

**Topic: Inequality Beyond Globalization: Economic Changes and the Dynamics of Inequality**

**Theme: Actors and evolving institutional reactions**

**Globalization, economic change and welfare state:  
Inequality in private occupational pension institutions in  
Switzerland\***

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## **Globalization, economic change and welfare state:**

### **Inequality in private occupational pension institutions in Switzerland\***

#### **Abstract:**

Globalization, economic change and the welfare state produce inequalities in occupational pension payments. This inequality is reflected in the pension regulations and the pension payments of two types of pension institutions, revealing an institutional impact on occupational pension payments in Switzerland (Suter, Levy 2002). These different reactions to Globalization and economic change activate the different types of capitalism and welfare states (Huber, Stephens 2005). By comparing the findings of two case studies, I situate the two pension institutions in their global environment, in their type of capitalism and in their type of production. The evolution of the type of the Swiss welfare state (Nollert 2007) and the unequal institutional impact on occupational pensions (Chase-Dunn 1989) are also revealed.

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# 1. Introduction

European welfare states have been the subject of extended studies which classified the welfare states. Esping-Andersen's typology of welfare states, classified Switzerland in 1980 as a liberal welfare state (1990).

Another welfare-state typology was presented by Albert, who classified Switzerland among the "Rheinland welfare state regimes" (1991). This type of welfare-state is considered to be closely related to the continental Christian democratic welfare state according to Esping-Andersen.

In a comparative analysis from Nollert (2007), Switzerland has moved from being a liberal or residual welfare state in 1980 to a continental Christian democratic welfare state in 2000. His theses are based on the changes in the welfare provision related to the overall economic market and the comparison with other western European states in the same decades.

Compared to other European countries one major particularity does exist in respect to occupational pension funds in Switzerland. The occupational pension funds are closely related to the employing company as most companies have their own pension fund. Only SME's do often adhere to a pension fund offered by an insurance company for example. Depending on the economic sector where the company is active, their pension fund regulations are influenced according to their implication in the global market. I argue therefore that globalization and economic change have influenced the economic sectors differently, hereby creating important inequalities between different sectors and companies in Switzerland. Further I argue that the pension fund regulations of the companies in these different economic sectors produce inequalities in old age occupational pension payments to the retired. Pension institutions produce therefore inequalities in old age occupational pension payments and are affecting the income of their employees once retired. According to my theses, retirement maybe understood as culturally shaped as 'the individual is conditioned by society's theoretical and practical attitude towards him' (De Beauvoir 1996: 9).

In order to show the inequalities in old age occupational pension payments between the pension institutions, I have analyzed two different pension funds: These two case studies can be understood as ideal types according to Weber (1978). One represents the "modern" type, the other the "traditional" type. My thesis is that working in a 'traditional' or 'modern' sector of the economy can change your retirement perspectives. This study illustrates the impact of a "modern" or "traditional" culture of a pension institution on occupational pension payments in Switzerland. Based on this understanding, traditional economic sectors with traditional values have a different pattern of occupational pension payments than modern economic sectors with modern values.

I will present the differences of the pension fund regulations adapted under the pressure of globalization and economic change, according to the laws of the Swiss welfare state. Depending on these regulations, the contribution to the pension fund while employed, the retirement age, the early retirement pension cuts and the average early retirement differ strongly. These differences stipulated in the pension fund regulations are leading to unequal pension and capital payments between these pension institutions (Chase-Dunn 1989).

Before presenting my theses, I outline the global, the economic and the welfare state environments in which these Swiss occupational pension funds are active and how they developed through the impacts of globalization and economic change in their economic sector.

## 2. Globalization, economic change and welfare state

According to Crow, globalization is an inevitable consequence of the transformation from organized to disorganized capitalism and will affect all the countries in the world. This, as capitalism as such “is very much an international system and changes in capitalist production [...] have global consequences” (1997:53).

Part of globalization is the integration of national economies into the international economic market. Globalization has brought about economic change and had an impact on production methods and on the welfare state regimes.

Huber and Stephens present various globalization theses, though there seems to be little consensus on the impact of globalization on the welfare state (2005:559). Yet, globalization is said to have an impact on welfare states depending on the political and economic context (Cousins 2005:47-49).

### [Table 1 about here]

The impact of Globalization can be revealed by examining the type of era, the type of capitalism, the type of production and the type of welfare state (Esping-Andersen 1999).

### 2.1 Type of Era

**Modernity** is associated with organized capitalism, with fordist-type industrial mass production. According to Giddens, modernity is associated with modern society and industrial civilization. It can be understood as a world transformed by human interventions, creating various economic institutions. It is understood as a world which created industrial production and an international market economy. With modernity also came the nation states, part of it is the nation states organized political institutions. When tradition dominates, individual actions do not have to be analyzed so much because choices are already prescribed by the traditions and customs. An important element of Modernity is therefore the predictability of the system (1998:94).

**Organized capitalism** developed through the era of industrialization “whose secret is to be found in the mass production systems pioneered by Henry Ford.” (Murray 1990: 38) According to Lash and Urry, the new system led to an economic culture, marked by its commitment to economies of scale. This culture is regarded as an inevitable part of modernity and is also expressed in the economic trend of consumerism. Production was set up more efficiently by means of technological knowledge through streamlined production processes (1987:313).

Economical development meant centralization of industrial, banking and commercial capital due to markets regulation which led to bureaucratization through administration controlling the market. New sectors of managerial, scientific and technological intelligentsia have been established. Manufacturing industry became the dominant sector. Economies are regionally and manufacturing industries are centrally based.

