

Bernd Marin: *Welfare in an Idle Society? Reinventing Retirement, Work, Wealth, Health and Welfare*

Farnham 2013: Ashgate, 701 pp.

This book deals with the ideas and concrete instruments for preparing welfare states and especially pay-as-you-go (PAYG) public pensions for the future. It gives very detailed reform suggestions, enriched by a large number of illustrative figures and graphs, which impressively demonstrate Austria as an idle society (i.e. low-work country) and the need for reforms. Various recent attempts to improve social security systems and to make welfare states sustainable in the face of future developments and challenges have mainly promoted the privatisation of statutory social policies. Bernd Marin's impressive book instead offers thorough solutions for reinventing social security—especially pensions—without necessarily privatising them. Traditional earnings-related pension insurance systems with defined benefits (DB) will in the near future take either the path of the here proposed earnings-related pension insurance system, based on notional defined contributions (NDC), or the path of tax-financed, flat-rate basic pensions with occupational and private pre-funded pensions, based on defined contributions (DC). This innovative book does not ignore demographic and financial market risks, but rather points to erosions internal to countries, such as inactivity and unemployment, which threaten welfare states. According to Marin, what matters more than imbalances between generations—in particular young versus old—is an unequal ratio of active and inactive persons. How sustainable are a welfare state and a public pension system with low levels of activity? How much idleness and at the same time adequate welfare can we afford? The book addresses these important questions through a single case study, that of Austria, set within the context of the international environment.

The book is divided into four parts. Part I introduces readers to pension terminology and the basic concepts behind the pension systems that the author uses further on to establish new guiding principles. Part II offers solutions for sustainable pensions in an idle society, first by focusing on how to extend employment careers at the firm-level and second by referring to NDC-systems at the country-level. Part III takes into account the often overlooked role of disability pensions, something that needs to be considered in discussions about early retirement and inactivity. Finally, Part IV deals with the relationship between employment and women's pensions.

In the first part, 'Global Ageing Challenges and the Future for 21st Century Pensions', after a few lines about the generational contract and the idea behind pay-as-you-go pension schemes, Marin subsequently refers only to Beveridge and the concept of welfare as a social investment and a human right, stressing the greater legitimacy of investments at the expense of consumption today than 'servicing consumer debt' (p. 39). Pensions are crucial because they make up the largest share of social expenditure and they are the main source of income for the elderly. As the main challenges facing pensions in the future Marin highlights low fertility rates, rising life expectancy, and the currently low actual retirement age; although the book asks whether a mandatory retirement age is needed at all, leaving open the question about a proper legal retirement age.

The second part of the book sets out to present the likely solutions. In search of incentives for firms to make people work longer, the book outlines, in addition to conventional proposals, two new approaches: an age-specific risk-rating of social security contributions and a proposal from the Austrian Chamber of Commerce not to retire as early as possible. In the first

case, the level of social contributions is calculated differently over the life-cycle, depending on age-specific risks (but with a constant overall volume of social contributions). Employees at higher risk, such as young and old employees, pay lower social contributions and are therefore less costly for the employer. To offset this, the approach considers higher contributions for no-risk employees or higher revenues due to higher employment rates. In addition to the incentive for employers to hire young job-seekers and to keep older workers, employees profit from a higher salary. In the second, Austria-specific case, 50% of the unclaimed benefits a person is entitled to would, if retirement is postponed, be paid out equally to the employee and the employer (as a wage subsidy), whereas the pension insurance system would profit from not having to pay out the other 50%.

Another promising idea suggested in the book is to change the overall benefit calculation. Instead of relying on the concept of pension pillars, Marin favours the comparison of DB- and DC-schemes, with the mode of funding left flexible (pre-funded or PAYG). For financial sustainability in terms of the benefit calculation, he discusses the NDC-schemes introduced by the World Bank [Holzmann and Palmer 2006]. NDC-schemes basically combine elements of DC-schemes with non-pre-funded forms of financing such as taxes or social contributions (PAYG). Employees accumulate notional contributions or points in personal accounts, which are converted into annuities when retirement starts. Since NDC is non-financial, the notional contributions or points are adjusted—depending on the given regulation—according to, for example, prices, wages, and demographic changes such as rising life expectancy. Taking Sweden as a prime example, the book demonstrates the lower vulnerability of NDC-schemes to demographic changes and financial market risks compared to DB-

and PAYG-funded or DC- and pre-funded pension schemes. In sum, according to Marin NDC-schemes are fair, transparent, free of political manipulation, and sustainable. Although rightly critical of the ideal NDC-model offered by Holzmann and the World Bank for not being specific enough about details, the book does not offer a clear answer, for instance, to the question about which indexation mechanism should be used. Instead of the World Bank model, Marin clearly favours a pension mix that combines a basic pension guarantee with a mandatory NDC-scheme and additional voluntarily funded pension plans. Since pure NDC-schemes do not include any form of intra-generational redistribution, one could object that certain subsidies, such as child credits, are worth considering in order to reduce inequalities.

The third part of the book shows how disability pensions can lead to high inactivity rates. The puzzle here is the increase in the number of disability pensions over time, despite better health conditions and disease treatments. For Marin, growing recipient rates of this type of pension are an indication of welfare failure and not success. This part of the book is highly valuable since this topic is often ignored in discussions about pensions in general. Marin's point here is not to reduce disability welfare for those in need of it, but to avoid the abuse of the system. A high sensitivity to the problems and needs of people with impairments led to the unintended consequence of increasing recipient rates and compensation for those who were not the initial target group (i.e. people in need of support). Since official early retirement paths have been (partly) closed off, invalidity pensions may be serving as a back door into early retirement. Marin advocates 'a more coherent employment-oriented equal opportunity model' (p. 50). Instead of offering a lifelong retirement option without any possibility to return to the

labour market, modern invalidity and disability welfare schemes should activate job-search activities and offer ways to find new jobs through preventive interventions, work assistance, vocational training, and occupational rehabilitation in order to create real equality.

