Abstract

Demographic ageing, the emergence of global markets and socio-econmic change are exerting considerable pressure on European welfare states. Yet, despite seemingly overwhelming pressures to change, welfare state reform in general and pension reform in particular are inherently unpopular political enterprises. As a result, pension reforms across Europe have proved to be divisive and conflict-ridden policy issues.

Against this backdrop, the members of the PEN-REF consortium wondered what, if anything, citizen participation processes could contribute to pension policy-making? In order to answer this question, the PEN-REF consortium set itself two tasks. First, the consortium wanted to know how the politics of European pension reform work. Second, the PEN-REF project use focus groups to simulate citizen participation processes in four European countries. The aim here was to assess the desirability and feasibility of involving the public in pension reform processes.

An analysis of the politics of pension reform showed that reform efforts of the past decade had considerably changed European pension policy-making. Throughout the countries examined by the PEN-REF project, pension policy communities have become less integrated and more populous. New policy actors, such as the banking and insurance sector, have introduced new forms of pension knowledge. More ideational diversity has been synonymous with increasing scientific uncertainty and increasing policy conflict at all levels. In many countries, pension reform debates have become 'intractable policy controversies' in which knowledge and "credible pension data" are merely a rhetorical resource. In essence, corporatist models of interest intermediation have given way to a more complex and more conflictual policy process. This, however, has not necessarily been synonymous with an increase in democracy. While the new policy actors have introduced competition and plurality into pension policy-making, this competition essentially is a contest between policy elites and pensions experts. Pension policy-making in most European countries continues to take place at considerable distance from both the scrutiny of parliaments and citizens.

The second part of the PEN-REF project demonstrated that citizen participation in pension reform processes is indeed desirable and feasible. The focus group simulations generated many of the benefits of deliberation and citizen participation. However, focus groups were not successful in securing the normative advantages of deliberation. Whereas the PEN-ReF experiments in all countries gave rise to genuine expressions of the popular will and produced creative policy proposals, none of the focus groups was able to create a 'rationally motivated consensus'. Thus, the evidence suggests that focus groups are suitable for certain deliberative aims, certain policy contexts and certain stages of the policy process.

The PEN-REF results intimate that the findings for focus groups are applicable to citizen participation processes in general. That is, no single public participation process is likely to generate sufficient deliberative benefits as to make its sole application democratically legitimate. The PEN-REF evidence indicates that increasing democratic legitimacy will always require several different types of public participation processes operating in conjunction with each other as well as with existing policy processes and democratic institutions. Effective citizen participation, that is participation producing both strong insight and strong agreement, can only occur within a long-term and sustained process of democratisation

Chapter 1

Executive Summary

1 Background and Aims of the PEN-REF Project

Pension reform has proved to be a persistent policy issue across Europe. No matter where one looks, all European countries, small or large, rich or poor, EU Member State or Accession Country, have addressed the issue of reforming old age pensions at some point during the 1990s. While policy-makers in some countries, particularly in central and Eastern Europe, have radically reformed their old systems, others, typically those in affluent continental Europe, have been far more cautious opting instead for incremental changes to existing pension systems. Others still have managed to implement fairly broad changes without making pension reform an explicit policy issue.

Not only has pension reform been a persistent feature across different political systems, it has also shown incredible resistance to resolution over time. Just as policy-makers seemingly despatch the problem, pension reform worms its way back onto the policy agenda giving rise to a new round of what is, more often than not, a politically divisive and conflict-ridden policy debate. In short, no matter whether the particular country reforming old age pensions is affluent or in transition, corporatist or market-oriented, a net EU contributor or a net EU beneficiary, pension reform is difficult.

The overall aim of the PEN-REF project was to explore what, if anything, citizen participation could contribute to European pension reform processes. Would citizen participation generate useful information about citizens' beliefs and views concerning pensions and pension reform? Could citizen participation provide new ideas and policy solutions for pension problems? Could involving citizens in pension reform processes potentially overcome divisive and persistent policy conflicts over pension reform?

Answering these questions meant pursuing two specific research objectives. **First, the PEN-REF project aimed to understand, compare and analyse recent pension reforms in Europe.** Here, the PEN-REF consortium aimed to identify and compare the structural, socio-economic, and political factors that have determined recent pension reforms efforts across Europe. In particular, the PEN-REF consortium set out to pinpoint, investigate and compare pension reform pathways in seven European countries. **Second, after having identified the structure and determinants of European pension reform policy processes, the PEN-REF consortium tested *focus groups* as a means of policy deliberation, decision support and citizen participation.** By conducting focus groups on pension reform issues in Austria, France, Italy and Poland, the PEN-REF consortium aimed to assess the desirability and feasibility of using focus groups as a means of citizen participation in pension reform processes.

These two specific objectives translated into distinct research phases. We will discuss each in turn.

2 Pension Reform in Europe

The first phase of the PEN-REF project reviewed different pension reform pathways from two distinct perspectives. First, the PEN-REF project reviewed actual changes to pension systems in seven different European countries. Second, the PEN-REF project analysed

changes in the way European policy-makers go about formulating and implementing pension reform policy.

The countries within the PEN-REF brief included Austria, France, Germany, Italy, Norway, Poland and the UK. The research relied on a three-pronged methodological strategy consisting of extensive literature review in all countries, qualitative interviews with experts and policy-makers in each polity, as well as country-specific media analyses.

Overall, pension reform processes in Europe have introduced diversity into both pension systems and pension policy-making. At the level of pension systems, reforms in all analysed countries have expanded the institutions and mechanisms for providing old age income. At the level of policy-making, changes in pension policy communities have expanded the scope of political conflict.

2.1 Broad Pension Reform Trends in Europe

A review of basic statistical and demographic trends shows that most European countries face similar challenges. Demographic ageing over the coming three decades will cause a steep decline in the ratio of the working age population to the retired population (the so-called dependency ratio). At a general level, this is likely to affect pension systems in which current pensions are paid from revenues of current workers (or a Pay-As-You-Go scheme). In terms of actual old age income provision in different countries, the statistical picture is more complex. Here, different institutional structures as well as varying socio-economic conditions give rise to a multitude of patterns concerning social security spending and provision. Overall, however, changes in household structures (e.g. increasing independence of the aged), flexible retirement ages (i.e. an observed preference for leisure over work), and increases in longevity are likely to affect pension systems in the future.

Old age income provision in PEN-REF countries consists of a wide variety of different institutional set-ups. When cast into an analytic scheme based on pillars and tiers (see table), then all pension systems in the PEN-REF sample are multi-pillar, multi-tiered systems. However, the relative emphasis each system places on different pillars and tiers distinguishes different countries. In continental countries (Austria, France Germany and Italy) the state earnings-related pension system is responsible for most pension functions: it covers a high degree of the working population, it provides the lion-share of old age income, and co-insures for other social risks (such as disability). In Nordic countries, the responsibility for different pension functions is shared more evenly across institutional pillars and tiers: these systems feature strong a public and private sector pension infrastructure. In countries such as the UK or Poland, public pension schemes tend to focus on ameliorating old age poverty while private sector pension arrangements provide means for long-term savings.

Governance structures differ in a similar way. In continental countries, pension system governance usually takes place within institutions in the public sector. These institutions are typically slightly removed from central government and feature a strong involvement of social partners (unions and employers). In Nordic countries, in turn, the state takes responsibility for pension governance: social partners affect management via parliament. In the UK and in Poland, the central state administers public sector provisions and regulates an extensive private sector.

Pension reforms of the past 10-15 have given rise to two general trends. First, policy-makers in all PEN-REF countries have streamlined public pension systems. Although specific measures and reform intensity have varied across different countries, changes have generally been parametric. Policy-makers have pulled all available policy-levers to reduce expenditure (e.g. increase retirement ages, introducing actuarial deductions for early retirement, etc.) and increase revenues (increasing coverage, raising contribution rates, etc.) into the pension system. In a few cases (such as Italy), reforms have aimed at harmonising different public sector pension systems. Second, reforms in all countries have expanded private sector pension provisions. Using a wide variety of financial policy instruments, policy-actors throughout the PEN-REF sample have either encouraged the development of existing private sector structures or have introduced new private institutional mechanisms.

2.2 Pension Policy-Making in Europe

Pension reform experiences of the past decade have also affected the way policy-makers go about setting pension reform agendas and formulating pension policy. The changes, which took place at three interdependent levels, have widened the scope of political conflict in all countries.

Pension policy communities within the PEN-REF sample have become more open and pluralist. Traditionally, a relatively limited set of designated pension experts populated pension policy communities. Moreover, these policy networks, based on the exchange of accredited pension data and political compliance, tended to closely reflect corporatist socio-economic cleavages. Throughout the 1990s, however, new actors have challenged established policy communities in all PEN-REF countries. In all countries, both the media as well as financial interests (such as the banking and insurance industries) have made successful inroads into established pension policy communities. What is more, new policy actors have mounted a successful scientific challenge to established pension knowledge: pension knowledge orthodoxy has turned in to pension knowledge heterodoxy. As a result, the horizontal interaction between different policy actors has become increasingly problematic and conflictual.

The arrival of new policy actors into pension policy communities has given rise to overt policy conflict about pension reform. Although most policy actors in all countries agree on the broad challenges facing pension systems (demographic ageing, decreasing long-term financial viability of pension systems, and changes in underlying socio-economic conditions), pension policy actors have formulated divergent responses. In general, these responses fall into three distinct categories.

- First, all countries feature a group of policy actors (whose institutional ‘location’ differs from country to country) that stress intergenerational equity: pension reform has to ensure that financial burdens of demographic ageing do not cripple the younger generation of workers and, by extension, the economy. These policy actors suggest that the retired should increasingly rely on private sector mechanisms.

- Second, all countries feature policy actors that argue in favour of preserving social stability: here, pension reform needs to strengthen, not weaken, existing institutional pension arrangements that guarantee of social stability and social peace.

- Last, certain policy actors in many (if not all) PEN-REF countries argue for a more equal and just pension system: according to these policy actors, pension systems should level the differences between citizens (rich and poor, men and women, foreigners and natives, etc.).

These three “pension policy stories” have provided the ideological basis policy conflict in the PEN-REF countries. The level of conflict, however, varies across different countries in the PEN-REF sample. In Austria, Germany, France and Italy, policy conflict is most heated: here, pension debates have become “intractable policy controversies” in which all parties to the debate are firmly entrenched in their respective position. Here, pension reform has proven particularly difficult and politically risky. In countries such as Norway and Poland, in turn, policy conflict is at a more intermediate level: here, controversial reforms have taken place at relatively little political cost. Last, the level of policy conflict in the UK, due to the politically marginal role of the pension issue in general, is comparatively low.

Further, the last decade has witnessed an ideological realignment of political elites in most PEN-REF countries. Increasingly, political parties no longer neatly reflect corporatist cleavages. Rather, political parties themselves have become locations of principled policy conflict about social policy. Throughout the 1990s, major parties have shifted towards the centre of the political spectrum. This has left many policy actors, most notably the unions, without strong institutional backing at the political level.

The changes in pension policy community and the emergence of policy conflict have generally empowered governments relative to policy actors. In most PEN-REF countries, pension policy-making has traditionally taken place in an informal and ad hoc network of specialised policy formulation gremia. Significantly, although pension reforms in all countries require parliamentary ratification, the legislative plays a relatively marginal role in pension reform. The changes have brought about two somewhat contradictory effects. On the one hand, the diversification of actors and ideologies has increased strategic options for governments: whereas policy-making was inexorably tied to corporatist decision-making structures before the 1990s, the past decade has opened new channels of policy communication and new potential alliances (such as alliances between social democratic parties and financial interests). On the other hand, the introduction of conflict and scientific uncertainty has made policy-making a far more precarious undertaking: whereas corporatist structures ensured compliance and co-operation from policy actors, new policy-making realities render policy outcomes far less predictable. Consequently, policy failure has become more likely and the price of failure has in many cases meant the demise of governments.

In general, the changes in pension policy-making have given rise to a paradox. Although pension policy communities have become more open and pluralist, this has not necessarily implied an increase in democratic accountability. In most countries (except Norway), the policy process circumvents parliament and changes have, generally, released the executive from corporatist controls. Furthermore, increased policy conflict has left pension reform policy processes less linear, more complex, and increasingly messy: in short, pension reform is becoming more similar to other policy areas such as, say, the environment.

3 The Citizen and Pension Reform: The PEN-REF Focus Group Experiments

In the second phase of research, the PEN-REF consortium simulated citizen participation in pension reform processes. Throughout 2001, the PEN-REF teams recruited, assembled and conducted comparative *focus group* experiments in Austria, France, Italy, and Poland. Although the format and structures of the experiments varied from country to country, all teams were successful in setting up deliberative spaces that enabled discussion and debate among free and equal citizens.

The PEN-REF consortium assessed these focus group experiments in terms of their **desirability** and **feasibility**. This involved identifying the *benefits* and *costs* of deliberative democracy and citizen participation. The extent to which focus groups were able to realise the benefits of deliberative democracy and citizen participation constitutes the *desirability* of focus groups. In turn, the ability to resolve the problems and avoid the costs of deliberative democracy and citizen participation defines the *feasibility* of focus groups.

3.1 Assessing Desirability: Implementing the Benefits of Deliberative Democracy and Citizen Participation

The literature on deliberative democracy defines the desirability of citizen participation in terms of two classes of benefits. First, deliberation between free and equal citizens is *morally* superior to contending forms of decision-making. Deliberation and deliberative processes, so the argument goes, give rise to a form of public reason and public reasoning that allows citizens to more authentically articulate the public interest and the common good. Second, advocates of deliberation and citizen participation also point to a number of *functional* benefits of deliberative processes. As opposed to rival means of decision-making, deliberation and citizen participation processes produce qualitatively superior decisions and provides a means of public education.

Box 1 outlines the benefits of deliberative democracy and citizen participation.

In general, the PEN-REF focus group discussions more effectively implemented the epistemic and functional benefits of deliberative democracy and citizen participation. PEN-REF researchers in all countries observed that the focus group format encouraged citizens to express their views, preferences and fears about pension reform. The outcome of this process were detailed and vivid expressions of citizen's needs, fears and expectations concerning old-age income provision. Further, the experiments also promoted a process of brainstorming in which participants pooled their cognitive and reflexive capacities. As a result, focus group participants in all countries formulated not only creative but also credible attempts at dealing with perceived issues and problems of pension provision.

In spite of producing respectable substantive outputs, implementing the normative or moral aspects of deliberative democracy proved considerably more difficult. In all countries, focus group discussions gave rise to a rather limited process of public reasoning. Although participants did argue in terms of a public interest perspective, they wove the common good

into a more complex argumentative tapestry consisting of personal anecdote, experiences, and self-interest. Overall, it was rare for participants in any country to completely transcend self-interest. A far more common argumentative strategy consisted of finding synergies with self-interest and public interest: i.e. here participants made sure that the common good at least does no harm to them individually. Another popular communicative manoeuvre involved identifying a particular personal plight as a problem of public relevance.

Box 1: The Benefits of Deliberative Democracy and Citizen Participation

Genuine political equality: By insisting that interaction between individuals be based on nothing but rational and impartial argument, deliberative processes, in theory, neutralise any unfair advantages resulting from power, authority or wealth. Deliberative procedures, then, are institutional spaces in which different types of policy actors, such as citizens, interest group representatives, administrators and politicians can meet on equal terms thereby implementing a more genuine form of political equality.

Authentic expression of popular sovereignty: Deliberative frameworks allow citizens to explore the common good by freely expressing and reflecting on their preferences. Since these expressions of preferences take place within a context of more authentic political equality, they represent a far more genuine and nuanced articulation of the 'general will' than would be possible with either voting or bargaining. That is why, in principle, deliberation and citizen participation are an effective means of formulating citizen grievances and feeding them into the policy process.

Public Reason and Rational Consensus: One of the key normative benefits of deliberation is that it endorses a process of reasoning based on public argumentation. Within deliberative frameworks, decisions emerge from a public exchange of arguments and reasons. Unlike voting or bargaining, deliberative frameworks ensure that citizens transcend pure self-interest and adopt a public interest perspective. This public interest perspective leads to fairer decisions because participants necessarily formulate goals that benefit all. What is more, as the word reasoning implies, the public exchange of argument should also encourage reflection on and revision of individual arguments. The outcomes of public reasoning are democratically legitimate because argument is based on the non-coercive transformation of preferences. In deliberative processes between free and equal citizens, the only motivation for individual deliberators to 'change their minds' is what Habermas calls the 'force of the better argument'. This means that changes in preferences must result from a process of rational argumentation and reflection. Public reasoning in deliberative frameworks, then, generates decisions that "everyone could accept or at least not reasonably reject" (Bohman, 1998, p.402). This, then, imbues policy-making with ***procedural fairness***.

Creativity, Critical Self-Scrutiny and Better Decisions: Apart from grounding political legitimacy in the concept of public reason, free and open deliberation among equal citizens also gives rise to better quality decisions. This is the case because deliberative procedures allow and actively encourage individuals to pool their cognitive and reflexive resources (Fearon, 1998). As a result of open, free and reasonable debate, citizens can overcome the limitations of bounded rationality as well as weed out and correct inaccurate assumptions, misperceptions, logical fallacies, or inaccurate causal models. As a result, the decisions emerging from deliberative processes are characterised by ***epistemic insight***.

Larger Consensus and Civic Learning: Deliberation and citizen participation can make the final decision more legitimate and acceptable in the eyes of the deliberators. Discussion may improve the quality of collective choice by itself and, as a by-product, may compel members to identify with and co-operate in the implementation of the decision. Further, opportunity to have one's say in a debate may increase the propensity to accept the outcome of the debate: inclusion may foster the sense of fairness in the process. Deliberation and citizen participation can also be a potential means of individual and collective learning. At one level, citizen participation processes provide an opportunity for individual participants to expand and deepen their knowledge about a particular issue. Since discussion improves the distribution of private information among deliberators, individuals can learn from each other. This includes learning about other people's values, beliefs and perceptions.

Argumentation in the focus groups, then, did not necessarily consist of a civilised rally of impartial, public interested reasons. Rather, deliberation created a plush communicative fabric which intertwined public interest, group identities and self-interests.

As a result, the outcomes in all PEN-REF countries do not reflect a 'rationally motivated consensus' in anything but the weakest procedural sense. The argumentation and discussion in all focus groups was guided and structured by a conflict of fundamental values and beliefs. In all PEN-REF countries, citizens assessed pension problems and potential solutions in terms of two conflicting views of fairness: whereas some of the participants understood fairness in terms of an equivalent return, others saw fairness as an issue of solidarity towards the less fortunate. These fundamentally different conceptions, based on two different belief systems, caused conflicts in all focus groups. Deliberation in the PEN-REF focus groups was not able to bring about a non-coercive transformation of these value positions. For this reason, many focus group series ended with unresolved disputes based on this conflict of values. With the possible exception of the Orleans group, the deliberative outcomes in all other focus groups reflect compromises rather than consensus. However, participants in all countries accepted the compromises as legitimate outcomes of a democratic process. To what extent, however, these compromises reflect a more authentic expression of popular sovereignty is questionable.

Last, the PEN-REF focus groups also managed to institute a number of ancilliary benefits of deliberation and citizen participation. The PEN-REF focus group experiments in all countries increased the satisfaction with the outcomes among participants. Even if participants felt that they had not wholly managed to realise their own visions in the final outputs, participants expressed their satisfaction at being able to articulate their views, listen to others and discuss pressing pension issues. Moreover, the PEN-REF teams observed that the focus group experience not only awoke dormant communicative capacities but also showed participants what these communicative skills are capable of achieving: the focus groups introduced individual participants to their deliberative voice and strengthend their confidence in speaking out. Moreover, the evidence of the focus group experiments suggests that citizens learned about the difficulties of policy-making in the presence of fundamental value conflict.

3.2 Assessing Feasibility: Avoiding the Costs of Deliberative Democracy and Citizen Participation

However, all benefits of deliberation amount to very little if there is no feasible way of implementing deliberative processes in existing institutional structures. This means that after assessing the ability of focus groups to deliver the benefits of deliberative democracy and citizen participation, we have to think about how they deal with the associated costs, dilemmas and problems of deliberation.

Deliberative democracy and citizen participation face two distinct classes of problems. *Internally*, the theory of deliberative democracy itself is beset by dilemmas and problems relevant to implementation. These unresolved theoretical issues pose a challenge to any would-be deliberator since any actual deliberative process will need to resolve or at least deal with these problems in one way or another. *Externally*, deliberative and citizen participation processes face complex social and organisational environments. Despite the elegance of philosophical justification, deliberative democracy and public participation occur

in societies characterised by unequal distribution of resources and asymmetrical power relations. Complex contemporary societies, then, erect powerful barriers to the implementation of deliberative democracy and citizen participation. Another measure of feasibility is how the PEN-REF focus groups overcame the external problems posed by complex societies.

We can think of the internal and external problems in terms of four dilemmas: the *justification dilemma*, the *functionality dilemma*, the *authenticity dilemma*, and the *resources dilemma*. Box 2 outlines the costs and problems of deliberative democracy.

The PEN-REF focus groups avoided incurring many of the costs of deliberative democracy and citizen participation. The PEN-REF focus groups in each country resolved the four dilemmas inherent in the theory and practice of deliberative democracy and citizen participation without unduly compromising the benefits. First, the PEN-REF focus groups resolved the tension between the moral and functional justification of deliberative democracy in favour of epistemic value. The PEN-REF focus groups drew their political legitimacy from producing a detailed and in-depth expression of the general will as well as a set of creative and plausible policy options.

Second, the PEN-REF focus groups also dealt with the functionality dilemma. On the one hand, the policy problems and policy solutions identified by PEN-REF focus group participants were broadly in line with mainstream policy thinking on pension reform in continental Europe. In terms of policy substance, the demands and suggestions of PEN-REF citizens would probably not lead to fundamental policy conflict. On the other hand, PEN-REF focus group participants in all countries rather vociferously expressed their dissatisfaction at the pension reform policy process. All PEN-REF country teams observed that the focus group participants feel alienated from the policy process: pension reforms are something that 'they' (policy-makers and experts) do to 'us' (citizens). Although deliberation somewhat softened the at times rather aggressive sentiments about the politics of pension reform, it was clear that focus group participants in all countries placed little trust in either pension reform policy processes or pension reform policy actors. In this sense, the PEN-REF experiments showed that focus groups are also a force for criticism and opposition.

Third, the PEN-REF focus groups also reasonably resolved the potential dilemma concerning the limitations of deliberation. As we have seen, the PEN-REF focus groups imposed a set of communicative rules that regulated deliberation; in all countries, these rules implemented a form of 'reasonable argument'. Moreover, the PEN-REF country teams attempted to create as wide a spread of opinion as was possible within the confines of the focus group format. In this sense, the PEN-REF team did not try to impose some form of 'reasonable pluralism' but actively sought to include more extreme political sensibilities in the focus group discussion. Despite formal rules regulating communication, all focus groups featured communicative 'distortions'. All PEN-REF teams noted patterns of communication that excluded females, evoked fantasy images, relied on stereotypes or constructed scapegoats inside and outside the focus groups. However, for the most part the distortions did not undermine either the friendly and respectful atmosphere that prevailed in all groups or the constructive nature of deliberation. In may instances, focus group members themselves developed means of dealing with disruptive and unconstructive members. In a very real sense, the focus group format's emphasis on epistemic value rather than consensus-building provided more leeway for the groups to absorb and deal with this disruptive behaviour: since focus groups are primarily about ideas rather than consensus, participants found it easier to tolerate even the more extreme views.

Box 2: The Costs of Deliberative Democracy nad Citizen Participation

Justification Dilemma: Theories of deliberative democracy have had a rather difficult time making good on both their normative *and* epistemic claims (Bohman, 1998). As a rule, approaches based on an ideal deliberative procedure, such as Habermas' "ideal speech situation" or Rawls' "reflective equilibrium", tend to collapse the epistemic dimensions into the normative justification. Here, the ideal procedure becomes "…'constitutive' of the correctness or the legitimacy of a decision so long as certain conditions are met" (Bohman, 1998, p.403). This formulation, however, leads to a logical dilemma. If thinkers equate the 'correctness' of deliberative outcomes with something citizens would (reasonably) agree with under ideal conditions (Bohman, 1998, p.403), it becomes difficult to see how this standard can ensure the epistemic value of the decision. Citizens, Estlund argues, would have to assess the epistemic value according to standards independent of the deliberative procedure. If, however, deliberative democrats justify the outcomes of deliberative processes in terms of their epistemic value measured by some external standard of rationality, the entire normative justification, namely that deliberative processes embody a more legitimate form of reason, collapses in itself.

Functionality Dilemma: The feasibility of citizen participation depends on the way deliberative democrats can respond to the question "What has deliberation ever done for us?". Here, then, lurks another dilemma. On the one hand, too close a proximity to established policy processes (both in substantial and institutional terms) might undermine the claim that deliberative processes enable an authentic expression of popular sovereignty. Moreover, deliberative procedures producing the same (or very similar) outputs as conventional policy processes (democratic or otherwise) beg the question of why one (i.e. the tax-payer) should bother. On the other hand, being too remote from real policy processes in terms of ideas and institutions will do very little for either the epistemic credibility or political legitimacy of deliberative outcomes.

The Authenticity Dilemma: Above and beyond the dilemmas relating to the justification of deliberative procedures, would-be deliberators have to deal with practical societal obstacles to citizen participation. Implementing deliberative democracy and citizen participation processes means operating in political systems characterised by imbalances of power and inequitable distributions of resources. Despite constitutional guarantees of political equality, existing political communication is not necessarily a force for public reason, impartiality and the common good. For this reason, deliberative theorists have suggested limiting both the types of argumentative behaviour (reasonable argument) and the range of opinions (reasonable pluralism) permitted in rational deliberation. The dilemma that emerges here is that while the realities of political communication may undermine the integrity of deliberation, imposing limitiations may compromise the authenticity of citizen participation processes.

The Resources Dilemma: Deliberation and citizen participation has a rapacious hunger for resources. Since deliberation aims for unanimity (in principle, at least), Elster (1998) argues that it is more resource-intensive than either voting or bargaining. Moreover, deliberation and arguing are also subject to diminishing marginal returns (Gambetta, 1998). For this reason, deliberative democrats argue, feasibility and the realities of contemporary policy-making seem to require that deliberative procedures integrate some form of preference aggregation, be it voting or bargaining. This leaves the implementation of deliberative processes open to another potential dilemma. On the one hand, pursuing the benefits of deliberative democracy and citizen participation may require a substantial input of resources. Yet, even if deliberative processes implement all benefits as well as overcome all the dilemmas and problems of deliberation, it will all amount to very little if there is no reasonable relationship between expended resources and outcomes. On the other hand, enforcing closure of deliberative processes by introducing aggregation or bargaining may undermine the normative or epistemic benefits of deliberation.

Last, the PEN-REF focus groups also managed to strike a reasonable balance between enabling deliberation and containing resource consumption. Although the format and structure of the focus groups differed considerably between the country experiments, all country series attempted to devote the maximum of the focus groups' time to discussion and deliberation. However, since time resources were limited, all focus groups used some form of preference aggregation to bring about closure. Aggregation processes imbued the often conflictual debates with a form of legitimacy if consensus was not forthcoming. In many cases, preference aggregation after an extensive yet conflictual debate was seen as a fair way to adjudicate between competing claims. It would seem as if the citizens of the PEN-REF participants bowed to majority rule more willingly if they felt they had had an fair opportunity to put forward their arguments.

3.3 Overall Assessment

On balance, the overall assessment of the PEN-REF focus group experiment is positive. The PEN-REF focus groups implemented most of the benefits of deliberative democracy and citizen participation while minimising the associated costs. However, the PEN-REF experiments have shown that while the focus group format is a reliable process for creating insights into views and policy solutions, it is a less robust means of democratically legitimating policy decisions. In short, focus groups enable citizens to apply their collective imagination to policy issues without necessarily producing a robust procedure for democratic decision-making.

4 Conclusions and Policy Implications

The research of the PEN-REF project points to **five** overall conclusions:

1) **European pension reforms have cut back on public pension provision and have encouraged the development of alternative sources of old age income:**

   In terms of reforming actual pension systems, differing initial conditions and institutional path-dependency have led to a host of different pension reform measures in the PEN-REF countries. However, there are two general reform trends that span all countries. First, reforms have streamlined public pension systems by tying benefits closer to contributions thereby strengthening the savings functions of pension systems. Second, reforms provided space for the development of private sector forms of old age income provision. This has implied a shift in responsibility for old age security. Increasingly, states are divesting themselves of pension provision obligations. What is more, the decreasing willingness of states to shoulder all of the responsibility for old age income has met with enthusiasm on part of private sector providers to take up the slack. In a very real sense, pension reforms are creating a viable role for private sector pension provisions by lowering expectations concerning the level of future public pension benefits.

2) Pension policy-making has become more divisive as new policy actors expand the scope of policy conflict:

Throughout the countries examined by the PEN-REF project, pension policy communities have become less integrated and more populous. New policy actors, such as the banking and insurance sector, have introduced new forms of pension knowledge. More ideational diversity has been synonymous with increasing scientific uncertainty and increasing policy conflict at all levels. In many countries, pension reform debates have become 'intractable policy controversies' in which knowledge and "credible pension data" are merely a rhetorical resource. In essence, corporatist models of interest intermediation have given way to a more complex and more conflictual policy process. This, however, has not necessarily been synonymous with an increase in democracy. While the new policy actors have introduced competition and plurality into pension policy-making, this competition essentially is a contest between policy elites and pensions experts. Pension policy-making in most European countries continues to take place at considerable distance from both the scrutiny of parliaments and citizens.

3) Focus groups are a desirable and feasible means of implementing citizen participation and deliberative democracy in European pension reform processes:

The PEN-REF focus group experiments in Austria, France, Italy, and Poland demonstrated that focus groups are a good means for implementing many of the benefits of deliberation at a feasible cost. In general, focus groups in all countries were more successful in realising the functional or epistemic benefits of deliberation. That is, while focus groups in all PEN-REF countries produced sound analyses of pension issues as well as creative policy solutions, none of the PEN-REF focus groups generated a rationally motivated consensus based on a non-coercive transformation of preferences. The PEN-REF experiments show that focus groups are a good means of generating genuine and detailed expressions of citizen preferences, views and opinions.

4) Focus groups are particularly suitable for early stages of the policy process:

The PEN-REF experiments show that focus groups are a highly suitable means of policy deliberation and decision support. In all countries, the focus groups provided valuable insights into citizen demands and grievances concerning issues of old-age income provision. Furthermore, by giving rise to principled and fundamental conflict, the focus groups provided an insight into the anatomy and mechanics of policy conflict in pension reform. The focus groups demonstrated how normative frames of reference help citizens construct the pension issue and provide a set rhetorical tools. Moreover, the focus groups demonstrated that, in terms of general policy preferences and cognitive capacities, citizens are well suited to participate in complex policy discussions The emphasis on epistemic value suggests that policy-makers and would-be democratisers would most profitably apply focus groups in the earlier stages of the policy cycle. The ability of focus groups to provide a detailed expression of the popular will makes them a useful means of involving the citizen in problem-definition and agenda-setting. What is more, since focus groups enable citizens to concentrate their cognitive and reflexive resources on a policy issue in a relatively short space of time, they are also an effective way of integrating citizens in policy formulation processes. Since much of European pension policy-making depends on these early stages of policy-making, focus groups are particularly suited for democratising pension reform processes.

5) Effective citizen participation can never rely on a single process or procedure

The evidence of the PEN-REF project suggests that no single deliberative procedure can produce both the epistemic and normative benefits of deliberation within a feasible expenditure of resources. For this reason, any single process or procedure alone is unlikley to legitimate policy processes, policy outputs or policy outcomes. The PEN-REF evidence points out that increasing democratic legitimacy will always require several different types of public participation processes operating in conjunction with each other as well as with existing policy processes and democratic institutions. Effective citizen participation, that is participation producing both strong insight and strong agreement, can only occur within a long-term and sustained process of democratisation.

What recommendations for implementing citizen participation in social policy emerge from these conclusions? When designing, preparing, conducting and applying public participation processes, would-be deliberative democrats should keep the following in mind:

What, then, should aspiring deliberative democrats keep in mind when implementing citizen participation processes? We can boil down the preceding recommendations to four overall principles:

Be careful about the design of citizen participation processes, don't get caught out by poor design choices. Be sure you know how your choices are likely to affect the nature of deliberation and, ultimately, the outcomes of the citizen participation process. Be aware of the trade-offs involved and choose the strengths (and inherent weaknesses) consciously. In order not to let poor choices hobble the implementation of public participation processes in real policy processes, be sure to tailor the process to the aims and objectives of the public participation exercise.

Be patient, don't expect (or announce) miracles. If highly trained and handsomely paid experts cannot solve a particular issue or dispute, don't expect citizens to solve it for you in five sessions. This is not to say that citizens and public participation cannot contribute to policy-making; the PEN-REF experiments and other empirical evidence clearly shows that they can. However, there is no reason to believe that conflicts over facts and values will be any less divisive in citizen participation processes than in general policy-making. While deliberative procedures may provide a chance to resolve these conflicts as a part of a long-term process of democratisation, it is unreasonable to expect individual citizen participation processes to resolve long-standing policy conflicts.

Be active, don't expect the citizens to do your work. The benefits of deliberative democracy and citizen participation do not emerge automatically or spontaneously. Rather, the advantages of deliberation, whether they are of the more epistemic or of the more normative nature, need to be constructed and carefully nurtured by moderation teams. For this reason, active, dynamic but also reflexive moderation is a crucial element of any public participation process.

See the big picture, don't rely on single processes. Effective citizen participation can only ever take place in the context of a sustained and comprehensive process of democratisation. Here, different types of public participation processes interact with existing political institutions at various points in the policy process. Individual citizen participation processes alone cannot confer political legitimacy on otherwise elitist, exclusionary or technocratic policy processes. Rather, democratic legitimacy emerges from the interplay of different

democratic institutions (representative **and** deliberative) at many different locations in the political system as well as society as a whole.

Chapter 2

Background and Objectives of the PEN-REF Project

The summer of 1997 in Austria was what German-speaking political commentators often refer to as a 'hot political summer' in terms of pension reform. The government at the time, a grand coalition between the Christian and social democrats, was in the process of negotiating a reform of the Austrian pension system. The scope of the reform itself was rather modest (see Austrian Country Report for WP2): the government was proposing to 'trim and prune' the existing, rather generous pension system. Like many European social insurance-type public pension schemes, the Austrian pension system was suffering from the effects of both demographic ageing, sluggish economic growth and early retirement. In short, if unchecked, the expenditures of the Austrian pension system were likely to develop into a considerable burden for society as a whole. Also like many continental European countries, most prominently Germany or France, Austrian policy-makers showed not a small degree of reluctance to even contemplate a radical overhaul of the Austrian pension system. Although since 1985, pension reforms tended to retrench rather than expand benefits for Austria's retired population, the retrenchments were incremental, piecemeal and iterative. The proposed pension reform in 1997 was no exception. Yet, the reform was deadlocked in the corporatist bargaining process between the government on the one side and labour unions on the other. Political commentators were predicting that the Austrian corporatist bargaining process would further water down an already timid programme of pension retrenchment. Indeed, the outcome of the 1997 reform hardly seemed worth all the effort and fuss. Whatever technical and actuarial merits the reform may have had (Linnerooth-Bayer, 2001), the impression the political drama left on both expert commentators and citizens was none too favourable. Austrian corporatism, so the argument went, ensured that crucial structural reforms to the monolithic Austrian pension system never even reached the political agenda. The Austrian policy process had become a means of preventing rather than promoting policy-making. Most significantly, however, the inherent conservatism of this decision-making process was protecting privileges rather than promoting the common good or public interest. For this reason, we thought that the Austrian pension policy process could profit from citizen participation procedures that could inject both a bit of creativity into corporatist policy-making and bring pension reforms closer to the public interest.

Another motivation for embarking on the PEN-REF project was more academic or methodological. Much of the previous expertise of what was later to become the Austrian team had been developed in the fields of environmental policy and the social scientific study of risk. In the past two decades, the social scientific risk research has shown expert claims to exclusive competence in decision-making based on authoritative knowledge of objective risks to be, at best, suspect. Rather, researchers from a wide variety of disciplines ranging from social psychology to cultural anthropology have argued that the way policy actors construe and portray risks always in one or another form reflects the social commitments, shared norms and fundamental beliefs of the particular actors. This, so the argument goes, is true both for so-called experts as well as lay persons: both types of policy actors will define and construct risk according to deep-seated beliefs. While policy disputes about technological and environment risk may seem to be highly technical, these social scientists argue, in reality they are about fundamental values and beliefs such as, most prominently, fairness. Technological and environmental risk, then, becomes a language for expressing and arguing about fundamentally different normative perception of fairness and justice. By extention, understanding different views of fairness also provided the key for coming to terms with policy controversies about technologcial and environmental risk.

While thinking about the deadlocked Austrian pension reform process, the Austrian team of the PEN-REF project realised that social policy problems had more in common with technological and environmental risk issues than initially meets the eye. Like many decision

processes in environnmental policy-making and technological risk assessment, pension policy-making takes place in expert-led, top-down policy processes. Unlike environmental policy and technological risk, the privileged status of experts and expert knowledge in policy processes had not been subject to much systematic criticism, at least not in terms of social constructivist and relational approaches. Focus groups in Austria, then, were supposed to test

a) whether so-called lay persons could understand and deliberate on pension policy issues;

b) whether individual citizens argued in terms of their own self-interest, in terms of some form of public interest, or in terms of socio-cultural views of fairness;

c) whether it is possible to construct a so-called 'clumsy compromise' between deliberating citizens.

This basic idea grew to later become the PEN-REF project

1 Overall Objective

The PEN-REF project aimed to provide the experience with public involvement in the field of policy reform which is missing in the field of pension and more generally welfare reform. It will test ***focus groups*** as a means for more direct participation by the citizenry in the pension reform process. Focus groups in conjunction with a series of expert interviews, will also be used as a method for ***identifying and analysing those factors that are necessary for re-shaping welfare systems and rendering them capable for adjustment*** against the structural and demographic challenges faced. The ***comparative aspect of the project will allow to also better understand "how the process of European integration is changing the nature of governance"***, in particular how it affects "the appropriate geographical levels at which the various social, economic and political issues are addressed" (p.36-37). As pointed out by the research programme, these are important themes also with reference to the issues of "accountability, democracy and legitimacy" (p.37).

2 Detailed Objectives

In particular, the PEN-REF project will aim to achieve three specific objectives.

1) The PEN-REF project will provide an overview over pension reform processes in the EU and in selected Accession Countries. These overviews will cover three aspects:

   a) **Structural aspects**: what are the changes to pension systems that have taken place? What changes are planned

   b) **Socio-economic aspects**: what are the likely effects of these changes?

c) **Political aspects**: how did these changes emerge from the different political systems in the EU and in the Accession Countries? What is the political economy of pension reform?

2) PEN-REF will test focus groups in several countries as a means of

a) **policy deliberation**, that is to what extent can focus groups help policy formulation,

b) **decision-support**, that is to what extent can focus groups provide useful information about pension reform,

c) **citizen participation**, that is to what extent can methods such as focus groups provide effective means for increased citizen participation in welfare reform issues.