**Late Modernity** means we are living in a post-traditional society situated in a global world. Late modernity is an era, which is concerned with economical, political, cultural changes in states and institutions.

Huber and Stephens argue that “capital markets have become more open and capital controls increasingly unworkable, capital in these countries moves elsewhere in search of lower production costs” (2005: 558)

Friedman “examines the impact of the ‘flattening’ of the globe” and illustrates that globalized trade, supply-chaining and political forces have changed our world permanently. The author argues that

the process of Globalization is becoming quicker and continues to impact on institutions, organizations and world practices (2007).

**Disorganized Capitalism** means that the “fixed, fast-frozen relations of organized capitalist relations have been swept away. All that was established in organized capitalism: class, industry, cities, community, nation-state, even the world” changed (Lash and Urry 1987:313).

“There is a growing distinction between a core workforce,” skilled, and experienced people who are crucial to employers and therefore benefiting from secure jobs and good salaries and “a peripheral workforce”, unskilled people who have insecure work, are poorly paid and whose workforce is not valued (Warde 1995:99). The core workforce is disorganising modern capitalism by social and geographical mobility and educational stratification (Lash and Urry 1987)

## 2.2 Economic sector and type of production

### 2.2.1 Industrial

**The economic sectors** in which this **Fordist type** of production is still dominant are traditional sectors are mass production sectors, deploying often rather simple processes, which target solely the Swiss domestic market.

Fordism is an “industrial era whose secret is to be found in the mass production systems pioneered by Henry Ford.” (Murray 1990: 38) Fordism led to an economic culture, marked by its commitment to economies of scale. Manufacturing industry became the dominant sector. Economies are regionally and manufacturing industries are centrally based. Trade unions were established with an ongoing inter-articulation between the different actors (Lash and Urry 1987: 4).

The “traditional type of company A” in this study is active in the economic sector of manufacturing goods. According to the international classification of Economic Activities (NACE), it is classified in DA, where the main production lies in manufacturing of food products and beverages.

For this company, so far, there was no need to expand into the international market and there was no international competition on the Swiss market. This type of companies with traditional culture is mainly productive in low base segments. Traditional behavior and conservation are important elements of these companies and influence their company culture.

### 2.2.2 Post-Industrial

**These economic sectors** are situated in the **Post-Fordist** production. They are producing specialized products, tailor made products and are active in high tech industries producing precision machinery. Post-Fordist production means “tailor made” production. The economic change in the 1970ies can be named post-Fordism (Murray 1990:49).

Switzerland was touched by these changes in the beginning of the 1970ies. Two main events can be named which influenced harshly economic sectors which had outdated production chains and old company structures and weren't adapted to new market requirements. In 1973 the introduction of a flexible exchange rate and the following oil price shock led to a strong economic reaction on the world market as Switzerland had to compete with a strong Swiss Franc against their international competitors on the global market.

Through this economic change working conditions changed. Women since are no longer resigning when having children, which brings about a different family pattern. It means that both parents share responsibilities for looking after the children and part-time working becomes increasingly important.

The “modern type of company B” in this study is active in the economic sector of manufacturing office equipment, data processing devices, electronic technology, precision machinery and optical equipment. According to the international classification of Economic Activities (NACE), it is classified in DL.

For this company, the only way to survive was to compete on the international market. This type of companies with modern culture is mainly active in the “high tech” and precision segments. Modern behavior and individualism are important elements of these companies and influence their company culture.

## 2.3 Type of welfare state

In this chapter I am presenting the different theories related to the position of Switzerland in the welfare state classifications. According to Nollert (2007), Switzerland has moved from a liberal or residual welfare state to a continental Christian democratic welfare state. according to Huber and Stephens, “in the last two decades almost all advanced welfare states have experienced at least some retrenchment, reversing the trend of the previous three decades, which was one of unprecedented welfare state growth in all of these countries. Many journalists and political observers and some academics, particularly economists, have attributed this retrenchment to Globalization, the increasing economic openness of the national economies and integration of the world economy. In this view the emergence of a single global market and global competition has reduced the political latitude for action of national states and imposed neoliberal policies on all governments.” (2005:558)

According to Esping-Andersen, the **welfare state systems** can be divided into three types. Each type corresponds to “value commitments and particular views on the desirable relationship between state, market, community and family” (Huber and Stephens 2005:553-557). We need to be aware that “the typology [...] becomes static in the sense that it reflects the socio-economic conditions that prevailed then, namely an economy dominated by industrial mass production; a class structure in which the male, manual worker constituted the prototypical citizen; and a society in which the prototypical household was of the stable, one earner kind” (Esping-Andersen 2000:74).

“The **social democratic** type reflects the values of solidarity and equality, and the view that the state is charged with counteracting market forces to realize these values” (Huber and Stephens 2005:553-554). “The continental **Christian democratic** welfare type reflects the Catholic doctrine of harmony and subsidiarity, where the state is charged with keeping people out of poverty but not changing the social order, and with performing only the functions that are not performed well by the family or civil society (van Kersbergen 1995, cited in Huber and Stephens 2005:554). “The **liberal type** reflects the values of individual responsibility and efficiency, and the view that the state should primarily rely on market forces and work with these forces to prevent destitution and provide essential social services” (Huber and Stephens 2005:554).

### [Table 2 about here]

From being classified by Esping-Andersen a liberal welfare state in 1980, with no universal unemployment insurance until 1984 and with a strong stratification, Switzerland moved to a continental Christian welfare state in 2000 (Nollert 2007).

