



# EXECUTIVE SUMMARY

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## Pension Governance in Finland

### A Case Study on Public and Private Logics of Governance in Pension Provision

The redrawing of public and private responsibilities and management has been one of the key issues in debates over pension provision in the beginning of the 21st century. In recent years, public-private partnerships (PPPs) have become very common in traditionally publicly executed first pillar European pension systems, as first pillar schemes are now executed by private entities in over a dozen countries. Yet there is very little academic knowledge on how the different logics of public administration, corporate governance and other forms of governance penetrate these arrangements and what kinds of power systems and dynamics different combinations of these logics create.

The purpose of this study is to develop a theoretical-methodological framework for studying the logics of governance in PPP type pension provision, and to apply it in an empirical case study. It is argued that governance logics in pension provision can be here best approached by studying the institutional relationships between key actors in organisation fields of pension provision related to a specified pension policy. The developed framework is based on agency and action process centred version of new institutional theory that highlights constant maintenance and renewal of different institutional forms central in defining the institutional life of governance. The framework combines the general ideal type institutional field-level

logics of governance in public administration and corporate governance with more particular hypotheses arising from different strands of academic literature on pension governance and European pension provision.

The theoretical framework is applied in a theory-driven case analysis based on multiple sources of data. The unit of analysis is here the organisation field of the Finnish *TyEL* scheme: a mandatory, earnings-related, partially funded, defined benefit, employer and employee co-sponsored pension scheme covering old-age, disability and widow's pensions for almost all Finnish private sector workers, which is executed by private pension providers. The scheme has been a PPP since its birth in 1962, which is why studying this mature organisation field provides valuable information on how different logics of governance have been and can be asserted together in the future in which these kinds of partially funded public-private mixes are more likely to be increased than decreased in number in Europe.

In order to highlight the relationship between an organisation field and a pension policy, the narrative of the research report is divided according to the conventional institutional policy process model. The original formation process of the *TyEL* field continues to explain a number of today's governance issues, most importantly those related to the decentralisation of implementation in the nationally mandatory scheme. Among other things, formation includes significant institutional boundaries like the EU rules and elimination of state authority, and divides the logics of governance to decentralised private power over assets generated by and to labour market party driven, politically selective centralised power over the benefits and contributions related to the scheme. The coordination structure of the field is based on centralised omnipresence of key actors in networked ad hoc groups. The implementation is based on private actors, with a variety of organisational forms, that compete and cooperate in limited and in various ways problematic terms, whilst the control of pension provision is in great parts in hands of public bodies in the field.

The empirical case study results suggest that the typical issues and relationships between key actors that in fact predominate PPP type pension governance cannot be captured with the currently dominant theoretical frameworks and ideal type models. Moreover, the empirical case study shows that the combination of a number of ideal type factors can happen in ways that blur the distinction between public and private modes of governance and their conceptual validity. This suggests that empirical studies on PPP type pension governance rooted in institutional organisation field analysis can result in more accurate and analytically rigorous descriptions of governance than the mainstream theoretical frameworks classifying pension schemes that in contrast tend to ignore such descriptions.

However, the case study also reveals that the combination of features belonging to different ideal type modes of governance may cause elastic tensions in pension governance, which confirms the importance of studying the public and private characteristics in pension

governance, and the need for further studies on tensions in PPP type pension governance. Whilst some of these tensions might improve the innovation capabilities of the field, some of them remain problematic in practice especially for the field insiders. This suggests that the need for further research is not only academic but practical as well. In order to highlight the practical relevance of the study, the book ends with some insights and future points of references for debates on Finnish governance that emerged during the research process.

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