). Moreover, “it calls for uniform, lump-sum contributions” (CESifo, 2008, p. 70).

With regard to the selected countries, Germany represents the Bismarck-Model while Sweden and the UK can be classified as representatives of the Beveridge-Model (DICE Database, 2000).

3.3 Data collection and analysis

Concerning the analytical part (chapter 4), qualitative data, the data collected to answer the research question, social policies in terms of pensions of three EU member states, and policies or goals of the EU itself are going to be analysed. For the content analysis, a variety of primary and secondary literature will be included. Content analysis “is the study of recorded human communications” (Babbie, 2010, p. 333). Essential in the context of the analysis is going to be the secondary literature *Pensions at a Glance 2011: Retirement-income Systems in OECD and G20 Countries* (OECD, 2011). Besides, recommendations made by the EU, precisely the Laeken goals, will be looked at. Furthermore, National Strategy Reports (NSRs) and National Reform Programmes (NRPs) of the countries will be included and their content analysed. NSRs reflect or rather outline the way the respective country goes in order to reach certain goals. NRPs reflect the strategies of the member states in order to acquire the goals of the Lisbon strategy.

Looking at the National Strategy Reports of the countries, there are only two NSRs available for each country; one for 2002 and the other one for 2005. The idea behind NSRs is that member states identify their greatest challenges concerning the Laeken goals and provide information regarding past and future pension reforms. Moreover, the European Commission analyses the NSRs "with regard to broad common objectives" (Council of the European Union, 2001, p. 8). The analysis will allow for identifying "good practice and innovative approaches of common interests to the Member States" (Council of the European Union, 2001, p. 8).

Regarding data collection and the OMC on pensions it has to be underlined that "in pensions OMC, key documents – official communications, reports, etc. –" (de la Porte & Nanz, 2004, p. 277) are available in the internet. Yet, contrasting to other areas such as the ESS, there is no website which is/has been solely devoted to the OMC on pensions and "the documents are more difficult to access, which means in practice that the process is quite opaque" (de la Porte & Nanz, 2004, p. 277). This is aggravated by the fact that "there is little access to or information on the meetings of the committees" (de la Porte & Nanz, 2004, p. 277).

Another aspect is going to be reforms in the pension systems of the selected countries. Therefore, literature providing information about such reforms will also be included.
Additionally, it will be looked at if the positions of the three countries towards the OMC on pensions differ. Moreover, the focus will be whether or not the UK, Germany, and Sweden have adopted recommendations or learned from other countries in the area of pensions and to what extent there is reference made to the mutual learning process.

With regard to the operationalization, the analysis will concentrate on providing information on the architecture of the pension systems according to the classification under 3.2 and two goals of the Laeken Summit. First of all, the set-up of each pension system, recent reforms and actors involved will be elucidated. Subsequently, objective 5 of the Laeken Summit, having the focus on retirement age, will be looked at. Here, the pensionable age right before the introduction of the OMC in the three countries will be looked at. Moreover, two points in time after the introduction of the OMC will be relevant. To be precise, the pensionable age will be compared in order to find out if there is a change. Moreover, reference will be drawn to what is laid down in the individual NSRs of 2002 and 2005. The second objective of the Laeken Summit, which is central for the thesis, is objective 10. This goal primarily concentrates on the equal treatment between the different genders. Essential for analysing this goal will also be the individual NSRs. These two objectives are selected because they both can be linked to the context of demographic change. Objective 5, increasing retirement age, fits best because it can be regarded as a tool to sustain the financial aspect of the pension system. Objective 10, equal treatment between men and women, can also be regarded as relevant as it fosters a change of the earlier ‘male as the breadwinner’ model. Moreover, equally supporting men and women on the labour market leads to a greater share of contributions to the pension system. Another relevant aspect of the analysis are the NRPs and their reference to the area of pensions.

An additional aspect of the operationalization is the time frame. Due to the fact that the data for objective 5, increasing retirement age, will be collected from different points in time, the study is longitudinal.

3.4 Limitation of the study

Unfortunately, most studies have limitations and there are factors which have not been considered or simply could not be taken into account. This is also the case for this thesis. To start with, the period of time which has been looked at is probably not sufficient to have enough evidence, because the OMC has recently been introduced and most legal acts take quite a long time to be implemented and to have an effect. Consequently, it can be argued that evidence is limited due to the fact that the OMC can still be regarded as being in its infancy. Hence, reading about future goals of the European Union in the area of old-age pensions has been done, but integrating those in the paper would go beyond its scope. Moreover, the focus of the study has left aside possible control variables which might have an influence on policy changes as well. Just to mention are for example external pressures as the economic crisis or various developments within individual national labour markets. Additionally, it can be underlined that the goals of the Laeken Summit are argued to be rather vague and that the EU has not provided individual recommendations for the member states. These facts can also be argued with as undermining the role of the OMC used as a tool of the EU in order to foster Europeanization. Furthermore, it is rather difficult to actually underline whether or not there is a causal relationship between the Open Method of Coordination and national pension policies. Said differently, one cannot prove whether or not national policies would have changed without the OMC. Due to the fact that the content of documents/literature is analysed, there is also the risk of misinterpretation. Next to that, one can regard the quality of the NSRs as being limited because unlike the European Employment Strategy (EES), NSRs deal with fewer indicators (Vanhercke, 2009). Lastly, as this paper is a bachelor’s thesis, the scope to do research is already limited because of formal requirements. However, the paper can be regarded as a starting point for further research.