Switzerland’s welfare state of today differs from a liberal welfare state in relation to salaries. In liberal welfare states, like the USA, there is a large difference between the salaries. In Switzerland, the differences between the salaries are rather small.

**Today Switzerland** is viewed as a **continental Christian democratic welfare state** (Nollert 2007). “The continental Christian democratic welfare states are characterized by universalism in coverage but with different benefits under different programs”. Another important characteristic of continental Christian democratic welfare states in Switzerland is the old age public insurance

(AVS), which is a redistributing system. The concept of the continental Christian democratic welfare state puts “an emphasis on the traditional male breadwinner family” (Huber, Stephens 2005:553-557).

**[Table 3 about here]**

The **Welfare type emphasis in Switzerland** regarding the old traditional structure of the public old age pension, the AVS, was originally set up for a family with a male bread winner who would provide for the whole family during his entire life. In other words, the pension should suffice for the whole family once retired.

But despite the AVS in Switzerland, in the 1960ies, the situation of certain groups of people amongst the retired became difficult again. This situation provoked a political movement demanding that the state should guarantee not only the vital minimum but a material security to the old age retired. Several initiatives were launched, but finally it was decided that the Federal Council would prepare a project on this subject. The answer of the swiss Federal Council was introduced in 1985: It was the three pillar system with the mandatory occupational pension scheme.

### **3. Inequality in private occupational pension institutions**

The employer which already had an important role in providing for the well being of the active working population, was attributed a determining role by the Swiss government. It was decided, that the employer may set up his own pension fund, based on legal requirements (LPP, 1982; RS 831.40). This Swiss three pillar system with the mandatory occupational pension scheme can therefore be perceived as a change in social politics in Switzerland. As the employer may set up his own pension fund (smaller business will join a collective pension fund, as e.g. set-up by insurance) and employees are bound to it, employees cannot choose their own pension fund institution. This system promotes a strong bond between employer, pension fund and employee. This may explain the influence of company culture on pension payments in Switzerland.

Almost each company has established its distinct occupational pension fund and has created its proper sub-system. This sub-system is situated on the Meso-level between the macroeconomic level and the micro-level, the state may steer this level by social policies through legal and institutional laws and regulations on the pension institution level.

#### **3.1 Presentation of two ideal types**

Based on two case studies, situated in two different globalization environments, I argue that the traditional type of company A, didn't had to respond to the global pressure and could offer the same old age provisions for all employees over the years. Yet, the modern type of company B could offer just the legal minimum; this in order to survive on the global economic market.

**[Table 4 about here]**

I argue that traditional economic sectors didn't have to adapt to the global market, as they remained in the domestic market. Their company culture remained unchanged, hence traditional. These differences in pension institutions create inequalities on the institutional level resulting in unequal pension payments in Switzerland. I associate the continental Christian democratic welfare type of Esping-Andersen generally with the values of the “traditional” company A. Furthermore, a strong union of company A, a participative leadership style and the values of solidarity and equality of company A, can be associated with Esping-Andersen's social democratic welfare type (2000).

Furthermore, I argue that the increasing globalization of the economic markets led to a harsher competition through international competitors in “modern” economic sectors. Companies forced to be active on the international market had to adapt, which led to a modern culture and a highly specialized work force. Constant change and increased competitiveness became important

elements for survival and were determinant for their company culture. I associate the liberal welfare type of Esping-Andersen with the values of the “modern” Company B. But according to the “homo” typology of Esping-Andersen (2000:171), the “modern” institution fosters the “homo families” type regarding to the “authoritative” leadership type of company B.

On the following pages I am presenting the characteristics of the two different “ideal types” of pension funds. Furthermore I will use empirical material to illustrate the observed differences.

### **3.1.1 Company A: The traditional company culture**

Company A incorporates traditional values and functions as a sub-system in the continental Christian democratic welfare state regime of Switzerland today. This subsystem values tradition, harmony and subsidiarity, and incorporates a participative leadership style, characteristics which are associated with the continental Christian democratic welfare type of Esping-Andersen (1990).

This “traditional” sub-system was created through the structure of company A, incorporating a strong union, strong values of solidarity and equality. Company A’s subsystem can therefore be associated with the “homo social democraticus” that collective solutions are best and all employees receive the same, independently of their status in the company. In this respect, the subsystem of company A can be associated with the “social democratic” welfare type of Esping-Andersen (2000:175).

Yet, this sub-system incorporates strong characteristics of the “homo familius” as “homo” and his kin are protected against threats and misfortune. The company provides stability and security which are important elements of this subsystem. These values can be associated with the continental Christian democratic welfare type of Esping-Andersen (2000:175).

This company’s traditional culture is rooted at the end of the industrial era. The “industrial era whose secret is to be found in the mass production systems pioneered by Henry Ford” introduced a new system which led to a new economic culture (Murray, 1990: 38). Traditional companies with little specialization in the working processes are originated in late Industrial times and / or early modernity. Traditional services or traditional production rarely require a highly specialized workforce. Work intensive and often physically strenuous jobs, long hours, rather low salaries are typical for companies established in late industrial times or early modernity. The technical professions are mostly done by men and the production jobs in factories mostly by women. The provision for the community and family are predominant. Traditional companies or companies in traditional sectors provide for the family respectively for the community of the employees.

The wide spread traditional values enforcing the family structure with father, mother and children was reinforced through the companies and are reflected in the company culture. The main breadwinner, except for the war times, was the man. During wars the man was replaced by the women. In both models the main breadwinner has to provide for the whole family. The community is predominant and the employer provides for the whole family.

