



This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800



FESSUD

FINANCIALISATION, ECONOMY, SOCIETY AND SUSTAINABLE DEVELOPMENT

Working Paper Series

No 175

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Variegated Effects in Semi-Peripheral Portugal

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ISSN 2052-803

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Abstract

This paper aims at contributing to the literature on the financialisation of pensions in Europe by examining the transformations occurring in semi-peripheral Portugal. The Portuguese case accounts for both the differentiated and uneven nature of financialisation in general and of pension provision in particular, going beyond the Anglo-American model of financialisation prevalent in the literature. While the country followed similar processes to those of core EU countries, leading to an increasingly integrated financial sector in the international arena, this integration was mainly led by the banking sector rather than by capital markets and from a subdued position within the Economic and Monetary Union. This has had reflections on the relatively reduced role of private retirement-income products in the country. Nonetheless, the Portuguese pension system was equally subject to reform aiming at reducing its weight in public expenditure. The result was a reduction in coverage and benefit without achieving an equivalent match in supplementary private forms of pension provision, having particularly detrimental impact on those with unstable labour market careers. Under a prolonged period of economic stagnation and crisis, Portuguese pension provision is moving towards a two-tiered system combining an increasingly deteriorated public provision for the majority and a residual private provision offered by an outward oriented financial sector.

Key words: Financialisation, Europe, Pensions, Variegation, Periphery

Date of publication as FESSUD Working Paper: November 2016

Journal of Economic Literature classification: D14, H55, I31, P16.

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This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 266800



Acknowledgments: The research leading to these results has received funding from the European Union Seventh Framework Programme (FP7/2007-2013) under grant agreement n° 266800. We are grateful for the comments of the audience of the IIPPE Annual Conference 2016 where a previous version of this paper was presented. We are especially grateful to Maria Clara Murteira who has commented on various versions of this paper. Any error or omission is our own responsibility.

Website: www.fessud.eu

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Introduction

Over the past four decades the financial sector has expanded, in absolute and relative terms, in the most advanced capitalist countries, a trend that has been generally referred to as 'financialisation' within political economy literature and across social science more generally, depicting the 'increasing importance of financial markets, financial motives, financial institutions, and financial elites in the operations of the economy and its governing institutions, both at the national and international levels' (Epstein 2005: 3).

Pensions are particularly relevant for understanding the increased importance of finance in the economy and society as it has been an important conduit through which households have been increasingly embroiled with finance through the acquisition of life insurance and pension funds products and thereby fuelling the expansion of finance itself. These developments have been actively promoted by reforms in state pay-as-you-go and defined benefit pension systems, reducing the size of non-funded schemes and favouring capitalized forms of retirement-income. The result has been the creation of massive pools of retirement savings and their channelling to various financial institutions, such as pension funds, mutual funds, banks and insurance companies, fuelling financial markets. A most relevant development is the steady growth of life insurance and pension funds over the last two decades in the EU, notwithstanding different points of departure (See Table A1 in the annex), exposing the systemic nature of financialisation processes despite its differentiated manifestations within and across countries. Associated with the regressive reforms in pension systems, the growth of retirement financial products raises fundamental issues at both the individual – relating to ability to secure sufficient retiree's income – and at the aggregate level – relating to its detrimental impacts on economic growth, particularly visible in the aftermath of the Global Financial Crisis (GFC).

However, the role of pensions in deepening the relation of households with finance, and its micro and macro level impacts on well-being and economic growth, has not been given due attention in the financialisation literature in the last years.¹ This lack of interest is a reflection of the insufficient

¹ The same can be said of housing perhaps even more compellingly. See, for example, Aalbers and Christophers (2014).

attention to pensions within political economy in general, having been the almost exclusive preserve of social policy analysis. This has meant, on the one hand, the neglect of an important domain of social provision within political economy – more focused on household debt issues – where finance has greatly expanded and has had particularly severe social impacts. On the other hand, and within social policy analysis, this has meant the neglect of the role of financialisation in pension provisioning, as it is absent from the discussion of social policy more generally which 'is a devastating weakness in terms of how it constrains understanding of what can be taken to be one of the key conundrums in addressing social policy, the diversity of outcomes across countries and sectors despite common underlying determinants' (Bayliss et al. 2016: 27).

The relative neglect of pensions within financialisation literature is by and large explained by the predominance of macro-level analyses, which have underlined the liabilities side at the expense of the financial asset side of household balance sheets.

In a nutshell, most analyses have focused on major macroeconomic relations, mainly on aspects pertaining to the links between the financial sector and the spheres of investment and production. Post-Keynesians, for example, have seen the expansion of the financial sphere as the product of neoliberal policies of privatisation, liberalisation and deregulation of financial markets and otherwise, resulting in increasing shareholder value orientation and management short-termism, restructuring production around financial as opposed to productivity imperatives, deregulation of the labour market and weakened trade union bargaining power, among other factors (e.g. Krippner 2011; Hein 2015). On this view, and with regard to the household sector, financialisation is associated with falling labour income shares and increasing inequality in the personal distribution of market incomes and ensuing rise of household debt. The main idea is that stagnant or declining wage income, rising income and wealth inequality and the retrenchment of the welfare state have been important mechanisms driving low- and medium-income households into debt, as a kind of 'privatised Keynesianism' (e.g. Crouch 2009), in order to provide for basic needs such as housing, education, health, or consumption in general.

At the micro level, cultural economy approaches based on Foucauldian accounts of governmentality, for example, have focused on the transformation of the individual into a financial subject. Through specific narratives and discourses this has implied the gradual acceptance of the risks and rewards of financial markets whereby individuals have become increasingly responsible for their own security and autonomy through the market and at the expense of previously prevailing collective forms of

provision (e.g. Langley, 2008). This strand of research thus focus on the impact of finance on the subjective understandings of one's role and that of finance within the political economy whereby the citizen is enticed to become a borrower, an investors and an insurer and culturally embrace the competitive search for risk and yield in increasingly financialised worlds (Beggs et al. 2014).²

In contrast to the macro perspective, the micro approach take into account the participation of the investing subject in capital markets. However, it also tends to convey the idea that financialisation has been uniformly detrimental to the very heterogeneous household sector (with the exception of the extremely rich). But this is a distorted view magnified by the geographically limited scope of these analyses to the USA and the UK, where financialisation has been more directly associated with the generalised rise of household debt and welfare provision is deemed to rely more on markets. But even in those contexts, the impact of engagement with finance is not uniform, and it includes cultural transformations that are riddled with tensions and contradictions, as meanings cannot be completely detached from the material processes that generate them. That is, insofar as financialisation entails diverse and differentiated household engagement with finance, its cultural effects are also highly differentiated, consolidating and increasing segmentation in society (Fine, forthcoming).

