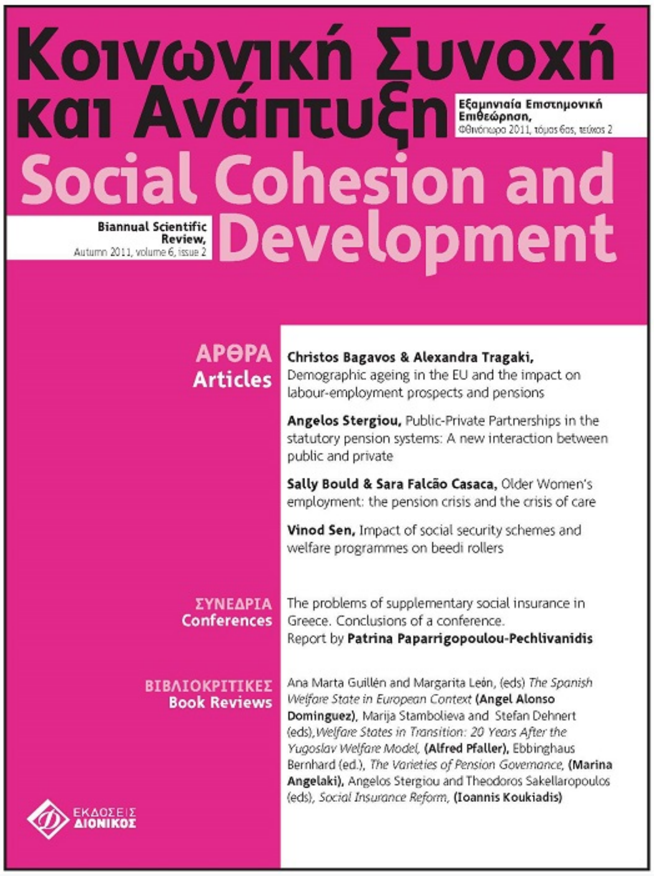
Social Cohesion and Development

Vol 6, No 2 (2011)



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doi: [10.12681/scad.10066](https://doi.org/10.12681/scad.10066)

To cite this article:

Stergiou, A. (2011). Public-Private Partnerships in statutory pension systems: A new interaction between the public and the private sectors. *Social Cohesion and Development*, *6*(2), 103–116. https://doi.org/10.12681/scad.10066

Κοινωνική Συνοχή και Ανάπτυξη 2011 6 (2), 103-116
Social Cohesion and Development 2011 6 (2), 103-116

Public-Private Partnerships in statutory pension systems: A new interaction between the public and the private sectors

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Η σύμπραξη δημόσιου και ιδιωτικού τομέα στα δημόσια συνταξιοδοτικά συστήματα

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ABSTRACT

The article argues that not every public-private partnership on the field of pensions is considered to be positive per se; the decisive criterion is the institutional framework within which such a partnership is being realized. The factor that causes them to differ is the adequacy of the rules materializing a partnership as such. This explains why our main point of interest focuses upon the respective regulative aspects and the necessary/ consequent statutory guarantees. Taking this as our starting point, the Swedish model constitutes an example of good practice. The Swedish version of the public-private partnership in the statutory pension system appears as the best solution for specific sorts of systems, such as the individual accounts. In being transparent, guaranteeing prudent investments and in offering the minimum possible cost for employees, it embodies a wide range of advantages.

KEY WORDS: public- private partnership, privatization, statutory pension systems, Swedish model of the public-private partner ship(Premiepension).

ΠΕΡΙΛΗΨΗ

Το άρθρο υποστηρίζει ότι κάθε σύμπραξη δημοσίου και ιδιωτικού στον τομέα των συντάξεων δεν κρίνεται per se ως θετική, αλλά εξαρτάται από το θεσμικό πλαίσιο μέσα από το οποίο πραγματώνεται. Η επάρκεια των κανόνων που υλοποιούν τη σύμπραξη, είναι εκείνη που κάνει τη διαφορά. Γι' αυτό και το ενδιαφέρον της ανάλυσης επικεντρώνεται στις κανονιστικές πλευρές και τις προβλεπόμενες εγγυήσεις. Από αυτή την άποψη, το σουηδικό παράδειγμα συνιστά μια βέλτιστη πρακτική. Η σουηδική εκδοχή σύμπραξης δημοσίου και ιδιωτικού στο δημόσιο συνταξιοδοτικό σύστημα εμφανίζεται ως η καλύτερη λύση γι' ένα συγκεκριμένο είδος συστημάτων, τους υποχρεωτικούς ατομικούς λογαριασμούς (Premiepension)

ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ: Σύμπραξη δημοσίου και ιδιωτικού τομέα, Συνταξιοδοτικά συστήματα, Σουηδικό σύστημα ατομικών συνταξιοδοτικών λογαριασμών (Premiepension).