Traditionally women are doing lower paid jobs than men in these companies in jobs where little specialization or skills are required. The production is situated in low-tech industries and processes are simplified in order to employ people with low education. In Switzerland part-time work among women is wide spread and we will find the women earning much less than men as their working hours are reduced.

Work in these companies is very often physically demanding and traditional roles of men and women are represented in these companies. There is a difference between male and female jobs. Men are (were) generally doing physical more demanding jobs and therefore legitimizing that they were occupying the higher paid jobs than women. Very often people were trained within the company and the required skills when entering the company were low. A moral bound based on traditional values, the employer is responsible for his employees, meant that employees were to

stay with the employer for a life time. When retired, the pension will be sufficient to provide for the family.

In this company A, the occupational pension was set up for a person who started working young in his life, would work full time and remain with the same company until retired. Its norms require responsibility for the community and in this context the breadwinner needs to sustain the family. Based on these values, the breadwinner works until the age where a full pension is paid out. The underlying pension expectations are that the family's survival and well-being for the years to come is guaranteed.

### **3.1.2 Company B: The modern company culture**

Company B incorporates modern and liberal values but functions as a sub-system in the continental Christian democratic welfare state regime of Switzerland today.

This sub-system incorporates a strong authoritative leadership style which can be associated with Esping-Andersen's "homo familis". In this respect, the subsystem can be associated with the continental Christian democratic welfare state (Esping-Andersen 2000:175).

Yet, this "modern" company incorporates strong individual responsibility and efficiency. This sub-system of individual and liberal values is reflected in the company culture and consequently in the pension scheme regulations. It is associated with the "liberal or residual welfare state type" of Esping-Andersen (1990).

The modern culture is situated in our days and modern companies reflect the post-industrial time with strongly rationalized working processes and highly competitive requirements on the working techniques. The requirement for a strongly technology oriented production influence the choice for highly qualified staff. In modern times each individual is self-responsible and the pension funds will provide the legal minimum. The provision for the family and community is secondary to the employer.

As Anthony Giddens says, we are living in a post-traditional society where the question how to behave becomes a crucial matter which we have to consider and make decisions about each time. In such a world, calculability and predictability are becoming crucial (Giddens 2002).

Company B is competitive and successful in this post-traditional society, as it is known for its customer oriented individual production. Individuality is always predetermined by the producer and the product is pre-produced. Yet for a large market, a large variety of products are offered, so that almost every customer will find its suitable product.

The companies in the modern sectors were founded in "cultural new land". Rising female labor force participation brings about a different family pattern. It means that both parents share responsibilities for looking after the children and part-time working becomes increasingly important. This behavior favors not only a balanced repartition of male and female worker within a company but also individualism through the late foundation of a family. The responsibility for the community and the family becomes less important. The employer will consequently only provide the legally defined minimum for the employees as these "modern" cultural effects are undermining coherence and unity of individual societies (Giddens 2002).

In this company B, the occupational pension was set up for an individual working full- or part-time, changing the employer during his working life. Its norms require auto-responsibility of the individual. Based on these values, the individual works until the legal age of retirement where a full pension is paid out. The underlying pension expectations are that each person provides for him/herself and that survival and well-being depend on the responsibility of each individual.

## **3.2 Empirical Analysis**

### **3.2.1 Company A: The traditional company**

Company A is almost entirely active on the domestic market. So far, there was no need to expand into the international market and there was almost none or very little international competition on the Swiss market. Companies with traditional culture are mainly productive in the low base segments. Traditional behavior and conservation are important elements of these companies and influence their company culture. Through the main focus on the domestic market and in production sectors, situated in fordist production, meaning little specialization, the company A would flourish in the Swiss domestic market, as it was strongly regulated through economic trade barriers and tariff protection by the government in Switzerland. This wasn't fostering a competition and prices would remain sound and little changed. As a consequence, the Swiss economic market remained stable for those economic sectors mainly active within the domestic market. There was no need to expand into the international economic market, as the domestic market would suffice the economic needs of the company A. There was no need to participate on the global economic markets.

#### **Contribution to the pension fund**

According to the pension fund experts of company A, interviewed in 2007, there is a "great solidarity" of the company towards the employees and amongst them. Independently of their age, employees contribute the same part to the pension fund and the employer contributes the double to the occupational fund than the employees".

#### **[Figure 1 about here]**

The company still represents the old traditional model where the employer provides for the employee. In any case the company wants to reward the employees for their faithfulness. The company feels responsible for their workers. And the workers feel bound to the company.

Pension fund regulations have little changed over the years and employees are rewarded on the basis of a calculation in favor of the retired for the rest of the life. The experts of company A were expressing that "we do not let the retired down if they are in need, we help them". It was also expressed that, as long as the market conditions would allow, these excellent occupational pension conditions would continue to be offered. And it was clearly expressed that "there weren't any changes planned for the near future". It was expressed that long working histories are the rule and that the average retirement takes place after around 22 years of employment.

#### **Retirement age according to the pension fund regulations**

Women – according to the pension fund regulations in 2004 - retired at the legal age of retirement at 63. But although the legal age of retirement for women was risen to 64 in 2005 and provided it will be raised to 65 in 2009, female employees will continue to retire at 63 – as men will in this company A. This means that employees will continue to retire at least one to two years early, receiving the full occupational pension. According to the pension fund experts in the expert interview, there is no further revision of the pension fund regulations planned for the next years.