4. Analysis

This chapter focuses on finding an answer to the research question by analysing academic journals dealing with pension reforms and policy documents in order to see to what extent the Laeken goals were implemented by the member states. First of all, a description concerning the structure of the three pension systems is delivered, meaning, if they are of public or private nature. In this context, most recent developments of the pension systems are also presented. Subsequently, the analysis of the NSRs is done for the two selected goals 5 and 10 of the Laeken Summit (see Annex pp. 36-37).

4.1 Structure of pension systems and recent pension reforms

The following section attempts to capture the complexity of pension systems in terms of the composition of finances for individual pensions, which refers to the Bismarck/Beveridge differentiation in pension systems. In most countries, one can find a combination of both, private and public pillars that build the country's pension system. However, there are not only differences between those pillars, but also internal divisions. The UK, Germany and Sweden do not show the same architectures of respective national pension systems. In the following, these differences will be outlined and explained what this means. Moreover, a reference will be made to recent pension reforms within each of the countries. Thereafter, a brief section on actors involved in pension reforms will be provided.

In general, one can differentiate between three layers when comparing the public/private dimension of pension systems. First of all, it is to say that those layers are not mutually exclusive, but add up to a bigger pie. Secondly, they differ in terms of their voluntary or obligatory nature. Two thirds of pension income is financed through mandatory arrangements whereas one third consists of voluntary contributions. Thirdly, there are two ways of financial means. On the one hand, there are reserves on which one will fall back. On the other hand, pensions are paid off through redistributive provisions (OECD, 2011). Despite various possibilities of combining those different elements, in reality, there are mostly only three combinations. The first pillar designates a redistributive system for which there is a duty to participate in. The second pillar is obligatory, too, but calls for the accumulation of savings.

The third one does also do so, with the difference that it has a voluntary source (OECD, 2011).

Regarding the United Kingdom, the first (mandatory) pillar consists of Basic State Pension (BSP) and Pension Credits. The former has already been introduced in 1946 and guarantees everyone a flat rate pension “financed by National Insurance Contributions (NICs)” (Guardiancich, 2010b, p. 1). The latter comprises the ‘Guarantee Credit’ and the ‘Savings Credit’ which have been presented in 2003. “The Guarantee Credit is income-related and independent of NICs” (Guardiancich, 2010b, p. 2). This credit is meant for above the age of 60 with low income. “The Savings Credit is an extra amount for people aged 65 or over, who have made modest provision for their retirement” (Guardiancich, 2010b, p. 2).
The second pillar is multi-faceted and makes numerous opportunities possible. The standard scheme is the so-called State Second Pension (S2P), which has been introduced in 2002. Moreover, the second pillar is comprised of Occupation Pension, Personal Pension, and the relatively newly established Stakeholder Pension, introduced in the Welfare Reform and Pensions Act 1999, and Personal Account, introduced in 2008. The Stakeholder Pension exists since 2001 and the Personal Accounts are present since 2008. The basis for this pillar is “voluntary, quasi-mandatory or auto-enrolment” (Guardiancich, 2010b, p. 6). “Stakeholder Pensions and Personal Accounts were introduced to cover low-income groups and atypical employment contracts” (Guardiancich, 2010b, p. 4). Other relevant dates concerning reforms are the Pensions Act 2004 and the Pensions Act 2007. The former “introduced tougher solvency rules and the Pension Protection Fund to safeguard against the sponsor’s insolvency and underfunding” (Guardiancich, 2010b, p. 3). The latter is meant to bring defined contributions to an end, even though the exact time has not been specified, and will only allow defined benefit, meaning that the number of years an individual has contributed to pension funds as well as the respective amount regulates how much this individual receives as pension. Moreover, this Pension Act also introduces an increase in retirement age to 66 within the period of time between 2024 and 2028. Another increase regarding retirement age up to 67 is set for the period between 2034 and 2036 (Guardiancich, 2010b, p. 2).
As for the third pillar, it is to say that it is of voluntary nature and it constitutes individual programmes.

In Germany, “the first pillar is divided into: i) compulsory statutory pension insurance for blue- and white-collar employees […]; ii) pension scheme for farmers […]; iii) insurance for civil servants and judges – tax-financed […]; and iv) several professional schemes”

(Guardiancich, 2010a, p. 1). The system is based on a defined-benefit point scheme. With the help of the points, the individual's wage is determined. Moreover, the first pillar also contains a pension flat-rate dependent on income. The second pillar is on a "voluntary and privately managed" (Guardiancich, 2010a, p. 3) basis. "Occupational funded schemes [are] offered by a variety of sponsors and subsidized through tax rebates" (Guardiancich, 2010a, p. 3). An employer is obliged to provide at minimum one type of occupational pensions out of five possibilities: "they can administer the scheme by themselves (Direktzusage), through insurance institutions (Unterstützungskasse, Pensionskasse or Pensionsfond), they may take out a direct insurance with an insurance company for their employee (Direktversicherung)" (Guardiancich, 2010a, p. 3). The third pillar is also on a voluntary basis and refers to the Riester-Rente. The intention behind this type is to "encourage low-income workers to additionally save" (Guardiancich, 2010a, p. 4). The Riester-Rente, introduced in 2001, encloses everyone except the self-employed. Self-employed belong to the Rürup plans, introduced in 2004. However, in contrast to insurance arrangements, Riester-Rente and Rürup plans offer less flexibility (Guardiancich, 2010a, p. 4).