This paper aims at contributing to the literature on the financialisation of pension by examining the transformations occurring in a peripheral EU country – Portugal. The Portuguese case is deemed particularly illuminating for at least four-related reasons. First, it provides evidence for the idea of 'variegated financialisation' (Brown et al. 2015), i.e. that the increasing dominance and influence of finance across the globe is both a systemic and variegated process operating across nations. Second, it provides evidence for the idea that 'variegated financialisation' must take into account the differentiated ways in which finance interacts with particular economic sectors and social provisioning, i.e. the financialisation of particular systems of provision (Bayliss et al. 2013). Third, by focusing on peripheral country within the EU the Portuguese case underlines the relevance of the relative position of the country within the global economy, in addition to the national specific social, political, and economic context of the country. Fourth, the Portuguese case also accounts for both the differentiated and uneven nature of financialisation processes, as it will provide evidence for the severe impacts of financialisation in a system of provision that remains by and large in the public domain and within which domestic financial capital markets have still a relatively limited role.

² See Van der Zwan (2014) for a more comprehensive review and additional references.

The paper is organised as follows. Section 2 starts off with an overview of the financialisation of pensions in Europe, highlighting the variegated nature of pension systems notwithstanding (or perhaps because of) financialisation processes. Section 3 highlights the role of the EU in promoting the financialisation of pensions, which is particularly relevant to peripheral and semi-peripheral contexts. The Portuguese case is subsequently examined. To set the overall context, Section 4 briefly presents the semi-peripheral nature of financialisation in Portugal, and Section 5 then examines the institutional change and the gradual financialisation of pension provision in the country. Section 6 concludes by highlighting the complex and context-specific intertwining of finance with pensions, offering policy recommendations on pension provision and on how to (de)financialise it.

The variegated financialisation of pensions in Europe

Pension provision in Europe is variegated, reflecting institutional idiosyncrasies born out of politically contested historical processes underpinning the creation and maturation of each national system of social security. Thus, different forms and combinations of provision of retirement income abound in EU countries, reflecting different degrees of public and private involvement. These include non-contributory universal social assistance benefits for retirees excluded from other arrangements, pay-as-you-go (PAYG) schemes with earnings-related defined benefit (DB) plans, occupational defined benefit pension funds, defined contribution (DC) pre-funded pension plans, among others (Churchill 2013). Such variety poses significant intellectual and policy challenges, particularly when trying to identify commonalities among different national systems, or when trying to assess the impacts of shared trends such as those related with the financialisation of pensions and the role of the EU in its unfolding.

Although institutional variety in pension provision is acknowledged in the relevant literature, the financialisation of pensions is still predominantly conceptualized along the Anglo-American mould. Attention is drawn to how reform of pension systems has fuelled the rise of new financial agents, including pension funds, but also hedge funds, insurance companies and other non-monetary agents that manage private savings for retirement, creating a 'set of tendencies most strongly felt in Anglo-American capitalism where stock markets predominate over bank-based finance' (Langley 2006: 541). The strategies of these new financial agents, focused on shareholder value through investment in equities and other financial securities, are at the core of critical literature on pension reform and financialisation and on their perverse macroeconomic effects (e.g. Engelen 2003; Theurillat et al.

2010). However, the expansion of pension funds and the commodification of pensions extend beyond the development of capital markets, in particular the growing securities markets and its instruments and agents, and the Anglo-American world.

The literature thus loses sight of how variegated financialisation in the provision of pensions can be, particularly in European countries where equity and bond markets are not as equally developed and where banks still retain a central role in burgeoning financial systems. But from this it does not follow that the centrality of banks in most European countries fits neatly into the varieties of capitalism distinction between market-based and bank-based models (Hall & Soskice 2001). The point is that, in tandem with capital markets growth, European banks have changed their operations without substantially losing their power and centrality within the financial system. This means that in many EU countries financialisation of pension provision has been carried by banks, especially so where banks remained the most relevant financial agent at the national level. Banks have thus served both as intermediaries (between households and pension funds or financial markets) and also as active collectors of savings (Lapavitsas & Dos Santos 2008). Moreover, how each financial sector is organized and integrated in international financial markets, and placed within the international financial hierarchy, and the power relations played by different national agents in its unfolding, are also relevant to account for the variation of financialisation processes (Lapavitsas 2013), and thus its policy drivers and its influence on pension provision.

By focusing on the Portuguese case, the paper aims at developing the notion of variegated financialisation by showing that the increasing dominance and influence of finance across the globe is both a systemic process operating across nations and a variegated process in the sense that 'how it unfolds within and impacts upon particular nations is mediated by the institutions, politics, culture etc. of those nations' (Brown et al. 2015: 46-7). It also does so by focusing on the pensions system of provision stressing that variegated financialisation must take into account the differentiated ways in which finance interacts with particular economic sectors and social provisioning, i.e. the financialisation of particular systems of provision (Bayliss et al. 2013).

Institutional variegation is precisely the hallmark of the Systems of Provision (SoP) approach (Bayliss et al. 2013), advising the study of the context-specific nature of each system, including the nature of the goods or services provided, its structures, agents, processes and relations that characterise the entire chain of production. The SoP approach thus theorizes financialisation as an heterogeneous process, highlighting the plasticity of finance when responding to new opportunities, or when

confronting unexpected hurdles, which are sector and country specific, thus shaped by multiple social, political, geographical and historical factors. Hence, it rejects the framing of recent pension reforms as a straightforward trend towards any given single model, such as the Anglo-American market-led financialised system (Churchill 2013).

We take as our starting point the work by Dixon and colleagues, who have initiated research on financialisation of pension provision in Europe sharing the same preoccupation of accounting for variegation in pension provision, having begun to identify both what is common and differ in various countries, while attentive to the specificities of each national system. Building on the 'geography of finance' (Clark & Wójcik 2007), Dixon and Monk reject the analytical value of the convergence and divergence dichotomy, being instead interested in the particulars of institutional change via 'layering', meaning 'the introduction of new elements onto or next to an institution, which then sets in motion dynamics that can result in the original institution becoming altered drastically' (2009: 622). In their comparative work they have shown how changes in global finance, such as those relating to accounting standardisation procedures, have had differentiated impacts, even in countries with highly financialised pension systems such as the Dutch and the British systems taken as 'progenitors of pension fund capitalism, with massive pools of capital chasing returns and financial prospects across the globe' (2009: 635). Even though these systems have had a strong reliance on funded occupational DB pension within the EU context, and while accounting practices have led to a significant transformations in the DB pension, the resulting transformations differed. The UK has seen a massive decline in occupational DB pension coverage, leaving many uncovered as this decline has not been met with increased provision of other occupational pension instruments. In contrast, and exposing social solidarities and historical contingent institutional settings, reform of Dutch occupational pensions has been able to maintain coverage and overall collective sharing of risk. Dixon and Monk (2009: 635) then conclude '[i]nstead of convergent outcomes, we are faced with limitless possibilities of hybridization and simultaneously occurring convergence and divergence' and thus '[p]olitical economies remain institutionally distinct regardless of increasing amounts of financialisation'. Similarly, comparative analysis of the Finnish, French and German pension system revealed that recent transformations in retirement income arrangements are 'conditioned by frameworks quite typical to the particular political economies', as the former 'remain strongly embedded in and steered by the regulative, normative and discursive institutional environments of each political economy in question' (Dixon & Sorsa 2009: 360-1).