#### **[Figure 2 about here]**

According to my first analysis of the employees of a traditional company, employees will mainly go early into retirement. This is due to the pension fund regulations stipulating early retirement for women and men and receiving a full rent at 63. People have the choice to continue working until the legal age of retirement. Yet they have little chances to work beyond the legal retirement age. The observed retirement pattern represents a normative behavior, like it was described by Simmel, that people will behave in a normative way, normed by the so-called "objective-culture" of the company (2000).

## **Early retirement pension cuts**

Early retirement for employees in a traditional company is possible at 60 with little loss in pension payment as the following graph illustrates. The traditional company allows an early retirement as a merit after a long period of employer loyalty. Retirement after the legal retirement age of 65 for men and women in 2004 is not foreseen for employees in this “traditional” company.

**[Table 5 about here]**

## **Average early retirement**

An analysis of the flexibility of the retirement age in the traditional company A, through an indicator called ‘average early retirement period’ in average years, illustrated that men retire on average around 5 years and women 3.3 years earlier than legally foreseen.

**[Table 6 about here]**

The two years difference reveal the difference of the legal retirement age between men (65 years in 2004) and woman (63 in 2004). In both cases the traditional company fosters early retirement for the benefit of their employees and their families. Early retirement is possible as from 58 years on.

## **Leadership type**

In this traditional company the leadership type undergoes a nearly democratic process. According to the experts in the traditional company, employees participate actively in decision taking. This company knows the rule of participating on decisions. Furthermore decision for changing the pension fund regulations will be submitted the Union members for vote. The active participation of employees is strongly desired. The power relations focus is on more rights and shared profit for the employees (Lukes 2005).

### **3.2.2 Company B: The modern company**

The increasing Globalization of markets led to a harsher competition through international competitors in modern sectors. Companies with modern culture and a highly specialized work force were obliged to expand rapidly into to the international market. Constant change and competitiveness became important elements for survival and were determinant for their company culture. Company B has adapted its system according to the late modernity, to disorganized capitalism and to post-fordist production systems.

Situated in Post-Fordism, economic changes and harsh competition on the global markets were driving the companies to adapt their strategies and getting internationally competitive. Companies with modern culture had to introduce reforms in order to survive on the international market. In a globalized market, production of goods has to become more refined in order to fulfill the ever changing new individualized desires of the modern society. These requirements cannot be fulfilled with Fordist production processes. Successful bigger companies have to be replaced by smaller, flexible and easy adaptable companies in order to fulfill the special needs of the new customers. These special needs ask for a highly specialized workforce. This culture maintains liberal values favoring individualism amongst its employees. According to these modern norms the employer will provide consequently only the legal minimum pension. The individual will receive a full pension only at the legal age of retirement. Early retirement is possible with a reduction of the full rent. The capital payment will not be wide spread as the employer provides just the legal minimum.

In the 1970ies, the Swiss domestic market structure became almost a disaster for the economic sector company B is active in. The extreme pressure of the international economic market forced the companies in this sector to counteract and expand into the global market. In the “wind” of the

globalization, the competitiveness was strengthened and the market share on the global market in this highly specialized economic sector was regained.

### **Contribution to the pension fund**

Therefore, their pension fund regulations are oriented at the legal minimum. Every employee has to accumulate “half of the occupational pension” himself. The employer contributes the legal minimum to the pension fund, which is half of the contribution of all the insured. There is no solidarity amongst the insured. Younger employees contribute less than the older ones.

**[Figure 3 about here]**

### **Retirement age according to the pension fund regulations**

In the modern company, men are obliged to work until the legal retirement age. In 2004 most women work even beyond their legal age of retirement (63 in 2004), as this modern company B – according to their pension fund regulations in 2004 – pay a full rent only at the age of 65, independent for men and women.

In company B most women retire at the legal age of retirement and almost 45 % of the men will do so. A part of the employees will even stretch their age of retirement and retire later. The pension fund of company B provides the legal minimum: a full rent at the age of 65 for men and women. The pattern of the analyzed sample revealed that men and women will retire on average one year early as the following table illustrates.

**[Figure 4 about here]**

These pension fund regulations can be perceived as a forerunner of the changing legal retirement age for women. In 2005, the legal age of retirement for women was risen to 64 and is probably going to be raised again to 65 in 2009.

### **Early retirement pension cuts**

The “modern company” imposes far higher pension cuts in case an employee leaves early for retirement than the “traditional company”. In the case studies I have looked at, the traditional company fosters even equally early retirement for men and women.

**[Table 7 about here]**

### **Average early retirement**

According to many comments of the retired of a modern company, the pensions are low despite many years of work for the same company and they expressed that this didn't seem to be rewarding. As we can see on the following table employees retire on average just one year early.

**[Table 8 about here]**

As we can see, long employment histories are not rewarded in this company B. Some people expressed that it was difficult to live from the pensions paid out. Nevertheless, we observe some long employment histories, which may be due to the change of culture in the 1970ies.

### **Leadership type**

In the modern company the leadership type is authoritative. Employees do participate little in the decision processes. The representation of the employees in the steering committee of the pension fund complies with the legal conditions.

## 5. Conclusion

Based on these reflexions, retirement can be viewed as a modern phenomenon, which was introduced in Switzerland by the public old age pension (AVS) just over 60 years ago. We may understand retirement as a cultural phenomenon which is shaped by the state, the society, the institutions and the people.

The old age provision in Switzerland was modelled by the state, giving an important role to the employer who may set up its own pension fund, the institutional impact on the old age occupational pension payment is therefore an important element for the social security of the old aged when retired.