3) The project will also identify those **political** and **socio-institutional** factors that affect pension reform processes in the EU and in Accession Countries. These include

- perceptions of risk and fairness
- gender issues
- different policy styles and political cultures
- issues pertaining to citizenship, ethnicity and nationality

Chapter 3

Scientific Description of the Project Results and Methodology

Fulfiling the objectives of the PEN-REF project necessitated organising the research in terms of two distinct but nonetheless related phases. In the first phase (Workpackage 2), the PEN-REF consortium identified, analysed and compared recent pension reform experiences in seven European countries (Austria, France, Germany, Italy, Norway, Poland, and the UK). The aim here was to understand and explore the socio-economic, institutional and political factors that have driven recent pension reform efforts in Europe. In particular, the PEN-REF teams wanted to understand the institutional and ideational constraints that structure and determine European pension reform debates. On this basis, the PEN-REF consortium would then systematically outline and compare the different pension reform pathways prevalent in Europe. The second phase of research (Workpackages 3 and 4) involved exploring the desirability and feasibility of using focus groups in pension reform processes. Here, the PEN-REF consortium conducted focus group experiments in four different European countries (Austria, France, Italy and Poland). The aim was to explore whether focus groups are a suitable tool for policy deliberation, decision support and, not least, citizen participation.

The following chapter outlines and summarises the main results of these two research phases. In particular, this chapter takes a comparative view and concentrates on the findings of relevance for European policy-making[1]. Before, however reviewing the main findings of the PEN-REF research phases, Section 1 of this chapter will provide the methodological, conceptual, and empirical background to the PEN-REF project. In Section 2, the chapter will outline the results of the first research phase which looked at the *politics of European pension reform*. The final section of this chapter will review the overall results of the field experiments that tested the suitability of focus groups as a means of policy deliberation, decision support and citizen participation.

1 The Conceptual and Empirical Background of the PEN-REF Project

This section will review the background on the methodology of the PEN-REF project, the socio-economic and demographic backdrop of the pension issue, the theory of pension provision, and the structure of European pension systems.

1.1 The Methodology of the PEN-REF Project

The first phase of the PEN-REF project used a three-pronged methodological strategy to analyse pension reform processes in Austria, France, Germany, Italy, Norway, Poland and the UK. In order to identify and compare the pension reform pathways in these countries as well as the pinpoin the socio-economic, institutional and political factors that have affected these pension reforms, the PEN-REF consortium relied on three methodological tools.

Literature review: Each PEN-REF team conducted a thorough literature review of the academic literature and policy documents dealing with pension reform in their particular country. These included journals, policy papers, organizational mission

[1] Findings relevant to national policy-making are presented in the country reports of Workpackages 3 and 4. These country reports are available for download at http://www.iccr-international.org/penref

statements, minutes from key meetings, memoranda, and public information pamphlets. Selected texts underwent a textual analysis and a discourse analysis. In particular, the PEN-REF project applied hermeneutic methods to identify the different systems of knowledge and systems of interpretation used in constructing the pension reform policy arguments.

Expert interviews: The PEN-REF project conducted qualitative interviews with key stakeholders in the pension reform process of the respective countries. The sample reflected as even a spread as is possible across ministries, executive agencies, interest groups and political parties. The interviews were unstructured and in-depth. An unstructured interview is conducted without a questionnaire. Rather than using scripted questions, the interviewer is provided with a topic guide or list of issues and themes that must be covered. Interviews were conducted face-to-face.

Media Analysis: Last, the PEN-REF consortium also conducted a media analysis of selected quality print media. The articles were chosen based on general and country-specific key words and covered a period of about 10-15 years (depending on the reform efforts in each country). The media analysis aimed at understanding how the print media has constructed the issues surrounding pension reform. What is more, the analysis also sought to ascertain whether the issue of pension reform has become more attractive to the media in the past decade or so.

The second phase of the PEN-REF project relied on more qualitative resarch methods. Here, the PEN-REF consortium recruited, selected and implemented focus groups in four different countries (Austria, France, Italy, and Poland). Briefly, then, this involved the following[2].

Focus Groups. Focus groups are a group interview methodology frequently used in the social sciences. Participants are selected on the basis of characteristics or shared interests that may allow them to give special information pertinent to the research question. The group discussion allows researchers to make a "baseline observation" of possible public attitudes. Focus groups can also be given a more structured debate task in order to produce consensual decisions. The PEN-REF focus groups were composed of citizens or residents who met, in the presence of a trained moderator, to discuss the pension reform issue. In so doing, they provided insight on how citizens may generally view the questions at hand, and on the assumptions and value systems that underlie their views. A second task of the focus groups was to formulate innovative proposals for pension reform policy. To support them in this task they were given access to information to support their discussions.

1.2 The Demographic, Social and Economic Context to European Pension Reform

For several decades Europe has benefited materially from a growing workforce and steadily increasing productivity. This demographic phase is now coming to an end as Europe's population stabilises and at the same time grows older. The fear of governments, and the

[2] For a more detailed exposition of the focus group methodology, please refer to Deliverable D1 and D3.

basic motivation for the PEN-REF study, is that support through the pension and other parts of the social protection system may become unsustainable from an economic and social standpoint. In other words productivity gains may not be able to keep pace with social expectations and economic demands.

The purpose of this section is to set the scene and offer an explanation for the institutional changes and reforms that are underway in all PEN-REF countries. We start with a brief overview of demographic trends that are relevant to the pension debate starting with the dependency ratio. This measures the ratio of the working age population to the retired population, so that for example if the ratio is lows it means there are fewer people to support an elderly population than if the ratio is high.

Specifically, the measure considers the population aged 15 to 64 to the population age 65+ an age, which we assume, for the present, to be the official age of retirement. Of course the concept of dependency here is being used very loosely applied since plainly many younger people remain in full time education until their early or late 20s, whilst the actual as opposed to official retirement age could be considerably less than 65 years. Table 1 shows the trend in the dependency ratio for PEN-REF countries, and, as is seen, the ratio is set to fall over the next 30 years or so from a level of between 4 and 5 to between 2 and 3, or 60% or lower than its current value.

Figure 1 shows the same information but throws the countries into starker relief. It also compares the trend in the dependency ratio against the European average in 2000. As is seen all of the PEN-REF countries with the exception of Poland are already at or below the European level whilst the dotted line in the centre of the graph indicates where they will be in 30 years time. What is the significance of these trends in terms of pensions?

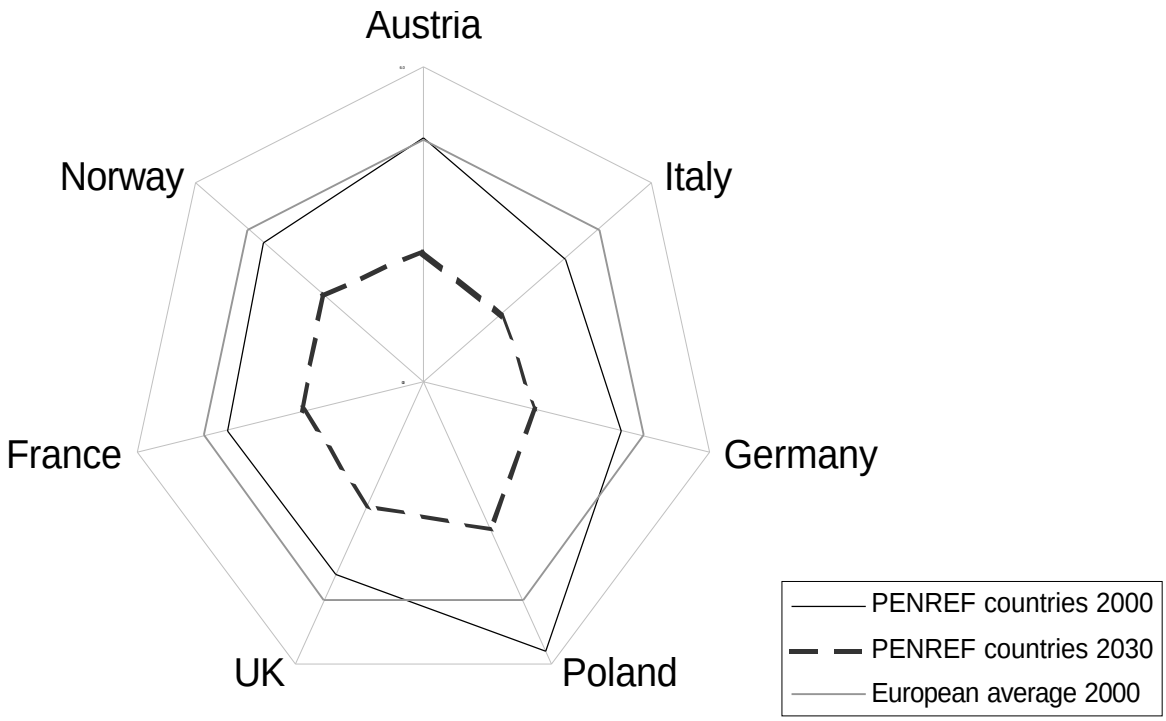
Assume a public financed Pay-As-You-Go (PAYG) system which pensions average 80% of wages. If the dependency ratio is 4 the pension contribution rate would be equal to 20% of wages, but if it were to reduce to 2, as our figures would suggest will happen, then a contribution rate of 40%, twice the amount, would be required to deliver the same level of pension. Politically, a contribution hike on this scale, even if phased in, would severely strain the system and possibly create social tensions.

Of course, it is possible to bring the system back into line by various devices but at varying political cost. The two simplest examples are reducing the level of pension or raising the retirement age. Continuing with our example were we to reduce pension levels to 70 % of wages the contribution rate would fall to 30%. If we were then to raise retirement age from, say, 65 to 70, assuming a typical European population age profile, the contribution rate would fall back to as low as 15%. But neither are easy options although such simple arithmetic helps to put the pension question into perspective and the scale of the political problem to be addressed.

Table 1: Ratio of people aged 15-64 to people 65 and over in PEN-REF countries in 2000, 2020, 2030.

	Austria	*Italy*	*Germany*	*Poland*	*UK*	*France*	*Norway*
2000	4.7	3.7	4.2	5.7	4.1	4.1	4.2
2020	3.5	2.7	3.0	3.9	3.2	3.1	3.2
2030	2.5	2.0	2.3	3.1	2.6	2.6	2.6

Figure 1: Spider graphs showing contraction of dependency ratios in PEN-REF countries over the next 30 years compared with today and with the European average.



The basis for the trends in the dependency ratio is simply that fertility is declining and the population is living longer. Table 2 shows the life expectancy of males and females in PEN-REF countries compared to current official retirement ages. Two final columns show the expected number of years the average male or female would be expected to receive a pension. As can be seen there are remarkably wide differences between PEN-REF countries.

At the low extreme there are Polish males who have a relatively low life expectancy but a relatively high retirement age. At the other extreme are Italian females who have a comparatively low retirement age and one of the highest life expectancies among this group of countries. Plainly there is a major difference financing a pension for 11 years compared to 27 years, and we find that these kinds of broad indicators correlate quite well with the ability to push through reforms.

For example, we find that in countries with generous state pensions and long life expectancy major reforms have proved harder to bring in whereas in Poland pensions hacve proved easier to reform. In Poland's case the reforms were partly helped by the economic climate and the general but painful transition to a market economy. A second example is the UK where reforms such as increasing the retirement age have proceeded quite smoothly. In this case, the public pension system is not renowned for its generosity and most people have separate or additional large private and occupational pensions which financially are totally independent from the state.

Table 2: Life Expectancy of Males and Females in PEN-REF Countries								
World life							***Expected***	
Expectancy	**PEN-REF**	***Life expectancy at birth***			***Official pension age***		***pension years***	
ranking (WHO)	**Country**	**Male**	**Female**	**M+F**	**male**	**Female**	**Male**	**Female**
7	Norway	75	81	78	67	67	8	14
8	France	74	82	78	60	60	14	22
13	Italy	75	81	78	57	57	18	24
19	UK	75	80	77	65	60	10	20
22	Germany	74	80	77	63	63	11	17
23	Austria	74	80	77	65	60	9	20
63	Poland	68	77	73	65	60	3	17

Table 2 shows pension years based in life expectancy of males and females in PEN-REF countries at 60 years. The table also shows their world ranking based on life expectancy at birth.

1.2.1 Old age benefits in an economic and social perspective

At the country level pension benefits and wider benefits for old age inevitably present a more complex picture. We used the European System of Social Protection Statistics to analyse benefits for elderly people. ESPROS incorporates all the EU members of PEN-REF study but not Norway. It defines old age benefits as replacement income for when a person retires, when a person reaches a prescribed age and includes goods and services specifically required by the personal and social circumstances of the elderly. Thus it includes old age pension, partial old age pension for older workers, care allowances or benefits paid to old people who need frequent assistance, other cash benefits such as lump sum payments, and benefits in kind such as accommodation or assistance in carrying out daily tasks.

Figure 2 shows all social protection expenditure includes old age expenditure as a percentage of GDP in each EU country. Alongside it shows old age expenditure as a percentage of all social protection expenditure. The results indicate that expenditure on social protection various widely from around 20% in countries such as Ireland to over 30% in Sweden. Nordic countries, and by extension Norway, are thus higher up the relative spending ladder than other countries. In terms of expenditure on old age we note that countries spending relatively less on social protection spend a higher proportion of what they do spend on old age, Italy among the PEN-REF countries being the most prominent example.

Breaking down old age benefits into three categories, pensions, means-tested income support and benefits in kind we see further patterns emerging. Table 3 which includes the PEN-REF countries minus Poland and Norway but plus Sweden shows three fairly distinct groupings. Sweden for example devotes a high percentage for spending to benefits in kind in contrast to all the other countries in this group. The UK by contrast spends a significantly greater proportion of total benefits on means tested income support, used in the main to 'top up' the state pension to minimum income levels relative to household circumstances.

Figure 2: Relative Expenditure on social protection and old age benefits in the European Union (source: ESPROS).

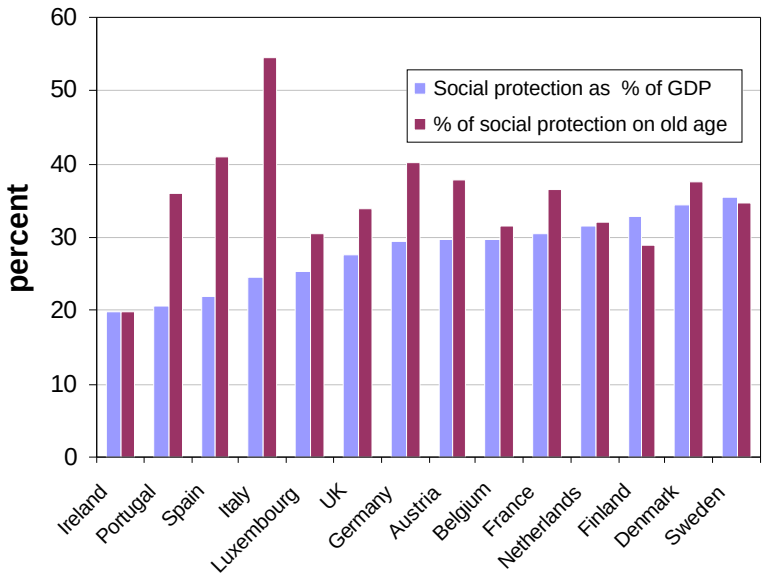


Table 3: percentage breakdown of the cash value of benefits in the old age function by PEN-REF country (Norway is replaced by Sweden).

	France	*Germany*	*Italy*	*Austria*	*Sweden*	*UK*
cash benefits	96.3	96.8	97.3	96.3	78.5	88.8
benefits in kind	1.6	3.0	1.2	1.7	18.7	4.7
means tested cash benefits	2.1	0.2	1.5	2.0	2.8	6.5
Total	100	100	100	100	100	100

Source: ESPROSS

The socio-economic circumstances in each country vary but are an important part of the pension debate as they affect individuals differently. Three particular issues are worthy of mention in the context of pension reform. First, an elderly person cohabiting with next generation family members lives more cheaply than an old person living on his or her own; however, the trend towards independent living has undoubtedly put a greater premium on the value and level of pensions. Second, women can outlive their male partners by many years and older women living alone are in especially vulnerable group for whom special measures may be required.

The third important issue is that retirement ages in practice are flexible and fall into at least three different categories – persons retiring below the official retirement age, persons retiring at or above the official retirement age, and persons partly retiring (receiving a pension) but continuing to work in some capacity. Also entry into the workforce is being increasingly

delayed through for example extended educational opportunities and changed lifestyles. Thus, an important conclusion is that there is more flexibility in the population to meet labour shortages than is supposed providing older people are fit and willing to carry on working in some capacity and the young are willing to work.

In terms of income levels the picture is further complicated by a number of factors. Research by the OECD using the Luxembourg Income Study and OECD Income Distribution Data Set indicates that income inequality has increased for working age people but has been steady or declined for retired people. Some of this can be explained as cohort effects but an important implication is that income for future retirees will also widen. Private pensions have grown significantly and that growth has been heavily concentrated in upper income groups.

It is clear, that since private pensions have little or no redistribution element, this is likely to be one source of the widening gap in future years. Self evidently pensioner income distribution will tend to be wider in countries where there is little on no compulsion to save for an adequate pension. A corollary is that more people will require means tested income support in those countries. Again this argument seems to work quite well when it is applied to PEN-REF countries. Whereas, for example, income in retired households in Germany tends to be around 80% or even 90% in the UK it is much lower at between 57% for older groups rising to 68% for newly retired and younger old.

This, then, is the statistical and demographic background of the pension reform issue in Europe. But what is it that pension systems actually do and why do these developments pose challenges?

1.3 The Theoretical Background to Pension Systems: What They Do and How They Work

Pension systems are very complicated financial, legal and administrational animals. To add insult to injury (from the view of the researcher at least), pension systems have developed differently in different economies: no one pension system is exactly the same. Yet, in order to think about reforming old age retirement systems, researchers need a language or a set of ideas that allows them to compare and assess different pension designs. In this section, then, we will briefly review the language and the ideas researchers and policy-makers use to understand pension systems.

1.3.1 What Should Pensions Do?

It is fair to say that the dominant language in which policy actors discuss pensions issues is standard economics. Here, the world, or at least the facet of the world we are interested in, consists of rational economic agents that need to consume in order to live. These rational economic agents meet their consumption needs via claims on current income. When working, this income derives from paid labour or production. Yet when economic agents no longer work (by choice or by compulsion), they can rely either on time-consistent individual actions of the past (savings), informal group action (informal transfers from family or community), and collective action (formal public pension systems) (World Bank, 1994, p.2). From the vantage point of the individual, old age security systems enable consumption even

though this individual, for whatever reasons, has left the labour force. In terms of the economy as a whole, pension systems transfer income from the working to the retired.

More specifically, and here international organisations agree, pension systems should fulfil three interrelated functions: they should enable savings, they should protect against old age poverty by redistributing income, and they should insure against the risks of ageing.

1.3.1.1 Savings

One way for economic agents to provide for their old age income is to forego consumption now in order to consume after retirement. In other words, individuals can save. Yet, economists point out that individuals tend to heavily discount the future, meaning they do not save enough to provide them with an adequate income in old age (Willmore, 1999, p.7).

There are several reasons why individuals do not save enough for their retirement. First, individuals may be myopic, or short-sighted. Although the term “short–sightedness” implies a lack of judgement on part of the individual, people may choose not to save for very good reasons. Informational asymmetries, fundamental uncertainties concerning future health, income capacities, the cost of living at the point of retirement, the financial stability of savings products confound any attempt at rationally assessing when and how much to save.

Second, pension insurance markets are subject to well-known market failures. In particular, insurance companies are prone to so-called adverse selection problems. These arise when insurers have less information about life-expectancy than the insured. As a result, “good” risks (somewhat tastelessly referring to those who die young) and “bad” risks are pooled which drives up the premiums. This, in turn, deters good risks: premiums continue to spiral until they become financially prohibitive (World Bank, 1994, p.37; Willmore, 1999, p.7). Another insurance market failure is so-called “creaming”. This occurs when regulators prohibit insurance companies from differentiating risks in any other form except age. When insurers have to offer the same price to everyone in a particular age cohort, insurers will attempt to ‘cream’ the good risks (chain smokers, stunt men, miners, etc.) (Willmore, 1999, p.7).

Third, market structures themselves may not provide the appropriate financial instruments for saving. This may be due to underdeveloped capital markets and insecure financial institutions often resulting in insecurity and lack of credibility with economic agents (World Bank, 1994; ILO, 1999).

Last, and most importantly, poverty may effectively inhibit individuals from saving. Many may simply not be in the position to forego present consumption for consumption later in life (World Bank, 1994,p.38).

Since individuals are not likely to save at all or not save enough for their retirement, pension systems should encourage or mandate individual savings.

1.3.1.2 Redistribution

As we have see, individuals may not save enough for their retirement simply because they are too poor. Perhaps not surprisingly, the ILO (1999) elaborates this aspect in detail. The

ILO argues that redistribution, that is the transfer of income from life-time rich to life-time poor, has been and will continue to be an important objective of any pension system.

The legitimisation for redistributing income may vary. People who experience a life-time of low-income labour or infrequent employment may barely be able to meet current consumption from their income, let alone save for old age. Apart from unemployment, other factors such as disability or family responsibilities (affecting mostly women) may hinder individuals from accruing sufficient pension benefits or savings. Another justification for redistributing income, the ILO maintains, is to compensate that generation who experienced low incomes, poor working conditions, and much diminished career options during times of depression and war (p.10)

In order to avoid poverty in old age, the World Bank (1994), ILO (1999), and the Commission (1999) agree, pension systems should progressively redistribute income.

1.3.1.3 Insurance

Planning for ageing and retirement involves making judgements about the future. However, many aspects of both an individual's and society's future are inherently imponderable and uncertain. Uncertainty, in turn, implies risk.

What, then, are the risks of ageing? The World Bank (1994) provides a set of four risks:

1) *Investment Risks*. Retirees or their pension fund managers may make poor choices in investing pension funds. This may lead to a lower level of benefits than a more prudent investment would have made possible (World Bank, 1994, p.83).

2) *Disability Risks*. Individuals' earning careers may be disrupted due to illness or disability.

3) *Longevity Risk*. Individuals may outlive their savings.

4) *Political Risk.* The political framework in which individuals accrue pension benefits or savings may change. At worst, this may mean that the entire governmental edifice collapses (as, for example, in some republics of the former Soviet Union, notably the Ukraine). Commonly, however, political risk refers to "…the possibility that the rules of the game will change in such a way that income in retirement turns out to be much less than was promised" (Willmore, 1999, p.3).

5) *Company Insolvency Risk.* Private insurance companies may simply go bust. The ILO (1999) expands this risk to include the break down of government regulation and the collapse of public pension management (p.11)

6) *Inflation Risk.* Pension wealth may be insufficiently protected from price instability. In this case, the real value or purchasing power of retirement incomes may decline.

Larry Willmore (1999) adds another type of risk:

7) *Volatile Investment Returns:* Although investment returns may be adequate on average in the long-term, retirement income may be subject to considerable and

protracted fluctuations in the rate of return. This is what Landis MacKellar (2000) means when he points to the possibility of people retiring into a 'bear market': adverse market conditions may force pensioners to sell assets they purchased dearly at a relatively low price. The ILO (1999) refers to this risk as 'economic risk' and includes unexpected changes in the rate of real wage growth.

The ILO (1999) proposes two more risk categories:

8) *Demographic Risks:* Unexpected changes in demographic developments (such as population ageing, see section 1.4.1 below) may exert downward pressure on pension benefits.

9) *Individual Risks:* These risks refer to the uncertainties inherent in an individual's career path (promotions, redundancy, etc.) (p.11).

These risks are inherently imponderable and may quite severely affect an individual's retirement income. In addition to ensuring a sufficient level of savings and redistributing income to the life-time poor, pension systems also need to co-insure against the risks of ageing.

1.3.2 Types of Pension Systems

What is the shape of old age security systems? Informal old age security arrangements, including family and community structures, are, the World Bank (1994) contends, an effective way of caring for the old. However, as societies become more complex, more impersonal, formal systems of societal interaction, such as the market, erode the functionality of personal, informal structures. Thus, the more economies modernise, the less policy-makers can rely on family and community structures to care for the aged.

An alternative to informal community and family transfers are formal pension systems. Willmore (1999) suggests that we distinguish different types of formal systems within two dimension. The first dimension refers to the way pension systems are financed: a pension system can either be funded or unfunded[3]. In a funded pension scheme, also referred to as a Capital Reserve (CR) or advance-funded pension system, individual contributions accumulate in a capital fund which later provides the basis for pension benefits. Conversely, an unfunded system, commonly known as a Pay-As-You-Go (PAYG) scheme, finances current pension benefits with current contributions. The second dimension describes the way benefits are calculated: pensions may be a "defined benefit" or "defined contribution". In defined benefit schemes, pension managers define and, in theory, guarantee the level of pensions benefit in advance and vary the contribution rate. In contrast, defined contribution plans fix a certain amount of contributions and vary the benefit level. These two dimensions provide a simple 2x2 matrix:

[3] This is, of course, jargon. All pension systems are funded in the sense that money flows in and out of them. What this term refers to is the way in which pension systems manage these flows of funds.

	Unfunded	Funded
Defined Benefit	Traditional PAYG system	Traditional Occupational Pension
Defined Contribution	Notional Accounts	Mandatory and Voluntary Savings Plans

Source: Willmore (1999), p.2

An additional question, one that, as we shall see below, certainly inflames policy debate, is whether these systems should be managed in the public or the private sector[4].

1.3.2.1 Traditional PAYG Systems

The first type, the publicly managed Pay-As-You-Go (PAYG) system, is by far the most common formal pension arrangement in Europe. Public PAYG system come in many different guises. In general, PAYG systems define the level of benefits in advance (hence the term "defined-benefit" or DB). This implies that there is no actuarial relationship between contributions and benefits[5]. Yet, the precise way systems define benefit varies widely. Some systems (e.g. Australia) provide a flat, universal benefit regardless of income or employment history. Others also provide a universal flat benefit but tie them to a certain number of contribution years (as in, for example, the UK). Defined-benefit systems can also pay means-tested benefits or minimal pension guarantees. Yet other PAYG systems peg benefits to earnings: this system, common in continental Europe, provides higher benefits for those workers with previously higher incomes (World Bank, 1994, p.114).

Most often, contributions to defined-benefit public PAYG systems take the form of payroll taxes. Here, employees pay part of their wages into the pension fund and employers contribute an equal part from profits[6]. Alternatively, policy-makers can partially fund public PAYG systems from general revenues, thereby relieving the upward pressure on unit labour costs.

The advantages of such a system are that it can easily and fairly efficiently redistribute pension income across different income classes. What is more, a public PAYG system creates an intergenerational contract since current pension contributions resemble future pension claims. In this way, younger generations are not only persuaded to forfeit consumption now for the prospect of consuming when they retire but also have a vested interest in the stability of the system. Additionally, public PAYG systems protect individuals from those risks relating to investment and market fluctuations as well as disability, longevity and individual risks. They remain, however, vulnerable to demographic risks and political risks.

[4] Willmore (1999) rightly claims that there is little in economic theory that would suggest private management is more efficient than public management. Whether a policy actor comes down on the side of public or private sector management, he concludes, has more to do with ideological commitment than economics.

[5] Meaning what an individual pays into the fund need not have any actuarial relation to what they receive in terms of pension benefits.

[6] However, employers will try to pass on the additional costs to workers in form of lower wages. If the economy features downward wage rigidities, employers will cut back labour demand.

1.3.2.2 Traditional Occupational Pensions

The second form of formal system is the occupational pension. Here, individual firms or entire industrial sectors institute a pension fund for employees. Occupational pension have the advantage that they involve relatively little administration costs. Moreover, firms can easily set up occupational pensions without much help (or, depending on your point of view, interference) from the public sector. Here, the World Bank (1994) argues that, in contrast to PAYG pensions contributions, workers will tend not to perceive contributions to occupational pensions as a tax.

In general, the private sector is responsible for managing occupational pensions. The particular management forms of occupational pensions vary widely. Occupational pensions are traditionally defined-benefit plans (although defined-contribution occupational schemes are becoming increasingly popular); they can be fully funded, partially funded, or completely unfunded; occupational pensions can be tied to one particular firm or to a industrial sector. In any case, occupational pension are subject to heavy regulation (World Bank, 1994; OECD, 1998; ILO, 1999). Accordingly, the risks these schemes are vulnerable to depends on the precise set-up of the plan[7].

1.3.3 Mandatory and Voluntary Savings Plans

Whereas the previous two types of pension systems are well established, the latter two are forms are relatively new and not common. This type of pension scheme takes the form of occupational pensions (only if they are DC), personal saving plans and annuities. These can be either mandated by the government (as in many newly reformed Latin American countries, most notably Chile) or voluntary schemes where the government often offers financial incentives (such as preferential tax treatment as in the USA).

Essentially products purchased from financial institution, these plans provide individuals with a means of saving income for retirement. These defined-contribution plans are, by definition, fully funded meaning that benefits related directly to contributions plus any capital gains. Here, individuals bear the investment risk and the risk of volatile returns inherent in market operations. Although there is no reason why public sector institutions should not manage these types of plans, advocates of mandatory and voluntary savings plans argue that the private sector is best equipped to manage these plans[8]. This would insulate pensions against the risk of political manipulation and the associated risk of imprudent investment (World Bank, 1994).

[7] The World Bank (1994) provides an overview of how different design characteristics affect different types of risk (pp. 83-87).

[8] Although this may have more to do with the inherent distrust of public sector institutions of public choice approaches. See Section 3.

1.3.3.1 Notional Accounts

An alternative to funded defined contribution savings accounts is the idea of notional defined contribution accounts. Here, workers accumulate pensions contributions based on a contribution and a notional interest rate (which can be the market interest rate or, as in Sweden, an alternative indicator reflecting economic growth). At retirement, pension managers transform the account into annuitised[9] benefits. The scheme, however, is not funded: no actual capital reserves back up the accounts meaning that current contributions continue to finance current pensions.

The advantages of this approach, very recently introduced in Sweden, are to make the pension system more transparent by more closely relating benefits to contributions. Since the system is not funded in advance, the individual bears the longevity risks while society bears demographic risks and economic risks.

1.3.4 The Pensions System Mix

Although Willmore's matrix provides a neat classification of pension types, the reality of actual pension regimes is far more complex. Pension systems contain a complicated and highly variegated combination of defined contribution and defined benefit, funded and unfunded as well as private or public sector elements. The precise mix of private and public sector management, the ILO (1999) argues, depends on government policy. In particular, they continue, it will depend on six factors:

i) the generosity of public sector PAYG benefits: the smaller the public sector benefits, the larger the incentive to make alternative arrangement for retirement income[10].

ii) allowing for opting out or contracting out of the public system.

iii) mandating employer-provided benefits (as in Switzerland)

iv) mandating contracts with private fund managers (as in Chile)

v) providing incentives for private sector provision, such as preferential tax treatment of retirement income accounts (as in the USA or Canada)

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[9] To annuitise an account means to transform the funds in a pension account into annual cash benefits. In order to avoid longevity risks, pension managers pool the capital reserves and calculate benefits according to a fixed age of death, say 85. The assets of those that die relatively young finance those that live longer.

[10] The OECD makes a very similar point when they observe that the level of public pension benefits has little impact on the disposable income of households: "...on average, households in many OECD countries set targets for income just after retirement that are about 80% of income just before retiring. For most families, that amount does not depend directly on the generosity of public pensions benefits levels. People simply make other arrangements such as increasing private pensions contributions, saving more or working longer" (pp.56-58).

vi) the way in which the government regulates private sector pensions (ILO, 1999, p.5).

The real world of pension systems, then, depends on the interaction of government policy, individual behaviour and organisational policies. For this reason, it is very difficult to make any general observations of the distribution of public and private, unfunded or funded, or defined-contribution and defined benefit schemes in any given polity.

However, the ILO (1999) maintains, that in developed countries, about 40% of the elderly population lives off public transfers exclusively. The majority supplements their public pensions by either savings, occupational pensions, or work. The typical dominant system in developed countries is a defined benefit, public PAYG system (c.f. the MISSOC Report 1998). The state also provides additional benefits to retirees including disability benefits, survivors pension, unemployment benefits, and early retirement pensions. In order to prevent old age poverty among the life-time poor, governments often provide social assistance in the form of cash benefits, subsidies on basic goods and services, and preferential tax treatment (ILO, 1999, p.4).

1.4 Types of Pension Systems and Patterns of Pension Reform in Europe

What types of pension systems do we find in Europe and what types of reform pathways do these systems give rise to?

European pension systems have had about a century to evolve in more or less isolated national contexts. This means that pension systems reflect socio-economic, legal, and political traditions specific to a particular national context. In many cases, the historical and institutional backdrop to the pension system dates back further than the polity in which it is currently situated: in continental Europe, for example, pension systems are date back to the beginning of the 20th century whereas the current political culture, particularly in the case of Austria, Germany, Italy, and to a lesser degree France, developed after WWII. Any useful comparison, then, has to play down these constitutive socio-institutional idiosyncrasies in favour of more general pension system mechanics. In practice, then, comparing pension systems implies abstracting very different socio-institutional and legal arrangements into similar categories and labelling these with a common metaphor[11].

1.4.1 Pillars and tiers

Comparative literature on pension reform (Gruber and Wise, 1997; Miegel and Börsch-Supan, 1999; Reynaud, 2000; Hinrichs, 1999; World Bank, 1994; ILO, 2000) and, more generally, social security systems (Esping-Andersen, 1991) tends to focus on a limited set of variables. Commonly, these include:

- Functions: what do pension systems provide?

[11] Arguably, this is what all science involves.

- Delivery systems: how do pension systems fulfil these functions?

- Governance structures: who is responsible for managing these delivery systems?

The most common metaphors analysts use in comparative literature are of an architectural nature: a pension system is an edifice that consists of different 'pillars' or 'tiers'[12] (World Bank, 1994; ILO, 2000). These pillars or tiers ascribe the responsibility for different functions and delivery systems to specific actors.

The terminology of pillars and tiers is rather useful. Not only does it allow the analyst to compare different pension system set-ups in terms of (relatively) standardised concepts, it also provides a model for analysing change in pension systems. For the PEN-REF project, we have slightly adapted the pillar and tier metaphors to reflect different variables of pension reform and include other sources of income in old age beside pensions. In this model, pillars primarily ascribe governance responsibility to different institutional actors (the state, employers and individuals). Tiers, in turn, describe different forms in which actors can provide old age income within each pillar. Table 4 shows how different pillars and tiers combine to provide old age income.

Table 4: Financial Support in Old Age – Sources of Income

Pillar/Tier	*1st Tier*	*2nd Tier*	*3rd Tier*	*4th Tier*
State	Flat-rate, universal pensions	Earnings-related pensions		Means-tested benefits
Employers		Occupational pensions		
Individuals		Private earnings-related pension schemes	Savings, house ownership, investment income (including private pensions)	

1.4.2 Basic features of pension systems in PEN-REF countries

Based on this analytical scheme, we can provide a first comparison of different pension systems in the PEN-REF countries.

Fundamentally, all pension systems examined by the PEN-REF country teams are multi-pillar, multi-tier systems. Each country features pension schemes governed by the state, the private sector, and by individuals. The differences here lie in the relative importance of differing pillars in the old age income mix. Although income data here is highly unreliable (see section 2.1), continental and Nordic pension systems tend to exhibit a high reliance of

[12] As an aside, comparative studies that advocate the separation of different social insurance functions, say savings function from poverty amelioration (see World Bank, 1994), to different actors use the pillar metaphor: like pillars in a building, there needs to be a clear separation between these functions and delivery systems. Advocates of more integrated appraoches to pension organisation prefer to speak of tiers thus implying the inherent indivisibility of pension functions, delivery systems and governance.

pension schemes governed by the public sector. In 1992, pension benefits from both the flat-rate universal and the earnings-related public pension systems in Norway provided 63,2% of old age income compared to 21,6% provided by capital incomes. Continental European countries (Austria, France, Germany and Italy) feature a preference for second tier, that is income-related, pension provision. For example, the German and French earnings-related public pension schemes provides about 70% of expenditure for all old age security (Schmähl, 1999). Likewise, in Italy and Austria, occupational pensions cover only about 5% and 10% of the working population respectively (Bertelsmann Foundation, 2001). In Britain, in turn, 60% of old age income is publicly financed (including public sector occupational pensions) and 40% of old age income originates from the private sector.

At this general level, the PEN-REF findings are roughly in line with other comparative studies (such as Hinrichs, 1999 or Esping-Andersen, 1991). Continental pension systems form a separate group with clearly discernible characteristics. These include a strong state pillar, reliance second tier income-related pension benefits, and weakly developed first tier basic old age security security elements. These systems, then, follow the Bismarckian social insurance tradition. The Norwegian system, in keeping with Esping-Andersen's description of "universal systems", features both a strong public sector first (flat-rate, universal) and second tier[13] (earnings-related). Last, the British pension system reflects the characteristics of the Beveridgian welfare state structures: here, the state primarily manages first-tier benefit provision. Earnings-related pensions, however, are not the exclusive province of the public sector: in Britain a multitude of private and public sector actors administer a plethora of differing schemes.

How do the different national pension systems compare in terms of functions, delivery systems, and governance?

1.4.2.1 Functions

In terms of functions, all pension systems in essence do the same thing: they transfer income from one social group (the working population) to another group (the retired). However, while shifting income between the generations, pension systems can pursue three different (and somewhat contradictory) objectives. First, pension systems may aim to prevent or alleviate old-age poverty by redistributing income to those who, for whatever reason, were not in the position accrue sufficient savings while working. Second, pension systems may enable individuals to save income for retirement. Third, pension systems may co-insure for a range of different social risks such as disability or longevity.

Table 5 shows what particular scheme in the overall pension system primarily fulfils either of the three functions.

[13] Hinrichs (2000a) calls these 'late-comers' to the social insurance group of countries. He argues that intially these pension systems were based on Beveridgian principles but later reforms have shifted the systems towards the social insurance group.

Table 5: Functions in the Pension System

Function/ Country	*Austria*	*France*	*Germany*	*Italy*	*Norway*	*Poland*	*UK*
Poverty amelioration	state, earnings-related (state top-up transfer)	state, flat-rate universal	n.a. communal social assistance	state, flat-rate universal and State, earnings related (state top-up transfer)	state, flat-rate universal and state earnings-related	state, earnings-related (state top-up transfer)	state, flat-rate universal
Insurance/ Savings	state, earnings-related	state, earnings-related	state, earnings-related	State, earnings-related	State earnings-related, occupational pensions and individual savings	Individual pension plans, earnings-related	Occupational pensions and individual pension plans
Co-insurance of social risks	state, earnings-related	state, earnings related	state, earnings-related	state, earnings-related	state, flat-rate universal and state, earnings-related	state, earnings-related	state, flat-rate universal and means-tested benefits

Pension schemes across all PEN-REF countries, whether in the public or private sector, furnish pensioners with similar 'products'. With the exception of the German pension system, each of the schemes ameliorates old age poverty by providing redistributive flat-rate universal pension benefits. Moreover, all pension systems under analysis insure for old age by offering the institutional means for workers to save retirement income. Last, each of the pension systems co-insures for roughly the same set of social risks: apart from old age pensions, all public pension schemes offer disability pensions, permanent disability benefits and survivor benefits (SSA, 1999).