The Portuguese case offers a contrasting example to both the Anglo-American and Central and North European countries. Undergoing similar processes of financialisation and neoliberal reconfiguration of its system of pension provision, the Portuguese most characteristic trait is the recent and ongoing construction of the social security system, after the 1974 democratic revolution. This means that if, on the one hand, Portugal has followed similar processes of economic liberalization and privatization since the mid-1980s; on the other hand, these were carried out while the Portuguese welfare state was still been built. Moreover, these developments are critically associated with the insertion of the Portuguese political economy in the international economy, not least through the entry into the Economic European Community (EEC), in 1986, and the participation in the Economic and Monetary Union (EMU), in 1999. This has determined the semi-peripheral position of the country within the world economy, which combines features of the centre – such as the common currency, the Euro – and also features normally present in peripheral countries – such as foreign dependence and bank hegemony in the financial sector (Rodrigues et al. 2016).

Exposing its semi-peripheral condition, this paper underlines the structural limits the Portuguese pension system of provision poses to the advancement of finance. The privatization of pensions in Portugal has been gradual, fundamentally made by stealth, being relatively marginal within the universal public system, and thus pension provision is still fairly independent from the operation of financial agents and markets. In the aftermath of the GFC there is little room for channelling meagre savings to capital markets while the state is financially drained and unable to sponsor such schemes on a large scale. But before presenting the Portuguese case, mention should be made to the role of the EU in the promotion and shaping of recent reforms of pension provision across Europe.

The role of the EU in pension reform and its domestic endogenous limits

Financialisation of pensions is part and parcel of on-going transformations in an ever more sophisticated financial sector, with new agents, instruments and markets increasingly able to cater new demand for diversified savings products. But it is equally the result of on-going reforms in pension provision that have pushed individuals into financial markets to find alternative and complementary sources to diminishing state retirement-income.

International organisations have had a most active role in promoting pension reform in many countries. The World Bank (WB) and the Organisation for Economic Cooperation and Development

(OECD) had the leading role in launching the debate on structural reforms of public pension systems to tackle forthcoming demographic challenges (World Bank 1994; OECD 1996). Taking as a point of departure the pressure an ageing population constitutes to the sustainability of pension provision, the main policy concern was the control of public spending with pensions. To this end, the WB (1994) proposed a three pillar pension system. The first pillar consisted of a mandatory state pillar based on fighting poverty through the provision of a basic subsistence pension; which would be complemented by a mandatory (second pillar) and a voluntary (third pillar) pension fund managed by the private sector. The idea then was that this architecture would lead households to invest their savings more efficiently in financial markets, which would foster economic growth while relieving public systems from future financial strain.

Since the situation of each country and the power of the agents involved (financial system, unions, state, pensioners, etc.) differ widely, implemented reforms have varied as well. But two different strategies can be identified. First, there were parametric reforms, which focused on changing the calculation of public pensions (by altering pension formulae, indexation to the evolution of relevant variables, such as inflation, retirement age, etc.), resulting in a substantial reduction in the value of the pension. Secondly, there were more radical reforms, particularly aimed at substituting collectively based defined-benefit (DB) pensions for individualised and private defined-contribution (DC) schemes (OECD 2005). As the latter involve high transition costs for public finances and face fiercer political opposition, parametric reforms have been generally favoured. In either case, these reforms have successfully achieved the main target of reducing public expenditure with pensions as conveyed by a general decrease of gross replacement rate (i.e. the percentage of retirement income to previous wage) in most of OECD countries, with some countries expecting sharp drops (more than 25%), affecting particularly the poor and women (OECD 2007).

At the European level, the EU has had a decisive role in the promotion and shaping of recent reforms of pension provision. The first steps towards pension reform were taken in 1999 with the setting up of 'A Concerted Strategy for Modernising Social Protection' (European Commission 1999: 6). At the time, the reform of social security systems was framed by the need to adapt to 'new social and economic circumstances in which they operate: the changing nature of work, demographic ageing, the new gender balance and developments in relation to the free movement of workers'. The Göteborg European Council in June 2001 stressed the need for a comprehensive approach to meet the challenges of an ageing society and endorsed three broad principles for securing long-term sustainability of pension systems: (1) to safeguard the capacity of pension systems to meet their social

aims of providing safe and adequate incomes to retired persons; (2) to ensure the financial sustainability of pension systems; and (3) to enhance the ability of pension systems to respond to the changing needs of society and individuals (European Council, 2001: 10). In short, the reforms would have to promote future adequacy of pensions, their financial sustainability and the modernisation of pension provision.

A critical aspect in European political strategy was the setup of the so-called 'Open Method of Coordination' (OMC) on pensions, which would involve setting common objectives, transforming them into national policy strategies and, finally, monitoring periodically on the basis of commonly agreed and defined criteria. Progress was to be measured by appropriate indicators in order to provide comparable information on major economic, financial and demographic trends affecting the long-term sustainability of pensions, as well as to advance pension reform. In 2006, the European Commission (EC) identifies the reform of public pension systems as one of the main actions to be undertaken at the European level, and based on the national strategy reports submitted in 2005, the EC acknowledged that 'there has been substantial progress in reforming pension systems' (EC 2006: 11). And it bluntly advocated the development of private schemes that complement or partially replace public pension provision as a favoured alternative to parametric reforms such as lengthening working lives and strengthening the link between contributions and benefits. More recently, the EC has once again praised past reform efforts, deemed effective to the extent that 'public pension schemes have become much more able to withstand the pressures of population ageing and their future contribution to pension incomes is better assured' (EC 2012: 13).