The two case studies, presented as ideal types, reveal important evidence of the inequality created by the pension fund regulations which were created under the pressure of globalization and economic change. Globalization and economic change have influenced differently the economic sectors, hereby creating important inequalities in old age occupational pension payments between different sectors and companies in Switzerland.

We have observed differences regarding the contribution to the pension fund while employed, the retirement age, the early retirement pension cuts and the average early retirement between the two types of pension funds. And we can note that working in a 'traditional' or 'modern' sector of the economy can change your retirement perspectives.

**Outlook:** At the ISA conference in June, I will present first results of the analysis of the questionnaires sent out to the retired people revealing the impact of the company culture on the old age occupational pension payments, presenting some concrete cases on how much employees receive at the end of their working life.

Furthermore I will be presenting a comparative analysis of the pension regulations of the pension funds over the last years. And I will present some qualitative data of the analyzed expert interviews I am conducting at the moment.

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**Table 1: Globalization, economic change and welfare state**

Era	Economic sector and type of production	Type of Welfare State <sup>1</sup>		
<b>Modernity and organized capitalism</b>	<b>Economic sector “low tech”</b> NACE* DA: manufacturing of food products and beverages  <b>Industrial production</b> - Fordist - Mass Production - Economy of Scale	<b>Liberal or residual</b>	<b>Continental Christian Democratic</b>	<b>Social Democratic or Institutional</b>
<b>Late Modernity and disorganized capitalism</b>	<b>Economic sector “high tech”</b> NACE* DL: data processing devices, electronic technology, precision machinery and optical equipment  <b>Post-Industrial production</b> - Post-Fordist - Highly specialized working processes - Tailor made goods			

\* Nomenclature des activités économiques (NACE)

<sup>1</sup> Huber, Stephens 2005 (citing Esping-Andersen)

**Table 2: Type of welfare state**

Type of Welfare State	Characteristics	Emphasis	Country
<b>Social Democratic or Institutional</b>	Universalism in coverage and in the nature of benefits based on citizenship	Solidarity and equality: state must counteract market forces to maintain values	"Nordic countries" (e.g. S,Nor,Fi,Dk,NL)
<b>Continental Christian Democratic</b>	Universalism in coverage but with different benefits under different programmes --- & --- High levels of public health, education and welfare employment - - - - & - - - - Low level of family provision	Harmony and subsidiarity: state must provide for people where family or society doesn't. ----- - Traditional male breadwinner model - Low labour force participation of women	Continental European countries (e.g. D,A,B,F,Irl,I) Switzerland in 2000 (*Nollert, 2007)
<b>Liberal or residual</b>	Partial or residual coverage with different benefits : means tested	Values of individual responsibility and efficiency: state relies on market forces and work with these forces to provide social services	Anglo-American countries (e.g. USA,UK,Ca,JP) Switzerland in 1980 (*Nollert, 2007)

Esping-Andersen (1990), Huber, Stephens (2007)

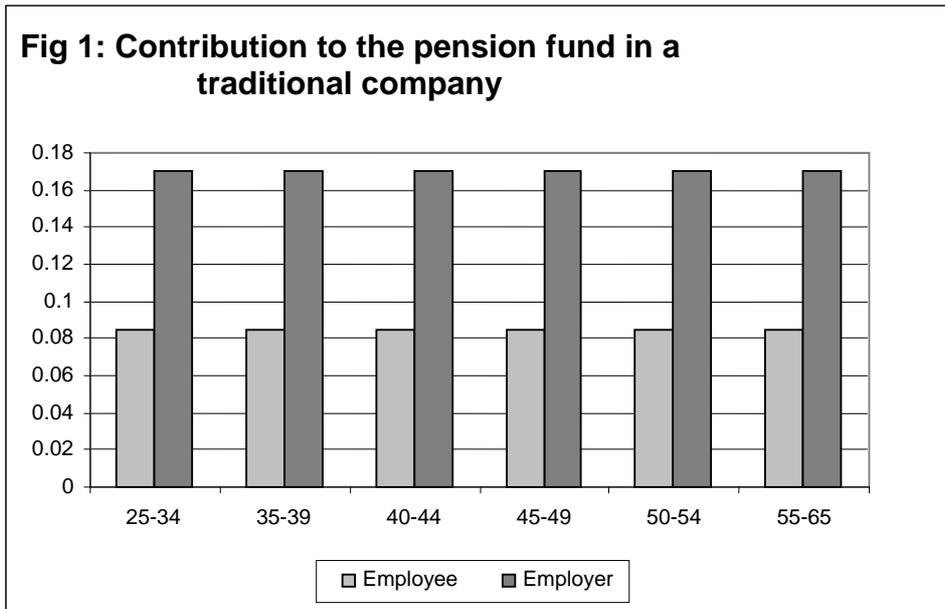
**Table 3: typology of Esping-Andersen**

Typology Esping-Andersen	Liberal or residual (USA)	Continental Christian democratic (Germany)	Social democate (Sweden)
Goal	Individual responsibility Security of vital minimum	subsidiary, where family or Society doesn't provide	Solidarity and equality
Institution guaranees Social security	Economic market	Family, society	State
Organisation	Social assistance	insurance	Public service
Characteristics of social benefits	Means-tested	transfer: redistribution of capital	Public social services
men / women	little segregation between Men and women / large Participation of women In the labor force	A large part of population Is inactive / segregation Between women and men Relating the formal and "informal work	High percentage of women Working full-time segregation: women are Predominant in the social services
			(Bender, Grassl, Schaal, 2007)