In Sweden, the first pillar can be subdivided into three tiers. One tier has been changed from "old basic pension and related supplements" to "the guarantee pension […] in 2003" (Guardiancich, 2010c, p. 1). This guarantee pension is a flat rate funded by taxes. Moreover, this tier contains means-testing which "applies for income earned through the income pension, premium pension, supplementary pension (tilläggspension), [and] widow's pension (änkepension)" (Guardiancich, 2010c, p. 1). Another tier is represented by the income pension which has been introduced in 1998. This type is a "sophisticated Notional Defined Contribution system" (Guardiancich, 2010c, p. 1). Meaning that individuals hold fictional accounts into which they pay personal contributions, but also receive "a rate of return to the balances" (OECD, 2011, p. 106). At the end of the working life, the sum out of these payments is transferred into real pension payments which are influenced by the supposed life expectancy (OECD, 2011). The last tier "is the fully-funded premium pension" (Guardiancich, 2010c, p. 2). Concerning the second pillar, it is to say that it is quasi-mandatory and contains occupational funded schemes. This pillar is based on collective agreements and covers 90% of the employees. With regard to the third pillar, it is to say that it "consist of voluntary, supplementary pension schemes, is a voluntary accumulation for old age to pension funds or insurance companies. Its growth is favoured by tax incentives" (Guardiancich, 2010c, p. 2).

Trying to connect the structure of the pension systems and reform changes to the theoretical framework and more precisely to Europeanization and the OMC, it is rather difficult to conclude something straight forward. As described above, all three pension systems are built upon three pillars. This could at first glance evoke the feeling that the pension systems are similar. However, after having described each of the systems it cannot be denied that they differ when it comes to the details. Neither Guardiancich (2010) nor the OECD (2011) explicitly draw a line to the European level or the OMC on pensions. Consequently, looking for a certain degree of change with regard to Europeanization is difficult, if not impossible because nothing can be explicitly seen as an indicator for Europeanization. Relating the reforms to Europeanization and the OMC is not easy either. It might be the case that e.g. the UK's Pension Act of 2007, which refers to an increase in retirement age, could be argued as being a consequence of the Laeken goals as such and its goal 5, but this could as well be a misinterpretation. Just because reforms have taken place after the introduction of the OMC on pension, this does not simply mean they are a result of the latter. Accordingly, it cannot unequivocally be concluded that reforms after 2001 have taken place because of the OMC on pensions.

4.2 Administrative structure - actors involved in pension reform

The following paragraph sketches in the actors involved concerning decision making in the area of old-age pensions.

Starting with the United Kingdom, the agency in charge of the pension system is the Ministry of Social Security and Labour (Guardiancich, 2010b, p. 4). The department 'Inland Revenue' amasses social security contributions with the help of "regional and local National Insurance Contribution Officers" (Guardiancich, 2010b, pp. 4-5). The Pension Service, which belongs to the 'Department of Work and Pensions' is responsible for "the management of accounts and the payment of public pension benefits. The overseeing body is the National Insurance Fund. Public pension is solely regulated by governmental bodies. Meaning, "social partners do not participate to the administration of public provisions" (Guardiancich, 2010b, p. 5). As for the private systems, they "can be administered by different private actors [such as:] employers, financial services companies and various organizations" (Guardiancich, 2010b, p. 5). The National Association of Pension Funds (NAPF) is obliged to have at minimum two employee representatives in its board (Guardiancich, 2010b, p. 5). Another relevant institution is the Pensions Regulator (TPR). "The Pensions Regulator is the UK regulator of work-based pension schemes" (GOV.UK, n.d.). And lastly, the "Financial Services Authority, the statutory regulator for financial services […] monitors personal pension schemes" (Guardiancich, 2010b, p. 5).

Concerning Germany, the agency in charge of legislation is the Federal Ministry for Labour and Social Policy (Bundesministerium für Arbeit und Soziales, BMAS). Another important agency is the Federal Insurance Institute (Bundesversicherungsamt), which "supervises the administrative functions of the Federal German Pension Insurance" (Guardiancich, 2010a, p. 4). The latter is in charge of everyday processes and organization. Private pension funds and plans are controlled by the Federal Institute for Financial Services (Bundesanstalt für Finanzdienstleistungsaufsicht, BAFin). This agency is further controlled by the Ministry of Finance (Bundesfinanzministerium) (Guardiancich, 2010a, p. 4).

Finally, turning to the Swedish system, the department in charge of the public pension system is the Ministry of Social Security and Labour. With regard to the guarantee pension and the income pension, both are directed by the National Insurance Board (Försäkringskassan) (Guardiancich, 2010c, p. 3). Besides, the Premium Pension Authority (Premiepensionsmyndigheten, PPM) is an important department as it is responsible for "the individual accounts and annuities in the premium pension". Further, "all non-insurance based items have been moved to the state budget (contributions for years outside labour market, the guarantee, disability and survivors pensions)" (Guardiancich, 2010c, p. 3). As for the collection of contributions with regard to income-related schemes, it is the National Tax Board which hold authority" (Guardiancich, 2010c, p. 3).

Considering a linkage of the above described administrative structure and the theoretical framework of the research, it is striking that none of the country reports written by Guardiancich draw a line to the EU or the OMC on pensions. Even if the section on administrative structures in each of the country reports itself is relatively brief, the fact that it has been conducted in 2010 might ask for a slight reference to European level since the introduction of the Laeken goals have almost been a decade ago in relation to the reports. However, this is not the case and therefore, transformation and accommodation as defined by Börzel and Risse (2000) are obviously not present. The question remains if one can argue for absorption in this context without any reference in the reports to European level.

4.3 Analysis of National Strategy Reports

This section focuses on the analysis of the objectives 5 and 10 of the Laeken Summit as represented in the National Strategy Reports by each country. For the exact wording of the Laeken Summit see Annex pages 36-37. The first goal which will be looked at is goal 5, dealing with the retirement age and incentives to, on the one side, avoid early retirement, and, on the other side, to encourage working beyond retirement age. Afterwards, objective 10, dealing with equal treatment between males and females, will be considered. Retirement age and equal treatment will be referred to as indicators in the following.