Introduction

The term "public-private partnership" describes an interaction between the state and the financial market. Through their collaboration, the public and the private, by giving up a competitive spirit, do not claim vital space one from the other, but share responsibility and competence (Linder, 2000). The boundaries between these two sectors tend to appear as ever more indistinct, since the compartmentalization of the public and private sectors is no longer hermetic.

A public-private partnership in the statutory pension system constitutes an expression of privatization: as the state's participation is decreasing. However, a major shift in the pattern of the state's decrease in participation should be noted. Until recently, privatization consisted in the reduction of state pensions, and the simultaneous development of private schemes attempting to fill in the gap created due to the aforementioned reduction. Today, however, it is through partnership, that the public sector assigns to the private one, parts of its mandatory (statutory) system, thus rendering it its partner. It is in this way that the private sector becomes an integral part of the statutory pension system. The tendency for privatizing social security may still remain dominant, nevertheless it is the essence of this procedure that is changing.

Until recently, privatization was based on a distinct presence of both the public and the private sector and more specifically on the private sector's tendency to reign over the public. The notion of a public-private partnership, however, questions and challenges the distribution of responsibilities between the state and the private funds as they are being conceived up to this very day. The state and the financial market undertake changing roles: it is here where the state echoes the reasoning of a financial market, whereas the private individuals are being asked upon to serve the common interest. The scheme of a public- private partnership tackles the privatization's rhetoric, according to which, the state is incapable of coping effectively and efficiently with a public service. In a nutshell, this partnership marks the end of privatization as we have perceived it until today.

I. The public and private sectors in the field of pensions: following distinct paths

Pension systems are not only State (Esping-Andersen, 1990/2003). The assurance of the income and the welfare of retired citizens result as much from governmental social policies as well as from the needs of the market. Usually, the interaction of the state and the market creates a constantly developing blend constituting a distinct trait of each national pension status quo.

It is difficult to designate, without resorting to oversimplifications and dogmatisms, inseparable limits between the private and the public sectors. It is only on rare occasions that the public dominates universally, and rarely do we come across the private sector in an unalloyed form, that is to say with the sense of the absence of any, direct or indirect, state interference (Béland and Gran, 2008). What causes various systems to differentiate is the degree and form of state intervention.

The state intervenes commandingly in various ways in private pensions. The state's interference usually takes place in the following manner: regulation, promotion or substitution (Béland and Gran, 2008). Primarily, the state intervenes in order to regulate the system of private pensions. Secondarily, it intervenes so as to encourage the development of private pensions by means of tax incentives. Thirdly, in some cases, the state mandates the submission to private schemes (by substituting the private in the place of the public), whereas in other cases, it simply supports them, by foreseeing the possibility of contracting out of the public system.

The interaction between the public and the private sectors in the field of pensions is often illustrated as a "multipillar system". However, following this line of reasoning, the public and private sectors constitute separate entities. Instituted modules of public and private law occupy the pension's espace, weaving complementary relations between them. More specifically, the private sector is not involved in the first pillar, yet plays a significant role in the second and third one. What does a pillar consist in? All writers are attempting to trace the key dimensions of a pillar (Fox and Palmer, 2001), nevertheless always in a pure organizational form of public or private law.

Approaching the pension system in a holistic fashion, the perception of the "multipillar pension systems" seems to reflect a sort of partnership between the public and the private sector. However, in this case, the partnership entails a collaboration deeply functional in its nature. The assurance of the retired citizens' income is the goal, towards which aim, both private and public organizations.

Similarly, the "contracting out" system from the public-mandatory pension system appears as a form of collaboration between the public and the private sectors. However, in this case, they both cooperate in offering employees with a wide range of options to choose from. It is rather a type of optional privatization (Ward, 2002).