Pension reforms have taken different configurations across countries. As mentioned above, the Netherlands and the UK, where pension funds are most predominant within the EU context, have dealt with pension reform in very distinctive ways. The financial crisis in the beginning of the 2000s, resulting from the 2001 'dot.com' bust and the low interest rates subsequently adopted by central banks to counter its effects on the economy, produced funding gaps in many pension funds (Langley 2004). Exacerbated by new international accounting standards, this meant a significant and generalized reduction of pension funds yields, which never recovered from the impact of the dot.com stock market crisis. In the Netherlands, where occupational funds followed the DB model with mandatory participation (via collective contracts), and employees and employers have equal representation rights in the boards of firms, union resistance to reform forced 'parametric reforms' on DB pensions rather than its conversion into DC funds (Dixon & Monk 2009). In contrast, in the UK state pensions have been under attack since the Thatcher government, initially through forging a

more direct link between state pension and inflation instead of earnings (Blackburn 2006). Moreover, in the UK pension provision is marked by a wider variety of institutional arrangements, comprising at present nine pension subsystems in addition to the basic state pension. This has resulted in a decline of DB schemes, which have been gradually closed to new members and which have not been matched by a rise of DC plans. In 2007, DC plans had the same number of members (around 900.000) that it had in 1991, thus meaning that a rising cohort of workers did not have any pension plan for retirement other than the state basic pension (Dixon & Monk 2009). In 2012, a system of auto-enrolment (with opt out clauses) for DC pension funds was put in place in order to boost the number of members. Although the number of workers covered by pension plans has increased from 1.2 million in 2012 to 3.5 million members in 2015, employers' contributions have plummeted from 9.1% to 4.7% of earnings.³

The impact of the GFC on financial markets has raised again concerns about the future evolution of pension plans and their ability to provide adequate income for retirees as a result of low long-term yield prospects of financial markets in most developed countries. This is due, on the one hand, to expansionary monetary policy (e.g. central bank reductions of interest rates and quantitative easing operations) that contributed to the drop of interest rates in financial markets to near zero values with slim immediate prospects for recovery; and, on the other hand, to high volatility and low returns in equity markets as a result of prolonged international economic stagnation, labelled by many as 'secular' (Summers 2013).

The European Insurance and Occupational Pensions Authority's (EIOPA 2006) report on the future sustainability of occupational pensions in the European Union is not reassuring. Based on two adverse scenarios – involving different shocks on asset values and low real interest rates – the report concludes that 'after application of the adverse market scenarios 1 and 2, the deficit of assets over liabilities [in pre-funded DB plans] is respectively EUR 373bn and EUR 346bn, corresponding to 25% and 22% of the liabilities' (p. 29). Although, by definition, DC plans do not suffer from funding gaps, the stress tests show steep declines in pensions' gross replacement rates. In the shock scenario 1, the replacement rates fall on average by 10% and 11% for members that are, respectively, 35 and 5 years away from retirement. In the second scenario, with most adverse shocks, the average falls reach 19% and 15%, respectively, and these tests only consider risks associated with the pension

³ <http://www.theguardian.com/money/2015/sep/24/employer-pension-contributions-collapse-by-48-in-a-year> (consulted 13 October 2016).

funds' returns (and thus ignore the effects of financial shocks on employment and wages, which would further magnify retirement income losses due to a reduction in workers and employers' contributions).

The impact of the GFC on pension funds and their future sustainability has revived criticisms that were already levelled against the financialisation of pensions in the wake of the 2001 financial crisis. Many of the detrimental consequences of the growing reliance on pension funds and the expansion of financial markets had already been identified. Engelen (2003: 1361), for example, had already criticized the neglect of the interactions between pension reform policy and 'labour-market, family, and migration policies (that is, increasing the participation rate and shifting the fertility equilibrium) as well as economic and educational policies (that is, enhancing labour productivity, either through more spending on research and development or through increased investment in competencies and capabilities)'. That is, pension reform cannot be disconnected from the broader goal of economic growth, as the latter is the only robust answer to ensure the sustainability of any pension system in the long run, whether public or private.⁴

There are also distributional effects stemming from the distribution of financial assets, namely pension funds and life insurance, across the socioeconomic strata, which are heavily concentrated on top income quintiles (ECB 2009; Santos & Teles 2014; Santos et al. 2016). This asymmetry is both relative and absolute, encompassing both lower participation rates and lower amounts of investment in these products due to lower saving capacity of the socioeconomic disadvantaged. Hence, financialised pension plans not only reflect extant income inequality, but they also extend and amplify it into the future as many are excluded from complementary sources retirement income.

To sum up, while the financialisation of pension provision has been a shared policy across Europe, and by and large fostered by the EU itself, countries have followed variegated paths. Convergence towards a common financialised 'Anglo-American' pension system of provision is not forthcoming.

⁴ Another problem related with the growing reliance on pension funds pertains to the assumption that the equity premium of pension funds are consistently higher than labour productivity, the latter a critical variable to assess the sustainability of PAYGO systems. But this does not take into account the life cycle of a pension fund, and thus the fact that the initial phase will correspond to a period of asset price inflation, and that the maturation and winding up phases correspond to lower returns, forcing riskier investment strategies (Toporowski 2000, Engelen 2003). Hence, returns of capital capable of beating economic growth in the long run can only be achieved if the primary distribution of income further tips in favour of capital (Ghillarducci 2000). A fundamental contradiction then emerges: one the one hand, if returns on capital are higher than economic growth (i.e. $r > g$, the formulae synthesised by Thomas Piketty 2014), there is growing inequality, penalizing current workers and future retirees; but, on the other hand, if returns on capital are lower than economic growth there is no longer an advantage of private pensions in comparison with public PAYGO systems of provision. See also Poterba (2001) for an alternative view.

This is even more so as the financial and social weaknesses of a pension system reliant on capital markets are now more evident in the aftermath of the GFC. Portugal, a peripheral country within the EU, exposes further difficulties to a convergence towards a highly financialised pension system. Before delving more concretely into the financialisation of pensions in the country, we first present the general contours of broader financialisation processes of the economy and society.

The semi-peripheral nature of financialisation in Portugal⁵

The Portuguese economy and society has followed what has been conceptualised as a semi-peripheral type of financialisation (Rodrigues et al. 2016). This notion was forged to account for, on the one hand, the intermediate position of the Portuguese economy in the world economy, i.e. as an industrialised country that is increasingly unable to compete with countries with which it is most closely integrated; and, on the other hand, the institutional features of its financial system, which shares characteristics of both core and peripheral countries, being mostly shaped by the process of European integration and by the predominance of loanable capital within the framework of the Euro. The concept of semi-peripheral financialisation in the Portuguese context thus underlines the more predominant and critical role of bank loanable capital in shaping recent changes in the economy and society and its role in intertwining international finance with Portuguese economic agents.

Portugal is a semi-peripheral country within the world economy, which combines characteristics of developed and developing countries, being marked by late industrialisation and lasting backward economic development relative to the core Northern and Central European countries. With a colonial past, and decolonisation occurring as late as in the 1970s, the country rapidly geared towards integration in the then European Economic Community (EEC), formalised in 1986. Portugal's laggard position in the European context is deemed to have reinforced the role of the EU in driving the financialisation of the Portuguese economy and society. The participation in the EEC accelerated reforms in many economic and financial sectors, and the participation in the Economic and Monetary Union, in particular, brought unprecedentedly advantageous financial conditions, such as an almost unlimited access to hard currency and loanable capital at low interest rates, a feature often unavailable to countries with similar levels of development.