4.3.1 Increasing retirement age (goal 5)

This indicator will be looked at in three different points in time: 2002, 2005 and 2010. Moreover, the indicator will separately focus on men and women. The information for this indicator has been collected from National Strategy Reports provided by the member states and secondary literature provided by the OECD (2011). Further, it has to be underlined that pensionable age in this case refers to the 'normal age', in other words, the age where pensioners are able to claim full pension benefits (OECD, 2011).

To begin with the United Kingdom, the country is aware of the fact that an increase in life expectancy has a negative consequence for the pension system if nothing is going to change. Consequently, the British government fosters plans which encourage older people to stay in the labour market after having reached the regular retirement age. The British system as outlined in the NSR of 2002 not only encourages older people to retire later but also allows retired people to "de-retire" (British Government, 2002, p. 16). Retired people have the opportunity to go back to work in order to raise their pensions within a shorter payment period. Nonetheless, this NSR also highlights that the maximum deferral of retirement age is 5 years. However, plans for 2010 have been that this limitation will disappear (British Government, 2002, p. 16).
Also the NSR of 2005 has the inclusion of older people in the labour market as a target. Moreover, the NSR underlines that equality among genders is an important goal and as a result, the retirement age for females will be increased from 60 to 65 starting in 2010 and reaching equal treatment in this area by 2020 (British Government, 2005, p. 24).

Concerning Germany, the country clearly underlines that they have been aware of the demographic change already before the introduction of the Laeken goals by pointing out that "longer life-expectancy and long periods of education […] lead to a late entry into working life" (German Government, 2002, p. 5). Longer periods of education lead to cutbacks of pensionable periods in the system as a whole and increased life-expectancy prolongs the time of retirement. Consequently, a change in terms of retirement age has been regarded as necessary. Additionally, in order to fill gaps in the pension system, the German government has introduced a system allowing for "part-pensions" and therewith promoting at least a part-time stay within the labour market among the generation ready for retirement (German Government, 2002, p. 16).

The overview of the increase in retirement age provided in the NSR of 2005 shows that Germany has been working on adapting the pension system to the changes of society. A corresponding table can be found in the Annex page 38. Moreover, Germany emphasizes that they favour the "focus of the Lisbon Strategy on promoting growth and employment, which are the main prerequisites for maintaining and refining the European Social Model" (German Government, 2005, p. 5). Generally speaking, the German government has already introduced reforms which underline the "philosophy of the outline principles established by the European Council in Gothenburg 2001" (German Government, 2005, p. 7).

Focusing now on Sweden and its NSRs, it is to say that also Sweden promotes the linkage of pension and part-time working. In other words, the country supports that retirees continue to work part-time and hence draw a smaller pension and still contribute into the system. Moreover, the country allows for a certain degree of flexibility when it comes to retirement age as they partly leave it to the individuals when they retire. To be precise, individuals can already retire at the age of 61 and can determine the degree of retirement (either full or partial). However, individuals have to keep in mind that the height of the pension is determined by the duration of being actively in the labour market. With this incentive for people to work longer, Sweden has more people paying contributions "and hence more pension rights" (Swedish Government, 2002, p. 17). Following, as the time period spent in retirement declines with every additional year in work, the monthly pension increases. According to the NSR 2002, Swedish individuals are required to retire latest at the age of 65. However, the government aims at lifting the age to 67. This is of reasoning as "life expectancy is increasing and health improving" and consequentially "the number of years in working life should also grow" (Swedish Government, 2002, p. 17).

Reforming the pension system in Sweden has been done and will still happen. The most important reason with regard to the retirement age is the demographic change which results in exceeding costs and disturbing the balance of the system (Swedish Government, 2005, p. 26).

The following two tables provide an overview of retirement age in the three countries under study for males and females in three different points in time.

Table 1: Retirement age men

Country	**1999**	**2002**	**2010**
United Kingdom	65	65	65
Germany	63	63.5	65
Sweden	65	65	65

Data collected from: (OECD, 2011, p. 25)

If looking at table 1 and the retirement age of the UK and Sweden, a change cannot be observed as both countries have had set the retirement age in 1999 already to 65. Germany in contrast has increased the retirement age for men over years. Starting with retiring at the age of 63 in 1999, there has been a slight increase of half a year in 2002. This retirement age has further been increased until 2010 to 65. Nonetheless, this table also shows that in 2010 all three countries have the same retirement age for men.

Table 2: Retirement age women

Country	**1999**	**2002**	**2010**
United Kingdom	60	60	60
Germany	60	60.5	65
Sweden	65	65	65

Data retrieved from: (OECD, 2011, p. 26)

Looking at table 2, the retirement age for women, there is more difference among the countries. Concerning Germany and the period of 1999, women were supposed to retire at the age of 60. Subsequently, in 2002, the retirement age increased by half a year to 60.5. For the third point in time the change among women in Germany is even greater. In 2010, the retirement age for females in Germany is with 65 years the same as for males. Again, in Sweden and the United Kingdom no change can be observed over the three points in time. Swedish female workers are supposed to retire at the age of 65 in the three observed points in time**.** Even though there cannot be observed a change in the United Kingdom either, with regard to females, there is a difference in contrast to the other countries. UK has set the retirement age for female workers to 60. Thus, female pensioners retire a great deal earlier in UK than in Germany or Sweden.

