APPLICATION OF A NEW INCOME RELATED PENSION SCHEME TO THE SELF-EMPLOYED, IN PARTICULAR TO FARMERS.

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I I come to this meeting in an invidious position. I work for a Life and Pensions Brokerage and part of my job is to install pension arrangements for individuals, especially farmers. My task this evening however, is to discuss the situation of the self-employed and this I will endeavour to do impartially. I do this in the safe knowledge that there are individuals present, both in the general audience and on the platform, far more capable than I, in making the case of insurance interests.

2. My particular brief, relates to the farming community, but I think it is a reasonable premise to state that farmers and other self-employed people have similar requirements in regard to the installation of a National Scheme. There can be very large differences between them, but there are also many differences between the requirements of various segements of the non-farming self-employed and essentially these differences relate to the implementation of any scheme to take care of these specific differences. With regard to the farming community, there can be no doubt that the implementation of any scheme will cause severe problems.

3. The present position of the self-employed is, that as far as State retirement benefit is concerned, they qualify for the old age non-contributory pension, subject to a means test. Notwithstanding the liberalization of this test in recent years, the self-employed do not qualify for State Benefits as do most employees, but on the farming side, many qualify for this benefit and avail of it. In addition, the self-employed receive help from the State in providing a pension for their retirement, in that, the Revenue Authorities give certain tax reliefs to those who wish to provide themselves with private pension arrangements and many of the well-established self-employed including farmers, already contribute to such arrangements, and this trend can be expected to develop in view of the constantly changing tax net. However, even in this regard, the self-employed are at a serious disadvantage in relation to the general mass of employees and I will return to this point later.

4. In connection with the farming community, any pay related scheme would be supplementary to the existing farm retirement scheme operated by the Department of Lands in compliance with the EEC Directive 160. Under this Directive, farmers can, on condition that they cease to engage in commercial farming and that they

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either lease for a minimum period of 12 years or sell their land to a prescribed farmer or to the Land Commission, qualify for a premium in addition to the sale price or lease rent and obtain an annuity for life, if they are over 55 years of age.

In the circumstances there might be a reasonably good case to allow for pensions under the proposed scheme to be drawn in advance of the expected age in this regard, in order to encourage early retirement and early transfer of agricultural land. This is important for the development of agriculture and its value to the country because of the very high age structure within farming.

5. Before dealing with the problems of implementing any scheme or what that scheme should provide, there is a central question to be answered, and that is "Should the self-employed be included in a State Scheme at all"?. The answer to that is by no means conclusive. In fact, having examined the situation at length, the British decided to leave them out, except for a flat rate pension benefit which, of course, was already available to them under the old British arrangements. There can be no doubt that the Department of Social Welfare would say that like everybody else they should be included, if for no other reason but that the pension being provided would lessen the burden the State must carry for them in later years in providing such social assistant benefits as they might require. As under the EEC programme for social action the State is required to bring into Social Insurance, all those not presently included, the provision of a .basic flat pension by the State can be anticipated, but after this provision and the consequent cost falling on the self-employed there aie many who would say that additional benefits should be left to the self-employed to arrange for themselves. The cost to the self-employed will be quite dramatic under any scheme in that they will have to bear both the employer's and employee's portions of the cost and unless it is the State intention to make a very substantial subsidy towards the self-employed in this regard any extension of the scheme to a related salary basis could be expensive indeed.

Another point is that if the State insists on additional State provision, the extra cost to the self-employed is enforced saving and what is more, enforced saving in a particular fashion, not as has been the way heretofore by buying more land, a few extra cattle, a house or something of that nature and there is a very discernable difference here between the self-employed and employees for whom employers will be asked to make a substantial contribution. If the self-employed are to be included, it should be for the right reasons and above all on a fair basis. The British Government decided not to include the self-employed in their new scheme and then levied additional contributions on them. There are many employees here this evening paying social insurance for which they do not or cannot obtain full benefit and the self-employed should only be compulsorily insured for pensions to provide them with such pensions and not as a means of raising funds for other State expenditure. Whilst the State pay as you go scheme works differently to any funded scheme, the point should not be lost that the first and paramount duty of pension contributions is to provide pension benefits. Towards that end and that end only, should the self-employed be brought into these arrangements.

6. There is one further point specifically related to farming i.e. the general opinion in farming circles that coverage should be optional for pensions in the agricultural sector for a number of reasons, but in particular if it is a condition that a person must surrender either the ownership or management of his or her holding in order to be eligible. Indeed, there can be no doubt whatsoever, that any form of compulsion in this regard would be strongly resisted by the representatives of the farming sector.

7. Possible arrangements for the self-employed are:—

   (a) They could be compelled to enter a pay-related scheme (which seems likely to be a variant of Scheme C in the Green Paper) along the same lines as employed persons.

   (b) They could be compelled to contribute to a flat rate scheme only - possibly a higher flat-rate pension than applies to employed persons.

   (c) They could be allowed to contribute voluntarily to whatever scheme is implemented for employees.

8. There are problems associated with each of the alternatives given above. A pay-related scheme for the self-employed might be opposed on the following grounds:-

   (i) It would pose administrative difficulties in relation to assessment and collection,

   (ii) Incomes of self-employed persons are liable to fluctuations.

   (iii) The contributions required would be large (since self-employed would have to bear both employee's and employer's contributions.

   (iv) There is an element of subsidy involved in that the self-employed are, on average, older than employed persons.