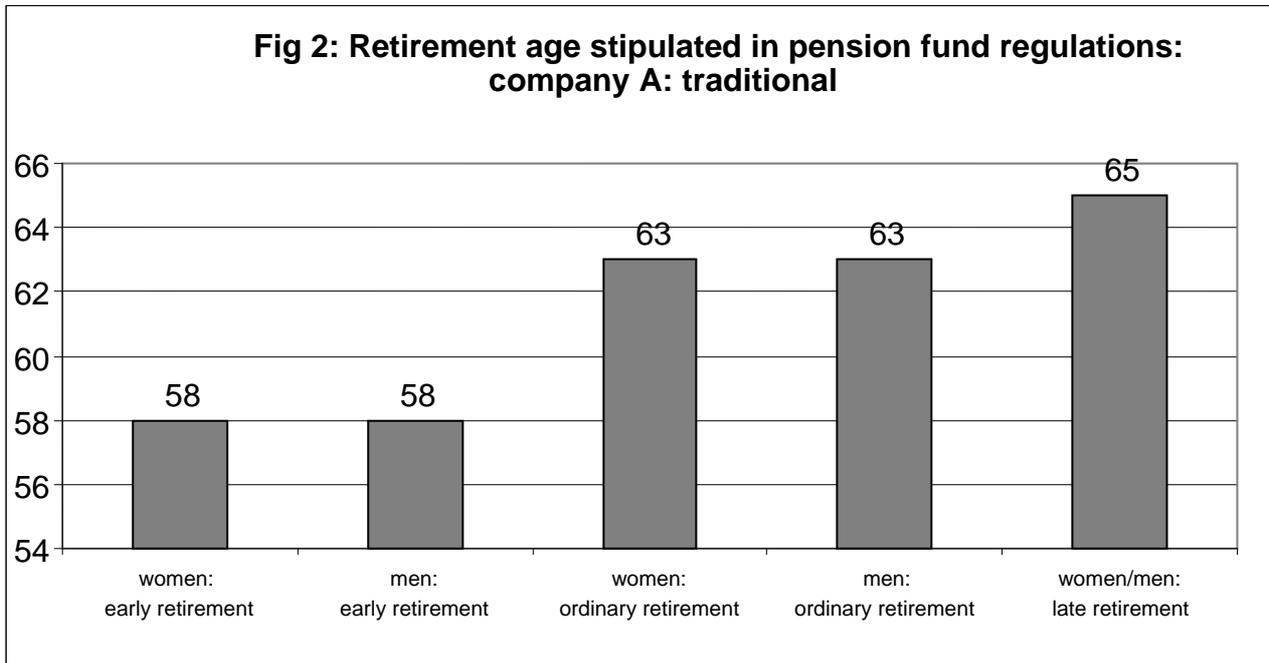
**Table 4: “presentation of two ideal types”**

Type of Era	Type of Welfare State <sup>1</sup>	Welfare Type <sup>1</sup> Characteristics	Welfare Type Emphasis <sup>1</sup>	Type of Institution	Type of "homo" <sup>2</sup>	"homo" characteristics
Modernity, organized capitalism, Fordist production	Social Democratic or Institutional	Universalism in coverage and in the nature of benefits based on citizenship	Solidarity and equality: state must counteract market forces to realize values	Type A institution= Traditional or conservative type  - Values: solidarity, equality, harmony, subsidiarity	"homo" social-democraticus	- collective solutions are best  - invest in public goods  - welfare state provides for all
	Continental Christian Democratic	Universalism in coverage but with different benefits under different programmes ---- & ---- High levels of public health, education and welfare employment - - - & - - - Low level of family provision	Harmony and subsidiarity: state must provide for people where family or society doesn't.  - Traditional male breadwinner model - Low labour force participation of women	- Institution has strong union  - Institution has participative leadership type	"homo" familius	-homo and his kin are protected against threats and misfortune  - stability and security are important elements  - patriarchy and authority are fostered  - welfare regime must tame the market
Late Modernity, disorganized capitalism post Fordist production	Liberal or residual	Partial or residual coverage with different benefits : means tested	Values of individual responsibility and efficiency: state relies on market forces and work with these forces to provide social services	Type B Institution =  Modern: or Liberal Type  - Values of individual responsibility  - Institution has no union  - Institution has a authoritative leadershipstyle	"homo" liberalismus	- follows ideal of own personal welfare calculus.  - beliefs in self-reliance  - J4prefers a liberal welfare regime
<sup>1</sup> Huber, Stephens 2005:553 (citing Esping-Andersen)				<sup>2</sup> Esping-Andersen 1999:171		