For male and female workers the retirement age has only changed in Germany over time. However, as for male workers all countries have set the retirement age to 65 in 2010. Concerning female workers and the change in retirement age over time, this can only be observed in Germany. Nonetheless, the retirement age in Sweden has already been 65 for females in 1999. Just including Germany and Sweden with regard to female retirement it is the same as for males and retirement. Sweden could be seen as a role model for Germany and consequently, a trend for increasing the retirement age can be observed. Still, as the United Kingdom has a lower retirement age, namely 60, a clear pattern cannot be observed. To sum it up, a trend for increasing the retirement age is only observable in Germany. However, as Sweden and the United Kingdom have already had the age set, they could be seen as role models when it comes to male retirement. Nonetheless, the NSRs do not refer to a country as having a best practice. Concerning female retirement age there is no clear track in the three countries which can be observed.

Drawing now a line to the theoretical framework of the study, precisely Europeanization and the three different degrees of change within national politics (absorption, accommodation and transformation), it is obviously the case that national spheres have not been largely influenced by the EU in the area of pensions. This observation can be strengthened through the formulation outlined in the *Quality and viability of pensions - Joint report on objectives and working methods in the area of pensions* which is that "[…] the open method of coordination should be used in the area of pensions to help Member States progressively develop their own policies […]"(Council of the European Union, 2001, p. 5). This highlights the still strong role of the member states which makes transformation improbable. Additionally, the phrase that "there is no superhighway to modernisation of old-age pension provisions which could be applied uniformly to all Member States" (German Government, 2002, p. 1) can also be regarded as fleshing out the unlikelihood of extensive Europeanization processes within the pensions OMC.

Consequently, with regard to retirement age and goal 5 of the Laeken Summit, it can be said that 'transformation' as introduced by Börzel and Risse (2000) is not at stake, because national changes are not substantial. This is for instance underpinned by the German accentuation on the circumstance that the 2001 pension reform already went in the direction of the OMC on pensions, which has been introduced in late 2001 (German Government, 2002, pp. 6-7). However, the countries under study do not deny the influence of the OMC on pensions. Consequently, it seems that the concept of absorption does indeed take place to a certain degree. This can amongst others be explained in the sense that the EU stresses the lack of an ideal/uniform way of dealing with pensions for all member states due to the fact that "old-age pension schemes in the individual countries are the product of historical growth […]" (German Government, 2002, p. 1). Furthermore, it can be traced back to the point that pension systems fall under social policies in which the EU and member states share competences.

Nonetheless, the NSRs of all three countries accentuate the importance of keeping workers as long as possible within the labour market in order to guarantee the sustainability of the pension system. This is because all countries are aware of people's increasing life-expectancy and the resulting longer pension entitlements. Therefore, objective 5 has been reached in a sense that there have been adjustments in terms of retirement age. Provisions to avoid early retirement and to foster working beyond pensionable age are at stake within all three countries. However, there is no evidence whether there is a causal relationship between the Laeken objective and the changes within the national policies of the UK, Germany and Sweden.

4.3.2 Equal treatment between men and women (goal 10)

This paragraph closely looks at the steps taken by the UK, Germany and Sweden concerning equal treatment of men and women. The indicator equal treatment contains different dimensions from which one is retirement age. Therefore, shortly recapturing the pensionable age with regard to equal treatment seems to be relevant. As the analysis above has shown, Germany and Sweden have so far reached equal treatment in terms of retirement age. In these countries, the retirement age of men and women is the same. Both are meant to retire at the age of 65. The UK in contrast has not yet closed the gap between men and women since females are up until 2010 allowed retiring at the age of 60 while males have to be 65. Just by simply looking at the retirement ages at the three different points in time it seems as if Germany has been the only country reaching obvious change. Still, one should not ignore that Sweden and the UK have had a higher male retirement age in 2002 and 2005. So maybe the two countries were of the opinion that changes are not necessary. However, as already mentioned, it cannot clearly be said whether or not this is because of the Laeken Summit.

Turning now to UK and its NSRs with regard to objective 10 and equal treatment between genders it is to say that the report of 2005 also refers back to the one from 2002.

Concerning the inequality of retirement age, the British government has legislation which helps to equalize this inequality by 2020. The aim is to gradually raise the retirement age of women up to 65, starting in 2010.

Surviving dependant pension is no longer only available for widows but is also subject for left behind husbands. Moreover, there is a distinction between survivor's pension for parents and for those "with no dependent children" (British Government, 2002, p. 22). The former have no explicit time frame or do not have to have a certain age, while the survivor's pension for the latter only applies if the surviving dependant is 45 or older and the payment should not exceed the period of one year. With regard to the occupational pension it is the case that there is a difference between sexes, women receive less than men because of women's increasing life-expectancy.

With the introduction of the "Home Responsibilities Protection" in 1978, the British government made a first step towards supporting those who cannot continue working because of caring responsibilities. This introduction allows people to maintain "their entitlement to basic Retirement Pension" (British Government, 2002, p. 22), although caring responsibilities keep them away from work. Right now, a difference in qualifying years exists between men and women (see British Government, 2002, p. 22). However, this difference will be abolished by 2020 with the existence of equal retirement age.

Another but yet voluntary approach by the British government to foster equality is the possibility to share pensions after a couple has been divorced in order to secure the income in retirement of the other (British Government, 2002, pp. 21-22).

Especially the NSR of 2005 provides information on the differences between sexes. Generally, women receive lower retirement income than men. Moreover, the British government clarifies that it is mostly widowed or divorced women who suffer because they get up to "15% less income than men" while those women who never marry receive equal payment like men who never marry (British Government, 2005, p. 30).

With regard to Germany, the country refers to three different pension provisions. Firstly, the statutory pension insurance, secondly, the occupational old-age provision and lastly, the private old-age provision (German Government, 2002). The statutory pension insurance in Germany has taken steps to foster equality among men and women by adapting retirement age. In order to promote equal treatment between genders, those who take parental leave are now able to credit it for their pension. This is done to get rid of the disadvantages women have had since it has been them who mostly have cared for children.