The difference between pension systems lies in the way they assign functions to institutional pillars and tiers. Here, the PEN-REF sample splits into three clusters.

- Countries in the first cluster, consisting of continental European countries (Austria, France, Germany and Italy), conflate the three pension functions into one or at most two institutional pillars. In all four countries, the public earnings-related pillar is responsible for savings and co-insurance functions. The French and Italian pension systems feature a separate public flat-rate universal benefit structure. Likewise, the Austrian system provides a minimum pension guarantee: the state tops-up pensions below a certain threshold. The German pension system alone does not provide a flat-rate minimum pension: social assistance, provided at the communal level, ameliorates old age poverty. In all cases, flat-rate benefits are means-tested. However, comparatively high wage replacement in public earnings-related schemes (about 70% for Germany and Austria) have diminished the importance of means-tested basic benefits. For example, in both France and Austria, flat-rate provisions account for only about 4% of all old age benefits (Bertelsmann Foundation, 2001). *De facto*, then, the earnings-related state schemes in continental European countries fulfil all three social insurance functions.

- In Norway, the institutional separation between different pension functions is less obscure than in continental countries. In general, different institutional arrangements share responsibility for different pension functions rather than conflating them to a single scheme. Both the public flat-rate universal system as well as the earnings-related supplementary scheme provide separate forms of co-insurance for social risks (SSA, 1999). Similarly, the Norwegian pension system prevents and ameliorates old age poverty both through the universal and the earnings-related schemes. Both schemes are strongly redistributive: whereas the general replacement rate is about 50% for average wage earners, this level can increase to over 66% for incomes below the average and fall to 33% gross for incomes above average earnings. Both the state earnings-related schemes and occupational pensions provide Norwegian workers with a framework for long-term savings. In the latter case, replacement rates vary from 60-70% in all occupational groups. Furthermore, the sector of private individual pension plans in Norway is by no means negligible: from 1982 to 1998, the number of private pension policies grew from 166 860 to 698 000 (including both tax-favoured and other plans).

- Pension system structures in the UK and Poland draw the sharpest boundaries between different functions. In Britain, flat-rate rate state pension benefits are responsible for preventing poverty among the aged and for co-insuring various social risks. Flat rate benefits in the first pillar are highly redistributive but not particularly generous (they fall below social assistance, so-called Income Support, entitlements). Although the State Earnings Related Pensions (so-called *SERPS*), were designed to provide a public earnings-related pension within the first pillar, successive governments have cut the value of the SERPS and will discontinue the scheme in two years time. The savings function in the UK falls to the extensive occupational and private pension sector. At present. the coverage of private, second-tier pension provision is about 50% and is set to increase to 60% in the coming years. Similarly, the new Polish system[14] institutionally separates different pension functions according to pillars. The state pillar primarily provides earnings-related pensions with a minimum pension guarantee for workers whose savings fall below a certain level. The second, private sector pillar largely fulfils the long-term savings function. Here, Polish workers are compelled to invest 7,3% of their income in a private sector pension fund. Additionally, Polish workers can take up further private sector pension schemes. Projected replacement rates in the new system are estimated to be around 40-60%.

In sum, although all systems in the PEN-REF sample are ostensibly multi-pillar, multi-tiered systems, the institutional responsibilities for different pension functions differs. Whereas continental systems channel redistribution, savings, and co-insurance through public earnings-related schemes, Nordic systems feature more distinct but nonetheless interrelated pension pillars. Institutional arrangements in Poland and the UK, however, clearly ascribe different functions to organisational pillars and tiers. In this sense, both the British and the Polish systems come closest to the World Bank's ideal multi-pillar scheme (World Bank, 1994). Conversely, Norwegian system more strongly resembles the multi-tier model of the ILO (ILO, 2000). Continental systems, in turn, are unfavourably located somewhere between the two ideal types.

[14] Adopted in 1999. The old Polish system in essence resembled continental European pension systems.

1.4.2.2 Delivery Systems and Financing

Delivery systems are the technical and legal instruments for fulfilling different pension functions. They are the form rather than the substance. Issues here concern the technicalities of transferring funds from social group to another and means of financing benefits. The common comparative models used here are concepts such as Pay-As-You-Go[15] (hereafter PAYG), Credit Reserve[16] (hereafter CR) or tax financing as well as defined-benefit (hereafter DB) or defined-contribution (hereafter DC) pension schemes.

Table 6 outlines the scope of delivery systems used in European pension schemes.

[15] also referred to as 'unfunded' systems. See Deliverable D1 for a more detailed explanation.

[16] also referred to as 'funded' systems. See Deliverable D1 for a more detailed explanation.

Table 6: European Pension Delivery Systems

Pillar/ Country	*Austria*	*France*	*Germany*	*Italy*	*Norway*	*Poland*	*UK*
State, flat-rate universal	n.a.	PAYG, DB	n.a.	PAYG, DB	PAYG, DB	n.a.	PAYG, DB
State, earnings-related	PAYG, DB	PAYG, DB	PAYG, DB	PAYG, DB	PAYG, DB	PAYG, NDC (PAYG, DB)	PAYG, DC
Employer, earnings-related (occupational pensions)	varies according to sector. Private sector: generally CR, DC Public sector: PAYG, DB	varies according to sector, Private sector: generally CR, DC Public sector: PAYG, DB	varies according to sector. private sector: generally CR, DC and book reserve Public sector: PAYG, DB	CR, DC	varies according to sector. private sector: generally, CR, DC Public sector: generally PAYG, DB	n.a.	varies according to sector. private sector: generally, CR, DC Public sector: generally PAYG, DB
Individual, earnings-related (individual mandatory pension plans)	n.a.	n.a.	n.a.	n.a.	n.a.	CR, DC	CR, DC
Individual savings (individual voluntary pension plans)	CR, DC	CR, DC	CR, DC	CR, DC	CR, DC	CR, DC	CR, DC

PAYG = Pay-As-You-Go; CR = Credit Reserve; DB = defined benefit; DC = defined contribution; NDC = notional defined contribution; n.a.= not applicable

The table shows that the favoured financing mechanism in European public sector schemes across the previously identified country clusters is the defined-benefit, Pay-As-You-Go model. All state flat-rate universal systems operate an unfunded, defined benefit regime. The same is true for public earnings-related schemes in continental Europe and Norway. Again, the UK and Poland differ from the other countries in the PEN-REF sample. In the UK, benefits emerging from *SERPS* are based solely on contributions. In Poland, the new public earnings-related system is based on a so-called 'notional-defined-contribution' model (NDC). Here, the insured receive individual pension accounts. On the basis of these accounts, pension administrators calculate benefits *as if the system were* based on a fully-funded, defined-contribution model. The system, however, continues to finance current benefits from current contributions; i.e. the scheme essentially remains a PAYG system.

At the level of occupational pensions, all countries portray a wider scope of variety in delivery systems. In countries where occupational pensions cover a considerable part of the workforce (descending order the UK, Norway, Germany, France and Austria) financing mechanism usually vary according to sector. Whereas public sector occupational schemes generally favour unfunded systems, schemes in private sector industries vary widely: some schemes are funded, defined-contribution schemes, other schemes are partially funded. The outlier here is Italy where recent reforms are aiming to create and develop an occupational pension sector. Here, schemes generally are based of funded, defined-contribution financing models (Bertelsmann Foundation, 2001).

Private sector individualised pension plans, in turn, rely predominantly on fully funded, defined-contribution financing methods.

Where do European pension administrations acquire funds for public pension benefits? In all PEN-REF countries, pension benefits from public systems emerge from both contribution payments of the insured as well as funds from general tax revenues. Table 7 shows the different levels of contributions and state subsidies to public systems in the PEN-REF countries.

Table 7: Sources of Funds in European Pension Systems

Country	*Pillar*	*Tier*	*Employee contribution*	*Employer contribution*	*State Subsidy*	*Retirement age*	
Austria	State	1st tier 2nd tier	10.25%	12.55%	any deficits; costs of nursing care and means-tested benefits	65	60
France	State	1st tier 2nd tier	6.55%	8.2%	variable subsidies	60	60
Germany	State	2nd tier	9.75%	9.75%	20% of benefit expenditure finances redistribution	63	63
Italy	State	1st tier 2nd tier	8.89%	23.81%	overall deficit; means-tested allowance	57	57
Norway	State	1st tier 2nd tier	7.8%	14.1%	finances any deficit in the system	67	67
Poland	State	1st tier 2nd tier	9.76%(+6.5%for disability cover)	9.76% (+6.5% for disability cover)	finances guaranteed minimum pension	65	60
UK	State	1st tier 2nd tier	10%(includes contributions the the National Health Sytstem)	12.2% (includes contributions the the National Health Sytstem)	finances means-tested allowances and non-contributory benefits; Treasury provides 17% grant for contributory system	65	60

Source: SSA, 1999

Employee contribution rates in all PEN-REF countries roughly resemble each other. Contributions range from 6,55% (in France) to 10,25% in Austria. In general, public scheme contribution rates for employers are slightly above those for employees: the largest differences between the two rates are in Italy (where employer contributions are nearly three times as high as employee contributions) and in Norway (where employers contribute nearly twice as much as employees). In Germany and Poland alone, the contributions to the public system are equal for both parties. However, in Poland this does not mean that financial burdens of the pension system distribute equally: the new Polish pension system compels workers to place another 7,3% of earned income into private pension funds (see the Polish Country Report). Likewise, if the German government implements current pension reform plans, the future overall contribution rate for employees will consist of an 11% payroll tax for both parties; additionally, however, the German government will encourage (not compel) workers to invest another 4% of earnings into a supplementary private scheme.

In all countries in the PEN-REF sample, the state subsidises pension benefits. In countries that feature flat-rate, universal benefits, the state grant usually covers means-tested or flat-rate benefits (e.g. the UK). In Austria, Italy and Norway, the systems featuring the most generous benefits, the government subsidy finances any pension system deficits. Other states in the PEN-REF countries are more discerning. In Germany, for example, the federal grant is fixed at 20% of pension expenditure and, in theory, funds redistributive elements in the earnings-related public system.

Delivery systems and financing mechanisms, then, differ marginally between the different PEN-REF countries. Public pension systems, of both the flat-rate universal and earnings-related flavour, are based on PAYG, defined-benefit structures. Conversely, private sector personalised pension plans favour funded, defined-contribution financing methods.

1.4.2.3 Governance Structures

Pension system governance refers to the roles of different institutional actors in the administration of old age income provision. This variable points to the relative political influence and control of different policy actors in pension system administration.

Table 8 outlines different forms of pension governance in the PEN-REF countries.

As a rule, public flat-rate universal schemes are administered exclusively by central pension administrations. Moreover, France, Italy, Poland and UK also have centralised the governance of state earnings-related pension schemes. In Austria, Germany and Norway, however, pension administration takes place in more decentralised bodies: in Norway, regional and local offices of the central pension administration oversee the implementation of specific schemes whereas in Austria and Germany, a network of occupationally structured QUAGOs administers the earnings-related public system.

In terms of public governance, the PEN-REF sample again splits into different clusters. First, pension governance in continental European countries features strong involvement of social partners (unions and employers). The most developed forms of corporatist self-governance are located in Austria and Germany. Here, institutions called pension carriers administer and manage pension provision. These institutions feature bi-partite governing assemblies and share the management of pension provision. Moreover, central pension administrations in France (for the mandatory occupational pension schemes), in Italy and in Poland are

governed by bi-and tri-partite bodies. However, in all cases, the central ministry retains considerable degree of oversight and policy-making authority. In Germany and Austria, self-governing bodies are so heavily regulated by the respective ministries that the degree of discretion in pension implementation is rather narrow.

Second, Norwegian pension administration takes place within state institutions at differing levels of governance. This is not to say that unions and employers have no impact on pension system governance. However, the Norwegian polity tends to channel the political influence of social partners through parliamentary processes.

Third, although management of public pension schemes in Poland and the UK resemble continental governance structures, the diversity of pension provisions has given rise to differing governance emphases. Since both of these systems have introduced substantial private sector pension provision, pension governance increasingly concentrates on regulatory issues. In Poland, for example, the central pension administration manages both the state earnings-related system as well as overseeing and regulating private pension providers. Similarly, independent industry watchdogs regulate private sector pension provision in the UK.

In sum, three clusters of countries emerge from the analysis of functions, delivery systems and governance structures in the PEN-REF countries. The first cluster of countries comprises continental European pension systems. Here, the state, earnings-related system fulfils all three pension functions. The diversity of old age income sources in these countries is relatively limited: pension provision is concentrated in a single state pillar and private sector or occupational alternatives are marginal. The British and Polish pension systems reside at the other end of the spectrum. Here, old age income provision is more evenly distributed across different pillars and tiers. Compared to continental pension systems, different pillars fulfil different old age security objectives. Moreover, the significant level of private sector provision causes policy-makers to focus on more regulatory aspects of pension governance. Last, the Nordic system combines features of both the continental and ‘Anglo-Saxon’ pension provision models. On the one hand, the Norwegian pension system is, like the British scheme, a multi-pillared and multi-tiered system: apart from public provisions (flat-rate universal as well as earnings-related), Norwegian pensioners draw a considerable (and growing) proportion of their income from occupational and individualised pension plans. On the other hand, the pension system in Norway has been able to provide levels of wage replacement associated with continental pension systems.

It would seem, then, that the PEN-REF findings support the idea that European pension systems aggregate into three broad categories (Esping-Andersen, 1991). Rather than falling into either the Bismarckian social insurance or the Beveridgian universal social policy model, the Nordic system appears to combine structural features of Beveridgian systems with performance aspects of the social insurance tradition.

Table 8: Pension System Governance

Pillar/ Country	*Austria*	*France*	*Germany*	*Italy*	*Norway*
State, flat-rate universal		State (central pension administration)		State (central pension administration)	State (central pension administration)
State, earnings-related	bi-partite self-governance by pension carriers; organised along occupational lines	State (central pension administration)	bi-partite self-governance by pension carriers; organised along occupational lines	State (central pension administration); bipartite governing body in branch offices; special funds are administered by separate bodies	State (central pension administration); administration o regional and loc levels
Employer, earnings-related (occupational pensions)	Employer	bipartite self governance of mandatory occupational pension schemes	Industries Mutual Funds Collective insurance	Employers and industries	Employers and industries
Individual, earnings-related					
Individual savings		Financial industry		Financial industry	

2 The Politics of Pension Reform

The preceding section has outlined the setting in which European pension reforms have taken place. In the next section, the report will look at how the political drama of European pension reform has unfolded in the past decade or so. However, before we turn our attention to the socio-institutional and political factors driving recent pension reforms in Europe, we need to briefly outline the common reform patterns across the continent.

2.1 Common reform patterns in Europe

The differing structural features of pension systems reviewed in the previous section have given rise to varying reform emphases. Generally, the reform efforts in continental European countries focus on the public earnings-related pillar. Throughout the 1990s, however, governments in these countries have aimed to either establish new private sector sources of old age income provision (typically occupational pensions or individual pension plans) or encourage the development of existing private sector structures. In Norway, pension reforms have concentrated on the public flat-rate and earnings-related pension arrangements. Like in continental countries, policy-makers have attempted to shift the system towards more individual forms of old age pension provision. In the UK, pension policy debates centre on the level of benefits provided by the flat-rate, universal system. Additionally, since private sector pension provision is well established in Britain, pension policy has increasingly addressed regulatory issues.

Yet despite different reform agendas, two general reform trends have emerged in the past decade and a half. In all examined countries pension reform has been an exercise in streamlining public pension systems while expanding private forms of old age income provision.

Since about the mid-1970s (or mid-1980s in some countries), policy-makers in all countries have sought to limit the costs of public pension systems. Throughout the past decade, decision-makers have applied reforms to expenditures and revenues of public pension provision. By far the most visible reforms have aimed at reducing public pension benefits. Here policy-makers have used all conceivable pension policy levers on offer. First, pension reforms in all countries have raised either the standard retirement age (Germany and UK) or the actual retirement age. In most countries, most notably Austria, France, Germany, and Italy, governments have introduced benefit deductions for early retirement. In many cases, for example in Germany and Austria, the deductions are below what would be actuarially neutral (in Germany, actuarial deductions are about 1/3 of what would be actuarially neutral). Second, policy-makers have manipulated and reformed existing pension calculation formulas. Throughout the past two decades, annual pension adjustment rules all PEN-REF countries except Norway, have changed to the disadvantage of pensioners. For example, since 1989, the rules for adjusting public pensions in Germany has changed twice and is set to change again in the near future. In the UK, the Thatcher government indexed the flat-rate, universal pension to price movement rather than wage increases. Moreover, particularly in continental countries, experts have been devising actuarial means of accounting for demographic ageing in pension benefit calculation: again, the effect of these endeavours has been to lower replacement rates. Third, policy-makers have reduced the level of general redistribution within public pension systems. Throughout the PEN-REF countries, eligibility

criteria for disability pensions have become tighter (particularly in Austria and Italy). What is more, survivor benefits as well as non-contributable benefits have decreased in most PEN-REF countries.

In the light of the projected financial problems associated with demographic ageing, policy-makers in most PEN-REF countries have increased the flow of revenues into public pension systems. Increasingly, however, policy-makers, particularly in continental European countries, have been careful to avoid increasing pension contributions. Instead, they have concentrated on increasing the coverage of the system. For example, in Austria and in Germany reforms in the 1990s have included new forms of employment into social insurance. Additionally, most governments in PEN-REF countries have simply increased the state subsidy to the system to relieve pressure on increasing contribution rates: again, this has been most visible in continental pension systems.

A few countries, most notably Italy and Austria, have harmonised different public pension systems. In Italy, the reforms of the past decade have aimed to reduce the multitude of different pension arrangements within the public pillar. In Austria, and to a lesser degree in Germany, policy-makers are slowly moving towards harmonising privileged pension arrangements (such as civil service pensions) into mainstream pension provision. Similarly, separate pension provisions (e.g. for miners) has become an issue on the Polish policy agenda

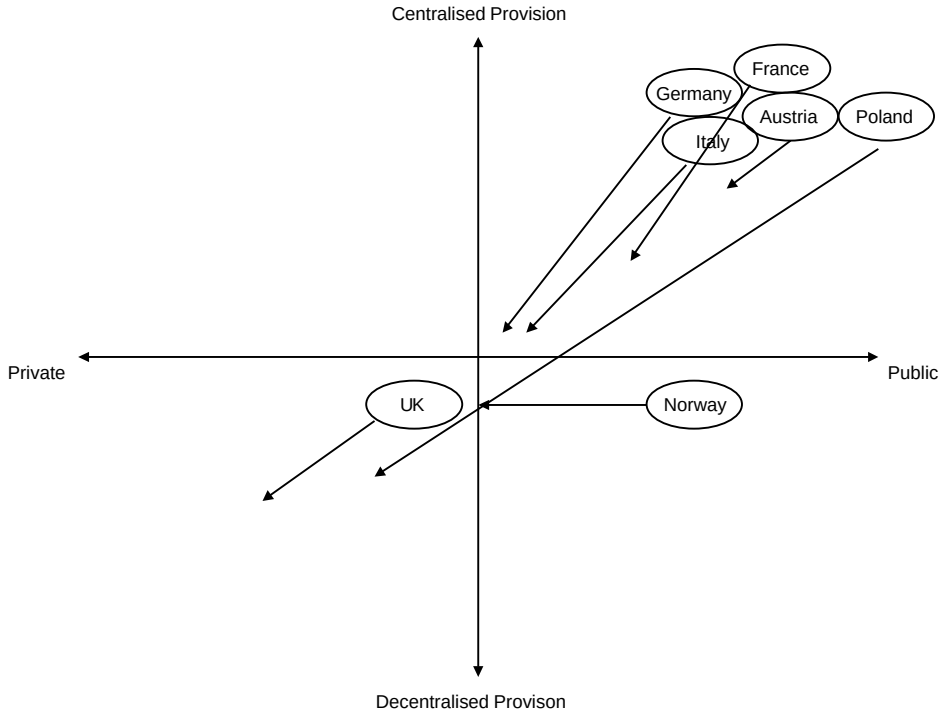
Overall, policy-makers have streamlined public pension systems by parametric changes (such as raising retirement ages or changing annual pension adjustment mechanisms) to existing systems. By pulling diverse existing policy levers, decision-makers in all PEN-REF countries have strengthened the savings function of public pension systems. In general, reforms have pursued three aims. First, reforms have tied benefits closer to contributions. Second, reforms have attempted to create clearer functional divisions between different pillars and tiers in public pension schemes. Last, policy-makers have also pursued budgetary objectives: reforms have also aimed at containing social security costs for the public purse.

In terms of expanding private sector provisions, policy-makers in all PEN-REF countries have used a plethora of direct and indirect measures. In all countries, policy-makers are either erecting (or seriously thinking about erecting) a private sector tier based on CR financing mechanisms. The extent and pace at which policy-makers are diversifying pension systems differs from country to country. At one end of the spectrum we find the British pension system which already features a strong and growing private sector pillar. At the other end of the spectrum we may find Austria where debates about private sector pension system are at a timid beginning. The former countries have implemented institutional innovations, that is new institutional structures, to encourage more private provisions: the most notable example here is Poland and, if planned reforms go ahead, Germany. Alternatively, a whole host of tax-incentives, contracting-out policies, and similar accompanying policy measures have aimed to encourage the growth of a private pension market in most PEN-REF countries. Particularly, in Italy, Norway and Germany, recent changes to the pension system point in that direction.

In sum, despite the multitude of different initial conditions and pension reform paths in the different countries, at a general level the reforms seemed to have arrived at the same place: in essence, the reform experience of the past 10-15 has been about tightening the link between contributions and benefits. In general, pension reform debates have centred on ways of reducing social security costs. In a very real sense, the general direction of reform in

all PEN-REF countries has shifted responsibility for old-age income provision away from the state (1st pillar) towards both employers (2nd pillar) and individuals (3rd pillar). Pension provision, then, is slowly moving away from centralised public systems to more decentralised private systems (see Figure 3).

Figure 3: The General Direction of Pension Reform in PEN-REF Countries



2.2 Expanding the Scope of Conflict in European Pension Policy-Making

Like pension systems themselves, the 1990s also witnessed changes to the way policy-makers go about formulating and implementing pension reform policy. Arguably, these changes outweigh the actual reforms to pension systems. Not only have policy community structures changed in all countries, these changes have (in part successfully) challenged dominant norms and practices of pension policy-making in Europe.

The changes to European pension policy-making have expanded the scope of political conflict surrounding pension reform. This has occurred at three interdependent levels. First, the community of policy actors has expanded in terms of membership in all analysed countries. Second, changes in policy communities have widened and intensified the level of political conflict within pension reform debates. Third, the transformation of policy-making in

the past 10-15 years in the PEN-REF countries has made policy processes and political interaction less transparent and more uncertain.

2.2.1 Changes to European Pension Policy Communities

In general, pension policy communities in all examined countries number relatively few institutional and individual policy actors. Apart from political elites, the pension policy issue has been the sovereign province of technical experts. In continental systems, pension expertise has traditionally emerged from the legal profession and, to a lesser but increasing degree, the economists' guild. In the UK and in Norway, expertise relies more on economic theory and actuarial sciences than law. In either case, requirements of technical expertise have in the past erected high barriers to entry for would-be pension reform policy-actors. Consequently, the number of players is rather limited: in most countries the wider pension policy community houses something in the region of 20-30 policy relevant institutions. When considering institutional actors that actually impinge on pension reforms, this number falls to the region of 10-15.

However, even though pension policy communities remain relatively small and exclusive, the 1990s have witnessed changes in both the composition of and relations within European pension policy communities.

2.2.1.1 Pension policy communities before the 1990s

Before the 1990s, pension policy communities in the PEN-REF countries broadly conformed to the corporatist model of interest intermediation (Schmitter and Lehmbruch, 1979). The institutional policy actors within pension policy networks (Rhodes, 1990) reflected tripartite corporatist constellations: as a rule, pension policy formulation and decision-making was a bargaining process limited to representatives from state, capital, and labour.

These tripartite policy communities featured strong organisational interdependencies between institutional actors. A key resource in pension policy-making was (and continues to be) credible pension knowledge (Reynaud, 2000). Before the 1990s, state actors and pension systems administrators (such as the pension carriers in Austria and Germany) operated and controlled all sites producing legitimate pension knowledge, be it pension expenditure statistics, demographic and financial projections, or forecasts about future developments of benefits and contributions. In this way, states could tie the corporatist partners into the bargaining process: impact on pension policy necessitated "credible pension data" which was available from a limited number of controlled sources (Nullmeier and Rüb, 1993). In return, social partners provided political co-operation and compliance. Although the power of corporatist policy actors differs from country to country, withholding political compliance would, at least, slow down the policy process (as in Austria and Germany) and, at its most effective, paralyse reform attempts (as in France and Italy during the 1980s).

These interorganisational resource dependencies gave rise to tightly organised, institutionally interdependent pension policy communities. Frequent interaction among individual policy actors with shared epistemic commitments led to the emergence of a highly selective, ideologically coherent and institutionally interdependent group of policy-makers. By

effectively insulating the issue area from other policy spheres as well as other policy actors, pension policy communities managed to control problem definition, agenda-setting and policy formulation.

Consequently, policy change, if it took place at all, occurred within narrowly delimited and carefully defined boundaries. The complicated web of organisational resource interdependencies implied that each reform attempt also tested the political viability of the corporatist bargaining system. In order, then, not to upset the fragile internal balance of power between policy actors and to substantiate the claim to superior knowledge to external contenders, policy-making in European policy communities strongly tended towards consensus-seeking. Often, the aim of policy was to forge agreement among social partners rather solve a perceived pension problem (see also Lindblom, 1958).

In Austria, Germany, France and Italy, pension reform emerged from a intricate bargaining process that sought to create consensus across any conceivable socio-political cleavage (social partner, party political, etc.). By limiting the pension reform agenda to relatively innocuous issues, pension policy communities curtailed political conflict by either excluding or co-opting dissenting voices. What were the innocuous issues? Basically, policy communities defined pension problems so that policy solutions exclusively fell *within* the institutional logic of existing pension provision. In both France and Italy, a decade of debate about pension reform in the 1980s produced little or no concrete policy outputs; changes in both countries took place in the 1990s. In Germany, the PRA 1992 (passed in 1989) emerged from a process in which the pension policy community selectively set the agenda to devise a predominantly parametric reform of the pension system.

In the UK, Poland, and Norway, however, these tendencies were less pronounced. Given the peculiarities of the British parliamentary system, governments are not compelled to seek majorities. Thus, in Britain, pension reform usually reflects the preferences of the party in government (Reynaud, 2000). In Norway, the relatively strong position of parliament in the pension policy community has rendered the Norwegian pension policy community less immune to political conflict: reforms of the past years show that Norwegian pension policy-makers are willing to implement policy measures unpopular with social partners.

2.2.1.2 The diversification of policy actors in the 1990s

Throughout the 1990s, pension policy communities in all PEN-REF countries have become less cohesive and more diverse. At the level of the policy community, the past decade has witnessed an influx of new institutional policy actors in all countries. This, in turn, has ruptured the web of interorganisational resource dependencies within pension policy networks. At the level of policy elites, the 1990s have seen a significant realignment of ideological allegiances.

In terms of policy actors, the banking and insurance industry has become more active in the pension reform debate. This trend is most visible in the UK and in Poland: here, pension reforms have formally created a space for increased industry involvement in policy-making. However, the same is true, albeit to such a considerably lesser extent, in continental European and Nordic counties. In Germany, France, Italy and Norway, the private financial sector has increased its efforts of influencing pension reform outcomes by adopting more proactive policy strategies and circumventing established corporatist channels of policy

interaction. Even in Austria, the country in which corporatist interest mediation is strongest, the private sector is becoming increasingly active in providing pension-related products.

Another significant addition to pension policy communities in all countries is the media. Throughout the past decade, all countries show a change in both the frequency and content of articles about pension reform issues. Media coverage in all countries tends to describe pensions in terms of impending financial crisis: the emphasis here is on the inequitable distribution of burdens across generations. Metaphors such as 'the tidal wave of old age' (Norway), the 'struggle of the generations' (Germany), and the 'demographic time-bomb' (ubiquitous) underline the alleged urgency of policy action. In general, the media is quick to criticise policy-makers for inaction. In continental countries, particularly Germany, France, Italy and Poland, the media equate parametric reforms within the established pension system with governmental weakness, agency capture, and electoral cynicism: the failure to radically reform pension systems (usually meaning a shift to a CR financing mechanism) reflects the inability of policy-makers to rid themselves of old fashioned corporatist dogmas as well as the unwillingness of policy-makers to jeopardise the 'grey vote'. In Norway and Austria, media attention has been less sustained and has concentrated more on particular reform issues. The outlier, yet again, is the UK: since pension policy in general is a somewhat marginal issue, it makes for poor headlines in the media: a notable exceptions here is the Maxwell scandal[17].

In terms of interorganisational resource linkages, new arrivals to pension policy communities have come replete with new ideas and approaches to pension policy-making. In many cases, new actors to the policy communities have established competing sites of knowledge production. For example, the significance of think-tanks has increased throughout the 1990s. The independence of these think-tanks varies. Most independent think tanks are 'close' to a particular policy position or political party: for example, Demos in the UK is (somewhat unfairly) said to be close to 'New Labour', both the Adam Smith Institute (UK) and the Cato Institute (USA) champion libertarian policies, and the *ZeS* (Germany) is close to a conventional German social policy approach. Other think-tanks have more concrete institutional ties to policy actors: the *Deutsches Institut für Altersvorsorge* (DIA) in Germany is nominally independent but receives funding from the *Deutsche Bank Group* and *Deutsche Bank Research* is a department of the banking corporation whose mission is to inform the DB's board of directors.

What is more, the rise of think-tanks has also meant the advent of transient policy actors that dip in and out of pension reform debates. The most prominent example in the PEN-REF countries is Poland. Here, international experts, mostly from the World Bank and USAID but also experts within the PHARE framework, have provided 'technical assistance' for pension policy formulation and implementation. To a lesser extent, increasing transience of expertise and knowledge is also evident in other countries. At some point in the 1990s, reform processes in most countries are punctuated by one-off reports by external experts: in Germany, the projections of the Swiss consultants Prognos in 1987 and, in Austria, the report by the German economist Bert Rürup in 1996 are examples of transient participation in a national pension policy process. Often, these pieces of expertise become reference points for the policy debate: policy actors within the national community confer a status of

[17] The media tycoon Robert Maxwell illegally rerooted substantial sums of money from his employees' pension funds into the Maxwell corporation. When it became clear that Maxwell would not be able to cover up the fraud, he committed suicide.

non-partisan 'hyper-objectivity' on these pieces of pension knowledge. Yet, findings in these (commissioned) reports more often than not emerge from assumptions provided by central actors in the national pension policy community. However, compared to other issue areas such as the environment, transnational links between policy communities as well as links between policy communities and international organisations remain relatively weak.

At the level of political elites, the 1990s have brought about a reshuffle of political allegiances. Political parties no longer mirror corporatist cleavages. Rather, many major parties in PEN-REF countries are split internally along the lines of competing advocacy coalitions. Moreover, in continental European polities, advocates of the social stability policy story rare rapidly disappearing from the political map. In the UK and Germany, the 'purge' of old-style social policy experts from both the major parties (but specifically from the German Social Democrats and the British Labour Party) has been particularly noticeable. A similar process also took place in Italy and, to a lesser degree, in France and Austria. In the latter two cases, traditional social democratic values weathered the ideological upheavals of the 1990s far better than in Germany or the UK. The shift the union's traditional allies towards the centre of the political spectrum has, especially in continental countries but also in Britain, left the unionised labour movement on high and arid ground: unions, in terms of pension policy-making, cannot count on the uncompromising political support from socialist or social-democratic parties.

In sum, the diversification of participants in European pension policy communities has contributed to loosening formerly cohesive interorganisational ties at two levels. First, the new entrants to pension policy communities have challenged the cognitive monopoly of conventional pension knowledge. Not only are the new sites of knowledge production in a position to interpret pension data within the conventional pension paradigms[18], they have also brought new approaches to bear on the pension issue. In all PEN-REF countries, the generational accounting and internal rate of return comparisons have surfaced (albeit with variable impacts) throughout the 1990s. In short, there no longer is one dominant pension truth but several alternative and competing pension truths: changes in pension policy communities have introduced scientific uncertainty.

Second, both the additions to the pension policy community and the changing socio-economic conditions of the 1990s have fractured the web of corporatist interaction. Increasing international competition as well as changing forms of accumulation and employment have transformed the political outlook of pension policy actors. In general, employers and employer's organisations have become decidedly indifferent towards national social policy-making. Tight labour markets, perceived global competitive pressures, and access to global markets imply that employers and enterprises no longer rely as strongly on co-operation and compliance from other social partners, specifically the unions. Add to this the realignment at policy elite level and the relative marginalisation of labour unions in Europe is complete. Consequently, private sector policy actors throughout the 1990s have become increasingly assertive in terms of their own perceived interests and increasingly recalcitrant *vis-à-vis* union demands. This tendency is most marked in the UK, Germany,

[18] A very simple explanation here may be the increased accessibility to computing power. For Germany, Nullmeier and Rüb (1993) point out that in the 1980s, the German Labour Ministry (BMA) was the only location with sufficient computing power to crunch credible numbers. In the 1980s, the ministry performed all calculations of alternative pension reform plans. While this is still nominally the case (see German country report), credible (if not necessarily legitimate) projections now emerge from a plethora of sources.

Italy and, less so, in France. In Austria and Norway, however, employers are still relatively co-operative but have become far more proactive. In this context, Poland is an outlier since the private sector is as yet still emergent.

2.2.2 The Emergence of Policy Conflict

The changes in European policy communities have widened the scope of political conflict in European pension policy-making. In all PEN-REF countries, albeit to differing degrees, new approaches to pension reform have challenged formerly dominant perceptions and definitions of the pension issue. As a result, formerly cohesive pension policy communities have split into conflicting "advocacy coalitions" (Sabatier and Jenkins-Smith, 1993). These advocacy coalitions consist of institutional and individual policy actors who rally around distinctive sets of beliefs about a particular issue area. In all PEN-REF countries, the membership of these advocacy coalitions cuts across formal institutional boundaries as well as levels of governance.

In the PEN-REF countries, (at least) three different sets of beliefs, or policy belief-systems, have guided policy actors in constructing divergent policy stories about pension reform. Each policy story starts from differing initial assumptions, each provides an interpretation of pension policy problems, and each provides different policy solutions.

The institutional 'location' and relative strength of the advocacy coalitions differ from country to country. Similarly, specific policy prescriptions apply to particular national contexts. However, the effect of the emergence of three advocacy coalitions has been the same in all countries: they have reintroduced principled policy conflict to European pension reform debates. Consequently, conflicting policy stories have implied the end of consensual policy-making in European pension policy communities.

2.2.2.1 Common and competing pension issues definitions

Despite ideational diversity within and across national pension policy communities, policy-makers in all countries perceive general policy challenges similarly. First, policy-makers and experts in all countries understand demographic ageing and the unfavourable future development of replacement rates to be the root cause of the pension problem. Second, demographic imbalances, policy-makers in all countries point out, will place considerable financial strain on existing pension systems in the future. Last, policy-makers in all countries point to the set of social, economic and political developments commonly referred to as globalisation. Increasingly, economic agents, whether these are enterprises or individual workers, compete in global markets: for many policy-makers, this implies that future societal wealth will depend on costs and competitiveness. Moreover, policy-makers in all PEN-REF countries point to changes in household structures and employment patterns: increasingly, the male bread-winner model and life-time employment are becoming the exception rather than the norm. In the future, pension systems will have to cope with issues such as discontinuous employment histories, whether for spells of unemployment, training or maternity/ paternity leave.

Although there is broad agreement about general problems within and across different national pension policy communities, the interpretation of policy challenges has given rise to

conflicting problem definitions. Differing constructions of the pension issue have divided national pension communities in similar ways.

In general, advocacy coalitions emphasising intergenerational equity seek to expand the pension issue. The effects of demographic ageing, so the argument goes, are not merely limited to PAYG pension systems: rather, the expected increase in dependency rates is likely to affect national economic performance as a whole. Globalised markets, advocates argue here, reward those economies with low production costs. Yet, in order to cover generous and unsustainable pension promises, public PAYG DB schemes will foist an intolerable financial burden on both younger workers and employers in the form of ever-increasing social security costs. This, proponents maintain, inevitably leads to contribution evasion by younger workers and a general loss of international competitiveness.

Conversely, advocacy coalitions focussing on social stability generally limit the pension issue to technical problems. Here, the issue is how to best adapt and fine-tune existing systems to demographic and socio-economic challenges. Demographic ageing and socio-economic change, the argument goes, requires judicious and measured social management by competent experts. Given the central role and proven track-record of existing pension systems in securing social stability and intergenerational solidarity, the main pension issue here is to keep those institutional mechanisms intact. This, advocates argue, includes securing the public's trust in the pension system by providing stable and reasonable replacement rates.

Last, the advocacy coalition stressing social justice and equality applies a holistic view to expand the pension issue beyond economic or technical considerations. Here, pension schemes are a part of a socio-economic system that, in general, is highly inequalitarian. By relying on standard, male-dominated patterns of employment, existing public and emergent private sector pension schemes penalise and marginalise vulnerable social groups: these include, most prominently, the working poor, families, women, people with special needs, as well as persons adopting alternative life-styles. Demographic ageing and globalisation, protagonists here argue, is likely to exacerbate existing social problems of inequality. Pension reforms, the argument goes, need to be a part of general societal reform agenda which aims to level social injustices.

At a more detailed level, country-specific pension issues arise from differing national socio-economic and political contexts. In Germany and Italy, the wider pension policy debate has a distinctive regional dimension: in Italy, this dimension addresses imbalances between the North and the South whereas in Germany the issue is about inequalities between the East and the West. Due to the considerable role of the private sector in Poland and the UK, pension policy problems here revolve around regulatory issues. Additionally, the strong focus on old age poverty and means-testing distinguishes the UK pension debate from its European counterparts. In Norway, due to oil wealth, the issue of how to finance demographic ageing is not as acute in the other PEN-REF countries: the divisive policy problem here, however, is how to best use these oil funds.

2.2.2.2 Competing policy solutions

Unlike other policy areas, the pension issue features relatively few policy levers. At a general level, policy-makers have three broad policy options. First, they can implement reforms exclusively *within* existing structures. Second, policy-makers can aim to create or encourage

new forms of pension provision *outside* existing pension systems. Last, the most typical pension reform pathway in the PEN-REF countries, decision-makers can both reform existing structures and encourage alternative old age income provision.

When policy-makers reform pension systems from *within* existing institutional structures, the architecture of PAYG pension systems provides three basic sets of policy levers. These, in turn, incorporate different specific policy measures (Hinrichs, 2000) including:

- reforms to benefit structures: here, measures include
    - reforming the pension calculation formula (suspending or altering annual indexation of pension growth or introducing demographic variables);
    - increasing the standard retirement age;
    - introducing actuarial deductions for early retirement;
    - reforming eligibility criteria for disability pensions;
    - retrenching intragenerational redistribution
- reforms to contribution rates: options for policy-makers comprise
    - increasing contribution rates;
    - extending coverage (either by widening the circle of insured persons or by increasing the income ceiling);
    - differentiating contribution rates according to specific criteria (e.g. number of children or whether contributor is a wage earner or rentier);
- reforms to state involvement: the available levers include
    - directly introducing or increasing tax-financed elements;
    - increasing indirect measures such as
        - § population and immigration policy
        - § combating unemployment
        - § increasing productivity, i.e. investments in human and physical capital)

(Hinrichs, 2000)

In general, then, institutional path-dependency constrains policy innovation when reforming pension systems from *within*.