⁵ This section briefly summarises the processes leading to the financialisation of the Portuguese economy presented in Rodrigues et al. (2016), which should be consulted for a more developed account of Portuguese financialisation and of its specific manifestations on various financial and non-financial sectors.

The financialisation of the Portuguese economy and society was a rapid, but effective, process of socioeconomic transformation. Within the time-span of a mere decade, between the mid-1980s and the mid-1990s, the Portuguese financial system evolved from a State-controlled and 'repressed' financial regime to become a fully integrated and liberalised one, supported by firm insertion in international circuits of finance. Despite the speed of these transformations, the transition was smoothly produced without the financial instability that frequently accompanies such processes. The Portuguese case is even more remarkable when considering the scope and depth of these transformations.

The combination of two IMF interventions (in 1979 and in 1983-85) and the preparation for accession to the EEC set a favourable context for what has been uncritically labelled as the 'modernisation' of the Portuguese financial system from the mid-1980s onwards. The privatisation and liberalisation of the financial sector, which put an end to credit limits and administrative interest rates, was the first set of reforms contributing to the increase in bank loans in the 1990s. A second set of reforms is linked to the release of compulsory reserves deposited in the Bank of Portugal, which were subsequently transformed into public debt, gradually securitised and traded on secondary markets and open to foreign investors.

Accession to the EEC, and ensuing integration in the European single market for goods and services, implied liberalisation and harmonisation with the different segments and practices in the European banking sector, for example, putting an end to the distinction between investment and commercial banking, abolishing restrictions on the entry of new agents and aligning prudential requirements for the sector with the 1989 Basel Accords. The removal of all national controls over the international circulation of capital was the culmination of the process of transformation of the financial sector, which was favourable to development of the incipient domestic capital market. In the 1990s the country finally adhered to the European Monetary System and the Exchange Rate Mechanism. With the active participation of the State, this trajectory illustrates an active political commitment to a process of integration increasingly guided by market forces and, in particular, by finance.

The processes of bank privatisation and financial liberalisation, which were basically completed at the beginning of the 1990s, and the nominal convergence trajectory culminating in adherence to the Euro were decisive factors in transforming the Portuguese economy into a financialised one. Indeed, the official justifications and optimistic evaluations that underpinned the strategy for joining the Euro explicitly underline the aim of expanding the financial sector, perceived as being in the vanguard of

'modernization'. The remarkable decrease of real interest rates was then seen as the most relevant sign of the successful insertion of national finance in international financial markets. The expectation was, on the one hand, that it would allow firms to accelerate capital accumulation, taken as a pre-condition for future increases in overall productivity; and, on the other hand, that it would favour accumulation of wealth on the part of households, particularly through the purchase of housing stock.

To sum up, the context-specific nature of semi-peripheral financialisation of Portugal, stemming by and large from the hybrid nature of the economy, combines elements of relatively backward structures with a rapidly modernised financial sector fully articulated with core financial centres. This has resulted into the predominance of loanable capital from external sources, capital accumulation geared towards domestic non-tradable sectors, rising levels of household debt, and a State overly dependent on foreign funding, resulting in high levels of external debt and prolonged economic stagnation even before the crisis.

With a relative backward position within the EU, Portugal was able to articulate and make compatible the continuous development of social protection with policies of privatization and liberalization of the economy. This is partly explained by an enduring consensus among key political actors, an inheritance of the democratic revolution that occurred in 1974, on the virtues of a robust state intervention to assure a certain degree of social and political legitimacy of the economy through high levels of employment and a consolidation of social protection (Fishman 2010). The acceleration of the European integration have also helped in this regard, at least initially, by making convergence with more matures social welfare models a more salient focal point in public debates and by the access to European structural funds and the lowering of interest rates foreign credit, which helped reduce the budgetary burden of public investment (Rhodes 2002). The increase in real wages, aligned with the evolution of productivity levels, the strengthening of safety nets or the increase in the duration and levels of unemployment benefits clearly convey the political refusal to openly pursue a strategy of social devaluation, at least until the beginning of the new millennium. Public investment in the provision of higher education and in R&D in this period reinforces this political standing.⁶

However, since the millennium the country has undergone a long process of stagnation with increasing levels of unemployment and the slow erosion of social provision. The GFC of 2007-08, and its particular impacts on the periphery of the Eurozone accelerated these trends, ultimately revealing the incompatibility between ongoing neoliberal and financialised socioeconomic restructuring and

⁶ <http://www.pordata.pt/en/DB/Portugal/Search+Environment/Table> (consulted 14 October 2016)

social progress. The evolution of the Portuguese system of pension provision illustrates these trends well both before and after the Euro. The point to which we now turn.

The financialisation of pensions in the semi-peripheral Portugal

In 1984, ten years after the Revolution, Social Security has its founding moment with the Law on Social Security, which consolidated the democratic consensus on effective social rights. In terms of pensions, a democratic effort was made to gradually institutionalize a public, mandatory protection system based on the pay-as-you-go rationale, which included a general scheme for workers in the private sector and a specific, slightly more generous scheme for public sector workers known as the 'Caixa Geral de Aposentações' (Civil Service Pension Fund).

The Portuguese welfare state, in general, and the state pensions system, in particular, have thus known a relatively late institutionalisation, apparently going against the neoliberal international trends predominating from the 1980s onwards. This 'belated' construction of a Welfare State meant that in terms of state spending on social protection relative to GDP, 'Portugal was two or three decades late in following a path which other European countries had pursued between 1960 and 1990' (Mendes & Albuquerque 2014: 139). Hence, the development of social protection in Portugal can be understood as converging with the European context, in line with other countries in Southern Europe: spending on social protection rose from 7.8% of the GDP in 1986 (the year Portugal joined the EEC) to 15% on the eve of the financial crisis, in 2007.⁷ The number of old age pensioners in Portugal, about half million in 1975, tripled in 2000 and quadrupled in 2013 reaching 2.018.828.⁸ This was in part due to the inclusion of a growing number of workers in the universal public system, but, above all, because of demographic trends associated with an ageing population. It is therefore not surprising that spending on old age pensions, which in 1975 amounted to 1.2% of the GDP (comprising approximately 25% of the expenditure on the social security system), rose to 3% of the GDP in 1991, reaching 6% in 2013 (exceeding 60% of total spending on social security).⁹

⁷ Social protection expenditure includes expenditure in education, health and social security and social work. <http://www.pordata.pt/en/DB/Portugal/Search+Environment/Table> (consulted 14 October 2016)

⁸ <http://www.pordata.pt/en/Portugal/Social+Security+pensions+total++survivors+pensioners++disability+pensioners++old+age+pensioners-96> (consulted 14 October 2016)

⁹ <http://www.pordata.pt/en/Portugal/Social+Security+pensions+as+percentage+of+GDP+total+expenditure+and+by+type-942> (consulted 14 October 2016)

The diagnosis of the need to deal with the growing weight of pensions on public expenditure had already been made in the 1990s. Despite the low level of pensions and the existence, until very recently, of a surplus of contributions, the system was seen as being threatened by demographic trends that needed to be addressed. National commitments to the EU which increasingly stressed balanced fiscal policy as the main objective of economic policy, also needed to be taken into consideration. Vieira da Silva, the social security minister who took this argument furthest to push the 2006 reforms, ended up acknowledging that 'from the nineties onwards (...) changes in the rules for calculating pensions were based on restriction or, in other words, reducing pensions' (Silva 2014: 372).