Concerning statutory pension insurance, there is no difference between men and women. As already mentioned, the former difference with regard to retirement age has been abolished. Moreover, child care is credited for those who go in parental leave in order to assure equal treatment.

With regard to occupational old-age provisions, the German government has recognized that females have been underrepresented within this pension pillar (German Government, 2002, p. 22). This is amongst others because of the old ‘male as the breadwinner’ system. Therefore, the government pushes for changes in so far as that all women can now credit their time spent for child care. Further, also men who take parental leave can credit this time for their pension (German Government, 2002). Thus, the government fosters equal treatment.

In terms of private old-age pension, there is a distinction between men and women. This is explained because women are expected to live longer than men. Consequently, the NSR of 2002 underlines that the private old-age pension provision cuts down the monthly amount women receive because they are expected to stay within retirement for a longer time (German Government, 2002). The NSR of 2005 clearly underlines that equal treatment is a policy goal of Germany. Even though the wording used in pension law does support gender equality, in practice this is not the case. Reality shows that women have a shorter working period and mostly lower income (German Government, 2005, p. 41). However, the German government has reached equal treatment in the private old-age pension pillar by promoting unisex tariffs and getting rid of the lower monthly payment for women (German Government, 2005, p. 43).

With regard to Sweden and the NSRs and their outline for goal 10 of the Laeken Summit, it is to say that there are no major differences between the two submitted reports. As in the later one Sweden refers back to what has been said in the first NSR. Firstly, there is a distinction between gender equality within the pension system and within the labour market. The social insurance system is meant to cover only the pension system. The Swedish government supports that everyone can use a so called basis security provision. So far this has mostly been utilised by women since the old role allocation has had the result that women were not settled in the labour market. Another aspect to reach gender equality is the recognition of child care as ‘working time’. In other words, the parent taking parental leave receives a bonus. However, this bonus is automatically credited to the parent with least pension income if not stated differently. As soon as a partner dies, there is an extra pension called survivor’s pension. This is meant to help the surviving dependant to adjust to the new situation, albeit, this pension only applies if the partner has not reached the age of 65. Due to the fact that women continuously take up more parts of the labour market and to assure equal treatment, the widow's pension will be abolished in the next years (Swedish Government, 2002, pp. 16-18, 25-25; 2005, pp. 27-28).

Connecting Europeanization and the above described goal, the three countries try to eliminate discrepancies between men and women which can be seen as oriented on the aim of objective 10 of the Laeken Summit. Germany and Sweden seem to be a little bit further in accomplishing equal treatment. With regard to the degree of change, one can argue that it can be seen somewhere in between absorption and accommodation as defined by Börzel and Risse (2000). In some aspects it can rather be categorized as absorption while other aspects support the assignment to accommodation. According to the NSRs, substantial change of institutions, policies or else, cannot be observed and thus, transformation as determined by Börzel and Risse (2000) is not present. However, depending on how one defines modest and low changes, the one or the other seems to be evident. As an example it can be referred to the phrase "the Federal Government's latest reforms are in line with the philosophy of the outline principles established by the European Council in Gothenburg 2001 […]" (German Government, 2005, p. 7). The choice of words is rather vague and leaves a lot of room for interpretation. Therefore, depending on the interpretation it can be categorized as both, absorption or accommodation.

Again, as already stated in the methodological part of the thesis, it is rather difficult to explicitly tell that the OMC as a European tool is the main driving force behind changes within the countries. One must not forget that the introduction of the Laken Summit is relatively new. The NSRs of the individual member states provide information that changes have already been dealt with before an agreement on the Laeken goals has been reached. Nonetheless, after the introduction of the goals, the member states agreed to reach these targets and thus, progress must be obvious, at least somewhere in the long-run.

4.4 Analysis of National Reform Programme

This paragraph concentrates on analysing the NRPs for growth and jobs of the UK, Germany and Sweden. The analysis will be limited to the aspect of pensions. When looking at the three National Reform Programmes it stands out that the section on pension is kept brief in all reports. Unlike the National Strategy Reports, none of the NRPs refer to the Laeken goals. Thus, and because of the brief sections on pensions, the analysis will be kept more general and not focussing on goals 5 and 10 only. Further, it should be kept in mind that NRPs are built upon specific recommendations by the European Commission. Thus, limiting the information on pension is probably not the decision of the countries.

To start with the United Kingdom, the government speaks out in favour of reforming and adapting the pension system. This is amongst others done through increasing state pension age in order to adjust the system in a way that it is able to cope with increasing life expectancy. This is perfectly in line with goal 5 of the Laeken Summit. Concerning private pension provisions, the government also calls for changes. Starting in 2012, a so called "auto-enrolment into a pensions, a mandatory employer contribution of 3 per cent, and a new simple, low cost scheme of personal accounts to encourage saving for retirement" (British Government, 2008, p. 12) will be component of the pension reform. This can be linked to the goal 2 of the Laeken Summit (see Annex p. 36). The information available within the NRP, focussing on pensions, is very limited. However, the philosophy of the Laeken goals can be traced back.