Private pensions, motivated by tax expenditures, aim to "fill the gap" created by the retreat of the public systems. It is true that public (statutory) pensions in OECD countries have long ago entered into a retrenchment period, or, in the best-case scenario, a period of slowed expansion (Huber and Stephens, 2001).

Following this approach, the public and private sectors find themselves in a complimentary relationship. By cutting down statutory pensions, the alternative (road) of pensions granted by private schemes opens up. The state does not appear as a partner of, rather as a competitor to the private sector. As long as the state grants high pensions, no need for additional private pension rises. On the contrary, once the statutory intervention limits itself to basic benefits, the duty of assuring an adequate income for the retired citizens is shifted to the private sector. When the state steps out of controlling the pension system, the private sector occupies the newly free space. This shift taken to its extreme, the state delimits the granting of minimum pension benefits, with or without a prior means test.

On an international level, the privatization wave of the 1990s signaled the embark of the pension systems' reforms. The establishment of a new balance between public and private was considered to be a solution to the problems public distributing systems encountered. The emergence of private pensions with parallel decrease of the state's participation was considered as the ideal solution to address the perils of longevity, the financial shocks and the moral hazards the public systems are faced with. The rhetoric for privatizing social security was based on underlining the public systems' impuissance as well as on optimism in regard to the performance of the monetary credit markets (Beland, 2005). Under the influence of neoclassical economic theories, the state was considered institutionally incapable of providing guarantees for an adequate income at the withdrawal from the labor market.

In most cases, the strengthening of private elements was attempted outside public systems. The pension system was considered as constituting a whole, which also included bits and pieces relating to the private sector. The public-private combination was attempted through a generic approach of the retired citizens' income endorsing a multipillar old-age-security model. Under this perspective, competition between the public and the private sector was not avoided, despite the complementary nature of their relation. To put it in other way, the competitive relation between public-private is endemic when adopting a multipillar approach.

The combination of two sealed spaces, the public and the private, through the multipillar system, has lost its credibility. According to our opinion, the failure of this approach lies in the fact that it leads to a constantly intensified limitation of the public sector's presence. The state is driven away from the pension system. And the remaining gap is not always substituted by the private sector. Thus, between the public's decrease and the private's development there is always a remainder left. The cutbacks in the public systems do not lead to a proportional increase of private pensions and private saving (Disney, 2000). In other words the competitive relation inevitably leads to the following eventuality: the public's advantages will be set aside and the private sector's disadvantages will be adopted. Hence, the distinct pillars model doesn't result into an efficient and comprehensive, unique entity which combines both the public and private sectors.

In adopting the pillars approach, distinct limits had never been clearly sketched as between the comprising pillars/ sectors. The latter, as demonstrated by international experience, function in serious imbalance (Hoskins, 2007). An uncertainty as such could prove detrimental to the public. The private-complementary tends to replace the public. The encouragement of private pension schemes urges the middle class to distance itself from the public system and as a consequence from the first pillar as well. Instead of combining the virtues of both the public and the private systems, each one finds itself in a competitive position to the other, trying to attain ever more space. Most pillars lead to the dominance of an unrestrained privatization and consequently to increased poverty and inequality.

We should bear in mind that private pension systems also present insurmountable weaknesses, being equally vulnerable to demographic (though in a smaller degree), economic and political pressures. The fact of the matter remains, however, that the demographic and economic risks entailed in the private systems are transposed to the individuals. The private pensions sharpen and reproduce inequalities that exist in the work market, as they have no distributive results, marginalizing a great part of elderly (Behrendt, 2000).

The crisis of 2008 intensified the pension system problems and rendered more imperative than ever before the need for their further reformation (Sakellaropoulos/ Angelaki, 2007). On the one hand, it affected negatively the public pension systems (PAYGO): it increased unemployment rates, while decreasing the tax income. Furthermore, funds sustained by public pension systems for backing their PAYGO financing have suffered the crisis' negative influence (OCDE, 2008). On the other hand, the crisis was a "smack" for private pensions. As highlighted by OCDE mentions, the monetary crisis constituted a significant blow for private pensions. Whereas the results cannot be valued on a long-term basis, they have already become visible to those finding themselves on the verge of exiting from the economically active life.