Reforms that aim to move beyond existing pension systems provide policy-makers with a wider array of policy options. In the PEN-REF countries, these reforms have either created new forms of pension provision outside public PAYG systems or, in most cases, have

encouraged the development of existing alternative forms of old age savings. Measures have included

- creating mandatory CR pension schemes managed by the private sector (e.g. Poland, Italy)
- creating voluntary CR pension schemes managed by the private sector (Germany, conditional on implementation of present reform plans);
- strengthening occupational pension schemes (e.g. Norway);
- providing tax incentives for private pensions (UK, Norway, Germany);
- providing the opportunity to 'opt out' of state sponsored occupational schemes (UK).

Although throughout the 1990s, European governments have pulled most of the available policy levers (Hinrichs, 1999), advocacy coalitions within national policy debates have been more discerning. In all PEN-REF countries, the array of policy-options provide basic elements or building-blocks that policy actors use to construct plausible policy stories. The way policy actors in the pension reform debate in Europe have combined different policy solutions into coherent stories or arguments is, however, not random. Rather, the selection and advocacy of specific policy solutions reflects the fundamental policy beliefs that characterise particular advocacy coalitions. In this way, policy actors construct policy solutions will fulfil fundamental normative aims of policy-belief systems. In short, policy-belief systems provide the blue-prints of how to construct plausible policy stories in the pension reform debate.

Generally, three distinct sets of policy solutions have emerged from pension reform debates in PEN-REF countries. First, the advocacy coalition championing intergenerational equity favour pension reforms that reduce social insurance costs and urges policy-makers to look for alternatives to public PAYG systems. Reform proposals have centred on ways of limiting the long-term increase of contribution rates. Policy actors have suggested diverse ways for reducing the expenditure of public PAYG schemes including increasing the retirement age, abolishing early retirement, reducing replacement rates, and cutting redistributive elements within pension systems. Significantly, advocates of this policy story propose a partial or total shift to fully funded and privately managed pension schemes.

The presence of this advocacy coalition differs in the PEN-REF countries. In the continental Europe, the intergenerational equity story has received most attention from governments and the media alike in Germany, in Italy and, significantly, in Poland. However, arguments for more market-based pension provisions are less pronounced in France and virtually absent in Austria. In Norway, this discourse has influenced debates about early retirement, disability pensions and occupational as well as private pensions. However, in Norway this line of reasoning has caused a more fundamental ideational shift: the characteristically Nordic perception that pensions confer social rights is retreating in favour of a view that pensions are a means of long-term savings. In all countries except the UK, this advocacy coalition has challenged dominant pension wisdom in the past decade.

Second, the advocacy coalition arguing for social stability emphasises the need for judiciously balanced fine-tuning and adaptation. The aim here is to secure the long-term viability of existing pension systems. The catalogue of proposed reform measures is

extensive and differs widely between countries and even within countries at different points in time. The *leitmotif* of reforms in this vein is to rely on the organisational resources of established PAYG systems without changing the basic institutional identity of the pension system. In general, reform proposals have suggested increases in contributions, retrenchment of benefits and reductions redistributive elements in public PAYG pension schemes. However, unlike advocates of the intergenerational-equity approach, the aim of reform options here is to obviate the need for substantial private sector involvement in pension provision.

In continental countries, advocates for the social stability story still represent the pension policy establishment. Typically located in key positions within the administrative structure of the PAYG pension system, proponents of the rational management approach still command considerable influence over pension policy debates. However, in several continental European countries, the cognitive and policy-making authority of the pension expertocracy has become shaky. Particularly in Italy, Poland and, to a lesser extent, in Germany more market-oriented discourses have undermined the cognitive and policy-making status of the established pension policy community: here, policy communities have not been able to avert partial or total shifts towards private sector provision. In Austria and France, however, ideas of rational management still dominate pension reform debates. However, here, like elsewhere in the PEN-REF sample, it is a debate about the rational management of pension cuts rather than pension system expansion. In Norway, the social stability story has traditionally played a more subdued role alongside more equalitarian social policy discourses. Unlike in continental countries, market-oriented challenges have strengthened advocates of rational management: proponents of systemic stability have instrumentalised market-oriented ideas to 'purify' and 'streamline' the Norwegian pension system by retrenching more universalist and egalitarian elements. Finally, advocates of social stability and rational management play a marginal role in the UK pension debate. In part, this reflects the institutional set-up of the British pension system: unlike European counterparts, the UK pension policy community simply does not feature quasi-independent corporatist structures (such as the pension carriers in Germany and Austria) characteristic of many continental countries. In part, however, the comparative absence of the rational management policy story in the British pension debate points to the dominance of a particularly virulent strain of market-oriented liberalism in British social policy as a whole.

Third, the policy options proposed by advocates of social justice and equality aim at levelling inherent social inequities. Pension reforms, they argue, need to recalibrate old age income provision so that they allow individuals to fully determine their own destinies. This means that pension benefits should free the aged from both patriarchal state intervention as well as the vagaries of capital markets. In order to provide this degree of individual self-determination, pension benefits should provide an adequate level of old age income to all citizens, regardless of labour market participation. Thus, advocates of social justice and equality propose to increase redistribution among different social groups: high pensions need to fall so that low pensions can increase. Moreover, proponents of this policy story urge policy-makers to harmonise different pension systems (thereby abolishing occupational privileges) and increasing coverage of the pension scheme to all citizens.

The policy story about social justice and equality languishes at the margins of most PEN-REF pension policy debates. In continental countries, the most vociferous proponents of this policy story are the German and Austrian Green Parties. However, despite the German Green Party's government participation, proponents of the social justice and equality discourse have only had a limited impact on current German pension reforms plans. In

Austria, in turn, the Greens are consigned to an opposition role at both governmental and policy community level: their impact on pension reform has been negligible. In France, Italy, and Poland egalitarian policy arguments about social justice are conspicuous in their absence. The Norwegian and British pension systems, however, institutionalise egalitarian principles, albeit to considerably different degrees. In Britain, the basic state pension provides equal benefits to all contributors at comparatively low rates of wage replacement. In Norway, in turn, the basic universal pension benefits are more generous and eligibility is independent of labour market participation. Consequently, policy arguments in the social justice and equality vein have more of an impact on policy debates than in continental countries. Whereas, however, the British debate is about ameliorating old age poverty in an essentially market-oriented context, the Norwegian debate is about granting fundamental social rights.

2.2.2.3 The level of policy conflict

The emergence of advocacy coalitions has disturbed the formerly quiet waters of European pension reform by expanding the scope of political conflict. Yet, the main line of conflict differs in the examined cases. In continental pension systems (Austria, France, Germany, Italy, Poland), the main fault line runs between the intergenerational and the social stability story. Policy-makers and experts in these countries stylise the conflict as a struggle of economic policy against social policy; it is a clash between CR, DC and PAYG, DB; between the ideals of liberal markets and rational social management. In continental Europe, dominant policy actors have either co-opted the third policy story (as in Germany and Austria) or have stonewalled it completely (Italy, France, Poland). In Norway and the UK, in turn, the major conflict is between institutional proponents of social justice and equality and policy actors more inclined to stress intergenerational inequities.

Moreover, the degree and level of conflict between the warring factions differs from country to country. In Germany, Italy and France, the level of conflict is at a fever pitch. In these countries, the pension reform debate has become a proxy for more fundamental governance issues. In Sabatier and Jenkins-Smith's (1993) parlance, the clash between the advocacy coalitions concerns "deep core" and "policy core" beliefs. With decision-stakes as high as this, the current debate in these countries has deteriorated into a "dialogue of the deaf" (Sabatier and Jenkins-Smith, 1993) or an "intractable policy controversy" (Rein and Schön, 1994). Here, pension knowledge has become a rhetorical resource: policy actors can no longer solve disagreements by recourse to 'facts' because the 'facts' have become an integral part of an advocacy coalition's rhetorical strategy. Pension knowledge, then, has become 'repoliticised' in the sense that what seemed 'objective fact' a decade ago now reveals a fundamental political bias. Indeed, the form of political interaction has become less than genteel: in policy debates, mutual recriminations and accusations fly thick and fast. Each side accuses each other of irresponsibility and dubious ulterior motives. On the one side, policy actors point to unions and governments merely wanting to save their own political necks by burdening young workers (see Austrian, French and German Country Reports). On the other side, contending policy-makers conjure up images of destitute pensioners and class warfare all for the sake of short-term profits lining fat-cat employers' pockets. In short, agreement, let alone consensus, is unlikely.

In Norway and Poland, in turn, conflict about pension reform is at a moderate level. In Poland, however, policy actors had to 'tame' policy conflict institutionally: the creation of an independent professional body in charge of pension reform (the Office of the Plenipotentiary,

see the Polish Country Report) effectively took decision-making out of the hands of competing advocacy coalitions. In Norway, the political consensus on basic Nordic values of social security provision is still intact. Additionally, given Norwegian oil wealth, the case for immediate and drastic policy action is somewhat implausible.

Last, the level of conflict in the UK is at a remarkably low level. On the one hand, the dominant position of the British government in the pension policy process promises meagre pay-offs for confrontational political behaviour. On the other hand, British policy-makers are relatively indifferent to the pension issue in general.

2.2.3 Changes in Policy Processes

European pension policy processes stands apart from other issue areas due to four distinguishing characteristics. First, in terms of policy actors, pension reform is a high profile political issue in all countries except the UK. Throughout the 1990s, pension reform has become increasingly subject to what Baumgartner and Jones (1993) call “serial processing”. Rather than stewing in the murky waters of specialist policy communities (where polities processes many policy issue in parallel), pension reform has shifted into the limelight of elite policy-making (where policy-makers process one policy issue at a time).

Second, pension reforms are always subject to a formal legislative process. Unlike other policy areas, say environmental policy, pension policy-makers have little scope for independent, non-legislative policy formulation (such as voluntary codes of conduct, best practices, etc.).

Third, pension reform in all PEN-REF countries takes place exclusively at the national level. The pension reform issue has few downward links to regional or local arenas of policy-making. Moreover, the upward linkages to supra-national policy formulation are generally informal (via contacts with the wider academic community) or, where they are more formalised, relatively weak (e.g. membership in international professional associations such as ISSA). Since social security is a subsidiarity issue, the European Commission can, at best, play an indirect and consultative role.

Fourth, although pension reform is a national legislative issue, parliaments play a relatively minor role in decision-making (with the possible exception of Norway). In all countries within the PEN-REF brief, pension reform has traditionally been detached and somewhat insulated from mainstream policy-making. The result is that pension policy-making in all countries takes place in a grey and informal area ‘located’ in the ante-room, or ‘front-yard’ of the formal parliamentary process. This grey area consists of a multitude of informal, ad hoc commissions, committees, hearings, policy advisory groups, expert round tables, etc. whose membership and policy relevance reflects the political power constellations within the pension policy community.

Given the informal and ad hoc nature of pension policy processes, changes in the 1990s have introduced political uncertainty into pension policy-making. Conflict in pension policy communities not used to political confrontation has made pension reform a politically more precarious affair. Whereas the corporatist system of interest mediation carefully regulated who interacted with whom, where, when, and, most importantly, about what, policy interaction in the past decade has occurred in increasingly unpredictable ways.

Pension policy communities, particularly in continental polities but also in Norway, have not kept pace with the shifting and uncertain alliances at policy elite level. In Austria and Germany, both present government coalitions (social democrats and Greens in Germany, conservative and ultra-right in Austria) would have been unthinkable only a few years ago. In both polities, governments have circumvented corporatist decision-making structures. In Germany, the present government has kept the traditional pension policy establishment at arms length. In Austria, in turn, policy-makers simply invented new policy venues to keep pension reform from the sway of the powerful Austrian social partnership. In Italy, the replacement of the entire post-war party system has given rise to vulnerable and volatile new political alliances on both the right and left of the political spectrum. Further, the reorientation of social democratic and socialist parties towards centrist policy agendas has politically stranded large parts of the traditional pension policy establishment.

Moreover, the expanding the scope of political and ideational conflict has suspended the implicit 'rules' of policy engagement in pension policy communities. Policy conflict and competition on 'knowledge markets' have successively eroded those policy norms that secured consensual decision-making in pension policy communities. As yet, with the possible exception of the UK, policy actors in all PEN-REF countries have not yet agreed on a new set of rules that could regulate the more conflictual policy sphere: indeed, in countries such as Austria, Germany and France, these rules are an integral part of heated policy conflict.

Who have been the winners of this ongoing transformation? On the one hand, the beneficiaries of changes in policy-making structures and styles are governments and state bureaucracies. In a very real sense, increasing diversity of actors and ideas has increased the strategic options open to governments. The break-down of corporate-style consensual policy-making has emancipated governments from the strictures of epistemically uniform pension policy experts. Rather than one 'pension truth', governmental policy-makers now have the choice of several plausible policy stories. Since the sites of credible pension knowledge no longer reside solely within the corporatist pension policy community, there are far more 'scientifically sound' pension policy options to choose from. For governments with vague and broad ideological commitments (such as most major European parties), more ideational and institutional diversity means an increase in potential strategic alliances. This, in turn means more governmental leverage on potential partners since governments are less constrained (ideologically and in terms of credible pension knowledge) by policy actor demands. In sum, the changes in policy-making in the 1990s have shifted the control of the pension reform agenda from experts and policy actors towards governments.

On the other hand, however, uncertainty in policy-making also implies that policy success has become more elusive. Although overall pension reforms in the 1990s have generally moved systems away from unitary provision towards more diversity, the decade is also littered with spectacular examples of policy failures. In Austria, failure of the 1995 pension reforms led to the collapse of the coalition government. The German Pension Reform Act 1999 (*Rentenreformgesetz 1999),* overturned by the incoming SPD/ Green government only a year after it was adopted, arguably hastened the demise of the Kohl era. In Italy, the Berlusconi government failed to implement planned reforms due to the defection of the ultra-right wing coalition partner, the *Lega Nord*.

Increasing political and scientific uncertainty have also reduced democratic accountability of pension policy-making. Although pension reform in the countries examined by the PEN-REF project has become more open and conflictual, this is not necessarily been synonymous with

an increase in democracy for several reasons. First, increasing governmental autonomy in agenda-setting and policy formulation is not necessarily the same thing as increasing popular control over pension policy-making. Although, governments are in principle more accountable than unelected functionaries, in reality the differences are relatively marginal. Second, pension policy-making still predominantly takes place in the front-yard of the parliamentary process by pension experts (who now tend to disagree more than they agree). Third, and most importantly, although an increase in diversity and conflict is desirable form a democratic perspective, democracy also implies the existence of institutional mechanisms for peacefully resolving policy conflict. As the evidence from the PEN-REF cases shows, the parliamentary front-yard is far more suitable to corporatist consensus-seeking than to the resolution of intense and fundamental policy conflicts. If the pension policy process in Europe is to be democratically accountable, policy-makers will have to design a suitable political venue equipped with the institutional means for resolving fundamental policy conflict.

3 Citizen Participation and European Pension Reform: The PEN-REF Focus Group Experiments

In the second research phase, the central aim of the PEN-REF project was to explore in what ways citizens can contribute to pension reform processes in Europe. Although pension reforms affect the lives of a significant proportion of Europeans, citizens have virtually no say in policy-making. As we saw in the previous section, pension reforms in Europe still emerge from exclusive expert policy communities beyond effective democratic scrutiny. What is more, political realities have made pension reform a piecemeal, incremental and iterative process (Pierson, 1996; Bonoli, 2000). As Karl Hinrichs (2000) points out, pension systems are a lot like elephants: large, grey, popular with the public and very difficult to move.

For this reason, the PEN-REF consortium has spent the year 2001 testing the potential of focus groups as a means of *policy deliberation*, *decision support* and *citizen participation*. Throughout 2001, the PEN-REF consortium conducted focus group experiments in Austria, France, Italy and Poland. Although the focus groups in the different countries resembled each other in broad structure, each country team experimented with different techniques, materials, and analytical approaches. As the country reports of WP 3 show, experimenting with different formats and approaches has provided a wealth of rich qualitative data, which nonetheless has retained a reasonable degree of comparability.

Using this data, the following synthesis report will evaluate the desirability and feasibility of using focus groups as a means of citizen participation. Assessing the PEN-REF focus group experiments involves identifying the benefits and costs of deliberative democracy and citizen participation. The extent to which focus groups were able to realise the benefits of deliberative democracy and citizen participation constitutes the *desirability* of focus groups. In turn, the ability to resolve the problems and avoid the costs of deliberative democracy and citizen participation defines the *feasibility* of focus groups.

After very briefly introducing the concepts of deliberative democracy and citizen participation in following section, Sections 3.2 and 3.3 will assess the desirability and feasibility of the PEN-REF focus groups. In each of these section, the report will first outline how theory defines each particular benefit or cost of deliberation. Subsequently, the chapter explores to what extent the PEN-REF focus groups managed to implement these benefits and minimise the costs.

3.1 Deliberative Democracy and Citizen Participation

Although different visions of deliberative democracy vary, often quite considerably, theorists agree that it is a mode of governance where "…the public deliberation of free and equal citizens is the core of legitimate political decision-making and self-government" (Bohman, 1998, p.401). Decision-making based on "….discussion among free and equal citizens" (Elster, 1998, p.1) produces outcomes that authentically and genuinely reflect the public interest. Deliberation is supposed to provide a space for reasoned discussion and the opportunity for critical reflection (Fearon, 1998). In this way, deliberative democracy can lead to a transformation of citizens' preferences by persuasion rather than coercion, manipulation

or deception (Dryzek, 2000). Thus, deliberative outcomes are legitimate because they are based on what Jürgen Habermas (1982) calls a "rationally motivated consensus" that grounds policy decisions on reasons that every citizen can, on rational reflection, accept (Bohman, 1998; Dryzek, 2000).

While deliberative democracy is based on an abstract ideal of political legitimation, the concept of citizen participation describes rather more concrete procedures and processes. Renn et al. (1995) define public participation as the "…forums of exchange that are organised for the purpose of facilitating communication between government, citizens, stakeholders and interest groups, and businesses regarding specific issue or problem" (p.2). This definition includes arenas such as public hearings, public meetings, surveys, citizen advisory committees and, significantly, focus groups. Although public participation is no novelty in industrial societies, forms of citizen participation have developed differently in various institutional and political contexts. In the US and in Anglo-Saxon contexts, public participation is synomymous with participating in government decision-making (Renn and Webler, 1995). In continental Europe, Renn and Webler (1995) argue, the corporatist development has meant that public participation and direct democracy have played a relatively minor role compared to bi- or tri-partite management models. Since about the late 1960s right through the 1980s, however, the so-called new social movements throughout Europe have demanded more direct control over government decision-making. At present, Renn and Webler (1995) maintain that European policy-makers at national and EU level are showing more interest in promoting public participation.

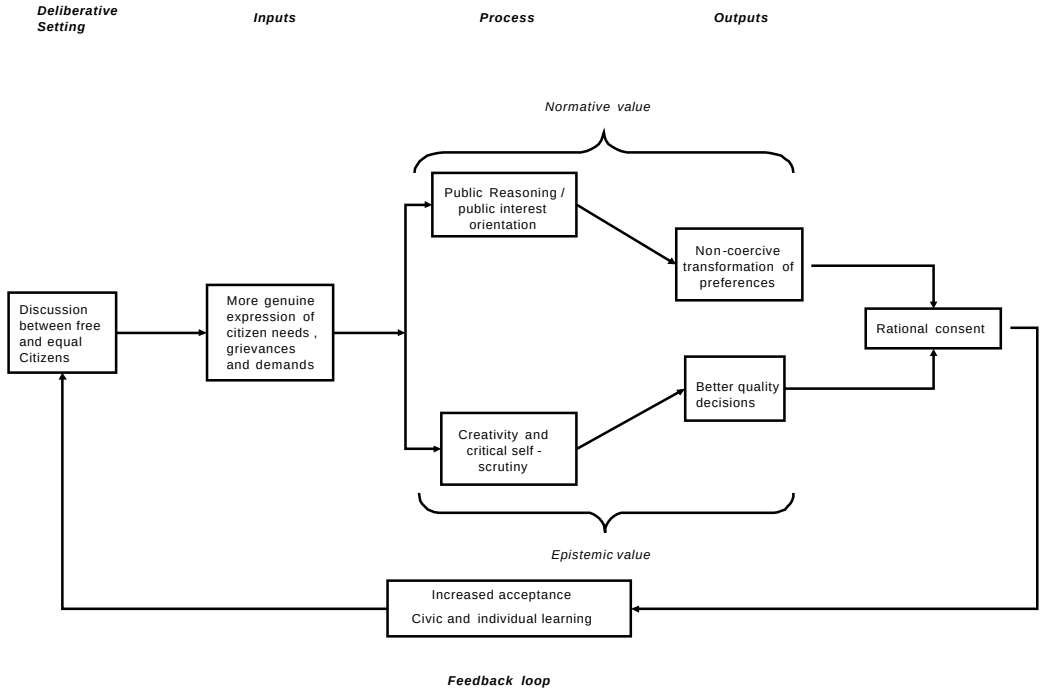
What are the benefits and costs associated with deliberative democracy and citizen participation? And to what extent did the PEN-REF focus group experiments implement these benefits and avoid the costs?

3.2 Desirability

Of all forms of collective decision-making, advocates of deliberative democracy and citizen participation claim that deliberation is the best way of making collective choices. Argumentation between free and equal citizens is not only better than administrative and technocratic policy processes (Renn and Webler, 1995) but also outperforms rival democratic decision-making mechanisms such as voting or bargaining (Elster, 1998). Here, the term 'better' has two distinct meanings. First, deliberation between free and equal citizens is *morally* superior to contending forms of decision-making. Deliberation and deliberative processes, so the argument goes, give rise to a form of public reason and public reasoning that allows citizens to more authenically articulate the public interest and the common good. Second, advocates of deliberation and citizen participation also point to a number of *functional* benefits of deliberative processes. As opposed to rival means of decision-making, deliberation and citizen participation processes produce qualitatively superior decisions and provides a means of public education.

Like any form of decision-making, deliberative democracy and citizen participation are political processes. The normative and functional benefits of deliberative democracy and citizen participation, so the argument goes, emerge from the particular properties of these processes (see Figure 4). This means that assessing the PEN-REF focus groups will not only involve looking at whether *outputs* conform to the deliberative theory but also whether the *framework, the inputs* and the *procedures* approximate the deliberative ideal.

Figure 4: The Deliberative Process



3.2.1 The Framework: Political Equality

One of the principle aims of deliberative democracy and citizen participation is to create an institutional framework for open discussion between free and equal citizens. By insisting that interaction between individuals be based on nothing but rational and impartial argument, deliberative processes, in theory, neutralise any unfair advantages resulting from power, authority or wealth. Deliberative procedures, then, are institutional spaces in which different types of policy actors, such as citizens, interest group representatives, administrators and politicians can meet on equal terms. By levelling the political playing field in this way, deliberative processes give rise to a more authentic form of *political equality* than could representative or elitist[19] forms of democracy (Renn and Webler, 1995).

To what extent did the PEN-REF focus groups *debate and discussion between free and equal citizens*?

[19] The elitist theory of democracy, based on thinkers such as Schumpeter or Mosca, stipulates that functioning democracies require competitive elites. These elites compete for power by formulating policies that the mass of citizens chooses much like they would choose a product in the market. On this view, the majority of citizens are both unqualified to take an active part in policy-making.

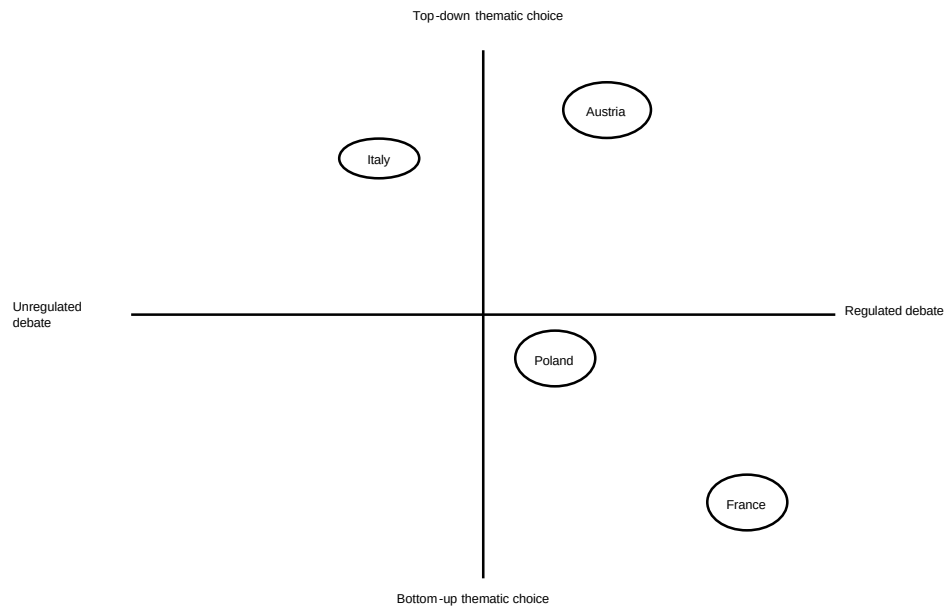
3.2.1.1 Enabling Debate…

An explicit aim of the focus groups experiment in all four countries was to facillitate free debate between citizens on wider pension reform issues. Despite variations in the way different country teams organised their focus group sessions (see WP3 Country Reports), the focus groups in each country implemented a similar deliberative framework. In terms of style and content, discussion in all focus groups was regulated by a set of explicit rules. In all four countries, the rules were enforced by a professional moderator. Further, all country teams set individual and group tasks that ranged from reading material about pension reform to devising pension reform policy options. Additionally, all country treams encouraged more unstructured debate in smaller, taks-oriented subgroups.

However, focus group debates across the different countries was by no means uniform. Between the different countries, discussions differed primarily along the lines of two dichotomies (see Figure 5). The first dichotomy relates to the framework of rules and tasks imposed on focus group debate: some countries decided to impose a more rigid framework (e.g. France) while other country teams opted for a more fluid framework (e.g. Italy). The second dichotomy relates to the topic or subject of focus group debate: whereas the French and Polish teams pursued a more bottom-up approach by letting the focus group participants decide what topics to discuss, the Austrian and Italian team followed a more top-down style where researchers provided specific themes and topics.

As Figure 5 shows, the PEN-REF consortium featured a wide spread of possible focus groups. Within these different setting, all PEN-REF country teams enabled citizens to discuss and deliberate on pension reform issues.

Figure 5: Design Choices of the PEN-REF teams



3.2.1.2 …between Free and Equal Citizens

The PEN-REF country teams ensured that focus group participants were 'free' in several senses. First, participants in all countries entered the focus group discussion on their own free will. Given the level of remuneration offered to participants, we can safely assume that economic hardship was not the prime motivator for participation[20]. Second, the participation in the focus groups was based on a written contract specifying the terms and conditions of focus group participation. Again, valid contracts presuppose a minimum degree of liberty. Last, participants could leave the focus groups at any time (thus, however, forfeiting their remuneration).

What about equality? In all country experiments, focus group members were *politically equal* and *sociologically diverse*. The focus group participants in all countries possessed the same rights and were subject to the same limitations of argumentation. Each participant was equally subject to the rules and regulations of the focus group as well as to the authority of the moderator. However, despite political equality, the focus groups were sociologically diverse by design. The PEN-REF country teams attempted to assemble focus groups that reflected social plurality as closely as possible. Using similar recruitment techniques (ranging from advertisements in newspapers and radio over snowballing methods to professional marketing recruitment), the PEN-REF country teams managed to assemble reasonably diverse focus groups. The Italian team probably was most successful in achieving heterogeneity in terms of age, education and professional status. In both Austria and France, the focus group participants were generally drawn from the well-educated middle to lower middle class stratum. In this sense, the all-female focus groups in Cracow and Warsaw are an exception: here, the Polish team aimed to encourage female communicative self-confidence by excluding male participants (see below). However, apart from the gender aspect, the Polish groups show as wide a spread in age and professional status as do the other groups.

3.2.1.3 Assessment:

In sum, the formats of the different focus groups in the PEN-REF experiments provided a space for discussion and deliberation between free and equal citizens. In all countries, this debate was regulated by a set of formal rules and guided by set tasks. Although these rules differed slightly from country to country, they enabled an open discussion between politically equal but sociologically diverse groups of citizens.

3.2.2 The Inputs: Popular Sovereignty

Apart from implementing a more radical conception of political equality, deliberative democracy and citizen participation processes also give rise to a more authentic form of *popular sovereignty*. Deliberative frameworks allow citizens to explore the common good by freely expressing and reflecting on their preferences. Since these expressions of preferences

[20] Although several country teams noted that the "generous pocket money" offered by the PEN-REF teams did attract some participants (Denizet and Mays, 2002).

take place within a context of more authentic political equality, they represent a far more genuine and nuanced articulation of the 'general will' than would be possible with either voting or bargaining (Fearon, 1998). These more precise and genuine articulations of preferences, opinions and evaluations are the inputs to the deliberative process and fuel rational argumentation. That is why, in principle, deliberation and citizen participation are an effective means of formulating citizen grievances and feeding them into the policy process (Renn and Webler, 1995). Thus, deliberation, particularly in the form of citizen participation processes, empowers citizens and provides a greater degree of democratic control over decision-making. In other words, citizen participation can democratise political systems by binding decision-making closer to a more genuine expression of the general will or the common good.

To what extent did the PEN-REF focus groups allow citizens to express and formulate their preferences, views and grievances?

3.2.2.1 The Problems of European Pension Systems

One of the central objectives of the entire PEN-REF undertaking was to elicit citizens' views on pension reform issues. Despite the varying degrees of regulation in the groups, each team committed a considerable amount of time for participants to express their feelings, beliefs and fears about pension reform. What is more, moderators in all countries insisted that focus group participants communicate their own experiences and their personal assessments of the problems of the pension systems.

Despite dissimilar national contexts and the different ways of eliciting citizen opinions, the outcomes are remarkably robust across the PEN-REF countries. Overall, focus group participants painted a rather bleak picture of the current state of pension systems and the future of social insurance. The Polish team's observation that (Polish) citizens look to the future with a mixture of "anxiety and hope" probably best describes the general expectations across all countries. In particular, focus group participants expressed their misgivings about the current state of pension systems, pension reform processes, and the future of old age income provision (see Table 9).

Table 9: Problems of Contemporary Pension Systems

Policy Problems and Policy Issues			
Austria	*France*	*Italy*	*Poland*
- Reforms are too incremental and too piecemeal. Do not allow individuals to plan ahead - Demographic ageing will undermine existing PAYG systems - Pessimistic expectations: public pension system will not be able to secure a decent standard of living; retirement age will increase considerably - Pension system is inflexible and not suited to current labour market realities - Pension system gives rise to intersectoral inequities (particularly between public and private sectors) - Insufficiently transparent - Problems women face in labour markets: lower average incomes, discontinuous employment histories - Political problems: men dominate political DM - Socio-cultural problems: recurring mother ideal that stymies female independence - Early retirement and different retirement ages of men and women - Adjustment and indexing	- Generally a pessimistic outlook - Pension system creates inequities: between men and women; between employed and unemployed; between public an private sector workers; between the old and the young - Pension system cannot deal with new needs: long-term care; demographic ageing; changes in the labour market - Tendency towards more individual financial responsibility: individual savings will be an indispensable way to make up for the inevitable failing of public pension systems	- Pension system is not suited to current labour market conditions: it is difficult to obtain the required number of insurance years under present labour market conditions - Pension systems institutes inequities between occupational groups - Social budget is too high - Resources and fixed property are poorly managed - Women are favoured by the system - Poor judgement concerning demographic ageing and the development of the labour market - Technological change and the resulting reduction of labour demand - False pension claims - Official communication about pension reform was in an unsuitable language	- Generally a worried and pessimistic outlook: mixed feelings about retirement - Wary of new private pension funds: not convinced of the security of the benefits - Polish are generally excluded from best forms of saving - Fear that future benefits will be too low to allow a decent standard of living - Pension reforms were imposed from the top: no consultation; no explanation of rationale; - New pension system is unsuitable for Polish circumstances - Pension reform was introduced too quickly and too hastily

Pension Systems

In all countries, citizens argued that current public pension systems are inequitable, ill-equipped and intransparent. Focus group participants in all four countries repeatedly pointed to fact that pension systems as a whole generate and maintain gross inequities between different social groups. Pension systems, citizens maintained, have instituted inequities between private and public sector employees (Austria, Italy and France), between men and women (Austria, Italy and Poland), between different gepographical regions (Italy) and between the generations (all countries).

Moreover, focus group participants maintained that current pension systems are vulnerable the challenges of rapid socio-economic change. Demographic ageing in conjuction with the wide-spread practice of early retirement, focus group members in all countries agreed, will ultimately undercut the financial viability of existing PAYG systems. In Austria and France, participants pointed to the increasing costs of long-term care associated with demographic ageing. French and Austrian focus group participants feared that, in practice, families will be left with the costs (both monetary but also in terms of time resources) of caring for the very old and fragile. Moreover, focus groups in all four countries warned that existing pension systems are too inflexible to adapt to changes in European labour markets. Particularly in Italy but also in Poland, participants observed that pension systems based on the male breadwinner model are likely to become less relevant to the increasing amount of workers in atypical employment relations. Polish and Austrian participants additionally pointed out that these are problems women have had to deal with for decades[21].

Last, focus group participants in all four countries expressed their unhappiness at the blatant lack of transparency in existing pension systems. It is virtually impossible, participants in all countries complained, to calculate or even estimate the level of pension one can expect to receive on retiring. Austrian participants pointed out that policy-makers keep shifting the goal posts by implementing successive piecemeal reforms: this, they argue, frustrates any long-term savings strategy. French participants quite explicitly demanded to know the rules of the pension game, how socio-economic changes affected these rules and what policy actors hope to achieve or gain by changing the rules (Denizet and Mays, 2002, pp. 26-28).

All this amounts to a vision of the future in which participants see themselves committed to a moribund pension system. Although this system has been expensive in terms of lifetime contributions, it is likely to provide benefits that can secure a decent standard of living. Individual workers, they all concluded gloomily, will be forced to work long beyond current retirement ages.

Pension Reform Processes

Focus group participants in all four countries also expressed dissatisfaction with pension reform processes. On the one hand, recent French and Austrian reforms, focus group participants declared (with some fervour), are far too incremental and piecemeal to effectively tackle present and future challenges. Both Austrian and French participants accuse policy-makers of having skirted the issue for far too long by studiously ignoring the

[21] Thus echoing the argument that increasing labour market flexibility amounts to a feminisation of labour relations (PDS, 2000).

demographic alarm bells. In Austria, participants point out, this has led to the recent spate of piecemeal reforms that have done nothing to allay the growing feeling of insecurity among pensioners and younger workers alike. In France, focus group participants argue that even if policy-makers had the stomach for implementing necessary reforms, powerful interests (i.e. the labour unions) have hijacked the pension issue anyway. French participants interpret the behaviour of policy-makers as an instance of abandoning old age income provision to the private sector. Reforms in Austria and France, the citizens in the focus groups concluded, reflect political expediency rather than a real desire to ready the pension system for the future.

On the other hand, citizens in Poland criticised reform processes for being too radical and too fast. The incisive pension reform of 1998, Polish focus group participants argued, was imposed from the top on down with little or no consultation. The pace of the reform was far too fast and, as a result, the policy outputs were riddled with mistakes. Moreover, the rationale for the pension reform was opaque and unclear to the Polish focus groups participants. Over and above the dissatisfaction about the pension reform process, Polish participants also expressed doubts about the suitability of the new pension system. The new pension scheme, they maintained, was not attuned to Polish socio-economic and cultural circumstances; the Poles are too poor and Poland is too poor a country for them to profit from a multi-pillar pension system.

In either case, focus group participants felt that policy-makers had not duly considered their needs and fears. In Austria, France and Poland, focus group participants showed a great deal of resentment towards experts and policy-makers: throughout the discussions, participants accused experts and policy-makers of a number of sins ranging from callousness, ignorance and stupidity to opportunism, political cynicism, and corruption. In all countries, then, citizens entered the focus groups with a considerable degree of scepticism and disaffection for the pension policy process: for the citizens of the PEN-REF experiments, pension reforms were an expression of, at best, incompetence and, at worst, cynical politicking.

The (Uncertain) Future of Pension Provision

Last, focus group participants in all countries expressed unease at the perceived public withdrawal from old age income provision. Past and current reform efforts, the focus group participants maintained, have steadily shifted the emphasis away from public provisions to more private sources of old age income. In the future, participants in all countries argued, private savings will make up an increasing share of retirement income. However, participants in all four countries were sceptical of this development. For example in France, members of the Orleans focus group felt that the development towards more individual financial responsibility clashed with their more egalitarian and communitarian values. Similarly, Polish participants were generally wary of their new pension funds; the security, or rather the perceived lack of security of these new private sector funds was a major unresolved issue for Polish focus group participants. Nonetheles, whether happy about it or not, participants in all four countries were convinced of the necessity of private savings. The inevitable shortfall in public pension benefits due to past, current and expected future retrenchments, they argued, will make private savings an imperative. In short, the PEN-REF focus group experiments showed a considerable erosion of trust in both the social insurance type pension system as well as the policy process in general.

3.2.2.2 Assessment

The PEN-REF experiments show that focus groups are an effective means of formulating and communicating citizens' views, needs and preferences. Not only did the PEN-REF focus groups pick up on the basic preferences expounded by citizens, the format also allowed citizens to express shared anxieties and fears about the future of old age income provision.

Despite differences in methodology and national context, the PEN-REF results across different national contexts are remarkably stable. On the whole, the focus groups showed that citizens in all four countries entered the policy debate holding a rather pessimistic outlook that emphasises the long-term financial difficulties of public PAYG systems[22]. In short, the PEN-REF focus groups successfully implemented a more genuine form of popular sovereignty by producing a more authenitic and nuanced expression of the general will.

What happens to these inputs within the deliberative framework? As Figure 4 shows, we can think of the deliberative process in terms of two interrelated aspects. One aspect refers to the normative or moral dimension of deliberative democracy: the concept of public reason which results in the non-coercive transformation of preferences. The other aspect describes the functional or epistemic dimensions of deliberative democracy: that is, the way deliberative settings promote creativity and critical self-scrutiny, thereby generating epistemically valuable policy decisions.

3.2.3 The Normative Aspect: Public Reason and the Non-Coercive Transformation of Preferences

One of the key benefits of deliberation, proponents argue, is that it endorses a *process* of reasoning based on public argumentation. Within deliberative frameworks, decisions emerge from a public exchange of arguments and reasons. Unlike voting or bargaining, deliberative frameworks ensure that citizens transcend pure self-interest and adopt a public interest perspective (Johnson, 1998; Bohman, 1998; Elster, 1998; Dryzek, 2000). This public interest perspective leads to fairer decisions because participants necessarily formulate goals that benefit all[23]. What is more, as the word reasoning implies, the public exchange of argument should also encourage reflection on and revision of individual arguments (Dryzek, 2000).