With regard to Germany, the government refers to the goal of "ensuring sustainable financing of the pensions insurance" (German Government, 2008). This can be linked to the second broader goal of the Laeken Summit (see section 2.2.2 and Annex pp. 36-37). In terms of this goal, the German NRP outlines a steady increase of "retirement age to 67 by 2029" (German Government, 2008, pp. 23-24). In this way, "an effective step towards meeting social security protection goals and attenuating the increase of contributions to the statutory pension insurance" (German Government, 2008, p. 24) is taken. A link can also be made to objective 5 as discussed earlier (see section 4.3.1). Referring to the year 2001 and continuous changes of the pension formula the NRP strengthens that changes have been introduced amongst others because of "demographic trends" (German Government, 2008, p. 24). Further, the aspect of equality between generations is at stake due to the fact that "ceilings for statutory contribution rates" (German Government, 2008, p. 24) have been set up and therewith, overburdening the contributing generation is prevented. This can be linked to objective 3 of the Laeken Summit which asks to "promote solidarity within and between generations" (Council of the European Union, 2001, p. 6). Further, the NRP refers to the sub-point of "encouraging self-initiative for old age provisions" (German Government, 2008, p. 24). This self-initiative will ensure that people's standard of living can be kept up. This is in line with the philosophy of the Laeken goals.

Turning now to Sweden, the NRP provides very few information on pensions. There is a section on “Better control of the insurance system” (Swedish Government, 2008, pp. 74-76). Within this section, the Swedish government emphasizes that keeping up the trust in the social security systems as a whole as well as with regard to the Swedish lawfulness is of extreme importance (Swedish Government, 2008). This requires amongst other that “only those entitled to a benefit do in fact receive it […]” (Swedish Government, 2008, p. 74). Concerning pensions, the only reference in the NRP is that there is an intention to create “a new agency, the Social Insurance Inspectorate […]”(Swedish Government, 2008, p. 76) which is also responsible for controlling the PPM (Swedish Government, 2008). The fact that the Swedish government is concerned about the trust of the citizens in the social systems can be linked to the Laeken goal 11. This goal underlines that pension systems should be adjusted in a sense that “citizens can continue to have confidence in them” (Council of the European Union, 2001, p. 7). Consequently, the Swedish NRP is also, at least to some extent, in line with the philosophy of the Laeken Summit.

After having looked at the NRPs of the UK, Germany and Sweden, it is again difficult to argue for a straight forward relationship between national reforms and the OMC. Thus, determining the level of Europeanization is relatively tough. As said before, the National Reform Programmes are built upon recommendations made by EU. Since pension reforms or necessary adjustments in the pension sector have been on the agenda via NSRs quite extensively, even if formulated vague, it appears as if the commitment within the NRPs in terms of pensions is rather limited. Even though the NRPs under study are labelled with the title Job and Growth, it is surprising that the section on pension is kept that brief. Germany and Sweden do not even have a sub-point in the their table of content referring to pension policies. Clearly, transformation as introduced by Börzel and Risse (2000) is not present. The same counts for accommodation. With regard to absorption however, it seems to be inappropriate to completely deny a European influence since these NRPs are propelled by the EU. Due to the fact that the NRPs refer to some points described in the Laeken goals one could interpret that the OMC or the EU as such has the ability to influence its member states at least to a small extent and therewith creates adaptation to a European level.

5. Concluding Remarks

Pensions are one of the core elements concerning benefits provided by the welfare state. Already now, consequences of the demographic change occurring in Europe are present; not adjusting welfare systems in a correct manner would cause them to collapse. Next to the demographic change, globalization is a major aspect countries have to deal with and the interaction of the 28 EU member states is also influenced by its occurrence. Borders, responsibilities and everything which is pivotal for nation states becomes fuzzy. This fuzziness can be transferred to the shift of government to governance, especially within the European Union. As member states constantly move closer towards a union, the question of who is responsible for decision making might be raised. This question leads to the following research question which should be answered by this thesis:

"What is the role of the Open Method of Coordination in fostering Europeanization in the area of old-age pensions in the United Kingdom, Germany and Sweden in the period between 1999 and 2010?"

The OMC can be regarded as a forum for member states to exchange information. The impact of this tool on Europeanization is rather limited since the main actors within the field of old-age pensions are obviously the member states. However, it is not the case that the EU does not provide anything for its community. With the help of the OMC, the EU tries to guide and support its member states in terms of pension policies. However, turning now to the theory of Europeanization and the linkage to the research question, it becomes clear that giving an explicit and straight forward answer is impossible. In other words, there is definitely a shift in sovereignty from national to EU level. But as outlined in the German NSRs, there is no intention to completely shift responsibilities from the national to the European level within the area of old-age pensions (German Government, 2002, p. 1; 2005, p. 5). Therefore the degree of change in national policies fostered by the EU is rather limited. With regard to the classification of Börzel and Risse (2000) it can be said that transformation, meaning a substantial change on national level, cannot be observed. Nonetheless, it has to be kept in mind that even though pension systems and their set up lie within the sole responsibility of the member states, it is also true that member states have agreed on certain targets (as outlined in the Laeken goals) dealing with pension issues. Consequently, influence of the EU cannot be completely repudiated.

Drawing a line between existing research and the results, it can be said that some scholars also see the effect of the OMC on strengthening Europeanization as limited (de la Porte & Pochet, 2004; Radaelli, 2008). Radaelli (2008) for instance points out that the limitation is amongst others because of "the lack of participation" (p. 251). Rather than only including "those who operate in EU-level committees", emphasize should be made to also include "local-level actors" (Radaelli, 2008, p. 245). Ensuring this participation would foster the effectiveness of the OMC. With regard to the OMC on pensions, Radaelli criticizes that even if the member states agreed on eleven goals, the NSRs only describes the path of domestic policies but they miss relevant actions plans in order to meet the agreed goals (2008, pp. 246-247). What is often forgotten, denied or ignored in research on Europeanization is that the underlying legal system of the EU is the principle of conferral as outlined in article 5(2) in the Treaty on European Union (TEU) (European Union, 2010). This means that one could argue that the EU and its supranational institutions are rather a bottom-up approach because member states have been the initiators. Consequently, this impact should not be left aside (Radaelli, 2002).