II. The public-private sector in pensions: walking along the same path

In the public arena, a new form of public-private interaction was brought forth: the concept of partnership between these two sectors. Indeed, as early as the 1990's, we observe, on an international level, a shift towards partnerships (PPS) that tend to redefine the role of the public and the private sector (OCDE, 2008). This partnership has more ideological references (Linder, 2000). It appears as a political instrument –not only of the neo-liberal and neo-conservative ideologies. The culture of partnership is even part of the collaborate discourse of the New Labour (Powell and Glendinning, 2002; Giddens, 2007), which desires a shift from the "contract culture" to the "partnership culture". With the reappearance of the public-private partnership, social democracy seems to overcome its inhibitions towards the financial market.

1. Meaning and forms of the public-private co-operation in the statutory pension systems

The term "partnership between the public and private sector" did not acquire a commonly accepted content, neither an explicit theoretical framework (Powell and Glendinning, 2002). The European Commission (2004) avoided giving the term a communal content. In its broadness, the term suggests any form of collaboration between the public and the private sectors, which aims to satisfy the needs of the common interest. OCDE defines this partnership as an agreement that aims to compromise state purposes with the objective of profit that rules the private sectors' activity (OCDE, 2008).

The public-private partnership signals a more general demand for collaboration between the state and the market, thus eventually leading to the utter transformation of the state as we currently perceive it. It is namely anticipated to undertake the role of an organizer, regulator and controller, and ever less that of a direct operator. In other words, the state is transformed from a services producer to a regulator of a non-statutory service market.

The criterion for forming a partnership is the degree to which it serves public interest more effectively than the exclusive provision of the public goods by the state (Giddens, 2007). A partnership ought to be founded upon the existence of strong reasons. In general, the state, while sustaining a permanent interest for the provision of effective services, assigns to the private sector what the latter can carry out more efficiently (Grimsey and Lewis, 2004).

Although public-private partnership constitutes an expression of functional privatization, public tasks are being transferred to "private hands", as already mentioned above it ought to be distinguished from the formal proprietary privatization. In opting for a partnership, the state doesn't completely abandon a given field rather it establishes relations of co-operation and not competition with the private sector. The public-private cooperation does not signify that the state abrogates its responsibilities. It is a procedure that continues even after the cooperation (Giddens, 2007). The state is responsible for the way in which the system functions. By creating a regulatory framework, it establishes rules while also administering parts of the existing system.

By introducing public-private partnership to the statutory (mandatory) pension systems, the state aims to integrate private individuals into the production of public services. It renders them operators of and contributors to the system's efficiency. To add yet another point, a partnership like the one envisaged strengthens not only the private responsibility but also the role the financial market bears within the statutory pension system. Whereas partnership in social security as a whole (multipillar system) is quite common, it appears to be limited in the first public pillar (in statutory systems), at an international level.

It needs to be noted that in the statutory pension systems, the object a partnership bears is double: it aims both to the public organizations' administration, as well as to the investment of the system's funds. More specifically, resort to the private sector may concern security services, cleaning and maintenance services, electronic administration (e-government/e-administration)

(Kientzler), administration (with the sense of the functional decentralization, Pieters, 2006), etc. These partnerships rather concern the "soft social infrastructure" related to public bodies of social security. The private sector's involvement in infrastructures of public social security organizations follows the institutional framework of partnerships that applies to each country (Grimsey and Lewis, 2004).

Taking a closer look at the Greek legislation, the partnership of public bodies (social security) with the private sector is regulated by article 9 of Law 3586/07. The object of the partnership contracts between social security organizations and legal persons governed by private law is related to either the execution of specifically given tasks or to the nomination of services (erection of buildings, maintenance of premises, etc).

Another form of public-private partnership is the private management of reserves (funds) of defined benefit PAYGO pension schemes (first pillar). More often that not, private management is preferred in the domain of the reserves (funds), since their administration entails severe political dangers, primarily that of exploitation for governmental priorities. However, private management itself may equally constitute a target for governmental pressure. Such an institutional framework, for awarding the statutory pension system's reserve fund management to the private sector, is foreseen by recent Greek legislation (L. 3586/07).

Public-private partnership with the assignment of the reserve funds management to the private sector may present the advantage of relative independence from state authority, but is burdened on the other hand with significant administrative costs (Iglesias and Palacios, 2001).