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[22] Citizens' accounts of the pension problems are very close to the so-called "Crisis Policy Story" (Ney, 2000; Ney and Mayhew, 2001; Ney, 2002). This policy story, advocated by policy actors such as, most prominently, the World Bank, emphasise the detrimental effects of demographic ageing on public PAYG systems. Like many of the focus group participants, policy actors propagating this story call for an end to incremental reforms.

[23] Theorists disagree about the source and rationale for the public interest orientation in deliberation. Jürgen Habermas (1982) locates the tendency for impartiality in the very structures of language itself. Communication, he argues, follows its own type of logic he calls communicative reason. Unlike strategic reason, which aims to maximise individual utility, communicative reason aims to achieve intersubjective understanding. Since the structures of deliberative processes set up a space that promotes communicative action and suspends (as much as is possible) strategic action, deliberation is necessarily oriented towards intersubjective understanding. The implication here is that self-interested arguments will stand little chance of engendering this understanding. Elster (1998) and Fearon (1998), however, suggest that it may be too much to expect of deliberators to genuinely aim for intersubjective

What makes the *outcomes* of public reasoning democratically legitimate is that agreement is based on the non-coercive transformation of preferences (Dryzek, 2000; Habermas, 1982). In deliberative processes between free and equal citizens, the only motivation for individual deliberators to 'change their minds' is what Habermas calls the 'force of the better argument'. Unlike traditional liberal thought, the advocates of deliberative democracy do not assume that preferences are an immutable part of an individual's subjectivity and therefore inherently inaccessible to rational inquiry (Elster, 1998). On the contrary, deliberative democrats hold that values and preferences are a legitimate object of discussion and debate. However, changes in preferences must result from a process of rational argumentation and reflection; in deliberative frameworks, no one need accept any decision unless it is based on rational and impartial reasons. That is why public reasoning in deliberative frameworks in principle generates decisions that "everyone could accept or at least not reasonably reject" (Bohman, 1998, p.402).

Yet, as philosophers such as Jürgen Habermas or John Rawls argue, a 'rationally motivated consensus' need not imply that everyone agrees with or is happy about the substantive outcomes of deliberative processes. Common sense would suggest that any decision furthering *public interest* is not likely to be in everyone's *self-interest*. Moreover, contemporary complex societies give rise to fundamentally conflictual values and belief systems (Thompson et. al, 1991). In order not to compromise the pluralism of values, deliberative theorists suggest that political legitimacy require a consensus about the ideal conditions of the process but not on substantive outcomes. Cohen (1996), for instance, does not see an actual deliberative process as a necessary requirement for political legitimacy. Rather, decisions are legitimate if they *could be* the object of a free and reasoned argument by equal citizens as defined by an ideal procedure (Bohman, 1998). Similarly, Habermas contends that the legitimacy of laws depends on the democratic, i.e. deliberative, character of the legislative process that *would* make possible a consensus of all citizen (Bohman, 1998). Bohman (1998) sums up this argument as follows:

"reasoning in a procedure that embodies norms of freedom, equality and publicity would produce (under further ideal conditions of full information, absence of time constraints and so on) an outcome that everyone in principle could accept. By virtue of these ideal conditions, the decision reached is fair and one that all could accept" (p.402).

To what extent, then, did the focus groups encourage a process of public reasoning based on the public interest and did this process of argumentation enable or point towards a non-coercive transformations of preferences?

3.2.3.1 The Process: The Public Reasons of Public Reasoning

As a rule, participants in all countries formulated arguments from within their own personal experiences and situations. This should come as no surprise since the moderators in all countries explicitly urged participants to share their *personal* views and opinions. In this way,

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understanding and the common good. Moreover, they argue, it may not even be necessary. Public reason and deliberation, they tell us, gives rise to social and psychological pressures that create disincentives for *appearing* to be selfish. The public interest orientation, then, emerges from what Elster calls the "civilising force of hypocrisy".

the PEN-REF country teams encouraged participants to tell stories about themselves and about their immediate social environments (i.e. families, friends and the workplace).

This strategy gave rise to several different classes of arguments with an ostensible public interest orientation. First, some participants stepped outside their immediate personal context and formulated public interest arguments juxtaposed to their (perceived and ascribed) self-interest (Type 1). Second, participants stepped outside their personal contexts and formulated public interest arguments congruous with, or at least not diametrically opposed to, self-interests (Type 2). Last, participants claimed that their personal context, plight or tragedy was relevant to the public interest (Type 3).

In general, Type 1 arguments were relatively rare[24]. In Austria, for example, a female participant commenting on differential retirement ages remarked that for "…society this is a problem, as we [women] retire 5 years earlier and reach a higher age, which means we pay fewer contributions and enjoy benefits for a longer period. Under these conditions it is not surprising that the debts are increasing" (Anna quoted Schachermayer, 2002). Similarly, a civil servant pointed out that "…the civil service regulations allow for an extra year after reaching the age of 65. In this case a so-called 'age allocation' is made, which is, unfortunately, not granted in the private sector. But what is really unfair is that they are granted one more year" (Magdalena quoted in Schachermayer, 2002). In France too, a participant from the civil service remarked that

> "I know exactly how much I'm going to have at retirement: 75% of my final salary. I have had a look at other systems and it's true, **we're relatively favoured by this system**.What I feel personally is that there's a whole segment of society that is disfavoured in terms of pension. We saw here that for women there's a problem because it's badly organised. How can we improve the income of people who are wanting? It seems to me there are people who have too much for their retirement and others not enough. It doesn't seem right to me" (Antoine quoted in Denizet and Mays, 2002, original emphasis).

Type 2 arguments, in turn, were slightly more common across the four focus group experiments. When using this type of argumentation, the focus group participants often were formulating win/win strategies. For example, Leo, a retired manager in the first Vienna group, laments that "…it has become increasingly difficult to find people for such jobs, as this [the caring professions and social work] is being done far below its value. Because those who help others are not merely doing others a favour, but they carry out an activity which should be adequately remunerated!…" (quoted in Schachermayer, 2002). Similarly, Zouheir argues that it is "….worth-while having this [public PAYG] system in which everyone will eventually receive a pension…The mandatory contribution shall be maintained, I would also pay more, this is worth paying more" (quoted in Schachermayer, 2002, p.25). Likewise, Sylvie in France asks

> "How can we force decision-makers to come up with **a system where everyone has equality in terms of what is contributed and what comes back?** Not that everyone has to sleep in the same bed, because there will always be big salaries and small salaries, but how to ensure a strict minimum for comfort? I mean a pension equivalent

[24] These are obviously very crude estimations of frequency. A more thorough analysis would require the classification and quantification of arguments used in the focus group experiments.

> to at least the monthly minimum wage, because it is intolerable for people to have to be alert to everything that goes by in order to put some aside" (quoted in Denizet and Mays, 2002, original emphasis).

These very selective (and by no means exhaustive or representative) examples of Type 2 arguments show how respondent line up the public interest with self-interest.

However, casual empiricism suggests that Type 3 argumentation by far outweighed the other two forms in all four countries. In Austria, for example, the relatively young participant Martina laments the fact that younger workers "…must, in principle, pay twice, i.e. into the present system and they must also make their own provisions, otherwise they will not receive any pension benefits" (quoted in Schachermayer, 2002, p.14). Likewise, participants in both French focus group series portrayed their situation as an issue of public interest. Vincent, for example, after recounting how his pension situation dramatically worsened after being made redundant points out that his problem is

> "…not just stories in the paper; I have lots of friends who are in the same situation. They're 50 to 60 years old, they don't know if they can hold on to their job until the end, they don't know if by missing 4 or 5 years off their quota they're going to find their pensions lopped by 40 or 50%. It's terrible" (quoted in Denizet and Mays, 2002, p.18).

These examples show that focus groups can generate a public interest orientation in citizens. However, this public interest orientation comes in many different guises. Moreover, often it is difficult to disentangle public interested from self-interested argumentation and other forms of communication. In sum, the PEN-REF focus group experiment was relatively 'weak' on producing *bona fide* public interest arguments.

This nonewithstanding, the argumentative settings also prevented respondents from adopting purely self-interested arguments. All argumention made at least a perfunctory reference to shared values. In the case the Type 3 arguments, participants most commonly appealed to one or another definition of equity and fairness. The personal plight or tragedy, so the argument went, is of public interest because it offends a shared sense of morality. Type 3 argumentation tried to represent the individual plight as a typical for this transgression of commonly shared values. Many of these arguments evoked some rather strong images of hardship: the hard-up single mother, the exploited seasonal worker, the younger worker without future, or the unemployed over 50 (to mention but a few) were images that Type 3 argumentation frequently conjured up. Thus, while the 'force of the better argument' may not have been at work in PEN-REF focus groups quite as visibly as one may have hoped, the 'civilising force of hypocrisy' certainly was.

3.2.3.2 The Outcomes: Non-Coercive Transformation of Preferences and the Rationally Motivated Consensus

None of the focus groups generated a pronounced transformation of preferences. Focus group discussions in all countries revolved around the basic conflict between two competing perceptions of fairness. This ideological rift gave rise to many issue-related disputes that, with the notable exception of the Orleans group in France, remained unresolved at the end of all focus group experiments.

On the one hand, some focus group participants understood fairness in terms of strict equivalence. On this view, fairness means that people should expect to receive from pension systems no less (but certainly no more) than what they have contributed. In practice, so the argument goes, contributions to pension systems result from formal employment in the labour market. Work (i.e. said formal employment) is a precondition for participating in society and sharing in its wealth. Furthermore, this view of fairness defines work as a moral obligation towards the community. For adherents of this view, justice and equality implies transparency. Pension systems, advocates argue, should create a clear and transparent relationship between contributions and benefits. Moreover, this relationship should be the same for all contributors. The 'fairness-as-equivalence' view takes a dim view of "free-riders" generating significant hostility towards the undeserving and feckless poor.

On the other hand, a vocal minority of focus group participants in all countries preferred to conceive of fairness in terms of social solidarity. Here, simply being human entitles people to a decent standard of living. However, some people cannot afford even a minimum standard of decency because the market and the state systematically undervalue most socially useful activities (such as child-care but also art). As a result, some people, through no fault of their own, live in want while others, on the basis of no particular merit, live in abundance. Like everything in our societies, adherents of this view proclaim, work is unevenly distributed: work has become a privilege when it should be a right. It is the moral responsibility of the community to rectify these injustices and inequities. Social policy, then, is the suitable means of showing solidarity to the less fortunate and satisfying basic human needs of all.

In all PEN-REF countries, these two fundamental belief-systems informed deliberation and discussion. This is not to say that different national contexts were irrelevant. Rather, the national context and specific socio-cultural background shaped the way the conflict was articulated. For example, the clash between the different views of fairness in Austria took place in front of the backdrop of intergenerational equity. In France, the issue of harmonising different pension regimes catalysed the clash value positions while in Poland this conflict played out over the issue of pension fund security. In Italy, the two views of fairness were set into context by pervasive inequality between the North and the South of the country.

With the exception of the Orleans group in France, deliberation in the other focus groups was unable to affect, let alone transform, these fundamental views of fairness. The rifts between these two belief systems remained a source of (unresolved) conflict to the very end. In France, the citizen's report of the Paris group simply juxtaposed views rather than synthesising them (Denizet and Mays, 2002). Here, the authors tells us, agreement was merely an expression of mutual tolerance rather than consensus. Likewise, although Austrian focus group participants managed to find many points of agreement, some very decisive conflicts over policy options remained unresolved. For example, while the participants of the first Austrian focus group all agreed that pension systems should redistribute from rich to poor thereby providing a basic level of security, the question of how to finance this redistribution and, more significantly, who was to be eligible for redistribution, remained unresolved. Whereas some participants wanted to the introduction of a basic level of old-age security for all that needed it, the others prefered to redistribute only to those who had contributed to the system. The Polish team also observed that some policy conflicts remained stubbornly resistent to resolution. These included central issues such as the appropriate contribution periods for women and unemployed, the questions of a minimum pension for everyone, and to what extent the retired should be allowed to work

This is not to say that deliberation had no impact on preferences at all. However, deliberation affected preference structures in quite complex and subtle ways. Overall, the different PEN-REF teams observed that the focus group discussions affected the general tenor, mood or outlook of focus group participants. In Orleans, the French team observed that deliberation helped the Orleans group to move "...away from the depressive, pessimistic position of the first sessions" (Denizet and Mays, 2002, p.38). The Austrian team noted a similar effect in the second focus group series: here, deliberation and the encounter with the experts replaced the pessimistic expectations concerning the long-term financial sustainability of the public PAYG system with guarded optimism about the future. Likewise, the expert presentations in Poland convinced some focus group members that more generous arrangements concerning the retirement age, contribution periods and the possibility of a minimum universal pension were unaffordable. In this sense, it may very well be that focus groups lay the seed for profound future changes by building self-confidence in deliberative abilities on the one hand and exposing citizens to other modes of thinking on the other.

3.2.3.3 Assessment

In terms of the normative aspects of the deliberative process, the PEN-REF focus groups produced rather weak results. Although the focus groups established a process of public reason of sorts, it was rather difficult to disentangle public-interest arguments from more self-interested discourse. Moreover, the PEN-REF focus groups did not bring about a non-coercive transformation of preferences and lead to a 'rationally motivated consensus'. This is true in both the strong (i.e. consensus on substantive outcomes) or the weak (i.e. consent to substantive outcomes on the basis of a consensus about the process) sense. While shallow preferences in all countries changed in some form or another, this was mostly a result of expert presentations rather than deliberation between free and equal citizens. What is more, the fundamental beliefs and assessments remained more or less intact leaving a number of unresolved conflicts.

There may be two reasons why public interest arguments were rather rare. First, the structure and orientation of the focus groups encouraged participants to formulate and communicate their personal views and opinions. As we saw in the previous section, the focus groups elicited individual and group views rather effectively. Thus, the format of the focus groups in all four countries possibly encouraged participants to remain in a self-interested perspective. If this were the case, it would be unfair to criticise participants for lacking public spirit. Second, it may very well be that welfare state institutions themselves give rise to a specific mode of thinking and arguing (Pierson, 1996). Pension systems, then, may have generated strong expectations and beliefs about the appropriate relationship between contributions and benefits. Focus group participants may feel that, in terms of the logic of Bismarckian social insurance mechanisms, pension systems are failing to deliver. Indeed, in times of plenty social insurance systems boasted the ability to redistribute and a provide an equivalent return on contribution payments at the same time. As critical commentators have pointed out, these policy goals are not necessarily congruous (World Bank, 1994). In times of austerity, it would seem, social insurance systems are incapable of squaring the circle. Thus, a concern for 'getting back out of the system what I put into it' may not necessarily be an expression of pure self-interest. Rather, this type of argument may result from the implicit logic of Bismarckian social insurance systems

We can also point to a number of possible explanations for the persistence of principled conflict. First, it may be unreasonable to expect a process as transient and fragile as the

focus group format to transform anything but the most shallow of beliefs. As the French team rightly remarks, the experiences in Paris show that focus group members use much of the available time getting to know each other and venting steam. Observations in the other countries seem to point to similar conclusions. Add to this Sabatier and Jenkins-Smith (1999) hypothesis that changes in fundamental beliefs require at least a decade of intensive policy interaction and using focus groups to transform preferences at any level seems absurd.

The success of the Orleans group in reaching a rationally motivated consensus may thus be the result of fortuitous circumstances. The Orleans participants, the French team tells us, profited from a number of group characteristics (i.e. homogenity of socio-cultural background) as well as the fact that the group produced, accepted, and nurtured a leader. But, as the experience in Vienna or Paris show, even if focus groups feature all the 'right' ingredients, producing (and reproducing) a rationally motivated consensus may depend on many more factors that do not directly relate to the qualities of public reasoning. These factors may include the quality and style of moderation, current political or economic events, or the socio-demographic composition of the group. Unfortunately, they may also comprise more intangible factors such as 'group chemistry' or simply luck. In this sense, transforming preferences may be beyond the capabilities of the focus group format except in very unusual circumstances. Rather, focus groups may be far more suited to

- **eliciting the structures of different belief systems as well as the argumentative strategies these belief systems generate;** as well as

- **coordinating and accommodating these views in a common framework.**

Second, at a more theoretical level, it may very well be that the transformation of preferences requires more than the "force of the better argument". It is not entirely clear if and how deliberation based on the exchange of impartial arguments can unleash the proselytising and enlightening forces of reason (Johnson, 1998). Transformations and conversions at this level of beliefs may need to communicate the types of messages that rational and impassionate argument is notoriously incapable of transporting (e.g. emotions). This is precisely what James Johnson (1998) means when he argues that the requirements of public reason may tame political communication so that it becomes incapable of convincing anyone of anything: transforming preferences presupposes questioning them which, in turn, means stepping on people's ideological toes. In order to transform preferences, then, deliberation and citizen participation processes may not only need longer time horizons but also a far broader spectrum of communicative tools that are capable of transporting those types of messages impartial public reasoning is unable to transmit.

All this begs the question of whether the relationship between political legitimacy and rational consensus based on the non-coercive transformation of preferences is either practical or necessary. In other words, there may be other types of deliberative outcomes that do not conform to the lofty ideals of communicative rationality but nonetheless are politically legitimate. While rationally motivated consensus may be the 'Rolls Royce' among deliberative outcomes, other forms of consent, compromise or consensus may also be able to carry some of the normative weight of 'authentic democracy'. These may include

- mutual tolerance (as in the Paris focus group)

- clumsy compromise (Austrian groups)

- charismatic resolution (as in the Orleans group)

3.2.4 The Functional Dimension: Creativity, Critical Self-Scrutiny and to Better Quality Decisions

Apart from grounding political legitimacy in the concept of public reason, free and open deliberation among equal citzens also gives rise to better quality decisions. In other words, outcomes of deliberative processes are not only democratically more legitimate, the quality of the knowledge contained in these decisions is generally higher than what we could expect from voting or bargaining. This is the case, argue proponents, because deliberative procedures allow and actively encourage individuals to pool their cognitive and reflexive resources (Fearon, 1998). As a result of open, free and reasonable debate, citizens will be able to weed out and correct inaccurate assumptions, misperceptions, logical fallacies, or inaccurate causal models. John Stuart Mill, for example, considered deliberation and argument as a corrective for faulty judgement: putting one's argument up for critical scrutiny by one's peers (such as delegates in a parliament), he maintained, will soon bring to light any defective reasoning.

In the context of this general mechanism, both Gambetta (1998) and Fearon (1998) point to several more specific processes by which deliberation and citizen participation enhance the epistemic quality of policy decisions. First, deliberation helps reveal private information and improves the distribution of information in a group (Fearon, 1998). In deliberative processes, individuals can more readily attach and communicate weights and significance to their preferences than they could in a voting procedure. Moreover, individual deliberators can inform others about the probabilities of different outcomes. On the basis of this (private) information, citizens can make more enlightened political choices than would be possible within voting and bargaining contexts.

Second, Fearon (1998) and Gambetta (1998) argue that deliberation helps overcome bounded rationality by enabling citizens to be creative in their search for solutions. Fearon, maintains that problems facing a group of deliberators may be so complex and complicated that even the improved distribution of private information may not help the group devise suitable policy options. In this case, discussion and deliberation becomes an exercise in brainstorming for new ideas and options. The open and free format of argument and debate, Gambetta (1998) argues, injects imagination into decision-making in ways that voting and bargaining are incapable of doing. That is why deliberation may generate new solutions and may encourage participants to adopt creative proposals. Moreover, if a deliberating group cannot agree on a particular option, Gambetta surmises, deliberative pressures towards consensus will force them to think of new alternatives. Discussants, Fearon contends, pool their cognitive, rational and communicative resources in essentially two ways. First, brainstorming may be "additive": here, an individual participant contributes to the discussion by thinking of an alternative no one else has thought of before. Second, the deliberative process may be "multiplicative": in this sense, alternatives and options emerge from the discussion that none of the participants would have come up with in solitary reflection (Fearon, 1998, p.50). In sum, Fearon argues that deliberation is by far the best means for overcoming the "failure of imagination" caused by bounded rationality: unlike voting or bargaining, deliberation alone allows individuals to pool their intellectual resources.

To what extent did the PEN-REF focus groups enable a process of creativity and critical scrutiny? As a result, did focus groups produce 'better' quality policy solutions?

3.2.4.1 The Process: Creativity and Critical Self-Scrutiny

Focus group exercises in each country featured iterative group processes for both expressing preferences and devising policy solutions. For example, the Austrian team elicited both problem definitions and possible solutions (or visions) using a method combining deliberation, consultation and aggregation. In open discussion, the Austrian team asked participants to produce an exhaustive list of problems. After having discussed and reduced the list of problems, the Austrian moderator asked to rank the problems by voting. This procedure produced a ranked set of problems and visions/ solutions that each individual focus group member was satisfied with. The French PEN-REF team, in keeping with their bottom-up approach, used an open format for eliciting policy problems and citizen preferences. The Polish team, in turn, used a group interview technique (the so-called 'unfinished sentence test') to elicit views on problems and challenges to the pension system.

In order to devise policy solutions, focus groups in each country used similar types of iterative and reflective processes. In each country, the different PEN-REF country teams encouraged individual participants to formulate policy options or recommendations. All focus group exercises provided the opportunity for focus group participants to discuss and deliberate on the different policy options: this either took place in smaller subgroups (Austria, France) or in the context of the full focus group (Poland, Italy). Finally, each country team attempted to achieve some form of deliberative closure: in France and Poland, focus group participants voted on the different policy options while Austrian focus group members tried to construct a compromise between different positions.

While localising the processes for overcoming bounded rationality in the PEN-REF focus groups is relatively straightforward, trying to grasp the element of critical self-scrutiny is more difficult. An assessment of this aspect of deliberation has to rely on the interpretations of on-site observations. Bearing these difficulties in mind, however, observations of deliberative behaviour in all PEN-REF groups seems to suggest that focus groups quickly developed self-critical and self-corrective tendencies. For instance, in both Viennese focus groups, the observers also took on the role of experts who were to adjudicate disputes of a factual nature and point to blatant errors. In practice, however, focus group participants rarely used this option; in the majority of cases, the participants themselves pointed out mistakes in reasoning and factual errors. The Italian team, in turn, observed that focus group participants needed to undergo an 'epistemological crisis' in order to find common solutions to pension issues. Only after having realised that their individual simple solutions were not likely to solve the complex pension problems, Italian focus group participants embarked on a processes of mutual reflection in search for more appropriate solutions (Cioccia, 2002).

In sum, the PEN-REF focus groups encouraged a processes of creativity and critical self-scrutiny. This is true both at a formal level (i.e. organised group exercises for eliciting policy problems and devising policy optios) and an informal level (i.e. deliberative processes that evolved out of the debate itself). In all PEN-REF countries, focus group participants were provided with both the space and structures for formulating and developing ideas and policy solutions.

3.2.4.2 The Outcome: Better Policy Decision

The other central pillar supporting the justification of deliberative democracy and citizen participation procedures is that they not only produce authentic democracy but also lead to better policy decisions. The claim to epistemic superiority has two aspects:

a) Deliberative democracy and citizen participation give rise to more accurate policy outcomes because they promote a process of critical self-scrutiny. This implies assessing the policy options emerging from the PEN-REF focus groups in terms of their own merit.

b) Deliberative democracy and citizen participation promote creativity since citizens can pool their cognitive and reflective resources. This means that we have to compare the PEN-REF policy solutions to policy proposals that exist in the 'market place' for pension reform.

What policy solutions emerged from the PEN-REF focus groups? Again, although different country teams applied different approaches and methods, the solutions proposed by participants in all countries bear a distinct familiy resemblance.

Long-term Financial Sustainability

In all countries, focus group participants proposed to secure the long-term financial viability of existing pension systems by instituting some form of multi-pillar pension system. Both Austrian focus groups suggested relieving the financial burdens on the public PAYG system by introducing and promoting (e.g. via tax breaks) a second institutional pillar. Participants in both Austrian focus groups envisaged this pillar to consist of private pension funds based on CR financing. Participation, however, should be on a voluntary basis. In France, the Orleans group also pointed to the necessity of establishing private sector pension funds that would shore up the public sector pension arrangements. Like their colleagues in Austria, French focus group participants found little to commend the idea of mandatory private pension insurance. Likewise, the participants of the Cracow focus groups foresaw an increasing role of the newly established private pension funds in securing and guaranteeing old age income in the future. In Italy, respondents looked favourably on new credit reserve financing mechanisms.

However, the demand for an additional institutional pillar based in the private sector emerged from within the context of a strong desire to secure the future of public involvement in pension provision. In Austria, focus group participants in both groups expressed their commitment to the existing public PAYG pension system. An analysis of the French focus group discussions shows that the continuing existence of the public pension schemes was a background condition. In Poland, where pension reforms have more decisively redefined the roles of public and private sectors in pension provision, a majority of the Cracow group hoped to see a continuing involvement of the public sector in pension provision.

Apart from spreading the financial burden across different forms of pension income, participants in all countries suggested changing retirement ages. Both in the second Vienna group, the Paris group and the Italian focus groups, participants suggested introducing the free choice of retirement ages: individual workers, the focus group participants maintained, should be able to choose when to retire. However, the decision to retire 'early' would imply

actuarially neutral deductions from pension benefits. Likewise, the Italian focus group, particularly the Ancona group, suggested increasing the flexibility of the retirement age.

Equality and Fairness

Participants in all countries suggested ways of bringing about equality between different social groups. First, the idea of a universal basic pension was a recurring (and controversial) theme in all focus groups. The Orleans group in France arguably went furthest by consensually suggesting the introduction of a basic universal pension at the level of the minimum monthly wage. Redistribution from life-time rich to life-time poor, they continued, would finance these universal benefits. The second Austrian group also adopted proposed the implementation of a universal basic pension scheme. However, while some participants understood the basic universal pension as a sign of social progress and distributive justice, others begrudgingly accepted the basic pension scheme as a necessary but undesirable evil[25]. Polish focus group participants, in turn, discussed the possibility of introducing a basic level minimum security for everyone but ultimately dismissed the idea too costly (after expert presentations).

Second, focus group participants in Austria and France proposed extending the coverage of existing public pension schemes. Both Austrian and French groups wanted to see future reforms extend the coverage of the pension system to all types of activities in and beyond the formal labour market. As a result, the Austrian focus group participants argued, each citizen would obtain the right to a pension. The French participants, however, saw the extention of coverage as a means to shore up the finances of the pension system.

Third, focus groups in all countries demanded a harmonisation of different pension regimes. In Austria, the second group quite explicitly called for the harmonisation of Austrian pension system, currently based on occupational distinctions, into one general public pension system. Similarly, both the Orleans and Paris groups in France demanded a simplification and harmonisation of the highly fragmented French pension schemes. By pointing to the privileges of specialised pension schemes (e.g. schemes for miners), Polish respondents implicitly demanded the integration of these professional groups into the new pension system.

Transparency

Last, PEN-REF focus group participants suggested a number of ways to make pension systems more accountable and transparent. The first group in Austria recommended that pension administrations produce annual personalised reports. These reports would provide each contributor with reliable information concerning the state of their pension. In this way, the Austrian participants maintained, individuals could make more enlightened choices concerning their savings behaviour and long-term career plans. In Paris, we find a similar, albeit slightly more general, request: here, focus group members demand policy-makers implement a means of evaluating the development of pension claims at any point in time. In

[25] In the first Austrian group, the issue of a basic universal pension was gave rise to a fundamental conflict between adherents of the 'fairness-as-equivalence' and 'fairness-as-solidarity' camps. Whereas the latter saw the universal basic pension as the most effective way to ameliorate the problems women face in pension systems, the former simply refused to even entertain the thought of providing benefits to people who had not contributed into the system.

all countries, then, respondents call for some form of personal pension accounts within the system of public pension provision.

Apart from these broad similarities, the focus groups in different countries also produced more idiosyncratic policy solutions. For example, the Austrian focus group dealing with the specific problems surrounding the old age provisions for women devised a number of policy solutions aimed at improving the general social and cultural standing of women. Moreover, the French participants pointed to some very technical (and country-specific) options for improving the financial sustainability of French pension schemes. In Poland, respondents suggested ways of improving and guaranteeing the security of the new private pension funds.

Table 10 provides an overview of the different policy solutions proposed by focus group participants.

Table 10: Policy Solutions Proposed by PEN-REF Focus Groups

Policy Solutions			
Austria	*France*	*Italy*	*Poland*
Group 1: Gender-Specific Problems in Pension Reform - Addressing gender-specific inequalities: Constitutional amendment guaranteeing equal opportunities and equal rights in labour market; Strengthen the self-confidence of women; adjustment of collective contract - Atypical employment relations: personal pension account; more flexibility in both pension system and labour market - Male dominance in decision-making: increased female networking; positive discrimination and quotas for female workers; - Mother ideal: fathers should be made to feel more responsible for their children; more child care facilities at the workplace Group compromise on pension system: - Multi-pillar system - Extend coverage to all types of activities within and outside the formal labour market - Individual rights to pension benefits for all citizens - Variable retirement age with actuarial deductions (with a minimum qualifying period)	Orleans group: - Equality across occupational sectors - Basic pension system at the level of minimum monthly wage for everyone with at least 40 years contribution; financed by horizontal redistribution - Fully funded pillar as optional private pension - Secure the financial viability of existing PAYG scheme: extend qualifying period; increase payroll taxes; extension of coverage to all types of activities and incomes	Ancona Group: - Decrease pension benefits: - Tighten relationship between contributions and benefits: provision of minimal pension benefit if contributions fall under a decency threshold - Create transparency and clearly defined rules - Increase the employer's contribution - Establish a solidarity fund for easing younger workers into and older workers out of the labour market; for 'overly burdensome work' - Clearly distinguish welfare from social security	Krakow group: - Women should retire at 60 years of age and men should retire at 65 - Pension contributions should be divided into an obligatory and a voluntary part, part of the contribution should be invested, another part should finance current pensions; some less fortunate should be able to pay lower contributions - The level of benefits should depend on the contributions but not on life expectancy during retirement - No minimum pension benefits - Pension benefit payments should be guaranteed by the state and private institutions - Both the state and private institutions should be involved in old-age income provision

- Transparency through pension accounts			
Group 2: Responsibility in an Ageing Society - Securing the long-term financial sustainability of the present PAYG system: establish a second, fully funded pillar - Universal pension system (accepted with mixed feelings) - Large multinational firms will find a way of preserving purchasing power of the retired - Rely on extended families (minority position) Pension System: - Multi-pillar system: 1st pillar PAYG, 2nd pillar FF, voluntary - Extend coverage to all types of activities within and outside the formal labour market - Harmonise pension system - Variable retirement age with actuarial deductions	Paris group: - choice of retirement age with actuarially neutral benefits - creation of means to evaluate in real-time the state of pension benefits - identical basic system for all - pension contributions for all persons exercising a paid or unpaid activity		

How accurate are these policy proposals? In general, the solutions put forward by the focus groups in all countries were cogent, intelligent and, most importantly, credible efforts at addressing perceived policy problems. Not only did the participants in all four focus group systematically address the issues and problems identified in the opening sessions, all focus group members were concerned with finding workable and plausible policy options. For example, despite moderator and observers explicitly encouraging 'off-the-wall' thinking, the Austrian focus group participant were aware of and concerned with the 'realism' of their policy proposals. Moreover, ultimate outputs in none of the groups contained glaring errors or blatantly faulty logic.

However, the final proposals in all countries[26] contained very similar 'inconsistencies'. For example, policy solutions in the French and Austrian focus groups reflected both a concern for securing financial sustainability as well as a desire to extend the coverage and liability of the system to as many citizens as possible. These two policy goals may, however, not necessarily be congruous. While extending coverage increases the revenues of pension systems in the short- and medium-term, these increased contributions also correspond to pension claims to be honoured in the future. In a PAYG system, the burden of honouring these pension claims falls entirely on the younger generation of workers. Thus, expanding pension systems and securing the long-term financial sustainability of public pension schemes may be counter-productive. In sum, none of the solutions and policy options emerging from the PEN-REF focus groups was blatantly inaccurate. While some of the proposals may seem a little quirky (e.g. the confidence of an Austrian participant in the innovative potential of world capital) or even a quaint (i.e. strengthening the role of the family in old-age income provision), all represent a plausible attempt of dealing with perceived pension problems. Again, these 'inconsistencies' occurred in all focus groups.

Do PEN-REF policy solutions reflect creativity and overcome the limitations of bounded rationality? The answer to this question is a cautious 'yes'. The format and iterative processes implemented in the focus groups allowed the participants to pool their ideas (i.e. *additive* brainstorming). What is more, in a few cases discussion and deliberation also generated new, common policy solutions (i.e. *multiplicative* brainstorming). For example, the French team reports that the final demands of the Orleans group contain elements that none of the individual focus group members had listed in the initial exercise. Yet, it would seem that here the Orleans group once again is an exception. The reports on the other groups indicate that for the most part focus group participants were busy sifting through the wealth of ideas, views and opinions generated by additive brainstorming. Given the fundamental differences in outlook and the general orientation towards consensus, focus groups spent much of the available time looking for commonalities. Thus, the wealth of ideas and scarcity of time undermined attempts at multiplicative brainstorming.

How innovative and creative are the PEN-REF policy proposals? The assessment of the innovative qualities of citizens' policy options gives rise to two sets of contradictions. On the one hand, the solutions coming from focus groups are **no worse** than solutions on offer by experts in the field of pension reform. In very general terms, the focus group participants defined the problems of pension systems in a very similar way to experts and policy-makers. Table 11 compares the different policy stories pension reform experts tell to the stories told

[26] with the possible exception of the Orleans group.

by the PEN-REF focus group participants. Both in terms of problem definition and in terms of policy options, the similarities between focus group outputs and expert opinions are far more profound than the differences. Citizens not only identified the major issues and problems but also provided solutions well within the 'triangular polic space' mapped out by the different policy stories (Ney, 2000, see Figure 6). On the other hand, focus group participants failed to produce policy solutions not already present on European knowledge markets for pension reform: all of the ideas and proposals produced by PEN-REF focus group participants exist, in one form or another, in diverse institutional locations across Europe (i.e.universities, research organisations, pressure groups, political parties, etc. see Ney and Mayhew, 2001).

On the one hand, the policy solutions emerging from focus groups feature a remarkable degree of conservatism (in the literal sense) and risk-aversion. With the notable exception of the Orleans group in France, all focus groups sought to conserve and restore existing pension systems; this meant that participants shied away from proposing incisive changes. In terms of the institutional discourse outlined in Table 11, none of the focus groups moved far away from the policy story about social stability. The focus group participants expressed this most noticably by the strong preference for continued public sector involvement in pension provision. Indeed, French and and Austrian participants explicitly sought to preserve the advantages of existing public PAYG systems. At the same time, all focus groups (except the Orleans group) rejected more generous basic pension schemes as well as more market-based savings mechanisms. On the other hand, focus group participants were very creative and courageous in combining existing ideas from the knowledge market. Many of the policy solutions proposed by PEN-REF participants are based on ideas that languish in the margins of the political debate. For example, few mainstream policy actors consider expanding the coverage of the existing systems to cover all types of activities and incomes to be a viable policy option. In Germany, it is only the reconstructed socialist party (PDS) that has proposed introducing both harmonising different occupational schemes and expanding the coverage of the existing pension system.

Figure 6: The Triangular Policy Space

Table 11: Three Policy Stories about Pension Reform

	The World Bank Story You Can't Have Your Cake and Eat It	The ILO Story Crisis? What Crisis?	The European Commission Story You're Barking up the Wrong Tree
Setting (policy assumptions)	- Economic growth is the basis for anything else the government may wish to do: In order to be good for the old, pension systems need to be good for the economy - Policy-making is about trade-offs and choice: - Policy options come with a price tag - Deep suspicion of both probity and competence of public sector officials	- the principle of compulsory affiliation - the equality of treatment (women and men, nationals and non-nationals) - the provision of guaranteed, predictable benefits up to a certain level - the democratic management of pension schemes (implying that worker's and employer's be represented in pension fund management) - that the state needs to ensure that conditions for effective service delivery are met - the establishment of benefit and contribution ceilings to limit the state's obligation to high income workers	- Adapting to an ageing society will require fundamental change at societal and individual level´: this change requires careful and judicious management - Pension reforms should secure broadest and most equitable funding base - Pension systems should feature a sustainable mix of pension pillars based on law, contract and collective agreement. - Pension reform should strengthen the intergenerational contract
Villains (policy problems)	- Public PAYG, defined-benefit systems - Have alleviated old age poverty at an increasingly unacceptable cost to society in terms of market distortions and inequities - Labour Market distortions: payroll taxes are a disincentive to labour market participation; pension systems unfavourably skew the retirement decision; pension systems discourage national savings ad starve local capital markets of funds; increasing shortfall between contribution and benefits strains public purse - Inequities: PAYG pension systems create inequitable intergenerational	- Most of the world's workers and dependents are not covered by any form of old age security system - Where workers are covered, pension governance has been poor - Defined-contribution, fully funded systems are not a panacea for the ailments of demographic ageing - Impact on labour-markets and savings in highly uncertain - No reason to believe that FF, DC schemes will not distort labour market - FF, DC schemes are just as vulnerable to fraud, malfeasance and sheer incompetence as PAYG, DB systems	- The impacts of demographic ageing on labour markets will lead to a squeeze on European labour supply - This will be exacerbated by socio-cultural barriers to labour participation of elderly workers women, and long-term unemployed - Widespread early retirement practices will considerably add to the squeeze

	transfers from younger to older generation; little evidence of intragenerational redistribution		
Heroes (policy prescriptions)	- Institutionally separate the conflicting objectives (redistribution and insurance) - Multi-pillar pension system - Pillar 1: Public PAYG system for alleviating old-age poverty - Pillar 2: Mandatory private savings plan for long-term savings and insurance function - Pillar 3: private voluntary savings, extra income for high-income workers	- Extend coverage to all workers currently not covered - Pension systems need to be flexible and pluralistic in order to adapt to many different types of socio-economic conditions - Multi-tiered system with each tier featuring different insurance and redistributive characteristics	- It is time to 'move beyond the pension reform debate' - Pension reform needs to expand the funding base in all directions by encouraging as yet excluded social groups to participate in European labour markets - Multi-pillar pension system which represents a sensible balance between FF and PAYG elements as well as provides a safeguard against old age poverty
Happy End (instruments and indicators)	- Reform public pension system - Introduce mandatory private pension system, transition period financed by benefit retrenchment and contribution increases - Launch a public information campaign	- Reforms should be phased in gradually providing real options for workers - Reforms should be based on a consensus of all relevant policy actors	- Active Ageing tools, i.e. life-long learning and training; flexible retirement arrangements; more part-time work

3.2.4.3 Assessment

In sum, the PEN-REF focus groups generated policy options that reflected both accuracy and creativity. Although none of the solutions expanded the boundaries of the triangular policy space, the policy options formulated by focus group participants in all four countries were at least as valuable or inspired, albeit at a lower level of technical sophistication, as policy options proffered by pension reform experts. What is more, members of the PEN-REF focus groups managed to find new combinations of existing policy solutions.

Yet, why did focus group participants generate no new pension reform approaches? We can point to two possible explanations. First, devising new ideas, like transforming preferences, may require a more substantial investment of time and effort than focus groups can provide. One should not forget that it is hard enough for professional researchers to devise creative yet plausible policy solutions. For this reason, placing the burden of innovation on citizen participation procedures is not only unreasonable but also unfair[27]. This, however, does suggest that focus groups may not be suited to generating new ideas. Rather, focus groups may provide a forum in which to put new ideas to the deliberative test and critical scrutiny of citizens. In this way, focus groups may be a means of testing the acceptability and pallatability of policy options and policy solutions.