The alignment with international practices began with the constitution, in 1995, of a Committee charged with producing a 'White Paper' on the reform of social security required to ensure its sustainability (MTS 1998). The recommendations were not consensual, including paradigmatic changes that aimed to increase the role of financial markets in pension provision. These included contribution thresholds and the introduction of a second supplementary but mandatory pension for incomes above five minimum salaries under a defined contributions funded scheme, to be managed privately and extendible to all beneficiaries. However, these recommendation have not been implemented.

In 2000, a new Law on Social Security was approved, which stressed the importance of creating a reserve fund financed by employment-related contributions and of encouraging public or private voluntary supplementary funded systems, and enunciated the principle that the calculations for pensions should consider contributions as a whole rather than the best ten of the last fifteen years. In 2002 Decree-Law implemented this alteration considering a transition period from 2002 to 2016. This was a highly important parametric change designed to reduce the value of pensions and marked the beginning of the new millennium as a moment of change in the rationale of the provision system, which would continue to be developed (Murteira 2011). Another fundamental milestone, both for supporters and critics of the state pensions system, was the 2006-07 reform, culminating in a new Framework Law, in 2007. These reforms were clearly the result of the influence of European institutions and their diagnoses and recommendations, within a context of increasing intrusion in public policies designed to transform pension systems into one adjustment variable for European economies with difficulties, as was clearly the case of Portugal. This reform was informed by a very pessimistic diagnosis, produced by the European Commission, of the state pensions system, which

classified Portugal as one of the countries with a growth trend considered unsustainable for pensions in coming decades (EC, 2006).

In line with the recommended reforms, the government proceeded to make various changes, including the following: (1) introduction of a 'sustainability factor' that reduced pensions in line with increased life expectancy; (2) anticipation of the full adoption of the whole contribution period; and (3) de-indexation of pensions to the minimum salary by creating a 'Social Support Index' which only guaranteed the purchasing power of the lowest pensions, whereas preserving the real value of the remainder now depended on specific economic growth rates. The supporters of this reform emphasise the positive effects on financial sustainability and, based on data from the European Commission (2012), praise the fact that between 2010 and 2060 Portugal is envisaged to be one of the OECD countries in which spending on pensions will increase least (0.2% of GDP). However, this also implies a clear sacrifice in terms of pensioners' well-being since, due to this reform, Portugal is one of the countries where the replacement rate will have fallen most, from almost 90% to 53% (Mendes 2011), a trend that will continue, as the European Commission itself forecasts. This observation confirms Murteira's critical analysis (2011, 2013) according to which the entire reform was governed by strictly financial criteria along the EU priorities for public finance, sacrificing the incomes of pensioners dependent on public provision, widen the gap between pensions and the incomes of working people, ultimately ending the idea of indirect salary that was one of the philosophical pillars of the system. Such trend was reinforced during the adjustment program, enforced by the 'troika' of official lenders – European Commission, European Central Bank and International Monetary Fund – since 2011, when taxes on pensions were raised, even if affecting mostly above the average pensions and as part of a temporary measure in light of the country financial emergency condition. However, at present, pension reform continues to be part of European policy in its new monitoring and enforcement powers on the Portuguese fiscal policy.

Although state policies regarding social security have been characterized by gradual retrenchment since the millennium, the opposite appears to apply to the political construction of the private pensions market. Since 1985 successive governments have actively promoted private pensions within the broader effort towards the rapid modernization of financial markets, as described above. The emergence of pension funds and life insurance in Portugal has, from the outset, accompanied financial liberalisation. Their existence was initially envisaged in Decree-Law No. 325/85 and was at the time restricted to funds managed by insurance companies ('life insurance' branches). Its scope was quickly extended in 1986, with the opportunity to create pension fund management companies

(Garcia 2003). In 1989 pension savings plans (PPRs) and the associated retirement savings funds appeared, promoted by the state via income and capital tax breaks.

The initial growth was spectacular: between 1987 and 1988 149 funds were created. The exponential growth in the sector was due to the pension funds of privatised large companies such as Portugal Telecom and, above all, to bank pension funds – which held 57% of all pension fund assets in 1998 (Pedras 2000). The overwhelming majority consisted of DB funds resulting from collective agreements with workers which replicated the rationale of the pay-as-you-go social security system. During the 1990s, pension funds grew exponentially to a total of around 10.000 million euros in 1998 (12% of GDP). Benefitting from overall economic growth, these funds were also favoured by the climate of financial euphoria in the second half of the 1990s, which boosted capitalisation – the effective average annual rate of return in the nineties was 8.5% (Pedras 2000).

The new millennium saw a reduction in the growth rate of these funds, with a sharp fall after 2010. Nowadays the funds do not even amount to 10% of GDP. This fall is primarily explained by the transfer of several bank DB funds to the public PAYGO social security system. In a context of stagnation, the crisis in the capital markets and the reduction in the number of workers in the sector, banks transferred their future (defined benefits) liabilities to the state, providing the latter with financial assets that enabled it to reduce the budget deficit. What this transaction revealed, however, was the failure of private, defined benefit pension funds in the Portuguese context. Nevertheless, banks still remain the main holders of pensions funds, in particular the BCP (through the Pensõesgera fund), the Caixa Geral de Depósitos (CGD pensions) and BPI (Life insurance and pensions), where almost two thirds of the market is concentrated, largely replicating the current oligopoly in the bank market (ISP 2013).

However, the decline of pension funds in Portugal does not imply a generalized decline in importance of individual savings products for retirement. In fact, there has been a marked growth in PPRs offered by insurance companies. Offering guaranteed capital and minimum return rate, these products are actually investment funds with a low-risk profile. And unlike the aforementioned pension funds, the PPRs offered by insurance companies do not provide defined benefits but instead the total value of their financial application, capitalised over the years. But they benefit from significant tax concessions, thus contributing to their implicit returns. The value of these PPRs has increased exponentially, from 2.000 million euros to 12.111 million euros between 1998 and 2013 (ISP 2000 and 2013). Nonetheless, while net equity of households in life insurance and in pension funds reserves to

GDP rose from 16% in 1995 to 42% in 2010, it declined since then to reach 35% in 2012 (see Table A1 in the Annex).