It must be noted that all aforementioned points relate to a very specific type of partnership, namely one that is constructed with emphasis on the external form. The main trait of a partnership as such is that in supporting the public systems' undertaking, it essentially respects and doesn't alter the notions of redistribution and solidarity upon which the system is built.

In addition to the external partnership, one may also identify an internal form of partnership. In this case, the private sector is involved in the public system itself. Rather than being limited to the system's external operation, the private sector penetrates into the system's core (internal partnership). More specifically, under this form, private bodies develop relations with the insured parties-users, while the public agents role is restricted to that of a regulator-guarantor. The second type of partnership highlights an interesting point, which will be referred to below, when examining the Swedish model.

Public-private partnership in its internal form may mainly develop in public systems of defined contribution, i.e. in individual pension accounts. Basically, in an internal partnership the financial market penetrates into the state. The political settlement creates the necessary framework for a financial-economic market to be formed/ shaped/ achieved. The partnership leads to hybrid organizations, which constitute an intermediary solution between public management and complete provision of services by the private sector.

2. The new paradigm of partnership: the Swedish system of individual accounts (Premiepension)

Not every public-private partnership is considered to be positive per se; that depends on the institutional framework within which it is (being) realized. The differentiating factor relates to the adequacy of the rules materializing the envisaged partnership. This is in effect the raison why our interest is focused on the regulative aspects and their consequent statutory guarantees. From this point of view, the Swedish example constitutes the best existing practice (Sakellaropoulos, 2004, Sakellaropoulos, 2007). The Swedish version of the public-private partnership in the statutory pension system appears as the best solution for a specific sort of systems, that of individual accounts. As we will see, it embodies advantages such as transparency, the guarantee of a prudent investment, as well as low cost for the workers.

In Sweden, a country where the public sector has intense and long presence in the pension system (Esping-Andersen, 1990/2003), established in 2000 a system of mandatory individual accounts based on capitalization (funding). These accounts, apart from introducing funded pension schemes in a section of the first public pillar, also accomplished a public-private partnership in the sector of the investment of capitals accumulated in the given accounts.

Since the 1990's, Sweden proceeded to a brave reform of its pension system. Following a decade of dialogue, and the achievement of real political consensus between the social democrats and the conservatives (Conseil d' orientation de retraites, 2008, Anderson, 2005), a new system was adopted, inducing various structural changes. In a nutshell, a rupture with the prevailing system of the time took place.

According to our opinion, the Swedish experiment's success is due to the compromise of solidarity (justitia distributiva) and contribution (justitia commutativa). Overall, the Swedish example managed to successfully provide an answer to the contemporary risk of any reformatory attempt, that is to say, the establishment of a new balance between opposite objectives, such as solidarity and individualism, equality and efficiency (Einerhand and Nekkers, 2004).

In Sweden, the first level of the public (PAYGO) pensions is supplemented by a capitalized part (funded pillar), in the form of mandatory individual accounts (Premiepension). The public capitalized system of mandatory individual accounts cooperates under a specific regulative framework with the private sector acting as investments' management.

Here, the state plays an active role. The institutional framework combines a concentrative state management with a plethora of investment choices for the workers, thanks to the cooperation of private (investing) bodies. The partnership aims primarily at the individualized utilization of workers' contributions. The stock exchange market offers a variety of investment choices and the public organization, in its capacity as a public broker, intervenes in light of the desired reduction of the administrative cost and the creation of a regulative (guaranteeing) framework.

Comparatively speaking, the individual accounts occupy a small part of the public pension pillar, given that the contributions credited to them hardly come up to 2,5% -as a result of a political compromise (Palmer, 2002) (the contribution rate of employees and employers to the overall system is 18,50%). The contributions' remaining part, namely 16%, is directed to notional accounts, which generally appear to be more generous. The contributions are withheld by employers and submitted to the tax authorities. The tax authorities transfer them to a public organization, the Premium Pension Agency (Premiepensionmyndigheten - PPM).

The "Premiepension" system is a centralized system of public mediation for collecting contributions, establishing credible (acknowledged) cooperation with investing companies (funds), as well as for monitoring and updating the individual accounts (Turner, 2004). The public management organization co-operates with all the acknowledged and accredited private organizations. The accredited organizations bear minimum guarantees of enterprise reliability. Fund managers who wish to cooperate conclude a standard agreement with the Organization (PPM), who regulates in every detail the cooperation between them.