Concerning the results found in this bachelor thesis, the bottom-up approach, or said differently, the influence of the member states on the EU have unfortunately been left aside because of restrictions on the scope. As analysed, the concept of transformation cannot be observed in the context of old-age pensions. Apart from this, it can further be concluded that absorption, as defined section 2.1, can be identified in the framework of old-age pensions and the OMC within the three countries under study. Hence, the OMC fosters Europeanization at least to a small extent in this policy area and it seems as if the OMC is on a good track to govern/influence member states policies. For the simple reason that member states reach agreements or rather decide to pull on the same string cooperation is undeniable. Therefore, national political spheres of member states are shaped to some extent by the European Union. The OMC definitely tries to provide the member states with guidance and can be seen as a forum for member states to discuss certain issues. As soon as member states agree on targets they have strong incentives to reach them. Consequently, with the help of the OMC, Europeanization in the area of old-age pensions in the UK, Germany and Sweden is driven a little bit further. During the research it turned out that the European Union is aware of the need to continuously develop strategies in order to adjust the situation in old-age pensions; just to mention the paper on *Pension Adequacy in the European Union 2010-2050* (European Commission, 2012b) which provides long term suggestions in this policy area. This circumstance also underlines that pension policy is a vast research area with plenty of pending questions. Thus, discussions will continue to be an important component of political debates and decision making.

Annex

Joint goals Laeken

- “Adequacy of pensions

  Member States should safeguard the capacity of pension systems to meet their social objectives. To this end against the background of their specific national circumstances they should:

  1. Ensure that older people are not placed at risk of poverty and can enjoy a decent standard of living; that they share in the economic well-being of their country and can accordingly participate actively in public, social and cultural life;
  2. Provide access for all individuals to appropriate pension arrangements, public and/or private, which allow them to earn pension entitlements enabling them to maintain, to a reasonable degree, their living standard after retirement; and
  3. Promote solidarity within and between generations.

- Financial sustainability of pension systems

  Member States should follow a multi-faceted strategy to place pension systems on a sound financial footing, including a suitable combination of policies to:

  4. Achieve a high level of employment, in particular through comprehensive labour market reforms, as provided by the European Employment Strategy and in a way consistent with the BEPG;
  5. Ensure that, alongside labour market and economic policies, all relevant branches of social protection, in particular pension systems, offer effective incentives for the participation of older workers; that workers are not encouraged to take up early retirement and are not penalised for staying in the labour market beyond the standard retirement age; and that pension systems facilitate the option of gradual retirement;
  6. Reform pension systems in appropriate ways taking into account the overall objective of maintaining the sustainability of public finances. At the same time sustainability of pension systems needs to be accompanied by sound fiscal policies, including where

necessary, a reduction of dept. Strategies adopted to meet this objective may also include setting up dedicated pension reserve funds;

7. Ensure that pension provisions and reforms maintain a fair balance between the active and the retired by not overburdening the former and by maintaining adequate pensions for the latter; and
8. Ensure, through appropriate regulatory frameworks and through sound management, that private and public funded pension schemes can provide pensions with the required efficiency, affordability, portability and security.

- Modernisation of pension systems in response to changing needs of the economy, society and individuals.

9. Ensure that pension systems are compatible with the requirements of flexibility and security on the labour market; that, without prejudice to the coherence of Member States' tax systems, labour market mobility within Member States and across boarders and non-standard employment forms do not penalise people's pension entitlements and that self-employment is not discouraged by pension systems;
10. Review pension provisions with a view to ensuring the principle of equal treatment between women and men, taking into account obligations under EU law; and
11. Make pension systems more transparent and adaptable to changing circumstances, so that citizens can continue to have confidence in them. Develop reliable and easy-to-understand information on the long-term perspectives of pension systems, notably with regard to the likely evolution of benefit levels and contribution rates. Promote the broadest possible consensus regarding pension policies and reforms. Improve the methodological basis for efficient monitoring of pension reforms and policies."

(Council of the European Union, 2001, pp. 6-7)

Table 3: Increasing age limits in Germany

Types of old-age pension and age limits		Retirement																	
		1996 and earlier	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 and later
Old-age pension because of unemployment or after part-time work in old age	Age limit for earliest possible retirement without reductions	60	60 to 61	61 to 62	62 to 63	63 to 64	64 to 65	65	65	65	65	65	65	65	65	65	65		
	Age limit for earliest possible retirement with reductions		60	60	60	60	60	60	60	60	60	60 to 61	61 to 62	62 to 63	63	63	63		
Old-age pension for women	Age limit for earliest possible retirement without reductions	60	60	60	60	60 to 61	61 to 62	62 to 63	63 to 64	64 to 65	65	65	65	65	65	65	65		
	Age limit for earliest possible retirement with reductions					60	60	60	60	60	60	60	60	60	60	60	60		
Old-age pension for persons with disabilities	Age limit for earliest possible retirement without reductions	60	60	60	60	60	60 to 61	61 to 62	62 to 63	63	63	63	63	63	63	63	63	63	63
	Age limit for earliest possible retirement with reductions							60	60	60	60	60	60	60	60	60	60	60	60
Old-age pension for insured persons of long standing	Age limit for earliest possible retirement without reductions	63	63	63	63	63 to 64	64 to 65	65	65	65	65	65	65	65	65	65	65	65	65
	Age limit for earliest possible retirement with reductions					63	63	63	63	63	63	63	63	63	63	63	63 to 62 ½	62 ½ to 62	62

Table retrieved from: (German Government, 2005, p. 83)

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