Despite claims that pension funds are an efficient mechanism for mobilising and allocating capital (e.g. World Bank 1994), the growth of PPRs has resulted in a remarkable outflow of capital, particularly to other EU countries. In fact, in 2007, prior to the international financial crisis, 64.5% of the insurance companies' investments in PPRs were applied in the EU, and only 14% were applied in Portugal (Table 1). Although this may be explained by the narrowness of the financial markets in a semi-peripheral economy such as Portugal (this extroverted profile is replicated, for example, in the Baltic countries), the negative effect on the growth of the Portuguese economy is undeniable, since these investments represent a transfer of financial resources to other countries. Moreover, in contributing towards lower economic growth rates, lower employment rates and fewer contributions to the public system, they affect the sustainability of the system, feeding a never ending vicious circle.

Table 1. Geographical recipients of pensions funds and life insurance savings products (ISP, 2007, %)

	Life Insurance	Pension Funds
Rest of the World	13.6	5.3
<i>Off-shores</i>	7.6	5.2
Portugal	14.3	23.8
Rest of the EU	64.5	65.7

Although the PPR market is almost an exclusive of insurance companies, this reality should not disguise the influence of the banking sector, given that the main insurance companies belonged to major national banks. Fidelidade, the biggest insurance company with a 31% share of the market, belonged to Caixa Geral de Depósitos until it was privatised, and has since been controlled by Chinese capital (via Fosun). The second largest insurance company, Ocidental Seguros, with 20% of the market, belongs to BCP and the international insurance company Ageas. The companies ranked third and fourth belong to the former BES bank (Tranquilidade, nowadays controlled by the North American private equity fund Apollo), and the BPI bank (Allianz). That is, Portuguese banks were thus the institutions that controlled and most benefitted from the growth of such financial products.

The financialisation of pensions in Portugal also comprises the increasing influence of finance on the public social security system. The Social Security Financial Stabilisation Fund (Fundo de Estabilização

Financeira da Segurança Social, FEFSS), created in 1989 in order to manage the surpluses of the PAYGO system, offers one example of this influence. Like other European state-owned funds (Dixon 2008), the FEFSS has also sought to copy the investment strategy of private funds. Its finances are the result of transferring 'two to four percentage points of the percentage value of contributions from salaried workers', depending on the 'economic situation during the year in question or the financial situation of the welfare system', which may justify its temporary suspension, as was the case in 2004-05 and 2012-13 (IGFCSS 2014: 5). The portfolio of this fund has expanded steadily over the past twenty years, totalling 11.700 million euros in 2013, equivalent to 7.1% of GDP and approximately 13 months of the Portuguese state's current expenditure on pensions. In 2013, the FEFSS portfolio was divided into five main components: 66.0% was allocated to fixed income products (including Portuguese state debt); 16.0% to variable income applications, in particular European (28%), North American (57%) and Japanese (15%) shares; 15.6% was applied in liquid funds; 1.6% in the real estate; and 0.6% was channelled to the strategic reserve designed to promote the strategic interests of the Portuguese economy (IGFCSS, 2014). The semi-peripheral character of the Portuguese economy is again apparent, with domestic capital being invested outside the country. The yield generated by the fund has been modest, although apparently in line with other national and international funds, achieving an effective annual rate of 2% (IGFCSS 2014).

The erosion of the state pensions system has been accompanied by the slow growth of private pensions, which has been promoted by the most important agents of the Portuguese financial system, banks. However, Portugal occupies a modest position within the OECD in terms of the relative importance of pension funds. In 2012, the assets controlled by these funds represented 8.8% of the GDP, which compares to an OECD average of 35.5% (OECD 2013). And this situation is not likely to change in the near or the far distant future. The European Commission forecast predicts that 'private pension schemes will remain limited' in Portugal until 2060 (EC 2015: 82). Political resistance to further reform the public system plays an important role, but it is mostly the prolonged economic stagnation followed by deep financial and economic crisis in the semi-peripheral Portuguese economy that constraints the expansion of private pension alternatives. With double digit levels of unemployment and low household disposable income, as well as a high level of indebtedness, the capacity to save and invest in private pension plans is restricted to the most affluent socioeconomic strata, leaving the majority of the population dependent on a public system increasingly unable to provide an adequate retirement income.

What future for pension provision?

Influenced by EU policy prescriptions and new opportunities opened by liberalised financial sectors, European countries have reformed their pension systems of provision. The EU has been most active in extensively and systematically monitoring the reforms of the pensions systems of its members further pushing its policy prescriptions. Concerned almost exclusively with public finances, EU has focused on the reform of publicly funded pay-as-you-go and defined-benefit systems, promoting voluntary private pension funds perceived as an alternative for the increasingly eroded public systems. This policy orientation has produced the desired outcomes as private pension funds have since grown in household's balance sheet, notwithstanding institutional variation across EU countries.

In the wake of the GFC, alarms have gone off in pension funds markets. DB and DC funds are not exempt from sustainability problems as they are highly vulnerable to financial instability. Given the growing importance of these financial assets for households, the EU should also include them in their sustainability analyses in addition to that of public PAYG systems. As it should integrate the impact of growing private pension provision on economic growth and structural unemployment, as well as that of increasingly flexible labour markets on the adequacy of future pensions, in addition to the concern about ageing populations on public expenditure.

The effects of the growing size of private pension funds to economic growth is of utmost importance since any pension system of provision ultimately relies on economic growth. PAYGO schemes may then turn out to be a better option than private financialised funds for achieving the twin goals of sustainability and adequacy in pension provision. PAYGO schemes imply a distribution of income between workers and pensioners that can act as an aggregate demand stabiliser during economic downturns, since they are more insulated from financial instability, and incorporate a distributive mechanism levelling out pensions across the socioeconomic strata. These two objectives may even reinforce each other as reducing economic inequality in retirement have a positive effect on long-term economic growth (Cingano 2014), further contributing to the sustainability of the pension system. This is so because reducing inequality improves aggregate demand (as income rises for those with higher propensity to consume), and curbs international financial flows driven by the top income echelons of the population in the search for yield and thereby financial instability, particularly in the current low interest rate environment.

European pension policy should also take into account different national configurations that preclude any straightforward convergence at the European level to the Anglo-American model. The limits to a

linear path towards the financialisation of pensions are not only posed by the inner workings of private financialised forms of provision, they also result from national specificities that have shaped the recent evolution of pension provision.