Second, the results from the PEN-REF focus group experiment indicate that social insurance systems may provide some very real institutional limits to the imagination of would-be reformers. Although the technical and legal details of Bismarckian pension systems are complicated, the basic mechanics that regulate these social insurance machines are accessible to logical thinking. While drafting legislation, adjusting pension formulas or calculating rates of return requires expert technical skills, the PEN-REF experiments show that citizens without the relevant technical training can quite competently point to problems and prepare cogent general solutions. Social insurance systems, then, may simply provide a rather limited range of basic pension reform pathways (Hinrichs, 2001). In the light of these findings, excluding citizens from pension reform on the grounds of lacking the appropriate cognitive tools for understanding pension issues seems decidely thin.

3.2.5 Positive Feedback: Larger Consensus and Learning Effects

As Figure 4 shows, deliberative processes produce benefits that feed back into the political process and society as a whole. These benefits neither directly impact on the political legitimacy of deliberative outcomes nor do they impinge on the epistemic quality of deliberative decisions. However, these benefits have wider, albeit more diffuse, significance for democratic polities.

The first of these related benefits concerns the acceptance of the ultimate decision. Renn et al. (1995) point out that decisions emerging from a technocratic or expertocratic elites may fail to generate popular acceptance. On the one hand, citizens not to accept the decisions

[27] Please note that this is not the same as saying that citizen participation and focus groups are incapable of producing innovations.

because they feel that either the process or the outcome (or both) does not reflect their preferences. On the other hand, many technocratic decisions may simply be unworkable, incompetent, or irrelevant to the problem at hand (Renn et al., 1995, p.1).

Deliberation and citizen participation, in turn, makes the final decision more legitimate and acceptable in the eyes of the deliberators (Renn et al., 1995; Gambetta, 1998; Fearon, 1998). Deliberation may increase the acceptance of a decision for two reasons. First, discussion may improve the quality of collective choice by itself and, as a by-product, may compel members to identify with and co-operate in the implementation of the decision. The result, Fearon (1998) and Gambetta (1998) argue, is a larger and deeper consensus. This, Fearon (1998) qualifies, only works if debate increases consensus. It may be possible, however, that discussion reveals more substantive conflict and disagreement than initially assumed. Second, opportunity to have one's say in a debate may increase the propensity to accept the outcome of the debate: inclusion may foster the sense of fairness in the process. However, Fearon points out that this depends on prior cultural perceptions. Quite conceivably, cultural perceptions and norms may shine a more favourable light on voting procedures: the fairness effect, he concludes, is not likely to be universal.

The second benefit relates to the potential uses of deliberation and citizen participation as a means of individual and collective learning. At one level, citizen participation processes provide an opportunity for individual participants to expand and deepen their knowledge about a particular issue. Since discussion improves the distribution of private information among deliberators, individuals can learn from each other (Fearon, 1998). This includes learning about other people's values, beliefs and perceptions. In this way, experts can communicate some of their knowledge to citizens while citizens transmit their localised forms of knowledge back to experts.

At another level, deliberation and citizen participation helps improve the moral qualities of the participants. Renn and Webler (1995) argue that the skills required for being a good democratic citizen are not necessarily intrinsic to the human socio-psychological condition. For democracies to work, citizens need to acquire and nurture these communicative skills and civic virtues (c.f. Putnam, 1993). On this view, active involvement in public affairs generates and hones civic vitues (Fearon, 1998; Renn and Webler, 1998). John Stuart Mill believed that democratic governments should provide for the civic education of its citizens by actively involving them in policy-making. Without participation in public affairs, Mill surmised, the civic virtues and social skills of citizens would become obsolete weakening democracy itself. These skills, Fearon (1998) argues, include eloquence, rhetorical skill, empathy, imagination, courtesy, and reasoning ability[28].

[28] Yet, both Fearon (1998) and Elster (1998) are reluctant to justify deliberative democracy in terms of honing civic virtues. Rather, a sound argument in favour of deliberative democracy must point out why reasoned debates produce better decisions than either voting or bargaining. Thus, Fearon and Elster emphasise the importance of providing convincing arguments for the epistemic reliability of deliberative processes. Renn et. al (1995) have few such qualms. In fact, they argue that the didactic aspect of deliberation and citizen participation is a central normative justification. By producing and nurturing analytical, rhetorical, and civic skills, deliberative processes contribute to political equality. In this assessment., we take a position somewhere between the two extremes: while we agree with Elster and Fearon that individual benefits (especially if they are so unequally distributed) cannot carry the normative weight of justifying deliberation, the honing of civic and intellectual virtues is a definite benefit of deliberation.

Did the PEN-REF focus groups give rise to a larger and deeper consensus about the decisions/outcomes? Did the PEN-REF focus groups enable individual and collective learning?

3.2.5.1 Deeper Consensus and Civic Virtues

All country teams report that the PEN-REF focus group experiments were successful in establishing a process of learning and generating a sense of civic responsibility. The PEN-REF focus groups provided an opportunity for participants to practice active citizenship. Indeed, the focus group participants in all countries evaluated the experience positively. Participants pointed out that the focus groups had been a welcome opportunity to express their views, opinions and fears. Moreover, respondents reported that they enjoyed being listened to and, more significantly, listening to others with similar or even completely different problems. As the Italian team points out, the focus groups enabled individuals to feel like "real citizens" (Cioccia, 2002). In this sense the focus group exercises helped overcome apathy and potentially fatalist attitudes. For example, in Poland, a female participant pointed out that the focus group exercise had inspired her to take a more active part in shaping her own life.

The focus group experiments also enhanced the communication skills of participants in all countries. The French team observed that the focus group discussions provided citizens with the tools for expressing ideas. Further, the deliberative exercises also demonstrated to participants how to listen and watch their ideas evolve. In short, the focus groups showed participants how to learn, reflect and adjust (Denizet and Mays, 2002). Similarly, participants also learned that deliberation and policy formulation is a difficult and precarious process. For example, participants in the Cracow group learned that abstention or not raising one's voice is tantamount to tacit consent (Perek-Bialas, 2002); these respondents realised that effective opposition requires an audible and credible voice. What is more, the nature of deliberation taught Polish participants not to reject policy proposals out of hand but rather to critically scrutinse policy options before passing a vertdict.

Last, the focus group exercises in all countries proved to be a valuable source of information on pension systems and pension reforms. Participants in all countries pointed out that the encounters with pensions experts as well as the discussions with other citizens had taught them much about how pension systems work.

3.2.5.2 Assessment

In sum, the PEN-REF focus groups were able to implement the didactic benefits of deliberative democracy and citizen participation. Both in terms of civic development and individual enlightenment, focus group discussions provided a space for flexing, testing and developing communicative skills. The PEN-REF focus groups not only awoke dormant and generated new communicative skills, the focus group discussions also very practically demonstrated to participants of what active citizenship is capable. What is more, simply discussing problems and looking for common solutions gave rise to a sense of civic purpose. Thus, as the French team observes, focus groups are not only a means of civic education but also can strengthen social coherence.

3.2.6 Overall Assessment of Benefits

Overall, the PEN-REF focus groups implemented and realised many of the benefits of deliberative democracy and citizen participation. However, as we have seen, the benefits of deliberation do not arise automatically by simply adding the right ingredients and leaving the discursive broth to simmer gently. Rather, human agency on part of the moderator, the observers and, not least, the participants plays a very significant role in 'constructing' the benefits of deliberation.

While focus groups effectively implement the epistemic advantages of deliberative democracy, the PEN-REF experiments suggest that they are rather less suitable for securing normative benefits. The evidence from the country teams suggests that focus groups are good at sketching a detailed image of citizen preferences, opinions and grievances. What is more, the focus group discussions create a space in which citizens can formulate common views and assessments about policy issues. We have also seen that focus group discussions release creative and self-reflective energies. Not only can citizens (correctly) identify the major issues within a policy arena, they can also provide a set of cogent and reasonably innovative policy solutions. However, the PEN-REF focus groups were less successful in implementing the normative aspects of deliberation. In none of the focus groups did discussion lead to a sustained transformation of preferences based on a process of public reasoning. Whereas the focus group discussions successfully brought underlying value conflicts out into the open, deliberation in the groups was unable to resolve these conflicts. Although all groups forged some form of compromise or agreement, none of the focus groups managed to generate a 'rationally motivated consensus'. Nonetheless, the PEN-REF focus groups, in addition to providing information about pension reforms, allowed participants to discover and polish their communicative and civic skills.

In sum, the preceding section has shown that the PEN-REF focus groups generated many, if not all, the benefits of deliberative democracy and citizen participation. As a format for public deliberation focus groups are clearly, but not unequivocally, desirable.

3.3 Feasibility

All benefits of deliberation amount to very little if there is no feasible way of implementing deliberative processes in existing institutional structures. This means that after assessing the ability of focus groups to deliver the benefits of deliberative democracy and citizen participation, we have to think about how they deal with the associated costs. In other words, focus groups are feasible only if they reasonably address the problems of deliberative democracy and citizen participation[29].

Deliberative democracy and citizen participation face two distinct classes of problems. *Internally*, the theory of deliberative democracy itself is beset by dilemmas and problems

[29] The assessment assumes that the Country Reports of WP3 are ample proof of the feasibility of *organising and conducting* focus groups on social policy issues. Rather, the question here is whether these exercises were feasible implementations of deliberative democracy and citizen participation.

relevant to implementation. These unresolved theoretical issues pose a challenge to any would-be deliberator since any actual deliberative process will need to resolve or at least deal with these problems in one way or another. *Externally*, deliberative and citizen participation processes face complex social and organisational environments. Despite the elegance of philosophical justification, deliberative democracy and public participation occur in societies characterised by unequal distribution of resources and asymmetrical power relations. Complex contemporary societies, then, erect powerful barriers to the implementation of deliberative democracy and citizen participation. Another measure of feasibility is how the PEN-REF focus groups overcame the external problems posed by complex societies.

We can think of the internal and external problems in terms of four dilemmas: the justification dilemma, the conflict dilemma, the authenticity dilemma, and the resources dilemma.

3.3.1 The Justification Dilemma

Theories of deliberative democracy have had a rather difficult time making good on both their normative *and* epistemic claims (Bohman, 1998). As a rule, approaches based on an ideal deliberative procedures[30], such as Habermas' "ideal speech situation" or Rawls' "reflective equilibrium", tend to collapse the epistemic dimensions into the normative justification. Here, the ideal procedure becomes "…'constitutive' of the correctness or the legitimacy of a decision so long as certain conditions are met" (Bohman, 1998, p.403). This formulation, however, leads to a logical dilemma (or, as the philosophers would say, an 'antinomy'). If thinkers equate the 'correctness' of deliberative outcomes with something citizens would (reasonably) agree with under ideal conditions (Bohman, 1998, p.403), it becomes difficult to see how this standard can ensure the epistemic value of the decision. Citizens, Estlund argues, would have to assess the epistemic value according to standards independent of the deliberative procedure. If, however, deliberative democrats justify the outcomes of deliberative processes in terms of their epistemic value measured by some external standard of rationality, the entire normative justification, namely that deliberative processes embody a more legitimate form of reason, collapses in itself. Thus Bohman (1998) concludes that deliberative democracy

"…seems to be caught on the horns of a dilemma: if it establishes its moral credentials of legitimacy via an ideal procedure, it cannot underwrite its epistemic claims; if it establishes its epistemic claims, they can only be underwritten by standards that are not only procedure-independent, but also independent of deliberation" (p.403).

In order to avoid deliberative processes becoming merely 'reason recognising procedures', theorists of deliberative democracy have tried to resolve these paradoxes. Using David Estlund's scheme, Bohman identifies theories that pay attention the epistemic aspects of deliberative democracy as "epistemic proceduralist" approaches. The challenge here, Bohman (1998) maintains, is to find a model that allows citizens to discriminate between

[30] Following the philosopher David Estlund (1997), Bohman (1998) collectively refers to these types of approaches as "fair proceduralism".

better and worse reasons while preserving the moral values of public reasoning outlined by ideal proceduralist models. The problem here is to find some standard of evaluating epistemic value that provides sufficient 'distance' from the procedure that gave rise to the decision in question. At the same time, however, this procedure should preserve the ideals of free public reasoning between equal citizens. Epistemic proceduralists, Bohman (1998) argues, have resolved this problem by pointing out that this standard need not be independent of any conceivable procedure. Rather, the evaluative procedure needs to be "logically independent from the procedure that gave rise to the outcome in question" (Estlund, 1997 quoted in Bohman, 1998, p.406). Thus, epistemic proceduralists argue that many *ideal* procedures of deliberative democracy can function as this standard for an *concrete* process of deliberation.

Yet, Bohman (1998) continues, neither 'fair proceduralism' nor 'epistemic proceduralism' manage to resolve these tensions completely. Different attempts to resolve the dilemma either reduce the problem to a moral issue or overburden epistemic mechanisms by demanding "too much of public reason". In fact, epistemic proceduralism seems to boil down to the (weak) requirement that "…citizens share the assumption that there is some way to judge better or worse reasons and not that a specified theory of public justification provide specific criteria to settle disputes about such norms" (p.407). In a word, the antinomies persist.

How did the PEN-REF focus groups resolve the tension between the normative and functional aspects of deliberative democracy and citizen participation?

3.3.1.1 Epistemic Value

The PEN-REF focus groups in all countries clearly and decisively resolved the justification dilemma in favour of epistemic value. Although the focus groups enabled discussion between free and equal citizens, the format did not promote the form of public reason outlined by theories of deliberative democracy. In practical argumentation, impartial and public-interested reasons were inextricably linked to depictions of personal situations and individual stories. Moreover, the non-coercive transformation of preferences eluded all of the focus group experiments: as we saw in the previous section, deliberation affected preferences and views in far more complex and subtle ways. Last, in all groups except the Orleans group, fundamental conflicts about key issues remained unresolved despite deliberation.

In contrast, all focus groups provided a wealth of insight and information for all parties involved. For the researchers in the PEN-REF teams, the focus groups provided a detailed yet sharp insight into the individual and collective anxieties about the future of old-age income provision. Further, focus group participants used discussion and deliberation to craft very nuanced and fine-grained assessments of present policy problems. Finally, discussion among focus group participants produced a set of credible and creative pension reform policy solutions. For participants, the focus groups provided a mans of exchanging experiences and opinions among citizens. Further, the expert made information about pension reforms and pension systems available for the focus group participants.

In this sense, the focus group format draws its political legitimacy from the ability to generate epistemically valuable outputs from deliberative processes. This means that feasible uses of focus groups may be limited to

a) exploring and analysing issues and problems that preoccupy citizens;

b) reconstructing the fundamental value systems citizens use to understand the social issues in terms of stories, narratives, anecdotes, etc.;

c) testing and scrutinising existing or new policy options;

d) generating policy options or assembling 'policy packages'.

There may be, then, a 'division of labour' or 'specialisation' between different forms of citizen participation.

3.3.1.2 Assessment

Thus, the PEN-REF experiments point to two conclusions. First, the epistemic bias of the focus group format makes it an effective means of democratising the 'early' stages of the policy process. In terms of the policy cycle, uses a) and b) would feed into problem-definition and agenda-setting stages. Similarly, uses c) and d) could conceivably be part of the policy formulation phase. These stages of the policy process are pivotal for the outcome of the entire policy process. By defining what the problem is and then determining what particular issues a polity will deal with, those who control the agenda wield considerable power over the policy process as a whole. In European pensions policy-making, the task of defining problems and then providing solutions to these selfsame problems has (up until fairly recently) fallen to a small and exclusive network of experts at national level (c.f. Ney and Mayhew, 2001; Ney, 2001)[31]. Introducing citizen scrutiny into this process would certainly challenge the expert monopoly in this area.

Second, the features that make focus groups suitable for democratising agenda-setting and problem-definition, render this format less appropriate for the decision-making phase of the policy process. Since the normative aspect is weaker relative to the epistemic dimension, it becomes difficult to see how focus groups are a more reliable source of political legitimacy than existing democratic institutions (say parliaments). That is why it is unlikely that focus groups *on their own* can imbue a policy process with democratic legitimacy. The results of the PEN-REF experiments suggest that focus groups are probably most effective *in conjunction* with other forms of deliberative democracy and citizen participation.

[31] Although the tendency towards private governments (Rhodes, 1997) was particularly strong in European pension policy-making, experts telling us what we as a society should be worrying seems to be the defining feature of contemporary European democracies.

3.3.2 The Functionality Dilemma

In real policy processes, policy actors are likely to ask: What has deliberation ever done for us? In the past, Renn et al. (1995) tell us, both proponents and adversaries of citizen participation have answered this question in one of two ways. Either proponents have emphasised how citizen participation can strengthen shared norms and practices. By neutralising dysfunctional social conflict through discussion, citizen participation fortifies the broad consensus that provides social cohesion. Alternatively, advocates have pointed to the critical and conflictual potential within deliberation. By providing a space for free deliberation, citizen participation processes can generate critical alternatives to dominant (and oppressive) values. Within real structures of power, then, the interests and expectations in deliberative processes are likely to diverge quite considerably. Whereas citizens (or those speaking for citizens) will tend to understand public participation processes as a means of challenging existing policy-making structures, policy-makers (or those speaking for policy-makers) will tend to look to citizen participation as means of securing acceptance for policy decisions (Renn et al., 1995)[32].

The inherent tension between the different potential uses of deliberation also touches the institutional aspects of citizen participation. Thinking about feasibility of deliberation has meant thinking about possible institutional designs and institutional locations for deliberative democracy. During the search for suitable institutional templates and socio-institutional 'places' for deliberative democracy, some deliberative democrats have rediscovered the virtues of the established political institutions of liberal democracy. Bohman (1998) argues that deliberative democrats have justified this renewed interest in liberal democracy not only on the grounds of pure pragmatism (e.g. resources, see below) but also in terms of normative arguments. For example theorists like Nino (1996) or Iris Young (1997) defend established liberal democratic institutions such as voting, political parties and representative legislatures as institutions that promote the spirit of deliberative democracy. On this view, Bohman (1998) maintains, voting and representation "…may enhance the epistemic qualities of democracy and provide opportunities for deliberation and participation within ongoing collective enterprises" (p.416) and may even, where parties represent group identities, be a fair way of settling group conflicts based on fundamentally different cognitive and value-based frames.

However, thinkers such as, most prominently, John Dryzek (2000) look upon this alleged "coming of age of deliberative democracy" (Bohman, 1998) with scepticism. Dryzek (2000) is

[32] Renn et al. (1995) also argue that the competition between these two evaluative frameworks is not very useful. By casting the functionality of citizen participation processes in terms of actor-centred benefits, this dichotomy merely defines citizen participation as a zero-sum trade-off between the (putative) interests of policy-makers and those of citizens. Instead, Renn et al. (1995) outline a non-subject centred evaluation scheme based on Jürgen Habermas concept of the "ideal speech situation". In principle, this evaluative framework aims, presumably via the public interest orientation of public reasoning, to enable citizens to concentrate of *truly* shared interests and to look for common win-win solutions. While this evaluative scheme is without a doubt far superior to zero-sum frameworks, it is unfortunately not terribly widespread among policy actors in the pension reform field. Here, policy actors *do* tend to think in trade-offs and *do* tend to ask what citizen participation can do for them. Until that time when non-subject centred evaluation becomes commonplace, the feasibility of deliberative processes will depend of balancing incongruent and divergent interests.

rather critical of the return to constitutionalism and the institutions of liberal democracy. This conceptual strategy, he contends, is unecessarily limiting. Restricting deliberative democracy to the existing institutions of liberal democracy ties deliberation to a "thin" concept of democracy. Yet, one of the fundamental aims of deliberative democracy is to provide a more authentic and deeper form of democratic legitimation. The main attraction of deliberative democracy, Dryzek ventures, is its ability to critically probe existing political arrangements. Deliberative democracy, both in theory and in practice, is a means for critical scrutiny and political change. By trying to accommodate and embed deliberative democracy in the political institutions of liberal democracy, Dryzek argues that deliberation loses this "critical edge". Regaining this edge and providing a "defensible" conception of deliberative democracy, Dryzek suggests, means grounding the ideas in a strong theory of communicative action and reemphasising the importance of oppositional political structures in civil society. Deliberative democracy, then, can only live up to the standards it sets itself by remaining an means for criticism and effective political opposition. Thus, Dryzek (2000) argues, recent developments usually subsumed under the term "globalisation" are providing the impetus for developing oppositional and critical deliberative structures in civil societies and across national borders.

Despite attempts to transcend the dichotomy between consensus-oriented and conflict-oriented perceptions of deliberation (c.f. Renn et al., 1995), it would seem as if disagreements about the proper role and function of deliberation persist. For this reason, the feasibility of citizen participation depends on the way deliberative democrats can respond to the questions "What has deliberation ever done for us?". Here, then, lurks yet another dilemma. On the one hand, too close a proximity to established policy processes (both in substantial and institutional terms) may undermine the claim that deliberative processes enable an authentic expression of popular sovereignty. Moreover, deliberative procedures producing the same (or very similar) outputs as coventional policy processes (democratic or otherwise) beg the question of why one (i.e. the tax-payer) should bother. On the other hand, being too remote from real policy processes in terms of ideas and institutions will do very little for either the epistemic credibility or political legitimacy of deliberative outcomes.

To what extent did the outcomes of PEN-REF focus groups challenge or reinforce existing policy-making?

3.3.2.1 Conflict or Consensus

Given the experimental nature of the PEN-REF focus groups, assessing this aspect of feasibility requires a considerable amount of speculation. The PEN-REF focus groups simulated citizen particpation exercises: in all countries, the discussions were divorced from actual policy processes so that the deliberative outcomes had and will presumably have no direct impact on pension policy-making. In order to evaluate how the PEN-REF focus groups dealt with the inherent tensions between different sets of expectations, we will have to rely on the *potential* for conflict or consensus within the deliberative outcomes themselves.

The potential for conflict or consensus in the PEN-REF outcomes is ambivalent. In terms of policy substance, policy-makers in Austria, France, Italy and Poland should not be losing (much) sleep. In all countries, the deliberative outcomes broadly retraced the main thrusts of recent pension reforms. In Austria and France, participants remained commited to existing public PAYG schemes. At the same time, Austrian and French discussants accepted the

need for an additional, fully funded pillar as a supplement of existing public pension provisions. In Poland and Italy, focus group participants generally welcomed the incisive reforms as fundamentally necessary and right. What is more, both the Polish and Italian focus group participants expressed a desire to see the continuation of basic old age security. In all countries, participants demanded a harmonisation of pension systems as well as a clearer relationship between contributions and benefits.

Overall, the differences between the PEN-REF focus groups and mainstream policy discourse in continental Europe, which elsewhere we have called the Social Stability Story (Ney and Mayhew, 2001), are of degree rather than kind. Like the Social Stability Policy Story, focus group participants see a host of policy problems resulting from demographic ageing and rapid socio-economic change. Unlike the more 'radical' policy actors, focus group participants in Austria and France rejected incisive market-oriented solutions out of hand. In Poland and Italy, participants demanded increased public guarantees of pension benefits. In all focus groups (except in Orleans), participants collectively rejected reforms based on basic income and social rights approaches as too costly (in spite of being attracted to the concept). Again, this reflects the basic tenor of the Social Stability Policy Story (Ney, 2002). Thus, the PEN-REF policy solutions would probably not have provided fuel for major conflict with the mainstream of pension policy-making.

In terms the policy process, however, the PEN-REF findings should be a cause of consternation for policy-makers. Although what policy-makers are actually doing and what PEN-REF citizens seem to want policy-makers to do is not all that far apart, this is *not* how the PEN-REF participants perceived recent reforms. As we have seen above, focus group participants complained bitterly about being alienated from pension reform processes. In all countries, there was a strong feeling of 'us' and 'them'; more precisely, focus group participants experiences pension reforms as something 'they' had imposed on 'us'. Moreover, there was little doubt on part of the PEN-REF participants that established policy actors, who have nothing but their own narrow interests at heart, had devised pension reforms to run roughshod over the hopes, aspirations and anxieties of citizens. In short, all PEN-REF participants had lost all trust in both policy-makers and pension reform processes.

Despite the fact that the focus group discussions themselves, in particular the expert presentations, softened the scepticism of many focus group participants, overall the groups' assessment of pension reform processes is probably a source of potential policy conflict. In all countries, but probably most strongly in France, participants understood the focus group exercises as a means of challenging authority and political power. In this more constitutional sense, then, the PEN-REF focus groups remained a force of criticism and political conflict.

3.3.2.2 Assessment

The PEN-REF focus group experiments successfully resolved the tension between the tendencies to interpret citizen participation in terms of either conflict or consensus. By suggesting moderate and rather conservative policy solutions within the limits of existing institutional structures, the PEN-REF focus groups not only demonstrated policy plausibility but also provided a potential basis for further policy debate with (mainstream) experts and policy-makers. Thus, in terms of policy substance, the PEN-REF focus groups did not overly provoke the pension policy-making establishment. On the other hand, PEN-REF focus group participants vehemently and vocally rejected current pension policy processes as

unaccountatble and unresponsive to citizen needs. In short, the distrust and scepticism PEN-REF citizens expressed towards policy processes and pension reform policy actors would contribute very little to peace and harmony in pension reform processes.

3.3.3 The Authenticity Dilemma

Above and beyond the dilemmas relating to the justification of delibneratoive procedures, would-be deliberators have to deal with practical societal obstacles to citizen participation. Implementing deliberative democracy and citizen participation processes means operating in political systems characterised by imbalances of power and inequitable distributions of resources. Despite constitutional guarantees of political equality, existing political communication is not necessarily a force for public reason, impartiality and the common good. In fact, real political communication often affects preferences and identities in ways that do not benefit citizens. In real policy processes, Susan Stokes (1998) maintains, powerful and wealthy policy actors consistently *miscommunicate* and *disinform* citizens in order to protect narrow self-interests. By using the mass media, these policy actors induce preferences that rarely are in citizens' best interest and often are diametrically opposed to it. What is more, these political processes are embedded in the contexts of socio-cultural norms and practices that have evolved over centuries. Often, these socio-cultural patterns of behaviour sit awkwardly within the context of democratic deliberation (Gambetta, 1998). As a result, real policy processes and socio-cultural background conditions may give rise to communicative practices that are far removed from the ideal of public reasoning.

How, then, have deliberative democrats proposed to solve the problem of distorted communications? Since the normative clout of deliberative procedures rests on the claim to authenticity, theorists have been concerned about the types of communication and the range of opinions deliberation can permit. These two aspects reflect a concern for 'reasonable argument' and 'reasonable pluralism' respectively.

If public reasoning means the exchange of rational arguments, clearly not all types of communication fit the bill. Deliberative and reasonable communication, Dryzek (2000) argues, should induce reflection in a non-coercive manner. While this can include forms of communication such as argument, rhetoric humour, emotion, testimony, storytelling, and gossip, it rules out domination via exercises of power, manipulation, indoctrination, propaganda, deception, pure expressions of self-interest and impositions of ideological conformity (Dryzek, 2000, p.2). Similarly, John Rawls calls for constraint in the practice of deliberation. Johnson (1998) points out that Rawl's 'precepts of reasonable discussion' "…enjoin parties to political deliberation from accusing 'one another of self- or group interest, prejudice or bias, and of such deeply entrenched errors as ideological blindness and delusion'" (quoted in Johnson, 1998, p.166). These types of charges, Rawls surmises, amount to an "intellectual declaration of war" that undermine the search for a rational consensus.

While the idea of reasonable argument is a way of containing communicative distortions, the notion of 'reasonable pluralism' is an attempt to take into account inherently conflicting and often incommensurable social values. Complex societies, so the argument goes, have given rise to problematic value structures. These beliefs and values, deliberative democrats tell us, are problematic for two reasons. First, systematic and fundamental differences in beliefs

systems have generated what theorists of the policy process have called "intractable policy controversies" (Rein and Schön, 1994): policy disputes that have proved remarkably resistent to resolution by rational argument. Second, the concern for reasonable pluralism also reflects the fact that democratic societies encourage the development of rather undemocratic beliefs and values. In practice, 'reasonable pluralism' is an attempt to deal with 'unreasonable' opinions of the type that "…justify routine murder of innocents, arbitrary arrests, systematic deception, and other common political practices" (Gutman quoted in Johnson, 1998, p.169). In short, reasonable pluralism means that not all views and opinions we find *in* democracies are necessarily fit *for* deliberative democracy. The basis for exclusion from deliberation differ: while Gutman and Thompson (1998) would like to exclude arguments that lack reciprocity, Cohen (1996) prefers to exclude views arguing for the intrinsic superiority of persons or groups over other. Despite theoretical variation, the aim remains the same: deliberative democrats have sought to exclude certain types of values that could potentially undermine the integrity of the deliberative process.

James Johnson (1998), however, points to another potential dilemma. On the basis of Amy Gutman's list of unreasonable opinions, an argument in favour of slavery would, Johnson plausibly assumes, be likely to fall outside the bounds of reasonable pluralism. This, however, leaves deliberative democrats in a tricky corner. On the one hand, deliberative democrats proclaim 'unreasonable' opinions, such as a defense of slavery, as illegitimate a priori. This would mean, Johnson argues, that policy actors would be quite justified in excluding policy issues with similar moral characteristics. Barring difficult moral issues from the outset, though, sits rather uncomfortably in a political and intellectual project that claims to deliver a more authentic and genuine form of popular sovereignty and general will. On the other hand, deliberative democrats could allow 'unreasonable' opinions into deliberation and could challenge within the context of policy debate and argument. Yet, this strategy implies that, in order to persuade the proponents of slavery arguments, deliberators would have to challenge the argument at the very fundamental level of belief and basic values. This, in turn, jeopardises the restrictions on 'reasonable argument' bringing us, Johnson concludes, back full circle to 'intractable policy controversies'.

What types of formal and informal limitations PEN-REF focus groups imposed on communicative behaviour and the permissable range of views and opinions? Did these limitations prevent distortions of communication and unreasonable opinions without compromising the authenticity of deliberative outcomes?

3.3.3.1 Limitations

In all countries, the focus groups were, in one form or another, subject to restrictions on opinions and communicative behaviour. In this way, the moderators of the PEN-REF focus groups sought to regulate interaction so that all participants would receive the same opportunity to their voice their opinions. All PEN-REF country teams imposed a set of formal rules regulating debate and discussion. Althought the French country team probably formulated their rules most explicitly (see Box 1), all focus groups played by very similar communicative rules. The aim of these formal regulations was exclude as much as possible all forms of communication that would intimidate, coerce, or offend other participants. In this way, each country team attempted to institute some form of 'reasonable argument'.

Unlike the concept of 'reasonable pluralism' may suggest, the PEN-REF country teams tried to assemble focus groups that reflected major political and ideological cleavages as accurately as possible. As we saw in the sections above, the Austrian and French teams tried to achieve as balanced a spread across socio-demographic variables including political affiliation: focus groups in both Austria and France also featured sympathisers of rather extreme political opinions. The Polish team went one step further: in order to neutralise disruptive gender-specific patterns of communication, the Polish team limited the range of opinion by organising all-female focus groups.

3.3.3.2 Distortions

In general, the deliberative rules imposed by the PEN-REF teams made for productive and lively debates. Nonetheless, discussions in all focus groups also featured 'distorted' and unconstructive patterns of communication. First, all country teams observed differences in communicative patterns between male and female participants. In Austria, males tended to draw from experiences in the professional and occupational world. Female participants, however, were more likely to relate experiences from personal and family life. In the Cracow group, the Polish team observed that male participants tended to dominate the debate to the detriment of female participants. In the group, men appropriated the role of experts while women tended to demur to the perceived 'expertise' of male participants. In the subsequent all-female groups, the Polish team noted that the women participants spoke more freely than in the mixed groups.

Second, participants in all PEN-REF focus groups were not immune to less savoury communicative practices such as scapegoating or victimisation. For example, the Austrian team points out that despite the tolerant and respectful atmosphere that prevailed for the most part of the discussions, some strains of argumentation veered dangerously close to xenophobia and ageism. Although Austrian focus group participants refrained from victimising any of the pensioners or foreigners in the groups themselves, the argumentation rarely (but nonetheless clearly) singled out foreigners and pensioners as the culprits of current pension problems. While scapegoating in Austria remained at an impersonal level, victimisation was a particular problem in the Paris group. Not only did focus group participants make scapegoats of institutions (e.g. labour unions) and social groups (foreigners), they also directed their misgivings at individual members. As the French team pointed out, the use of stereotypes (unrepresentative labour unions, free-riding foreigners, corrupt civil servants) and fantasy images (pot of gold buried in the national lottery) was an integral part of the group's collective flight from responsibility; the Paris group successfully abdicated any responsibility for confronting the pension problem by locating the source of all problems 'elsewhere'. In turn, Polish participants singled out occupational groups (such as the miners) enjoying privileges financed by society as a burden to old age income schemes.

Third, all focus groups witnessed a mode of argumentation in which specific individuals would attempt to pressgang the group into solving their personal tragedy or would use the personal plight as the ultimate veto. In Austria, a particular female participant insisted on evaluating all policy proposals in terms of her own hard-luck story. This particular individual repeatedly demanded of the group to exclusively consider her case and undermined any policy proposals from the outset as insufficiently sensitive to her circumstances. She was a particularly vociferous in condemning free-riders (who she identified with foreigners) and incompetent civil servants as being responsible for her situation. Similarly, the Paris group

featured two disruptive participants who systematically undermined the group-building efforts by inappropriate behaviour on the one hand and monopolisation of group attention on the other. Likewise, the mixed Cracow group also featured a particularly pessimistic male participant whose negative outlook hindered any constructive debate.

Last, despite the deliberative setting established by the focus groups, the communication between experts and focus group participants was skewed. The first Austrian focus group provides a vivid example of distorted expert-citizen communication. One of the experts for the first Austrian group, a seasoned policy-maker, applied his rhetorical skill to maximum effect. Although much of his statements and policy solutions were diametrically opposed to the stated opinions and assessments of many participants, this particular expert left the best impression with the participants. By appealing to private experiences and retelling anecdotes, the expert managed to evoke the image of being a 'normal citizen' and creating a significant amount of empathy. The Polish focus groups relied on experts to adjudicate conflicts which were ostensibly about facts. However, experts in Poland discouraged many focus group participants from advocating policy solutions that would grant universal social rights as too costly and inefficient. In this way, experts used ostensibly technical and factual arguments to communicate a rather normative and contestable policy position.

3.3.3.3 Assessment

Overall, the PEN-REF focus group experiments installed a set of rules that encouraged and promoted reasonable argumentation. Despite the presence of rather extreme political sensitivities in many focus gorups, the rules of deliberation created deliberative settings characterised by tolerance and mutual respect in all countries. This, however, does not mean that these rules could prevent communicative distortions from occurring: in each focus group exercise, the observers noted undesirable and often also quite unpleasant communicative practices. Significantly, these distortions did not undermine the deliberative process or impact unduly on the deliberative outcomes (with the possible exception of the Paris group). For example, the French team observed that participants of the Orleans group did not allow the communicative distortions to get in the way of finding a common policy solutions. Similarly, the second Austrian focus group developed a set of informal patterns of behaviour to deal with communicative distortions. The group quickly realised that the disruptive member was merely venting years of pent up anger and resentment; after this had become clear to the group, the participant was allowed her say and generally ignored.

Thus, the emphasis on epistemic value and the orientation towards compromise rather than consensus equips the focus group format rather well for dealing with communicative distortions. As we have seen, the strengths of the focus group format are the genuine expression of citizen grievances on the one hand and the elaboration of policy solutions on the other. Since focus group outcomes stop short of generating a rationally-motivated consensus, the deliberative process in focus groups is less vulnerable to communicative distortions: focus groups, then, may have wider margins of tolerance for the realities of communication in complex societies characterised by deep ideological cleavages.

3.3.4 The Resources Dilemma

Finally, communicative distortions and unreasonable opinions are not the only threat to the authenticity of deliberative democracy. In a world of scarce resources, the feasibility of focus groups is also inextricably linked to the concept of economy.

Deliberation and citizen participation has a rapacious hunger for resources. Since deliberation aims for unanimity (in principle, at least), Elster (1998) argues that it is more resource-intensive than either voting or bargaining. Moreover, deliberation and arguing are also subject to diminishing marginal returns (Gambetta, 1998). The attraction of representative democracy consists of the ability to deliver (more or less) democratic decisions within a given time-frame. In fact, David Beetham (1993) points out that the *only* justification for surrendering individual autonomy to a representative system of government can be in terms of the economy of time. Beetham emphasises that the institutions of liberal representative democracy (specifically elections) are attractive because they offer an "effective and improvable form of popular control consistent with the economy of time" (Beetham, 1993, p.65). Much like Oscar Wilde who thought socialism could never work because it took up too many evenings, Beetham implies that deliberative democracy cannot balance legitimacy and economy.

For this reason, deliberative democrats argue, feasibility and the realities of contemporary policy-making seem to require that deliberative procedures integrate some form of preference aggregation, be it voting or bargaining. The challenge for deliberative democrats, Bohman (1998) explains, is how to avoid the serious distortions of preference transmission deliberative democrats have been so skilful at pointing out (e.g. by referring to Arrows Impossibility Theorem). One common solution to this dilemma, Bohman (1998) tells us, is to allow for a maximum of deliberation in the public sphere about a particular issue prior to a vote. Moreover, policy actors should apply this deliberation/ aggregation mix to as many contexts and possible (Bohman, 1998, p.417)[33].

This leaves the implementation of deliberative processes open to another potential dilemma. On the one hand, pursuing the benefits of deliberative democracy and citizen participation may require a substantial input of resources. Yet, even if deliberative processes implement all benefits as well as overcome all the dilemmas and problems of deliberation, it will all amount to very little if there is no reasonable relationship between expended resources and outcomes. On the other hand, enforcing closure of deliberative processes by introducing aggregation or bargaining may undermine the normative or epistemic benefits of deliberation.

How did the PEN-REF focus groups optimise the use of limited resources and did these methods unreasonably impinge upon the benefits of of deliberation?

[33] Here, Bohman points to another issue in the theoretical debate. Some theorists, including Jürgen Habermas, argue that deliberative decision-making is not a suitable model for social institutions *per se*. Introducing democratic deliberation would simply undermine the core functionality of some social subsystems. Thus, societies impose institutional limits on democratisation. Other, however, argue that although it may impractical to deliberate on all societal decisions, the point of democratisation is precisely to challenge some institutional forms collective decision-making.

3.3.4.1 Resources, Closure and Acceptability

The PEN-REF focus group experiments comprised 12 groups that deliberated for 160 hours in 41 sessions. As we have seen, these 160 hours did not lead to a 'rationally motivated consensus'. Nor did the 41 sessions of deliberation and debate bring about a transformation of preferences (whether coercive or non-coercive). What is more, the focus groups concluded with unresolved fundamental value conflicts. Nonetheless, the PEN-REF experiment produced a set of well-articulated and credible ideas about European pension reform. On the one hand, the 41 focus group sessions gave rise to a set of nuanced and detailed problems in pension schemes of all PEN-REF countries. On the other hand, the PEN-REF focus groups generated plausible and creative approaches to solving perceived pension problems. In this sense, then, the PEN-REF focus group experiments provided 'value for money'.