The PPM recommends approximately 800 (2007) investment funds. These registered funds are connected to 80 investment companies –each asset management company or group may register to the premium pension system up to 25 funds– half of which are foreign assets. When the worker invests in a fund they purchase units in a securities portfolio. The PPM has organized its funds in four types: interest funds, mixed funds, generation funds and share funds. The different types of funds help the worker balance the risks of his savings (PPM, http:/www.ppm.nu).

In the way described, private sector competition is essentially being introduced to the statutory pension system. The competition may prove beneficial for efficient performance. It is true that funds are competing so as to bring the "best net-of-cost returns". Besides, among the asset management companies, some cooperate to offer joint investing choices with social organizations, such as LO (Anderson, 2005). In general, this system leaves room (and ought to enhance) social priority in investments. More specifically, instead of choosing speculative financial-economic bubbles, the criteria of protecting the employment, the environment and the culture must prevail.

The Swedish system of individual accounts offers choice from a wide range of accredited private asset management organizations. Thus, an employee is left free to choose the fund best accommodating their needs, and also conforming to their general attitude towards risk (risk tolerance). At the same time, ability to choose pushes back the dangers of political influence. The workers may choose up to 5 of the pre- approved by the PPM funds. That is to say, the individual portfolio is comprised of 1 to 5 funds, which may change even on a daily basis. The workers are not locked up into a fund against their will (Palmer, 2002).

The whole system is set up in a manner encouraging the workers to actively participate in investing funds included in their individual accounts. The public system provides the insured parties with direct authority to meet decisions concerning the management of their individual accounts' funds. Investment becomes active. However, a significant part of the insured parties may not opt for any private body, and therefore their capitals remain invested by the default fund.

The public-private partnership helps reduce administrative costs

The individual accounts have an administrative cost that is charged to the workers and is capable of significantly reducing the capital accumulated by the contributions. It should be noted that in other systems, the administrative expenses amount to a large percentage of the capital (James, Smalhout and Vittas, 2001). Under the Swedish system, state intervention for the regulation of the financial market in the sector of individual accounts primarily aims to reduce the workers' pecuniary contribution.

More specifically, PPM, which, as mentioned above, is a public managing organization, mediates in all the registrations of individual accounts and invested values. The management and upkeep of the individual accounts is concentrative and public (N. Barr and P. Diamond). All transaction orders are aggregated at the end of each day by the Premium Pension Agency (PPM) and are transmitted to the fund investing funds. The PPM's investment being total (holistic) - all fund managers have only one customer, the Premium Pension Agency (PPM) thus- reducing administrative cost. On the other hand, not only are the commissions disbursed to investment funds controlled by a public organization, but also the inherent competition between private bodies operating within the public system, is apt to limit the level of commissions claimed.

The intervention of the public administrative organization is also determinative during the time of exit from the system, when the capital is to be liquidated. At that time, PPM acts as a public clearinghouse (Palmer, 2002). In charge of the conversion of the accumulated capital in pensions is the public organization (PPM), which does not charge any relevant commission. On the contrary, in more privatized systems, as in that of Chile, where the state does not play an active part during the liquidation, the commission charged by the insurance companies is approximately 5% of the individual account's credit balance (Krizer, 2000).

We should add one more guaranteeing function of the PPM. The Swedish system is concentrative and public during the stage pensions are granted (Turner, 2004). The PPM is held responsible for granting pensions, while also managing the formed capital that supplies the pension. During the conversion stage, the worker party may choose between a pension of a guaranteed amount and a pension of a floating amount. In the first case, the public organization (PPM) guarantees a defined level of pension for a lifetime, thus undertaking the danger for the capital's depreciation. In case the insured party chooses a pension of a floating amount, this amount is determined annually, depending on the capital return of the account. In this case, the beneficiary undertakes the risk of the capital's depreciation.

The public-private partnership sustains the public choice

The Swedish model serves in the best possible manner the public-private partnership, as it allows real comparison within it. It establishes an opt-out (not make a selection of a fund) scheme within the very system. Private operators do not bear exclusive competence or responsibility for the funds' investment. The government has established and manages two investment funds. The first is the default fund for employees who do not opt for one or more private funds (default fund) (Seven AP fund, Sjunde AP-fonden, Premiesparfonden PSF). This fund's strategy is based on the achievement of a stabile performance at an overall low risk level (Turner, 2004). Once the worker has made a fund selection, he may not switch to Premiesparfonden.