The Portuguese case has shown that the construction and subsequent erosion of the state pension system has been accompanied by the slow growth of private pension schemes. Private-funded schemes play only a minor role in the Portuguese pensions system, with low levels of take-up and relatively mediocre returns. This is partly explained by the late development of the state pension system and against the neoliberal influence at the time, and the semi-peripheral nature of the country with relatively immature capital markets and low levels of household disposable income. The gradual privatisation of the system has been relevant only for a small, wealthy segment of the household sector. In the aftermath of the GFC there is little room for channelling meagre savings to capital markets while the state is financially drained and unable to sponsor such schemes on a large scale. Financial institutions, particularly insurance companies, nowadays belonging to foreign capital, but capture a small and lucrative market, which has become yet another mechanism for exporting capital to the European core. Exposing the semi-peripheral condition of the country, the expansion of finance in the Portuguese pension system of provision faces severe obstacles pointing towards a different and more limited form of financial expansion, increasingly involving foreign financial institutions and targeting an ever more segmented market. At the same time, particular socioeconomic groups, such as women that generally have shorter and lower paid working careers, will receive diminished and insufficient pensions resulting from the tightening of the link between contributions paid into the public system and benefits paid out.

Public policy should thus be redirected to assure adequate pensions for future pensioners and articulated with the conditions of the Portuguese economy. With stagnant growth and high levels of unemployment, pension policy could contribute to economic growth and employment. An effective measure in this regard could be the use of the Social Security Stabilisation Fund to support investment in the Portuguese economy, fostering growth and employment and thereby contribute to finance the public PAYGO scheme. Another important measure with immediate effects could be the suspension of all types of public support to private retirement financial products and redirect these resources to the PAYGO scheme. Finally, a more (de)financialized outlook of pension provision in Portugal cannot be pursued without support from the EU, requiring a more balanced set of its policy goals whereby fiscal targets could be more accommodative of the Portuguese needs in terms of growth and employment.

The Portuguese case provides evidence for the idea of 'variegated financialisation', that the increasing dominance and influence of finance across the globe is both a systemic and variegated process operating across nations. This peripheral country within the EU has followed similar processes to those of core countries leading to an increasingly integrated financial sector in the international arena, even if this integration was mainly led by the banking sector. The Portuguese pension system also provides evidence for the idea that 'variegated financialised pensions' added an additional dimension to the differentiated ways in which finance interacts and shapes the economy and society. The relative underdevelopment of private pension products could not be understood without the context-specific trajectory of the Portuguese social security system, which delayed the expansion of this segment of financial asset markets. Even if at a slower pace, retirement-income products increased steadily over the last two decades.

The relative position of the country within the European political economy is also relevant to account for the evolution of the Portuguese pension system. Notwithstanding the relative weakness of the Portuguese welfare state, as well as the lower levels of wealth and income of Portuguese households, the Portuguese pension system was equally subject to reform aiming at reducing its contribution to public expenditure. The result has been the gradual reduction of coverage and benefit without matching supplementary private forms of pension provision, having particularly detrimental impact on those with more precarious labour market careers. Thus, the Portuguese case accounts for both the differentiated and uneven nature of financialisation processes in general and of pensions in particular, leading to deterioration of a most critical domain of social provision promoting financial capital markets increasingly dominated by foreign capital to the benefit of the most affluent.

ANNEX

Table A1. Net equity of households in life insurance reserves and in pension funds reserves to GDP
(Eurostat, %)

	1995	2000	2005	2010	2011	2012
Netherlands	122,6	153,5	165,9	178,7	184,4	205,6
United Kingdom	129,4	160,5	145,6	147,3	146,5	157,1
Denmark	64,7	82,2	100,3	116,3	127,7	137,8
Ireland	:	:	67,6	81,7	80,4	85,7
Sweden	29,7	54,0	69,8	81,5	84,1	84,6
EU	:	:	:	70,6	71,0	74,9
France	27,9	45,6	56,8	72,8	71,4	72,3
Belgium	19,4	35,5	52,6	62,3	61,4	64,1
Germany	35,3	46,3	55,0	63,0	62,2	63,9
Cyprus	20,8	23,7	33,3	51,3	50,1	55,2
Italy	14,9	23,5	35,8	38,9	38,4	39,5
Portugal	16,0	25,6	34,4	42,2	34,3	35,0
Austria	14,8	22,0	27,0	29,4	28,5	28,9
Malta	:	:	15,4	18,7	23,2	24,6
Spain	12,6	21,0	22,7	22,9	23,0	24,1
Poland	0,5	2,3	13,2	21,2	19,7	22,2
Croatia	:	:	6,5	15,4	16,9	20,6
Finland	5,5	16,0	20,2	20,1	18,0	20,3
Luxembourg	:	:	:	17,0	16,5	16,8
Slovakia	0,0	0,6	4,9	12,7	13,5	14,8
Czech Republic	3,8	5,4	8,9	12,3	12,9	13,7
Estonia	0,1	0,5	4,6	11,1	9,9	10,9
Slovenia	:	:	5,7	10,0	9,9	10,5
Hungary	1,6	6,4	13,3	21,4	9,9	9,9
Bulgaria	:	0,4	2,8	6,5	6,8	8,2
Lithuania	0,3	0,4	1,6	5,2	5,4	6,1
Latvia	0,1	0,2	1,1	5,6	5,4	5,7
Greece	1,8	3,0	3,2	3,8	3,9	4,2
Romania	:	0,2	0,6	1,7	2,1	2,7

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Financialisation, Economy, Society and Sustainable Development (FESSUD) is a 10 million euro project largely funded by a near 8 million euro grant from the European Commission under Framework Programme 7 (contract number : 266800). The University of Leeds is the lead co-ordinator for the research project with a budget of over 2 million euros.

THE ABSTRACT OF THE PROJECT IS:

The research programme will integrate diverse levels, methods and disciplinary traditions with the aim of developing a comprehensive policy agenda for changing the role of the financial system to help achieve a future which is sustainable in environmental, social and economic terms. The programme involves an integrated and balanced consortium involving partners from 14 countries that has unsurpassed experience of deploying diverse perspectives both within economics and across disciplines inclusive of economics. The programme is distinctively pluralistic, and aims to forge alliances across the social sciences, so as to understand how finance can better serve economic, social and environmental needs. The central issues addressed are the ways in which the growth and performance of economies in the last 30 years have been dependent on the characteristics of the processes of financialisation; how has financialisation impacted on the achievement of specific economic, social, and environmental objectives?; the nature of the relationship between financialisation and the sustainability of the financial system, economic development and the environment?; the lessons to be drawn from the crisis about the nature and impacts of financialisation? ; what are the requisites of a financial system able to support a process of sustainable development, broadly conceived?'

THE PARTNERS IN THE CONSORTIUM ARE:

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1 (Coordinator)	University of Leeds	UK
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3	School of Oriental and African Studies	UK
4	Fondation Nationale des Sciences Politiques	France
5	Pour la Solidarite, Brussels	Belgium
6	Poznan University of Economics	Poland
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Published in Leeds, U.K. on behalf of the FESSUD project.