In all focus group experiments, time was a scarce resource. As we have seen, each country team decided in advance how many discussion sessions each group would undertake. Moreover, all teams clearly communicated these limitations to the focus group participants. Time constraints, then, were an integral part of the deliberative framework: it was clear to the focus group participants that the discussions would conclude at a predefined point in time and that the organisers expected some form of result. In Austria and France, moderators emphasised these time constraints by likening the focus group to a ministerial advisory committee that needed to reach a decision by a certain time[34].

All focus group experiments used some form of voting or preference aggregation to finalise and legitimate decisions. In all countries, focus groups pursued a similar strategy. Using individual and group exercises, the focus group participants first produced a unstructured set of policy proposals. After having deliberated and discussed individual options, focus groups in all countries used some form of aggregation to finalise the group output. The Austrian PEN-REF team asked participants to rank both the perceived problems and policy solutions. In France and Poland, focus group participants voted on the final policy proposals after deliberation.

Did preference aggregation and voting undercut benefits of deliberation? In all groups, voting or ranking actually seemed to enhance the legitimacy of the outcome in the eyes of the focus group participants. The Austrian case provides a representative example. The PEN-REF team in Austria asked focus group participants to suggest, deliberate on and then rank both perceived policy problems and visions for policy solutions. In both cases, focus group participants were quite happy to have their suggestions outvoted or outranked. In many cases, individual participants showed little attachment to their particular contributions. With the exception of the disruptive and 'immature' members, most focus group participants seemed content with 'losing' the vote as long as they had a fair chance to make their case (c.f. Fearon, 1998). What is more, both Austrian groups seemed to accept majority rule as a fair way of settling disputes: whereas argument alone may not have convinced individual participants in all instances, being outvoted often was a forceful argument in itself.

[34] In fact, the first Austrian focus group scheduled an extra session in order to find a compromise solution.

3.3.4.2 Assessment

The PEN-REF focus groups, then, managed to strike a feasible balance between resource expenditure and deliberative authenticity. While the PEN-REF focus groups did not manage to set up a process of public reasoning, they did provide considerable insights into citizen grievances and generated innovative policy solutions. The PEN-REF focus groups did this by imposing strict limits on time resources and enforcing these limits by using preference aggregation mechanisms. Rather than undercutting the authenticity and legitimacy of deliverative outcomes, both deliberation and aggregation mutually strengthened the democratic legitimacy of focus group outcomes. While the opportunity to put forward an argument and have this argument duly considered by others enhanced the legitimacy of the voting outcome, majority rule itself imbued legitimacy onto the deliberative outcomes.

Chapter 4

Conclusions and Policy Implications

In this chapter, the report will lay out the conclusions of the PEN-REF project and point to the policy recommendations emerging from the research. Like the previous chapters, the following discussion will adhere to the overall structure of the PEN-REF project. The following section will outline the conclusions emerging from the first research phase of the PEN-REF project: that is, the ramificatiopns of the politics of European pension reform. In Section 2, this chapter will spell out the implications of the PEN-REF focus group experiments for the focus group format, pension reform processes, and citizen participation in general. Finally, in Section 3, the chapter will present the recommendations for organising public participation processes in the field of social policy.

1 Conflict, Pluralism and Democracy in European Pension Reform Processes

European pension reforms in the past decade and a half have introduced diversity to both pension systems as well as pension policy-making. In terms of reforming actual pension systems, differing initial conditions and institutional path-dependency have led to a host of different pension reform measures in the PEN-REF countries. However, there are two general reform trends that span all countries:

- reforms have streamlined public pension systems by tying benefits closer to contributions thereby strengthening the savings functions of pension systems

- reforms provided space for the development of private sector forms of old age income provision

This has implied a shift in responsibility for old age security. Increasingly, states are divesting themselves of pension provision obligations. What is more, the decreasing willingness of states to shoulder all of the responsibility for old age income has met with enthusiasm on part of private sector providers to take up the slack. In a very real sense, pension reforms are creating a viable role for private sector pension provisions by lowering expectations concerning the level of future public pension benefits.

More importantly, however, the way policy-makers and policy actors go about formulating pension reform has changed considerably in the 1990s. In essence, corporatist models of interest intermediation have given way to a more complex and more conflictual policy process.

Throughout the countries examined by the PEN-REF project, pension policy communities have become less integrated and more populous. New policy actors, such as the banking and insurance sector, have introduced new forms of pension knowledge. However, increasing ideational diversity has been synonymous with increasing scientific uncertainty and increasing policy conflict at all levels. Whereas pension policy-making before the 1990s was based on consensus across corporatist and political cleavages, pension reform in the 1990s is characterised by increasingly hostile political conflict. In many countries, pension reform debates have become ‘intractable policy controversies’ in which knowledge and “credible pension data” are merely a rhetorical resource.

Since corporatist forces in pension policy communities have increasingly lost the ability to control pension problem definition and pension reform agendas, policy-making as a whole has become more uncertain. Diversity of actors and ideas have provided policy-makers with more choice: the 1990s has seen the rise of new political alliances and 'strange bedfellows' in pension policy-making. On the one hand, this has empowered government in the sense that new strategic allegiances have become more viable. On the other hand, conflictual policy-making implies that the risk of policy failure increases, as the 1990s in all PEN-REF countries show.

In the long-run, however, the presently high level of divisive policy conflict, as is evident in many continental European countries, is probably not conducive to pension policy-making. The risk here is creating policy deadlock, where policy conflict gets in the way of necessary reform, or vicious policy circles, in which successive new governments overturn pension reforms of their predecessors. In essence, policy-makers face two general options:

- *remove the pension issue from the public sphere*: policy-makers can institutionally ring-fence the pension policy issue. Institutionally insulating the pension issue from policy conflict would imply creating an independent pension institution that credibly stands above the political fray (like, for example, the Polish Office of the Plenipotentiary). This strategy is, however, problematic for several reasons. First, the credibility of the institution will depend on finding a common problem definition that all actors can agree on. Yet, the 1990s have been about dismantling common and consensual definitions of the pension issue. Second, this strategy implies a return exclusionary and democratically unaccountable pension policy-making. Apart from being undesirable from a democratic point of view, the strategy assumes that actors can agree on whom to exclude from policy-making: again, recent developments provide no indication that such a consensus is emerging. Another related way of removing the pension reform from political conflict is to 'privatise' the issue. By shifting the management of pensions into the private sector, commercial secrecy would replace public accountability. Again, this strategy is likely to prove difficult. On the one hand, the transition is likely to be subject of heated political conflict causing policy deadlock: in short, policy-makers may never reach their goal. On the other hand, given that private sector pension providers are not interested in providing redistributive benefits, even the most sweeping privatisation (see, for example, proposals by the US-based Cato Institute) would leave a residual element in the public sphere.

- *further expanding the scope of conflict*: an alternative strategy for policy-makers is to shift the pension issue from the informal expert-dominated grey-area it now inhabits into the full glare of public scrutiny. This would imply expanding the access to pension policy-making and pension policy deliberation to an increasing number of socio-political influences. While opening present pension policy-making to more socio-cultural and political plurality would enhance democratic decision-making, this policy option would inevitably decelerate pension policy processes. Moreover, creating a more open and, necessarily, more conflictual policy sphere requires an institutional framework that constructively channels ideological policy conflict. Traditionally, parliaments have provided the institutional framework for peacefully resolving policy conflicts in democracies. However, given the current suspicion many citizens in PEN-REF countries harbour towards parliamentary

processes, this strategy may need to more directly include the citizen in pension reform policy.

Whatever policy-makers choose to do, pension reform is unlikely to fade from the agenda in the near or even medium term. Neither, we suspect, is policy conflict. The dangers that the way policy-makers presently go about pension reform will alienate citizens from pension policy-making and, by extension, politics in general are real. Avoiding the breakdown of trust in pension policy-making will mean thinking about reforms to pension policy-processes as much as reforms to pension systems. This, in turn, may imply bringing the citizen into pension policy-making. In short, policy-makers need to look for ways of democratising pension reform.

Could, then, citizen participation in general and focus groups in particular be a way of democratising pension reform processes?

2 Citizen Participation and Pension Reform

In general, the PEN-REF focus group discussions more effectively implemented the epistemic and functional benefits of deliberative democracy and citizen participation. PEN-REF researchers in all countries observed that the focus group format encouraged citizens to express their views, preferences and fears about pension reform. The outcome of this process were detailed and vivid expressions of citizen's needs, fears and expectations concerning old-age income provision. Further, the experiments also promoted a process of brainstorming in which participants pooled their cognitive and reflexive capacities. As a result, focus group participants in all countries formulated not only creative but also credible attempts at dealing with perceived issues and problems of pension provision.

In spite of producing respectable substantive outputs, implementing the normative or moral aspects of deliberative democracy proved considerably more difficult. In all countries, focus group discussions gave rise to a rather limited process of public reasoning. Although participants did argue in terms of a public interest perspective, they wove the common good into a more complex argumentative tapestry consisting of personal anecdote, experiences, and self-interest. Overall, it was rare for participants in any country to completely transcend self-interest. A far more common argumentative strategy consisted of finding synergies with self-interest and public interest: i.e. here participants made sure that the common good at least does no harm to them individually. Another popular communicative manoeuvre involved identifying a particular personal plight as a problem of public relevance. Argumentation in the focus groups, then, did not necessarily consist of a civilised rally of impartial, public interested reasons. Rather, deliberation created a plush communicative fabric which intertwined public interest, group identities and self-interests.

As a result, the outcomes in all PEN-REF countries do not reflect a 'rationally motivated consensus' in anything but the weakest procedural sense. The argumentation and discussion in all focus groups was guided and structured by a conflict of fundamental values and beliefs. In all PEN-REF countries, citizens assessed pension problems and potential solutions in terms of two conflicting views of fairness: whereas some of the participants understood fairness in terms of an equivalent return, others saw fairness as an issue of

solidarity towards the less fortunate. These fundamentally different conceptions, based on two different belief systems, caused conflicts in all focus groups. Deliberation in the PEN-REF focus groups was not able to bring about a non-coercive transformation of these value positions. For this reason, many focus group series ended with unresolved disputes based on this conflict of values. With the possible exception of the Orleans group, the deliberative outcomes in all other focus groups reflect compromises rather than consensus. However, participants in all countries accepted the compromises as legitimate outcomes of a democratic process. To what extent, however, these compromises reflect a more authentic expression of popular sovereignty is questionable.

Last, the PEN-REF focus groups also managed to institute a number of ancilliary benefits of deliberation and citizen participation. The PEN-REF focus group experiments in all countries increased the satisfaction with the outcomes among participants. Even if participants felt that they had not wholly managed to realise their own visions in the final outputs, participants expressed their satisfaction at being able to articulate their views, listen to others and discuss pressing pension issues. Moreover, the PEN-REF teams observed that the focus group experience not only awoke dormant communicative capacities but also showed participants what these communicative skills are capable of achieving: the focus groups introduced individual participants to their deliberative voice and strengthend their confidence in speaking out. Moreover, the evidence of the focus group experiments suggests that citizens learned about the difficulties of policy-making in the presence of fundamental value conflict.

The PEN-REF focus groups also avoided incurring many of the costs of deliberative democracy and citizen participation. The PEN-REF focus groups in each country resolved the four dilemmas inherent in the theory and practice of deliberative democracy and citizen participation without unduly compromising the benefits. First, the PEN-REF focus groups resolved the tension between the moral and functional justification of deliberative democracy in favour of epistemic value. The PEN-REF focus groups drew their political legitimacy from producing a detailed and in-depth expression of the general will as well as a set of creative and plausible policy options.

Second, the PEN-REF focus groups also dealt with the functionality dilemma. On the one hand, the policy problems and policy solutions identified by PEN-REF focus group participants were broadly in line with mainstream policy thinking on pension reform in continental Europe. In terms of policy substance, the demands and suggestions of PEN-REF citizens would probably not lead to fundamental policy conflict. On the other hand, PEN-REF focus group participants in all countries rather vociferously expressed their dissatisfaction at the pension reform policy process. All PEN-REF country teams observed that the focus group participants feel alienated from the policy process: pension reforms are something that ‘they’ (policy-makers and experts) do to ‘us’ (citizens). Although deliberation somewhat softened the at times rather aggressive sentiments about the politics of pension reform, it was clear that focus group participants in all countries placed little trust in either pension reform policy processes or pension reform policy actors. In this sense, the PEN-REF experiments showed that focus groups are also a force for criticism and opposition.

Third, the PEN-REF focus groups also reasonably resolved the potential dilemma concerning the limitations of deliberation. As we have seen, the PEN-REF focus groups imposed a set of communicative rules that regulated deliberation; in all countries, these rules implemented a form of ‘reasonable argument’. Moreover, the PEN-REF country teams

attempted to create as wide a spread of opinion as was possible within the confines of the focus group format. In this sense, the PEN-REF team did not try to impose some form of 'reasonable pluralism' but actively sought to include more extreme political sensibilities in the focus group discussion. Despite formal rules regulating communication, all focus groups featured communicative 'distortions'. All PEN-REF teams noted patterns of communication that excluded females, evoked fantasy images, relied on stereotypes or constructed scapegoats inside and outside the focus groups. However, for the most part the distortions did not undermine either the friendly and respectful atmosphere that prevailed in all groups or the constructive nature of deliberation. In may instances, focus group members themselves developed means of dealing with disruptive and unconstructive members. In a very real sense, the focus group format's emphasis on epistemic value rather than consensus-building provided more leeway for the groups to absorb and deal with this disruptive behaviour: since focus groups are primarily about ideas rather than consensus, participants found it easier to tolerate even the more extreme views.

Last, the PEN-REF focus groups also managed to strike a reasonable balance between enabling deliberation and containing resource consumption. Although the format and structure of the focus groups differed considerably between the country experiments, all country series attempted to devote the maximum of the focus groups' time to discussion and deliberation. However, since time resources were limited, all focus groups used some form of preference aggregation to bring about closure. Aggregation processes imbued the often conflictual debates with a form of legitimacy if consensus was not forthcoming. In many cases, preference aggregation after an extensive yet conflictual debate was seen as a fair way to adjudicate between competing claims. It would seem as if the citizens of the PEN-REF participants bowed to majority rule more willingly if they felt they had had an fair opportunity to put forward their arguments.

What are the implications of these findings? What do the results of the PEN-REF experiments tell us about

a) the focus group format in general?

b) European pension reform processes?

c) Citizen participation and governance in Europe?

We will discuss each in turn.

Suitability of the Focus Group Format

First, the PEN-REF experiments have shown that the focus group format is a suitable instrument for **policy deliberation**. In all PEN-REF countries, the focus group discussion gave rise to a set of plausible and novel policy solutions. Further, although the focus groups did not push out the envelope of the triangular policy space, PEN-REF participants were rather creative in assembling new policy packages from existing ideas.

Second, the PEN-REF experiments suggest that focus groups are a useful way of organising **decision support**. In all countries, the focus groups provided valuable insights into citizen demands and grievances concerning issues of old-age income provision. Furthermore, by giving rise to principled and fundamental conflict, the focus groups provided an insight into the anatomy and mechanics of policy conflict in pension reform. The focus groups

demonstrated how normative frames of reference help citizens construct the pension issue and provide a set rhetorical tools. Last, the focus groups demonstrated that, in terms of general policy preferences and cognitive capacities, citizens are well suited to participate in complex policy discussions.

Third, the focus group format is also a highly suitable tool for implementing **citizen participation**. However, the inherent advantages and disadvantages of the focus group format are more appropriate for some stages of the policy process rather than others. The emphasis on epistemic value suggests that policy-makers and would-be democratisers would most profitably apply focus groups in the earlier stages of the policy cycle. The ability of focus groups to provide a detailed expression of the popular will makes them a useful means of involving the citizen in problem-definition and agenda-setting. What is more, since focus groups enable citizens to concentrate their cognitive and reflexive resources on a policy issue in a relatively short space of time, they are also an effective way of integrating citizens in policy formulation processes. In contrast, the focus group format is less suitable as a means of legitimating decision-making. As we have seen, the format does not necessarily support the moral burden of generating a 'rationally motivated consensus' based on the non-coercive transformation of preferences. Additionally, the large amount of focus groups necessary to create anything approaching representitiveness would undermine the financial feasibility of using the focus group format.

Implications for Pension Reform

A striking feature of the PEN-REF experiments is that despite quite divergent background conditions and different formats, the similarities between the substantive outcomes of the groups by far outweighs the differences. In each of the countries, citizens entered the focus groups with a rather gloomy outlook on the future of pension systems. Demographic ageing, changes in the labour market and socio-economic problems convinced participants in all countries that existing public pension arrangements are ultimately unsustainable. Such a negative assessment of the present pension problem should come as no surprise. As the PEN-REF consortium pointed out in Deliberable D2, not only has coverage of pension issues in the mass media increased across Europe, this coverage tends to emphasise the problematic and critical aspects of existing pension arrangements (Ney and Mayhew, 2001). It would seem, then, that policy actors favouring market-based pension systems (advocacy coalitions favouring the Crisis Story, see Deliverable D2) successfully control the definition of pension reform issues.

However, in all four countries, the PEN-REF teams encountered significant reservoirs of support for existing social insurance mechanisms. In general, respondents in all countries wanted to see the continued involvement of the public sector in old-age income provision. Despite structural injustices in all pension systems, participants in all countries identified existing public pension systems as fair ways of providing old age income. More significantly, however, respondents in all countries were rather suspicious of alternative solutions. While proposals along the lines of basic income and social rights found some support in the focus groups, participants took a rather dim view of radical market-oriented pension reform proposals. This suggests the hypothesis[35] that social insurance systems and their institutions not only provide social welfare but also a way of thinking about social problems (c.f. Pierson,

[35] Yet to be tested on a representative sample of the respective populations.

1996). Social insurance systems define what is to count as a problem for social policy and what is to count as an adequate way of dealing with this problem. In short, social insurance systems come replete with a policy-belief system and a set of preferences. This implies that any radical shift away from such a system would also require a transformation of these rather fundamental preferences[36]. In short, the support for public pension systems among citizens may be far more fundamental than oppositional policy-makers commonly assume.

Last, the PEN-REF experiments show that focus groups are a particularly suitable means of involving the citizen in European pension reform policy processes. In continental Europe, pension policy-making has traditionally taken place within a corporatist bargaining system. In the past, pension reforms have resulted from bi-and tri-partite bargaining processes in tightly knit expert networks with very little democratic control. Although the past decade has seen these networks loosen as new policy actors, predominantly banks and insurances, have entered the pension policy arena, pension reform still takes place beyond the formal control of democratic institutions. Despite increasing pluralisation of policy-making, pension reform experts still exercise considerable and democratically unaccountable power over the problem-derfinition and agenda-setting processes. By systematically introducing citizens into the problem-definition and agenda-setting process, European pension policy communities would become more transparent and more democratically accountable. What is more, citizens, who are very capable of understanding complex policy issues and devising workable solutions, would inject a necessary element of competition into European pension reform markets for ideas.

Implications for Citizen Participation and Research

What should we make of the fact that the PEN-REF focus groups did not achieve a rationally motivated consensus on the basis of transformed preferences? One possible conclusion on the basis of the PEN-REF evidence would be that focus groups are an inappropriate tool for implementing deliberative democracy and citizen participation. This, however, would be too literal an interpretation of 'rational consent' to be accurate. Empirical research into so-called policy belief-systems suggests that belief structures and preferences take at least a decade to change (Sabatier and Jenkins-Smith, 1999). Although there may be reason to assume that policy-elites handle preferences and policy belief-systems differently to citizens, there is nothing to suggest that these differences will be particularly pronounced. Conflict over policy issues based on fundamentally divergent ways of understanding the world are likely to persist for a lot longer than the duration of any focus group discussion. What is more, Sabatier and Jenkins-Smith (1999) point out that changes in policy belief systems presuppose the institutionalisation of learning processes. This begs the question whether the focus group format, or indeed any individual citizen participation process[37] could ever bring about a "rationally motivated consensus".

A second possible conclusion is that rationally motivated consensus may be an evaluative ideal rather than an actual policy goal. Since the transformation of preferences in real policy-

[36] Incidentally, these findings strengthen Paul Pierson's (1994, 1996) argument that welfare state retrenchment is a far more risky political endeavour than welfare state expansion.

[37] Given the ad hoc and short-term nature of many citizen participation procedures (e.g. citizen's juries, consensus conferences, planning cells, etc.) it is difficult to see how any citizen participation process may transform preferences and lead to a rationally motivated consensus.

making seems to be an arduous process requiring a considerable degree of institutionalised discourse, it may a little unfair to expect any single decision-making procedure to deliver the full benefits of deliberative democracy and citizen participation. In this case, the idea of a rationally motivated consensus, very much like concepts such as perfect competition or the ideal speech situation, becomes an ideal standard to evaluate the outcomes of a particular decision-making process. In other words, a particular process passes the legitmacy test if, under ideal conditions, it *could* lead to a rationally motivated consensus based on the non-coercive transformation of preferences (Bohman, 1998). In this case, we could argue that there was nothing in the PEN-REF focus groups to suggest that, given ideal conditions (unlimited time resources, unlimited access to information, etc.), the focus group participants *would not* have reached a rationally motivated consensus eventually. For this reason, the outcomes of the PEN-REF focus groups are as politically legitmate as they are epistemically valuable.

Yet, this interpretation is a bit lame. The PEN-REF evidence quite clearly shows that the only consensual outcome (in the Orleans group) was the product of fortuitous circumstances[38]. Overall, the focus groups were characterised by principled and fundamental conflict. Although conflict existed alongside active consensus-seeking, in many groups these fundamental rifts ultimately frustrated consent. It would seem that any practical application of deliberative democracy and citizen participation will need to deal with the very real issue of persistent social conflict. Imposing limits on what is and what is not to count as a reasonable argument or a reasonable opinion holds little promise of implementing a more genuine form of democracy (Johnson, 1998). How, then, can deliberative and citizen participation procedures credibly claim to provide a more authentic form of democracy when rational consent is permanently beyond the reach of any *actual process*?

A possible answer is to understand the practical application of deliberative democracy in a more complex and less linear way. If our societies are complicated and fragmented, then maybe the deliberative processes of collective decision-making should in some way reflect this complexity. Rather than focusing on any particular theoretical model of citizen participation or, worse still, a particular instance of actual deliberation, the appropriate unit of analysis should be the policy process as a whole. While ideal proceduralism may be able to point to a single processes that can imbue deliberative decisions with normative and epistmemic legitimacy, a practical application may require several different processes to do the same job. There may, then, be a sensible division of labour between different types of deliberative and citizen participation processes. While some processes, such as focus groups, emphasise the epistemic dimensions of deliberative democracy, other processes, such as citizen's juries or consensus conferences, may concentrate on the moral aspects of deliberation. Whereas each on their own may not live up to the standards of the ideal procedure, the *overall* outcome of these processes may very well provide a practical and feasible implementation of deliberation and citizen participation. This suggests that any single deliberative or citizen participation process is unlikely to imbue decision-making with

[38] it is even questionsable to what extent the consensus in the Orleans group was 'rational' in the rather restrictive theoretical sense.

political legitimacy[39]. Rather political legitimacy is an attribute of policy processes as a whole of which citizen participation processes are/ should be an integral part.

If, as the PEN-REF data suggests, different citizen participation formats have intrinsic strengths and weaknesses, certain formats will be more suited to specific policy domains and stages in the policy cycle. As a rule, political science tends to concentrate on a specific 'point of decision', more often than not the passing of legislation in parliament, as the decisive exercise of political power. However, in contemporary policy processes, the ultimate and obviously *political* decision is shaped by many smaller, less obviously *political* decisions (e.g. deciding to decide, problem-definition, agenda-setting). Depending on the particular policy domain, some of these decisions are open to public scrutiny. More often than not, however, much of this decision-making is untroubled by any form of scrutiny. Thus, individual citizen participation procedures may enhance the political legitmacy of the ultimate decision by providing a more genuine and democratic voice in the earlier stages of policy-making. As we have seen, focus groups seem particularly suited to the problem-definition, agenda-setting and policy formulation stages of the policy process. Other citizen participation processes may be more suited to later stages of the policy cycle in specific policy arenas[40].

Political legitimacy, then, is a question of degree. Decision-making processes, particularly in complex and fragmented policy systems, tend to be *more or less* legitimate rather than either legitmate or illegitimate. In this sense, there are also no 'right' or 'wrong' ways of implementing deliberative democracy and citizen participation only *better* or *worse* ways. Significantly, the same goes for institutions. Since political institutions and institutions that are politically active (which are not necessarily the same thing) are complex organisations, dismissing any particular institutional form as intrinsically incompatible with deliberative democracy is unwise. As the theory and research on contemporary policy-making institutions (Douglas, 1986; March and Olson, 1989; Putnam, 1993; Rhodes, 1997; Thompson et al., 1998; Hood, 1998) has shown, even the most hierarchical ministry may contain pockets of deliberative decision-making just as the most egalitarian NGO will make executive decisions from time to time. In short, deliberative democracy already exists all over the policy process and civil society; sometimes the processes are out in the open (e.g. citizen's initiatives) but often functioning deliberative procedures remain hidden from view (e.g. ministerial teams organised along deliberative lines, see de Vries, 1998 or Hood, 1998). By the same token, not everything that proclaims to be democratic deliberation necessarily is. This suggests that implementing deliberative democracy is likely to be an ongoing dialogue rather than a confrontation with existing institutions and policy processes. In other words, implementing deliberative democracy and citizen participation implies a **programme of democratisation**. This programme should not only explore new ways of organising policy processes in civil society but should also seek out and strengthen the potential for deliberative democracy in existing institutions.

Probably more than any other form of rule, democracies encourage critical reflection. Good democratic practice means keeping a watchful eye on how democratic institutions honour

[39] This is what Renn and Webler (1995) argue when they say that no single public participation process is likely to either overthrow or reproduce existing social relations.

[40] This is why systematic comparative research on the relative advantages of different citizen participation processes as well as their suitability to various policy environments would provide an invaluable insight into the options for democratising European governance.

their basic commitments to political equality and popular sovereignty. However, as our societies and political systems become larger, more convoluted and less transparent, it has become increasingly difficult to remain vigilant. At a time when representative democracies are looking lame and ineffective in the face of persistent social problems, citizen participation and deliberative democracy has promised to refocus our critical view of policy-making and thereby refresh democratic control over politics. The PEN-REF experiments have shown this optimism in citizen participation to be justified: the focus group exercises in Austria, France, Italy and Poland have demonstrated that citizens can play an effectively part in complex policy debates. However, the PEN-REF experience has also shown that there are no short cuts to genuine and authentic democratic legitimacy. Rather, an effective and feasible citizen participation will require an ongoing and sustained dialogue between civil society and policy-making at many different points of the policy process. Focus groups, or indeed any single procedure, can only ever be one element in this overall process of democratisation.

3 Designing, Preparing, Conducting and Applying Citizen Particpation Processes to European Social Policy: Some Policy Recommendations

How do should these conclusions affect policy-making at the European level? How can European policy-makers introduce more democracy into social policy processes in general and pension reform processes in particular? How can policy-maketrs ensure that these processes maximise the benefits of deliberation while avoiding the costs? And, most importantly, how can policy-makers ensure that deliberation provides both the normative and functional benefits of deliberative democracy and citizen participation?

Based on the research from both phases of the PEN-REF project, the PEN-REF consortium formulated the following policy recommendations concerning citizen participation in social policy issues. Rather than a blow-by-blow account of how to implement citizen participation processes, these recommendations deal with some general issues and problems of citizen participation. The suggestions and recommendations are organised in terms of the general life-cycle of any citizen participation process: designing, preparing, conducting and applying.

Box 3: The Benefits of Deliberative Democracy and Citizen Participation

Genuine political equality: By insisting that interaction between individuals be based on nothing but rational and impartial argument, deliberative processes, in theory, neutralise any unfair advantages resulting from power, authority or wealth. Deliberative procedures, then, are institutional spaces in which different types of policy actors, such as citizens, interest group representatives, administrators and politicians can meet on equal terms thereby implementing a more genuine form of political equality.

Authentic expression of popular sovereignty: Deliberative frameworks allow citizens to explore the common good by freely expressing and reflecting on their preferences. Since these expressions of preferences take place within a context of more authentic political equality, they represent a far more genuine and nuanced articulation of the 'general will' than would be possible with either voting or bargaining. That is why, in principle, deliberation and citizen participation are an effective means of formulating citizen grievances and feeding them into the policy process.

Public Reason and Rational Consensus: One of the key normative benefits of deliberation is that it endorses a process of reasoning based on public argumentation. Within deliberative frameworks, decisions emerge from a public exchange of arguments and reasons. Unlike voting or bargaining, deliberative frameworks ensure that citizens transcend pure self-interest and adopt a public interest perspective. This public interest perspective leads to fairer decisions because participants necessarily formulate goals that benefit all. What is more, as the word reasoning implies, the public exchange of argument should also encourage reflection on and revision of individual arguments. The outcomes of public reasoning are democratically legitimate because argument is based on the non-coercive transformation of preferences. In deliberative processes between free and equal citizens, the only motivation for individual deliberators to 'change their minds' is what Habermas calls the 'force of the better argument'. This means that changes in preferences must result from a process of rational argumentation and reflection. Public reasoning in deliberative frameworks, then, generates decisions that "everyone could accept or at least not reasonably reject" (Bohman, 1998, p.402). This, then, imbues policy-making with ***procedural fairness***.

Creativity, Critical Self-Scrutiny and Better Decisions: Apart from grounding political legitimacy in the concept of public reason, free and open deliberation among equal citizens also gives rise to better quality decisions. This is the case because deliberative procedures allow and actively encourage individuals to pool their cognitive and reflexive resources (Fearon, 1998). As a result of open, free and reasonable debate, citizens can overcome the limitations of bounded rationality as well as weed out and correct inaccurate assumptions, misperceptions, logical fallacies, or inaccurate causal models. As a result, the decisions emerging from deliberative processes are characterised by ***epistemic insight***.

Larger Consensus and Civic Learning: Deliberation and citizen participation can make the final decision more legitimate and acceptable in the eyes of the deliberators. Discussion may improve the quality of collective choice by itself and, as a by-product, may compel members to identify with and co-operate in the implementation of the decision. Further, opportunity to have one's say in a debate may increase the propensity to accept the outcome of the debate: inclusion may foster the sense of fairness in the process. Deliberation and citizen participation can also be a potential means of individual and collective learning. At one level, citizen participation processes provide an opportunity for individual participants to expand and deepen their knowledge about a particular issue. Since discussion improves the distribution of private information among deliberators, individuals can learn from each other. This includes learning about other people's values, beliefs and perceptions.

3.1 Designing

Before plunging into the thicket of public participation, any would-be deliberative democrats needs to carefully design the particular citizen participation exercise. Not all citizen participation processes are the same. While some are more suitable for certain policy environments, others are appropriate for achieving particular goals. Thus, context and objectives of public participation shape process design.

Designing public participation processes for social policy (or indeed any other policy area) requires making choices as well as trading-off benefits and costs. **Process design determines the nature of discussion and argumentation in the public participation exercise and thereby, ultimately, the deliberative outcomes of this process. It is better to make careful and conscious choices before embarking on public participation than being driven by poor and unreflected design choices during actual deliberation.**

What choices and trade-offs do we face when designing citizen participation processes?

All design choices and trade-offs derive from a basic dilemma at the very heart of deliberative democracy and citizen participation. Both theory (c.f. Bohman, 1998; Elster, 1998) and practice (c.f. Renn et al, 1995; Deliverable D4) suggest that implementing citizen participation involves trading off **epistemic insight** and **procedural fairness**. As Box 3 shows, deliberative and participatory processes can, in theory, provide both normative benefits (i.e. a more genuinely rational consensus) and functional benefits (i.e. better policy decisions). However, justifying these two claims has proved more difficult than it would at first seem. At theoretical level, deliberative theorists face a dilemma in which justifying deliberative democracy in terms of procedural fairness leaves no way of safeguarding the epistemic value of the outcomes. By the same token, justifying deliberation in terms of epistemic value often sacrifices the concept of authenticity. In practice this means that any would-be deliberator has to resolve the tension in favour of one or the other set of benefits. This is not to say that citizen participation processes can only provide either a rational consensus on bad decisions or superior policy decisions that are democratically illegitimate. Rather, it means that some types of processes will be suited to certain objectives in specific circumstances.

3.1.1 Aims

When drafting the aims of public participation exercises, would-be deliberative democrats should keep the underlying trade-off between epistemic insight and procedural fairness in mind. Although these are certainly not all-or-nothing choices, pursuing one type of objective will increase the costs of pursuing other types of goals. Empirical evidence suggests that while it is theoretically possible to pursue epistemic insight *and* procedural fairness within the same process, this increases the resource requirements beyond what would be economically feasible. Since politics, however, is the ‘art of the feasible’, any deliberative procedure that is too costly is simply unattractive.

Feasible objectives for processes that emphasise **epistemic insight** may include

- Understanding citizens preferences about a specific issue
- Eliciting citizens' views, opinions, and beliefs at different levels
- Identifying policy problems, grievances and demands
- Exploring the anatomy and rhetorical mechanics of policy conflict
- Testing new policy options
- Formulating new policy options and policy solutions
- Strengthening the self-confidence of citizens in their communicative abilities and fostering civic virtues.

Although this list is by no means exhaustive, it shows what types of goals a citizen participation process geared towards epistemic insight may achieve. Aspiring deliberative democrats can best pursue these aims with formats that foster creativity and can accommodate value conflict, for example focus groups or planning cells.

Alternatively, feasible aims for processes concentrating on achieving **procedural fairness** could include

- Achieving a process of public reasoning based on the exchange of impartial arguments based on the public interest;
- Transforming preferences on the basis of rational argumentations;
- Constructing a rationally motivated consensus;
- Politically legitimating policy decisions and collective choices.

Again, these objectives are merely indicative of what citizen participation processes may aim for. Fulfilling objectives at the 'procedural fairness' end of the spectrum is likely to require different types of citizen participation processes than at the epistemic insight end. Pursuing these aims calls for a process that promotes public-interested argumentation and can resolve fundamental policy conflict. This points the would-be deliberative democrat to processes such as mediation or consensus conferences.

3.1.2 Structure

A crucial aspect of any deliberative or participatory process is the structure of the actual event. This refers to seemingly banal issues such as the frequency and duration of sessions, the thematic choice, or the regulation of discussion. Nonetheless, these structural choices enable the pursuit of some objectives while placing constraints on the realisation of other goals.

The basic structural choice revolves around two sets of trade-offs. First, designers of citizen participation processes need to decide on whether to provide thematic guidance of deliberation or to allow themes to percolate from discussion. The former represents a 'top-down' approach to deliberation while the latter allows for more 'bottom-up' generation of deliberative themes. Either approach has advantages and disadvantages. Whereas the top-down approach allows a group of citizens to focus on a specific issue in depth, the bottom-up approach allows citizens to formulate and discuss the themes that interest them. Conversely, selecting themes for discussion risks being irrelevant to citizens. Likewise, allowing citizens to determine their own deliberative topics risks the generation of highly particular, not very interesting discussions. Alternatively, citizens may not be able to agree on themes to discuss at all.

Second, designing deliberative processes requires choosing between regulated and unregulated discussion. Here, aspirant deliberative democrats have to decide whether to impose a (relatively) rigid structure of tasks and rules on discussion or whether to allow for (relatively) free communication. The former recreates a formal debating context with clear rules of order such as, say, a parliament or debating society. The latter is closer to an unstructured conversation we know from everyday interaction with colleagues or friends. Again, both choices are associated with specific costs and benefits. A highly regimented discussion may stifle many forms of communicative interaction (e.g. emotional outbursts, interruptions, jokes, anecdote etc.) that release creative and constructive energies. Conversely, free debate may easily deteriorate into an argumentative brawl. Clear rules of engagement that regulate who is to speak when provide 'weak' voices (metaphorically but also literally) with a fair chance at contributing to the debate. However, precisely because it may be more aggressive and unruly, free discussion may release and hone communicative and rhetorical skills.

Another structural choice concerns the frequency and duration of the citizen participation process. Again, we can point to two sets of trade-offs. First, public participation procedures can take place frequently over the course of several sessions or infrequently in one or two events. Second, would-be deliberative democrats have to decide whether sessions or event are more or less time consuming. Box 4 outlines how the PEN-REF teams constructed their focus groups.

Box 4: Duration and Frequency of PEN-REF Focus Groups

Austria: In Austria, each of the two focus group series contained at least five sessions. The groups met once a week for three hours

France: In France, the two focus group series convened four times each. Each session, held approximately once a week, lasted four hours.

Italy: The Italian Team decided to follow a more classic format for the focus groups. Rather than conducting a series of groups, the Italian Team convened one-off groups in different parts of Italy (three groups in all). These groups met and deliberated for about 8 hours.

Poland: The Polish team experimented with different formats until they found a workable constellation. The initial focus group was scheduled for five sessions lasting five hours each. However, the Polish team found that this was far too taxing on the concentration of focus group participants. The team then changed the format to three evenings lasting three hours each.

3.1.3 The Group of Citizens

Citizen participation requires citizens. Perhaps the most crucial choices concern the composition of the group of citizens to take part in deliberation. The main choice here is whether the group of citizens be homogenous or heterogeneous in terms of some defined standard (such as socio-demographic variables). Like the other structural choices, either option has its drawbacks. A homogenous group is more likely seek and achieve consensus. Moreover, an analysis of the responses allows an in-depth insight into how this particular social group views and assesses the issue in question. However, homogeneity also may render the group wholly unrepresentative and their views irrelevant to society as a whole. What is more, the consensus-seeking tendencies in homogenous groups will tend to suspend critical scrutiny and may lead to poor judgement. Conversely, heterogeneous groups can provide a more even spread of views and opinions prevalent in society. This inherent tension potentially makes for a more lively debate and is likely to bring conflicts out into the open. However, heterogeneous groups of citizens are unlikely to reach a consensus within a feasible stretch of time. What is more, differences in the group may lead to patterns of communication not necessarily compatible with the ideal of reasonable argumentation: conflicts may deteriorate into controversies and participants may rely on rhetorical rather than ‘rational’ means of persuasion.

3.2 Preparing

After having set the objectives of the citizen participation process and after making the crucial design choices, the success of actual deliberative processes will also depend on careful preparation. This includes the recruitment process, assembling the moderation team and preparing the materials for the citizen participation process.

3.2.1 Recruitment

Recruiting members of the public to take part in citizen participation processes is a rather tricky process. Empirical evidence of the PEN-REF experiments suggests that there is no failsafe method of recruitment that will work in all national contexts. Finding the 'right' method for the specific design choices and the national circumstances may require some experimentation. Moreover, moderation teams may find they have to use a combination of different methods including advertisement in the media (print or local broadcast media), poster campaigns, snowballing, or cold calling. For this reason, would-be deliberative democrats should **budget generously** and allow **ample time** for recruitment.

Unlike the specific recruitment methods, evidence seems to point to a four-stage recruitment process. First, using any or all of the recruitment methods outlined above, moderation teams should collect all initial contacts recording basic socio-demographic information of each contact. Second, after setting up a list, the moderation team should make an initial selection and invite these contacts to a preliminary interview. This interview, which ought to be no longer than half an hour, should allow the candidates to express their opinions on the issue in question. In order to gauge how the candidate may behave in a group discussion situation, the interview should allow for semi-structured or unstructured interviewing. Further, the recruitment interview is a good opportunity to administer any surveys (e.g. to monitor the development of beliefs or attitudes). On the basis of the information gleaned from the interview and the quantitative research instruments (where applicable), the moderation team should make a final selection of members.