The second fund is one managed by the government, for employees desiring a state controlled management (PCF). Here the case isn't for an omission, but for an explicit preference of public management. PCF, contrary to PSF, adopts a strategy of risk taking investment.

It is worth noticing that both funds follow investment strategies that attempt to reconcile the capital investment with environmental and social sensitivities (Turner, 2004). The funds that are managed by the government refuse to invest in companies that violate the international covenants of ILO, as well as the international covenants on human rights, the environment and child labor (Weaver, 2005).

The public-private partnership ensures prudent investment

The fortification of a public funded system depends on the individual accounts' operation in day light under the state's watchful eye. Moreover, the creation of a secure public-private partnership in the field of investment funds from contributions also depends on the general mechanisms of protection that apply to investors, as well as the securing of the market's transparency.

The PPM's catalogue includes four fund types of investment, each with a different risk level (interest funds, mixed funds, generation funds and share funds). The Swedish model allows individual determination of risk tolerance. Each insured party determines the degree to which they are willing to risk their pension: the higher the fluctuation, the bigger the risk.

Although there are no restrictions on fund portfolio composition (Palmer, 2002), the system does not allow cooperation with funds investing in derivative products, since such investments pose serious risks for the insured parties. Besides, the 2008 crisis is due to the termination of the economic bubble and the collapse of the shadow banking system (Krugman, 2009).

From 1995 to 2000, the return of contributions accumulated in individual accounts was stable, having been invested by the state itself. From 2000 onwards, namely once the regime was launched, performance fluctuations were significant: from 30% negative to positive in 2002, to plus 30% in 2005. In 2007 the average performance of the capitalized accounts amounted to 5%, whereas in 2008 it was negative, as anyhow expected, due to the 2008 financial crisis. In general, estimates remain always risky because in capitalized accounts yields are not fixed but can easily evaporate (Conseil d' orientation de retraites, 2008). Investment return depends on the overall performance of the money market. Since performance is estimated on a long term basis, a given monetary crisis may simply constitute but an unfortunate event.

The public-private partnership favors the system's transparency

The public capitalizing system developed with the aid of the public-private partnership flags out for its transparency, thus facilitating the insured parties' personal decisions on their level of contribution once they reach retirement.

The system's transparency is ensured through the insured parties' accurate information. The Premium Pension Agency (PPM) offers every employee with extensive information, so that they can choose the investing fund of their liking (Turner, 2004). This provision of information is twofold: on the one hand, the insured party must be aware of all the investing choices offered within the framework of the public capitalization and on the other hand, they must be kept up to date with their account's progress.

Many investment funds being involved, the public organization (PPM) is burdened with the task of providing adequate information about their function (odds – commissions) to the insured parties. This task is assigned to. PPM, addressing different types of insured parties-investors provides a differentiated information ranging from a detailed statement of investment funds (for the more initiated) to the popularization of the functioning of the money market (for the less informed) (Turner, 2004).

3. Who profits from the public-private partnerships in the statutory pension systems?

The public-private partnership is not a euphemistic privatization from which only the private sector (the market) profits. More likely, it constitutes a "domesticated" version of the procedure of privatization of the pension systems (Linder, 2000). Based on a balance between the parties involved, the partnership aims at the parties' mutual benefit. This is anyhow the essence of a partnership; had it not been for the mutual acknowledgment, it simply wouldn't have been a partnership at first place. In entering into a partnership as the one envisaged, the state moves away only partially from the mandatory pension system, and thus shifts from its original role to that of a guarantor or a regulator.

Privatization is a procedure reflecting various gradations. The public-private partnership in the statutory pension systems should be perceived as a form of controlled privatization. More specifically, it constitutes a qualitative change in the process of privatization not leading towards the state's marginalization. The public- private partnerships do not signal the shift to a "lesser" rather than to a "different" state.

With partnerships the hard line of the privatization's advocacy is abandoned. Private is less opposed to the state (Linder, 2000). And perhaps it even uses it. The partnership extends privatization to the core of public social security which could not be privatized (Yescombe, 2007). On the other hand, the statutory pension system involved in a partnership with the public sector safeguards its part and comes to a position from which it can exercise more influence and control to the private sector (Rummery, 2002). While with typical privatization the public system runs the risk of shrinking to a minimum, through a partnership it is fortified in undertaking a different role. At the same time it is true that cooperation leads to the transformation of the state, which tends to adopt traits of the private sector and embrace the logic of "commercialization" of public duties (Giddens, 2007).