**Figure 1: Contribution to the pension fund in a traditional company**



**Figure 2: Retirement age stipulated in pension fund regulations: company A traditional**



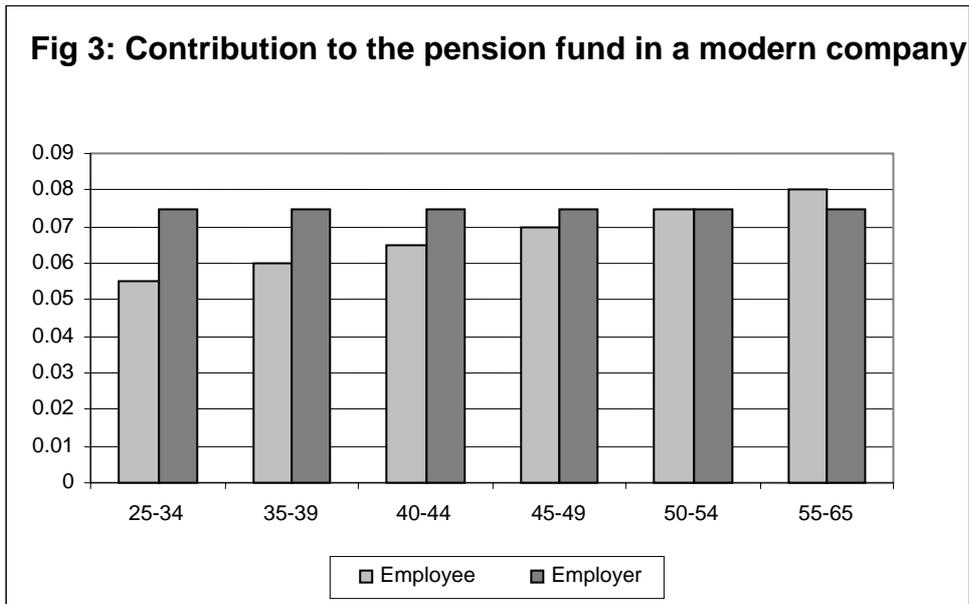
**Table 5: Early retirement pension cuts in company A “traditional”**

<b>Table 5: Company A: "traditional" Early retirement at the age of</b>	<b>Early retirement pension cuts pension fund regulations in 2004</b>
<b>64 years</b>	Plus 1.8 %
<b>63 years</b>	0.00%
<b>62 years</b>	1.80%
<b>61 years</b>	3.60%
<b>60 years</b>	5.40%

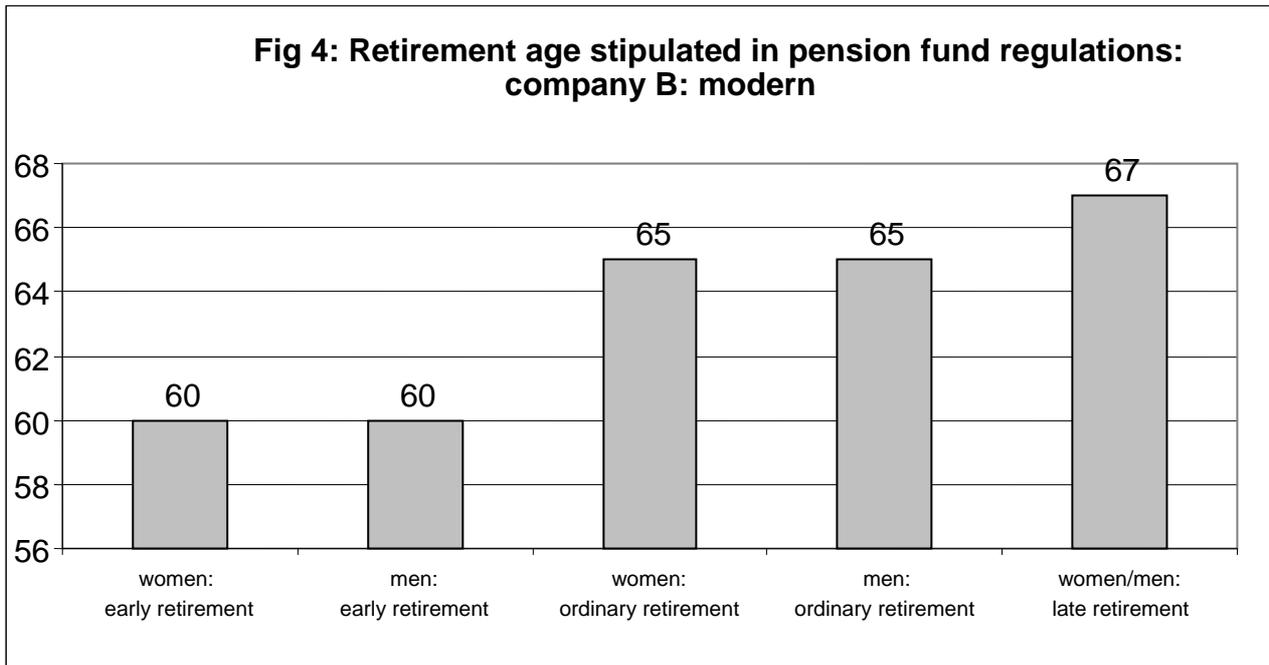
**Table 6: early retirement in average years: company A “traditional”**

<b>Table 6*</b>	<b>Early retirement in average years</b>
<b>Sex</b>	<b>Traditional company</b>
<b>women</b>	3.36
<b>men</b>	5.04
* analysis of 1776 insured receiving a pension in 2004	

**Figure 3: Contribution to the pension fund in: company B “modern”**



**Figure 4: Retirement age stipulated in pension fund regulations: company B “modern”**



**Table 7: Early retirement pension cuts in company B “modern”**

<b>Table 7: Company B: "modern" Early retirement at the age of:</b>	<b>Early retirement pension cuts pension fund regulations in 2004</b>
<b>64 years</b>	2.00%
<b>63 years</b>	4.00%
<b>62 years</b>	6.00%
<b>61 years</b>	8.00%
<b>60 years</b>	10.00%

**Table 8: early retirement in average years: company B “modern”**

<b>Table 8*</b>	<b>Early retirement in average years</b>
<b>Sex</b>	<b>Modern company</b>
<b>women</b>	1.04
<b>men</b>	1.14
* analysis of 1776 insured receiving a pension in 2004	