The last part of the book points to characteristics of employment and retirement that are specific to women and considers gender inequalities in reference to the work of experts in other countries. Certain instruments of public pension systems that are specific to women, such as a lower retirement age for women and high widow's pensions, contribute to gender inequality and work disincentives, making welfare states less sustainable. As a solution, the book suggests splitting the pension benefit to spouses prior to retirement or offering a choice of joint pensions and joint survivor annuities. In addition, depending on different perceptions of fairness and efficiency, it is possible to give priority either to earnings-related family benefits and childcare credits or to flat-rate benefits. On one hand, short-term earnings-related benefits favour women with higher income, who might not consider having children without temporary income compensation. On the other hand, long-term lower benefits for all favour women with lower salaries, but entail the danger that women will not return to the labour market or will remain absent from it for a long time. Although the book is in favour of gender-neutral instruments and pension schemes, with unisex contributions and benefit calculations, equal retirement ages, and parental child credits, redistribution (e.g. from people with low life expectancy to people with high life expectancy, from men to women, and from poor to rich) is accepted in an otherwise non-redistributive NDC-scheme. Nevertheless, the main place in which to achieve gender equality—even in pension benefits—is employment and the labour market.

Despite the convincing arguments made in this book, three points may require further attention. First, a presentation of the basics of (theoretical) NDC-schemes would benefit from devoting additional consideration to practical experiences and the implementation of this pension scheme in NDC countries such as Italy, Latvia, Poland, and Sweden, as well as in the quasi-NDC schemes in Germany and France. Gathering knowledge about the advantages and pitfalls of different NDC designs would improve our insight. Second, Austria is in fact a case in point, but for reasons other than those outlined in the book. Marin mentions the unique way in which Austria's pension system is organised, with its 'earnings-related first-cum-second pillar' (p. 42). Here, the hint at similar pension schemes in, for example, Germany and Italy is at odds with this assumption. In addition, instead of referring to the World Bank's out-of-date pillar concept, more sophisticated and recent taxonomies of pillars (organisation of pension schemes) and tiers (function of pension schemes), such as those used by Immergut, Anderson and Schulze [2007] and Ebbinghaus [2011], clearly offer more analytical clarity for any pension scheme, regardless of the organiser, the function, and the funding principle. Moreover, Austria is an extreme case because it has one of the highest pension benefits in Europe together with the lowest actual retirement age, despite ranking among the low-work countries. If we can find ways and instruments to prepare this—according to Marin—least sustainable pension system for future challenges, then those solutions should be appropriate for any pension system. Lastly, despite the exhaustive multidisciplinary bibliography, the predominant point of view is clearly economic and emphasises financial sustainability, disregarding the needs of the elderly and the adequacy of pensions (as done for people with disabilities). Furthermore, there is no discussion of

other reform options for reinventing welfare, such as changing or increasing the revenues of pension systems and expanding the general public pension scheme's coverage to the self-employed and civil servants. From a sociological perspective, more information about 'social sustainability', such as inequality and poverty in old age in different pension schemes with different benefit calculations and funding modes, would offer evidence of whether the Austrian pension system is—compared to that of other countries—worth its price.

Overall, the main value of the book is its contribution to discussions about pension reforms and about alternatives to excessive welfare states with high levels of inactivity and to privatised welfare schemes resulting in high levels of inequality and poverty. Furthermore, the elaborate content of the chapters includes the most recent demographic considerations (beyond the standard old-age dependency ratios) and contributes new pension benefit calculations, suggestions on how to improve equality for disabled persons, and ways of achieving greater gender equality by carefully balancing the strengths and weaknesses of various practical instruments. As such, anyone—and not only in Austria—interested in public pension reform should read this book.

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Daniel Innerarity: *The Future and Its Enemies: In Defense of Political Hope* (trans. Sandra Kingery)

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Modern Western societies do not take good care of the future. The future is just the dumping ground for the explosion of today's problems, or it is simply imagined as a continuation of some on-going present, or it is just not really thought about terribly much at all. As Daniel Innerarity says, we have a poor relationship with the future. His book is a strong call for the relationship to be improved. If it is not, there will just be a 'societal drift' from one crisis to another, and nothing to inspire hope. If a better relationship with the future is not established, our prospects are grim. According to Innerarity, 'our current political crisis corresponds to a crisis of the future and its growing indecipherability' (p. 2). Politics today is in crisis because it is too focused on the short term and forgets about long-term possibilities and consequences. It lacks a sense of responsibility. Politics is not providing a guidebook with which the future might be read.

The solution to this dual crisis, of politics and the future alike is identified by Innerarity in the constitution of a more democratic politics that will not tie the future to the demands of the present. For him, politics is 'the attempt to civilize the future ... to reject the colonization of the future by a determinate past, to impede its ideological monopoly or its abandonment to simple administrative inertia' (p. 118). He talks about the need for a new type of politics, one which has moved away from the old style of cognitive model-making and which instead seeks to create space for new knowledge through the acceptance of uncertainty and disagreement: 'Politics should be viewed as a space celebrating the provisional, the experimental, and recognized discord.' (p. 104) This is politics as ideal-typical democracy.