The public-private partnership in the pension systems must be viewed as an instrument of management reform (Linder, 2000). Indeed, given the appropriate conditions, the partnership may improve the efficiency of the public management, by bypassing inherent weaknesses of statism, such as the rising risk for the politicization of investments.

Each party-participant must make a worthwhile contribution to the partnership. It is clear from the examples mentioned above, that the added value of the public-private partnerships is traced in the private funds' know-how, as well as the profitable use of the competition between the two sectors.

More specifically, public-private partnership in managing investment of public pension systems reserves may lead to optimal efficiency. The entrance of the financial market in the funds' management offers a variety of choices, thus leading to higher pensions and transparency. A diversified portfolio as such brings on more security towards financial uncertainties. Nevertheless, institutionalization of limitations is necessary so as to reduce the inherent investment risk. Partnership without restrictive rules (without regulation) equals to a "blind date". However, we must also keep in mind that hyper-regulation also excludes high yields. In any case, the capital of contributions must not act as an "impatient capital".

The public-private cooperation basically presupposes a public funded pillar, a procedure namely for the investments' communization/ socialization. With the capitalization's partial entrance to the public pension systems, the public-private partnership as implemented in the Swedish model is deemed as good practice.

Public-private partnerships increase the significance of personal choice. By transferring the risk of investment contributions to workers, not only are they themselves now more rendered as pension savers, but also the investment becomes more diversified and more profitable to some of them. Capitalism is set at the service of social security (popular capitalism).

The state's gradual withdrawal intended through a public-private partnership is not a painless procedure, especially for public systems functioning under the capitalized method. To start with, it reduces state responsibility during the investment of the contributions' capital. The state, as we have already seen in the Swedish case, is responsible for ensuring a sensible, competitive, transparent investment market of limited administrative cost.

Secondly, it is more than obvious that in participating in the partnership the market seeks profit. Perhaps profit is compressed in relation to transactions on the free financial market; nevertheless it still constitutes the partnership's driving force. Assuredly, the maximization of the companies' profit is also combined with the maximization of the insured parties' benefits. In other words, individual profit maximization is connected to the effective provision of a service.

A partnership in the statutory pension systems sets out new entrepreneurial fields for the market. The private sector, by cooperating with the state, acquires access in areas from which until now it was excluded from. Thus, new profit-making possibilities are opened for the capital, given that the private pensions' development had reached its limits.

Is it that a public-private partnership in the statutory (mandatory) pension systems signifies market penetration in the state or is it possible that with a partnership as such it is the state that transfers the insured parties in the market and therefore it is the state that penetrates into the market? Either way, we are witnessing an osmosis between the state and the market. Profit is at the end of the day placed among public interest. However, by this manner, inequality becomes the Achilles' heel of the contemporary pension systems and society (Sennett, 2006).

Basically, the public capitalization, as introduced in Sweden, converts pension systems to lifelong savings. The workers, with the Premium Pension Agency's (PPM) intervention are transformed into protected investors who seek long term results and not short term profits (speculation). The state channels the contributions of the employees in a regulated framework of guarantees and welfare with the benefit of reduced administrative operational cost.

While appraising the Swedish model, notice should be taken of the fact that in Sweden itself state capitalization constitutes but a small part of the public system and as such it is accepted. The workers enjoy at the same time the security of the system of the notional defined contribution accounts (Turner, 2004). Finally, what is still interesting is that the Swedish experiment may have lead to partial privatization of the public system; however it did not affect its public obligations towards the workers (Palme, 2003).

Summing up, the public-private partnerships presuppose a healthy and economically stable financial market. To this end, the establishment of monitoring mechanisms constitutes a sine qua non element of their function. The advantages the public-private partnership bears are dismissed, as long as the financial market isn't constructed under a stable regulatory framework. Profitable as the partnership at first sight may be, it can also prove to be dangerous, are the necessary conditions not met.

Acknowledgements
I owe a particular debt to Miss Zena Prodromou and Miss Marina Agelaki who provided helpful comments on the language of the text.

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