Experience has shown that a small remuneration or financial compensation is necessary to attract participants. Financial reward for participating in public participation processes should reasonably compensate participants for any losses but should always remain a modest remuneration. Yet, once involved in the citizen participation process, experience shows that the financial aspects quickly become secondary to the rewards of deliberation itself. Thus, it may be conceivable that larger events, say consensus conferences or citizen's juries, motivate citizens to participate out of a sense of civic duty. However, this would also imply that, not unlike jury service, participation has a more direct and discernible impact on decision-making. For citizen participation processes aimed at producing epistemic insight this sort of impact is unlikely.

3.2.2 The Moderation Team

No matter what choices concerning aims, design, and structure of the citizen participation process aspiring deliberative democrats make, any successful public participation process will require skilful moderation and management. For this reason, the selection and composition of the moderation team is vital to the citizen participation process.

In essence, moderation consists of two distinct functions: moderating and observing. The *moderator* manages and regulates deliberation. The moderator is responsible for ensuring that the integrity of the debate remains intact, that the participants respect and abide by the rules of the process, and that the public participation procedure remains within the schedule set by the structural choices. The *observers*, as the name suggests, monitor deliberation. Like anthropological field researchers, observers silently watch, listen and record the behaviour of participants. The aim here is not only to relieve the moderator from observation functions, but also to provide a 'neutral' perspective on what is going on. Moderator and observers should brief and debrief extensively after each session.

When organising citizen participation in policy domains characterised by some degree of technical sophistication, like many fields in social policy but also issue areas such as the environment, would-be deliberative democrats face an important question concerning the moderator. Should the moderator be experienced in running discussion groups or should the moderator be knowledgeable about the issue area in question? Although the experienced moderator and deliberative facilitator is more likely to obtain results from any given group of citizens, it is not entirely clear that this quality is unreservedly desirable for citizen participation processes. The ability to tease out a 'result' from any group may be quite inappropriate for processes aiming for procedural fairness: in fact, such a result may undermine the process' claim to democratic legitimacy. Conversely, lack of skilful deliberative management may simply squander the opportunity for either consensus or insight. A similar argument applies to the level of technical expertise about the issue in question. Whereas an expert-moderator may ensure the relevance and epistemic quality of citizen deliberation, this may undermine the procedural fairness of the citizen participation process. Conversely, a moderator who knows little or nothing about the field may allow the debate to drift away from the issue at hand.

Empirical evidence suggests that there is no way of answering these questions a priori. Much of the answers depend on factors such as the composition and interaction within the group of citizens. Whereas some groups may require stronger control and regulation, other groups may need more substantive expert guidance. A workable arrangement here is to assemble a moderation team that consists of **members that are knowledgeable about the issue at hand and that are capable of directing a discussion between citizens**. Moreover, such an arrangement should **feature regular and in-depth briefing and debriefing of moderators and observers.**

3.2.3 Materials

When deliberating on a complex policy issues, such as pension reform or health policy, the use of information material is invaluable. It provides a way of bringing the citizens up to a

comparable level of knowledge concerning the issue at hand. What is more, the material can also provide a basis for discussion and a reference point for later debate. Since material can shape the debate and, in the final analysis, the deliberative outcomes, the choice and/ or preparation of materials used in citizen participation processes is very important.

Evidence suggests that there are no definitive rules concerning materials (except that their use is desirable). In general, citizen participation processes can use any or all of these types of materials:

- *Material produced by sources other than the moderation team*. For example, in focus groups about pension reform in France (c.f. Deliverable D3 and Deliverable D4), the moderation team relied on information produced by the Geneva Association for Risk and Insurance Economics.

- *Material produced by the moderation team*. Alternatively, citizen participation processes may use information material produced specifically for the deliberative process. For example, focus group experiments on pension reform in Austria used stylised pension models drafted by the moderation team as a basis for deliberation and the formulation of policy options.

- *Material produced by citizens themselves*. In public participation processes that run over several sessions, the moderation team may want to feed back some of the earlier output into the deliberative process at a later stage. In Italy, the PEN-REF team used citizen outputs as a material for discussion in later focus group sessions (c.f. Deliverable D3).

However, when using materials would-be deliberative democrats should be aware of formative and therefore also potentially distortionary impacts of the information on deliberation. This applies in particular to material originating from a well-known authority or a source of expertise. But even if anonymous or if formulated by the moderation team, citizens often need to be encouraged to be critical of the materials and question the underlying assumptions.

3.3 Conducting

Regardless of how meticulous aspiring deliberative democrats design and prepare deliberative processes, actually carrying out citizen participation is a rather delicate and fragile undertaking. Successfully implementing public participation exercises is more like gardening than, say, cooking. Rather than merely adding the right ingredients in desired proportions, stirring well and leaving to simmer, the benefits of citizen participation not only need the proper nurturing ground and right conditions but also require careful attention. In short, deliberative outcomes do not just happen, they need to be coaxed out into the open, nurtured and encouraged by would-be deliberators.

3.3.1 Methods of Qualitative Social Research

Although research and scientific insight is not necessarily the main aim of a citizen participation process, all types of processes should make use of qualitative social scientific research methods. Applying the basic rules of qualitative social research is likely to enhance and enrich the deliberative outcomes of any public participation process. Since there are a host of excellent textbooks and courses on qualitative research methods available, let us here point to two very general issues.

First, aspiring deliberative democrats should have observers in the moderation team systematically document communication between citizens. In particular, observers should note the behaviour that is not picked up by recording equipment (if any is in use, if not, then the observing function is even more crucial). This includes body language, idiomatic speech, facial expressions, etc. Observers should write up their field notes into short reports and use these to brief and debrief the moderator.

Second, moderation teams should analyse and pre-analyse the data as they go along. Even though the citizen participation process may not be geared towards epistemic insight, understanding the emergent findings or outcomes is crucial for directing and regulating deliberation: for example, procedural fairness may require recognising potential areas of consensus or dissent early in the process so that the debate is not side-tracked to other issues. The field reports and preliminary data analysis should feed into the briefing and debriefing of the moderators. In this way, the moderation team can take nurture and foster deliberative outcomes as they unfold.

3.3.2 Regulating Deliberation and Discussion

As we saw earlier, one of the design choices for deliberative processes included the degree to which moderators regulate discussion and debate between citizens. The basic trade-off here is between a more lively and controversial debate on the one hand or a more reasoned and impartial disputation on the other.

No matter what design features aspirants choose, discussion will always require rules and regulations. Unregulated debate is not the same as free debate. Unregulated discussion gives rise to communicative distortions (Stokes, 1998) that result from pervasive social and political inequities: unregulated debate, then, undermines political equality between citizens. For this reason, communicative rules protect the integrity of debate among free and equal citizens. These rules, whether formal or informal, need to ensure that all participants get a fair opportunity to voice their opinions and views. The rules also need to prevent dominant participants from monopolising discussion. Most importantly, however, the communicative rules that underlie the citizen participation process need to make clear that argument and discussion are the ***only*** legitimate means of settling disputes within that particular process. In short, the rules must institute tolerance and respect for other participants (even if it is only in a formal sense). Box 5 shows an example of explicit communicative rules used in a focus group on French pension reform.

Box 5: French Rules of Communication

Rules Enforced by the French Country Team

- Respect your own anonymity and that of others
- Express yourself in your own name, based on own experience or own opinion
- Do not take the floor unless asked to
- Address the entire group and not only the moderator
- Do not pursue one-on-one exchanges, give reasons for why you agree or disagree
- Respect the time limit set by the moderator

How formal do these rules need to be? Again, empirical evidence suggests that this depends on context. While French researchers found it necessary to inscribe the formal rules in Box 5 into the contract regulating participation, Austrian researchers in the same project merely stated the ground rules verbally in the introductory session. Ultimately, the two different approaches had no discernible impacts on the deliberative outputs (see Deliverables D3 and D4).

However, no matter how formal or informal, no matter how strict or liberal, no set of rules that enables free debate can prevent communicative distortions from occurring. Actual citizen participation processes take place in the context of real policy processes and institutional practices. It is unreasonable to expect any particular set of rules to neutralise deeply rooted social and cultural practices that have evolved over centuries. That is why, any citizen participation process is likely to feature any or all of the following communicative distortions:

- *Scapegoating and victimisation*: although this form of argumentation comes in many different unpleasant disguises, it basically singles out a social group as the culprit of a particular problem. Usually, citizens will identify scapegoats in the abstract (i.e. the foreigners, the feckless poor, etc.) but occasionally will address other citizens within the group itself.

- *Constructing fantasy images and stereotypes*: closely linked to scapegoating and victimisation, this communicative distortion conjures up folk images and stereotypes to explain observed phenomena and abdicate responsibility for perceived problems.

- *'Poor-me' argumentation*: here, participants attempt to monopolise the deliberation by insisting that the group consider their specific personal plight thereby undermining any attempts of moving towards more general issues.

Since these (and other types of distortions) are inevitable, the rules regulating debate and discussion must allow sufficient space for participants to develop common ways of dealing with communicative distortions. For example, in one of the Austrian focus group experiments, the group developed patterns of behaviour that tolerated but ultimately ignored a particularly ardent proponent of the 'poor-me' argumentative style. Whether groups of citizens will manage to develop the skills to deal with distortions of communication, however, depends on a complex set of factors. Unfortunately, not all factors are under control of the moderation team. They include such items as group chemistry, interpersonal relations, background conditions or simple luck.

In sum, communication between citizens is fragile and likely to break down at any point in the citizen participation process. For this reason, any particular deliberative process is likely to fail for a number of complex reasons. This is true no matter how well would-be deliberators have designed and prepared the public participation exercise. Communication can also break down despite a valiant effort of the moderation team to guide the group of citizens. Yet, this does not mean that citizen participation and deliberation are intrinsically a bad idea. Rather, the fragility of communication and understanding suggests that we had best adopt a more **holistic approach to citizen participation**; in particular, this approach would look at the role of citizen participation in the policy process as a whole and would not locate the responsibility of producing the benefits of deliberation in any single process or procedure.

3.3.3 Promoting Creativity and Accuracy: Nurturing Epistemic Insight

Given that communication is fragile and that the possibility of failure is ever present, how can we promote and foster epistemic insight? As we can see in Box 3, the functional or epistemic benefits derive from the ability of deliberation to pool citizens' cognitive and reflexive capacities. Deliberation and argument give rise to better quality policy decisions because they encourage both a process of brainstorming and of critical self-scrutiny among citizens. While brainstorming allows citizens to overcome the limitations of bounded rationality, critical self-scrutiny ensures that the ideas are subject to a process of appraisal and evaluation. In other words, while one aspect of deliberation unlocks the citizen's creativity, the other aspect allows citizens to check for accuracy.

As paradox as it may sound, promoting creativity in citizen participation processes requires organisation and structure. Although citizens are usually quite adept at formulating grievances, empirical evidence suggests that citizens often lack confidence for providing the solutions to these perceived problems. Citizens who may not be used to lateral thinking and problem-solving methods may need some framework in which to unfold their creative potential. In a very real sense, citizen participation processes are not only about obtaining 'results' (be it knowledge or a consensus) but also about awakening dormant communicative skills. In order to tap these reservoirs of problem-solving aptitude (of which citizens may be unaware of themselves), citizens need some form of problem-solving heuristic to help them think (Incidentally, experts use these types of heuristics all the time). Citizen participation processes should provide these means of pooling cognitive and reflexive resources.

The good news is that many different types of problem-solving heuristics and iterative processes promote citizen creativity. In general, public participation processes should combine individual reflection, groups and subgroup tasks as well as deliberation in order to unlock the creative and reflective potential of citizens. The basic heuristic process should look something like this:

- Each participant is asked to formulate ideas individually or in small groups (or both);
- Pool proposals/ ideas/ suggestions in the group as a whole;
- Deliberate and argue about each proposal: combine, add, subtract and develop ideas;
- Find some form of closure that all participants perceived as fair.

Many different tools and processes conform to the pattern above: Box 6 outlines some iterative processes used by the different PEN-REF teams. These iterative processes are not suited for all types of design choices: the more citizens involved in a particular process, the more these iterative procedures become unwieldy and, not least, costly.

Box 6: Iterative Processes as Problem-Solving Heuristics

The PEN-REF focus group exercises featured iterative group processes for both expressing preferences and devising policy solutions. For example, the Austrian team elicited both problem definitions and possible solutions (or visions) using a method combining deliberation, consultation and aggregation. In open discussion, the Austrian team asked participants to produce an exhaustive list of problems. After having discussed and reduced the list of problems, the Austrian moderator asked to rank the problems by voting. This procedure produced a ranked set of problems and visions/ solutions that each individual focus group member was satisfied with. The French PEN-REF team, in keeping with their bottom-up approach, used an open format for eliciting policy problems and citizen preferences. The Polish team, in turn, used a group interview technique (the so-called 'unfinished sentence test') to elicit views on problems and challenges to the pension system.

In order to devise policy solutions, focus groups in each country used similar types of iterative and reflective processes. In each country, the different PEN-REF country teams encouraged individual participants to formulate policy options or recommendations. All focus group exercises provided the opportunity for focus group participants to discuss and deliberate on the different policy options: this either took place in smaller subgroups (Austria, France) or in the context of the full focus group (Poland, Italy). Finally, each country team attempted to achieve some form of deliberative closure: in France and Poland, focus group participants voted on the different policy options while Austrian focus group members tried to construct a compromise between different positions.

If we can unlock creativity by applying a heuristic, promoting critical self-scrutiny is a little more difficult. Apart from requiring sensitive moderation, the factors that bring about critical self-scrutiny are far more volatile and difficult to control than the determinants of problem-solving creativity. Like communicative distortions, whether a group will use existing norms or (harder still) develop new norms of criticising, listening and reflecting depends on a number of complex and basically imponderable variables.

One way of promoting, if not ensuring, that citizens develop self-critical norms is to provide a space for these to emerge through even-handed moderation. Again, the empirical, evidence collected in the PEN-REF project does not provide a clear mandate. However, early design choices may give some indication of a suitable moderation style. For example, the French PEN-REF team decided to implement a bottom-up but highly structured focus group. As a result, the French moderator preferred a hands-off facilitation styles (see Box 7 for the guiding principles). In groups characterised by more open but thematically limited debate, such as the Italian focus group experiment in the PEN-REF project, the moderation style was more interventionist: Italian moderators confronted citizens with their faulty judgements in order to bring on an "epistemological crisis" that would lead citizens to critically reflect on their assumptions. The suitable moderation-style not only depends on initial design choices but also on the set up and dynamic interaction of the group. In short, there is no clear way of telling what moderation-style is most appropriate beforehand; this implies that, using the

techniques of qualitative social research mentioned above, moderation teams need to monitor the impacts of the chosen moderation style and, whenever necessary, adapt and restructure facilitation.

Box 7: French Moderation Principles

The moderator's role was designed to protect and favour the expression of opinion and of group dynamic. The moderator's duties during the PEN-REF sessions reflect the formal rules of participation and are described below in a concrete manner.

For each group task, once the discussion theme had been stated and clarified, and the discussion time limit set, the moderator:

? Never intervened in discussion

- Never answered questions that were directed to her, unless these were of interest to the entire group and were necessary to clarify the task instructions or theme (example: Reply to "how many pensioners are there in France today?" or "what do you mean by 'universal right'"?; Do not reply to "what is your opinion?" or to "do you think [another participant's statement] is correct?"). In the case of questions to which the moderator was barred from answering, she did however invite the group to answer

? Never corrected factually incorrect statements made by participants

? Never redirected the conversation away from the path chosen by participants.

The moderator intervened during discussion tasks only to favour the fluidity of exchange by

? Interrupting any person who monopolized the floor

?? Interrupting any one-on-one exchanges (including side conversations).

The moderator insisted upon the respect of anonymity in order to facilitate the expression of "delicate" personal problems, as well as possible opinions or experience that might be considered unconventional, immoral, illegal or illicit.

3.3.4 Promoting Public Reasoning and Rational Consensus: Bringing about Procedural Fairness

The key normative benefit of deliberative democracy and citizen participation is that they institute a process of public reason (Box 3). Deliberative settings, so the argument goes, encourage or even force deliberators to adopt a public interest perspective (or at least to formulate their arguments as if adopting a public interest perspective). This implies that any agreement emerging from deliberative processes rests on the rational consent of all citizens involved. Since deliberative setting neutralise all other, democratically illegitimate forms of persuasion (e.g. coercion, deception, cooption, etc.), consensus is based on the 'force of the better argument'. Rational argument based on public interests, then, is the only democratically legitimate way of changing people's mind or transforming their preferences.

So much for theory. How can organisers of citizen participation processes bring about a process of public reason that leads to a rational consensus based on the non-coercive transformation of preferences?

Like any of the benefits of deliberative democracy and citizen participation, public reason and public reasoning need to be nurtured by the moderation team. The public interest perspective may not come easily or be obvious to citizens for any or all of the following (good) reasons:

- The issue in question may affect the individual personally at a very fundamental level. For example, focus groups about social housing with social housing tenants, focus groups on pension provisions for single-mothers with single mothers, etc. may make rational argumentation rather difficult.

- The issue has been subject to a lot of partial and emotional communication in the public sphere (i.e. by politicians, the media, etc.). Issue here include classic 'intractable policy controversies' such as abortion issues, defence, law and order, etc.

- The issue is subject to a large degree of scientific uncertainty, which means that it is unclear to everyone involved where the public interest may lie. Issues here include global climate change, pensions policy-making, labour market policy, etc.

- Group dynamics get in the way of public reasoning. In the PEN-REF experiment, French researchers observed how a particularly unfortunate group constellation in the Paris focus group undermined any attempt at public reasoning.

- The issue is associated with a specific institution that has defined the public interest in its own terms or that has embodied a particular perspective of the public interest. A prime example here are European welfare states. In many cases, welfare states have instituted political compromises in terms of the public interest. As a result, welfare states have very strongly affected what citizens perceive to be in the public interest. Yet, as current policy disputes about pension reform bear out, welfare state definitions of public interest are highly contestable.

Since public reason and public reasoning are essentially about communication, they may be elusive despite the best design, preparations and intentions of would-be deliberative democrats.

Deliberative settings, then, are necessary but not sufficient conditions for bringing about a process of public reasoning and the emergence of a public-interest orientation. Like creativity, public reasoning may be a dormant civic skill that requires awakening and nurturing. Whereas the aim of iterative problem-solving processes was to overcome bounded rationality (Fearon, 1998), citizen participation processes should also provide a framework for encouraging reflexivity. That is, after citizens have provided their own personal opinions and views about the issue in question, public participation processes should encourage citizens to argue from within a value position other than their own. Like creativity, reflexivity will require some form of process to ease citizens into different often quite alien roles and ways of thinking. A possible reflexivity exercise could comprise the following three steps:

- From existing social scientific research as well as from the output of the group itself, the moderation team should produce a map of belief systems and social circumstances. On the basis of this map, the moderation team could draw up different (fictitious) characters whose circumstances and beliefs reflect various social circumstances.

- Citizens should then be asked to evaluate the policy issue in question according to the different characters;

- Citizens should be asked explain for what reasons they think the character would evaluate the policy issue differently or similarly than them.

In this or a similar way, individual participants are encouraged to step outside their own context and adopt another policy position based on a different set of values to their own. Like all comparative exercises, this may point out to citizens potential areas where interests overlap and areas where interests potentially conflict.

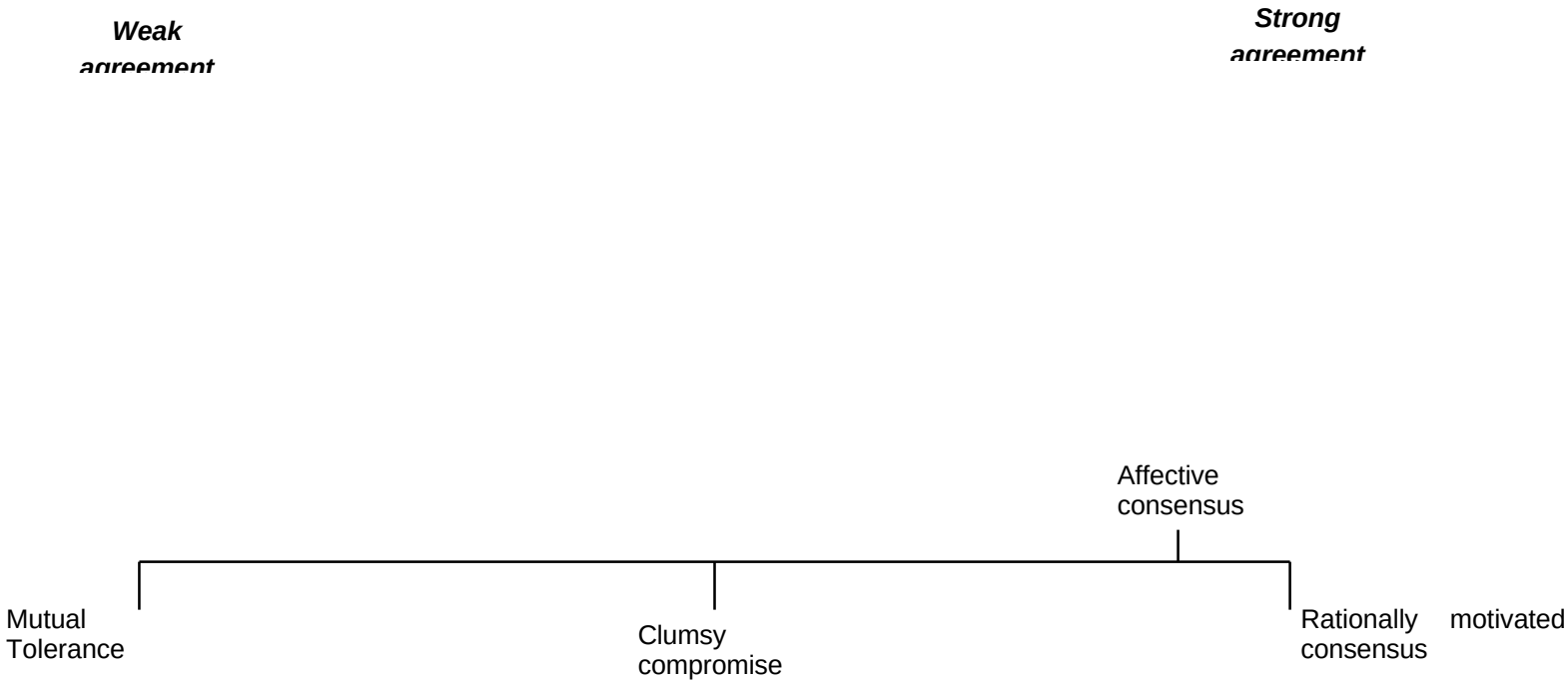
Yet, even if the deliberative setting, the moderation and the tailored reflexivity successfully brings about a process of public reasoning, this is still no guarantee that any citizen participation process will lead to a rationally motivated consensus based on the non-coercive transformation of preferences. **In fact, evidence suggests that transforming preferences and achieving rational consent are long-term goals of deliberation**. Given the relatively short-term orientation of most citizen participation processes, it would seem that the non-coercive transformation of preferences is beyond the capacity of any single public participation process.

This, however, is not to say that deliberation has no impact on beliefs, values and preferences. Rather, the effects of deliberation are likely to be more subtle, circumspect and long-term than theory would predict. Given that research into policy and preference changes at elite level has shown even modest changes to belief system to require at least a decade (Sabatier and Jenkins-Smith, 1999), it is highly unlikely (not to mention unreasonable and undesirable) to expect citizens to come from public participation exercises claiming to have seen the light. Rather, public participation and deliberation exposes citizens to a variety of arguments and ways of thinking. Moreover, citizens may find themselves in a position to

defend their arguments and beliefs thereby reflecting on their own positions. Thus, while deliberation and discussion in each individual citizen participation process may not transform preferences as such, it may create the conditions and predispositions for more profound preference change in the future. For example, in practice citizen participation processes may awaken the interest in individual participants to learn more about certain social problems or social groups. In this way, citizen participation can begin the long process of unhinging and questioning entrenched value systems. Thus, each individual citizen participation process begins, continues or (if deliberative democrats are very lucky) completes the long and arduous process of preference transformation.

However, this does not mean that agreement between citizens is permanently out of reach of any individual citizen participation process. Rather, deliberators should expect different types of deliberative outcomes than rational consent in the short-run. The PEN-REF evidence suggests that citizen participation processes generate agreement of differing strengths. At the weaker end of the spectrum, groups that have found constructive deliberation difficult and have let communicative distortions get in the way of common problem-solving will tend to agree on the basis of ***mutual tolerance***. Here deliberative outcomes reflect a juxtaposition of different views and suggestions. Somewhere in the middle of the spectrum we find the ***clumsy compromise***. Here citizens are aware of how the social plurality of the group generates value conflicts. Nonetheless, they actively seek robust solutions that profit all participants (or, at least, offend everyone equally). At the strong end of the agreement spectrum (but not right at the end which is where we find the rationally motivated consensus), PEN-REF observed ***affective consensus***, which tends to emerge in homogenous groups of citizens. Figure 7 graphically illustrates the spectrum of agreement possible in citizen participation processes.

Figure 7: Spectrum of Agreement



3.3.5 Expert Input

In issue areas and policy communities in which technical expertise plays a prominent role in the policy-making, such as most social policy issues, citizen participation processes profit from confronting citizens with experts. Integrating experts into public participation processes provides a learning opportunity for both citizen and experts. Expert input, either in the form of a presentation, a discussion or an exercise, provides citizens with an in-depth account of the policy problem they are investigating or deliberating. Moreover, expert input enables citizens to obtain an insight into the ongoing scientific debate surrounding the policy issue under scrutiny. Most significantly, however, citizens can interact with the expert and clarify open questions or opaque concepts. This is also part of the reason why expert-citizen interaction in public participation processes also is advantageous for experts. The need to communicate to an audience with limited technical knowledge of the matter at hand forces the expert to articulate concepts and ideas in an accessible manner. In public participation processes, experts are further confronted with the preferences, views and grievances of citizens: these encounters are a reality check for experts. In this way, citizen participation may lead to a rapprochement between experts and citizens.

Yet, like all other aspects of deliberative processes, expert input requires careful preparation and management. Evidence suggests that citizens may feel overwhelmed by too many expert presentations. In the PEN-REF experiments, citizens observed that they felt comfortable with one expert presentation per session: in that way, they could have the expert 'for themselves'. Moreover, experts need to be carefully briefed about what it is they are expected to do. Ideally, experts should limit their presentations to about 15-20 minutes leaving plenty room for questions and discussion. Most importantly, however, the moderation team needs to remind experts about the nature of their audience. Although the PEN-REF experiments showed that citizens are quite capable of picking up the important messages in technical presentations, the moderation team needs to ensure that the language is accessible for all participants. Finally, moderators may often find that experts behave rather badly in discussion. Being far more used to deliberative and argumentative settings, experts will have less qualms to break formal and informal rules of communication to drive home a point.

3.3.6 Closure: Bringing Deliberation to an End

Since all citizen participation processes in real policy environments are likely to face some form of resource constraints, the feasible implementation of citizen participation and deliberative democracy needs to feature some way of bringing deliberation to a close. Since, as we have seen, a rationally motivated consensus is unlikely in the short- and medium-run, realistic public participation processes require some concluding procedure that all citizens perceive as fair. This suggests that citizen participation processes include some form of preference aggregation, be it voting, bargaining, or ranking. Box 8 outlines some practical methods used to bring about closure in the PEN-REF focus group sessions.

Box 8: Methods of Closure in the PEN-REF Focus Group Experiment

All focus group experiments used some form of voting or preference aggregation to finalise and legitimate decisions. In all countries, focus groups pursued a similar strategy. Using individual and group exercises, the focus group participants first produced a unstructured set of policy proposals. After having deliberated and discussed individual options, focus groups in all countries used some form of aggregation to finalise the group output. The Austrian PEN-REF team asked participants to rank both the perceived problems and policy solutions. In France and Poland, focus group participants voted on the final policy proposals after deliberation.

Despite reservations in deliberative theory about aggregation processes (Elster, 1998; Bohman, 1998), preference aggregation processes may be a fair way to adjudicate conflicts in practice. In many real deliberative processes, deliberation in citizen participation processes can lead to fundamental conflicts. Resolving these conflicts by discussion may require an investment of resources that is likely to overextend the available budget.

In these cases, empirical evidence as well as recent theorising on deliberative democracy (Bohman, 1998) suggests that the combination of discussion and aggregation processes may be a fair and feasible way of implementing citizen participation. The PEN-REF experiments show that citizens accept majority rule as a fair way of resolving disputes provided they have had an opportunity to voice their opinion. What is more, the focus group experiments suggest that aggregation procedures may imbue deliberative outputs with legitimacy: in cases where deliberation gave rise to fundamental and potentially intractable policy disputes, the mere act of voting or ranking legitimised the outcomes of the debates. In all PEN-REF experiments, participants seemed content to have their views or suggestions outvoted as long as they had been given a fair hearing. Majority rule in citizen participation processes, then, is a persuasive argument in itself.

3.4 Applying

How, then, can policy-makers get the most out of citizen participation processes? How can they most profitably apply public participation processes to existing policy-making?

The inherent trade-off between epistemic insight and procedural fairness implies that *no single process* is able to deliver *all* the benefits of deliberative democracy at a feasible cost. This means that different design choices will produce processes that are suitable for different deliberative aims and purposes. In other words, feasibility implies a division of labour between various public participation processes. This has several ramifications:

1) **Different citizen participation processes are more suited to specific phases of the policy process.** Procedures that emphasise epistemic insight rather than procedural fairness (e.g. focus groups), are suited to the policy formation stages of contemporary policy-making. Since these kinds of processes tend to generate ideas and concepts, they are probably best applied in problem-definition, agenda-setting and policy formulation phases. Conversely, public participation processes that tend to promote procedural fairness (e.g. consensus conferences or citizen's juries) are more suited for the decision-making phases of the policy process. In this way, deliberative processes in the later stages can adjudicate and legitimate the ideas and concepts citizen produced or help produce in an earlier part of the policy process.

2) **No single processes or procedure on its own legitimates policy outputs and outcomes.** Since any feasible implementation of citizen participation processes can only ever deliver some of the benefits of deliberative democracy, relying on any single procedure to underwrite policy outputs as politically legitimate is unlikely to succeed. Rather, public participation processes are far more effective when used ***in concert*** at ***different points in the policy process***. In short, the legitimate use of citizen participation processes involves applying different procedures in an overall process of ***democratisation***. No single process is sufficiently robust to carry provide both epistemic insight and procedural fairness.

Box 9 provides an example from the French PEN-REF experiment for such a process in the issue domain of pension reform.

Box 9: French Proposal for a Deliberative Process in Pension Reform

A modified deliberation method, although resource intensive, might address both citizen information and policy reform needs. Mays and Denizet (2002) suggest organizing a two-part public event. This community-based event (repeated over the national territory) could be prepared and announced by an appropriate local State actor in collaboration with local social actors. **Larger-audience expert lectures would be followed by deliberative debate** in the first part of the public event. In the second part, **private consultations providing meaningful personalized pension information** would be offered to the local population over a period of days.

Social Security workers or other knowledgeable actors from a range of institutions could perform these consultations with computerized support. Alternatively, and in the days after the close of the visiting event, computerized stations with a highly convivial user interface could provide pertinent personal pension case analysis. The same opportunity could be provided concurrently on the Internet. However we emphasize the interest and importance of surrounding this technological and technical information-gathering facility with a community-based deliberative encounter, and with the possibility of exchanging with a knowledgeable interlocutor in learning about one's own situation and possible paths forward.

This combination of group debate and gain of personalized information might address the structural factors handicapping citizens and, we suggested, policy reform perspectives today. It might:

- Lessen the anxiety felt by individuals in connection with the pension question
- Inform individuals and social networks about pension situations and options
- Soften the individual and social taboo on examining pension needs and demands
- Mobilize citizens to explore pension issues further
- Equip citizens to formulate their demands and pressure their representatives
- Predispose citizens to accept appropriate reform demonstrated to be responsive to their demands.

Recording and analysis of the ideas and questions encountered in the group debates and private consultations could deliver to policy makers, on a grander scale, the type of policy-pertinent information on social values and demands identified in the PEN-REF focus group work.

Mays and Denizet (2202) emphasize that this community-based effort would aim to stimulate the formation of a pension culture that appears to lack in professional contexts outside the public service sector. Clearly, thought should be given as well to amplifying workplace-based pension information and deliberation.

In any case, empirical evidence suggests that whatever the concrete outcomes, public participation processes enhance the flow of information between citizens and foster civic virtues. In all of the PEN-REF focus group experiments, citizens emerged from deliberation with more confidence in their political voice and communicative skills. More importantly, however, the citizen participation exercises demonstrated to citizens the value of listening and adjusting to different opinions and beliefs.

3.5 Overall Recommendations

What, then, should aspiring deliberative democrats keep in mind when implementing citizen participation processes? We can boil down the preceding recommendations to four overall principles:

Be careful about the design of citizen participation processes, don't get caught out by poor design choices. **Be sure you know how your choices are likely to affect the nature of deliberation and, ultimately, the outcomes of the citizen participation process. Be aware of the trade-offs involved and choose the strengths (and inherent weaknesses) consciously. In order not to let poor choices hobble the implementation of public participation processes in real policy processes, be sure to tailor the process to the aims and objectives of the public participation exercise.**

Be patient, don't expect (or announce) miracles. If highly trained and handsomely paid experts cannot solve a particular issue or dispute, don't expect citizens to solve it for you in five sessions. This is not to say that citizens and public participation cannot contribute to policy-making; the PEN-REF experiments and other empirical evidence clearly shows that they can. However, there is no reason to believe that conflicts over facts and values will be any less divisive in citizen participation processes than in general policy-making. While deliberative procedures may provide a chance to resolve these conflicts as a part of a long-term process of democratisation, it is unreasonable to expect individual citizen participation processes to resolve long-standing policy conflicts.

Be active, don't expect the citizens to do your work. The benefits of deliberative democracy and citizen participation do not emerge automatically or spontaneously. Rather, the advantages of deliberation, whether they are of the more epistemic or of the more normative nature, need to be constructed and carefully nurtured by moderation teams. For this reason, active, dynamic but also reflexive moderation is a crucial element of any public participation process.

See the big picture, don't rely on single processes. Effective citizen participation can only ever take place in the context of a sustained and comprehensive process of democratisation. Here, different types of public participation processes interact with existing political institutions at various points in the policy process. Individual citizen participation processes alone cannot confer political legitimacy on otherwise elitist, exclusionary or technocratic policy processes. Rather, democratic legitimacy emerges from the interplay of different democratic institutions (representative **and** deliberative) at many different locations in the political system as well as society as a whole.

Chapter 5

Dissemination of Results

Dissemination and exploitation of the findings of the PEN-REF project have been a key activity of the PEN-REF consortium through the project. However, the dissemination and exploitation of the results will continue after the offcial close of the PEN-REF project. This chapter, then, briefly outlines the dissemination activities to date (Section 1) and then provides a sketch of the planned dissemination activities in the future (Section 2)

1 Dissemination During the Life-Time of the PEN-RF Project

The PEN-REF dissemination strategy revolved around three central activities:

1) Interactive Dissemination:

Throughout the PEN-REF project, the consortium disseminated the emergent findings at conferences, seminars and workshops. The central event here was the PEN-REF workshop (Deliberable D7) organised by the consortium in June 2001 at IIASA in Laxenburg, Austria. This event was attended by the PEN-.REF country teams as well as leading pension reform experts from across Europe. The workshop provided an opportunity for the PEN-REF consortium to present the findings of the first phase of the PEN-REF project.

Apart from events organised by the consortium itself, the members of the PEN-REF teams have been disseminating the findings at different events. The Inception Report (Deliverable D1) was presented in poster form at the ISSA Conference in Helsinki in Spetember 2000. Further, the synthesis report of Deliverable D2 was presented to leading pension experts and policy –makers from all over the globe at the Workshop “Learning from Partners” jointly organised by the World Bank and IIASA. The outputs of WP2 have also been the subject of postgraduate seminars at universities in both Vienna and Stockholm. In Poland, the PEN-REF team presented the findings of the focus group experiments to a audience of Polish pension experts, policy-makers and researchers.

2) Publications

The PEN-REF consortium has also pursued a vigorous policy of publication (see publication list in Annex). Not only has the PEN-REF team managed to publish the findings of WP1 and WP2 in peer-reviewed journals and book projects, the coordinator is currently compiling and editing the country reports for a book publication with Edward Elgar (due to be published at the end of the year).

3) Electronic Dissemination

The PEN-REF consortium has also made all deliverables available on-line for download (at http://www.iccr-international.org/penref). What is more, a revised version of the Deliverable D2 synthesis report is available for download on the World Bank website. The electronic availability has meant that a wider audience has access to the PEN-REF deliverables than would be possible by conventional academic dissemination channels. For example, parts of the deliverable D2 synthesis report will be used on a website about pension reform from Deutsche Asset Management based in London.

2 Future Dissemination and Exploitation Activities

The official end of the project will not, however, mean the end of dissemination activities. In fact, these will continue in several different forms in the medium-term.

1) Interactive Dissemination

Following the Polish lead, the PEN-REF teams involved in focus groups will organise a number of national dissemination events. Here, the PEN-REF country teams will invite national pension policy-makers and experts to present the findings of the focus group experiments.

What is more, the PEN-REF consortium (but in particualr the coordinator) will present the overall findings of the second phase of the PEN-REF project to as wide an audience as possible. This means that in the coming months, the coordinator will present the results of the PEN-REF focus groups to both the social science community in general as well as the pension policy community. The upcoming ISSA conference will provide an opportunity to disseminate the findings to a audience of professional pension administrators.

2) Publications

The PEN-REF consortium will aim to publish the results of the focus group experiment as widely as possible. Each partner will attempt to publish the findings of their national focus group experiment in a national context. The consortium as a whole will secure a special journal issue for disseminating the overall PEN-REF results.

3) Follow-Up Research

The members of the PEN-Ref team will follow up on the research of the PEN-REF project in a number of ways. First, many of the PEN-REF teams will carry on research into demographic ageing and social policy-making in the newly approved ActivAge project, which assesses active ageing policies in Europe. In a very real sense, the ActivAge project builds and expands on the insights of the PEN-REF project.

Second, the coordinator will continue work on the assessment scheme for citizen participation processes outlined in Deliverable D4. In the future, the coordinator will expand and refine the assessment scheme by applying it to other citizen participation formats.

Chapter 6

Acknowledgements and References

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Chapter 7

Annexes

Deliverables List

Deliverable No.	Deliverable Title	Status	Nature	Dissemination Level
D1	Inception Report	Completed	R	PU
D2	Welfare Reform Pathways: An Overview	Completed	R	PU
D3	Citizen Participation in Pension Reform: Country Reports on Focus Groups	Completed	R	PU
D4	The Citizen's View on Welfare Reform	Completed	R	PU
D5	Towards a Citizens' Network: Guidelines for Policy-Makers	Completed	R	PU
D6	Final Report	Completed	R	PU
D7	Workshop 1: Pension Reform in Comparative Perspective	Completed	W	PU
D8	Workshop 2: Citizens' Network and Social Policy	Abandoned	W	PU