9. These problems are probably not insuperable, though they are severe.

   (i) For persons making a tax return, assessment would be on earned income while those falling outside the tax net could be assessed on a notional income. In the case of farmers the assessment could be related to the valuation of the farm or to the size of the holding as measured in adjusted acres. This would be rather similar to the present notional system used for income tax purposes. The contribution to the scheme could be arrived at on the grounds of a ceLtain percentage of the notional income as calculated. The multiplier could be used as in the income tax situation and it could be decided upon by taking account of the average farm income position per head in any year and must therefore, vary with the changes in farm income on a year to year basis.

(ii) Collection of contributions would be more difficult as the PAYE system would not be available. While those making tax returns could be levied in the same way as they are for their income tax, this would not apply to those not making returns, mainly farmers. Furthermore, it is possible that some farmers would refuse to co-operate, their attitude being "That if they can obtain a means tested pension at age 67 why pay to receive one at age 65". The earnings-related addition to the basic pension will be small for many years since most farmers, and for that matter most self-employed persons, do not have a backlog of contributions to count towards pay-related benefits.

(iii) Fluctuating incomes do not pose much difficulty as the problem could be adequately met by averaging in determining entitlement and benefit. The ten year averaging period mooted in the Green Paper might possibly be lengthened to 15 or 20 years.

(iv) The question of subsidy is not really relevant in that the subsidy is from the younger members of the scheme to the older, regardless of employment status. However, it is interesting to note that in European countries government subsidies amounting to 76 per cent in one country and to more than 45 per cent in six others are provided towards schemes for the self-employed.

10. The second possibility, namely that the self-employed be included for flat-rate benefits only, avoids some of the difficulties of assessment and averaging which would exist in a pay-related scheme. However, it would not avoid the problem of collection, especially from those who expect to receive a means-tested pension at age 67 and are therefore unwilling to contribute to a pension commencing two years earlier. This difficulty might be mitigated if the flat-rate pension for self-employed contributors were set at a higher level than the basic pension applying to employed persons.

11. The third possibility, namely that of permitting the self-employed to contribute voluntarily would avoid all the problems mentioned above but would be objectionable in that it would not fulfil the main object of the scheme which is to ensure that everyone in the country received a pension. I suspect that a voluntary scheme would appeal mainly to the more affluent and older self-employed leaving the others to fall into the means-tested net - a prospect which can hardly appeal to the Government

and which would fail to meet EEC requirements.

12. Of the various possibilities outlined above, I consider that the one offering the best prospects is to include the self-employed for flat-rate benefits set at a rather higher level than the basic pension envisaged in, say, Scheme C. Certainly, I think that this approach would have the best chance of acceptance in the farming community bearing in mind the points made earlier.

13. If the scheme suggested in the previous paragraph were implemented, it would be necessary to make arrangements for persons moving from employment into self-employment and vice versa. It would also be necessary to give special consideration to those self-employed who have made voluntary contributions in the past. Neither of these should pose much difficulty in being dealt with e.g. either by giving extra benefit or by making a refund of previous contributions.

14. To round off the paper it would be appropriate to outline what further steps should be taken to ensure that the self-employed are enabled to provide adequately for their retirement. This is a substantial increase in the 15 per cent and £1,500 limits which are totally inadequate. Accepting the structure of the self-employed set out in the Green Paper and making allowance for the self-employed to adopt an approach more consistent with occupational schemes for example (a) to fund for retirement at age 60, (b) to be permitted to fund an index linked pension, (c) to be permitted to fund a widow's pension on death after retirement and in that event the theoretical contribution for a man aged 45 could be as much as 40 per cent. It may be seen that the upper limit of £1,500 should be raised substantially and thereafter cost-of-living-mdexed. Better still, the limit should be abolished altogether.

15. The whole basis of the Green Paper is that flat-rate benefits are not satisfactory, but I believe firmly that if any further benefits for the self-employed are to be provided they should be, and would be, better provided for outside the State scheme. I make 111 is point notwithstanding my opening remarks. Benefits in some degree relating to income arc provided satisfactorily at the moment by the Insurance Company's directly, by self-administered funds, and by organised groups through either of these agencies. These arrangements have the flexibility required and the groups have a particular understanding of the needs of their members. In most of the countries considered in the Green Paper separate organisations handle the schemes there, and this even applies in some cases to the flat-rate basic scheme.

Setting up of different funds for various categories of the self-employed should be considered and to insure that its requirements are met, the State could appoint people to the controlling boards responsible for the administration of these schemes.

In their papers both the Assistant Secretary and Mr. Honohan,by implication or otherwise, recognise the special case of the self-employed and I am quite sure that, in this recognition lies the basis for setting up or continuing pension arrangements for the self-employed outside of the State scheme now being debated.

DISCUSSION

Brian Duncan: At the risk of abusing the hospitality of the Society I would like to take the opportunity as a non-member of opening the discussion.

Like many of those present today I wear a number of hats in this debate. On this occasion, however, I would like to speak as a representative of the Irish Association of Pension Funds. The Association, which represents the interests of the members of Private Occupational Pension Schemes, has a special interest in any future developments relating to a National Income Related Scheme.

A key point in Mr. Collins' excellent paper occurs on Page 79. Here it is stated and I quote:

> "The main reason for focussing the discussion on the $66.\dot{6}$ per cent level was that many employees already have, by virtue of Occupational Pension Schemes, rights to pension at that level, If a lower level were set, the option set out in the Paper of a State system absorbing all existing schemes would be ruled out".

I do not believe for a number of reasons that pensions at a two-thirds level are a realistic option and that there will, therefore, be an important role in the future for Occupational Schemes. I would like to develop this point further.

In general the Green Paper is an excellent document although the Association would feel that some important advantages of Occupational Schemes have been overlooked or less than adequately dealt with. My main concern, however, is that there is a danger of concluding from a superficial reading of the Green Paper — and "superficial" must be stressed - that it is possible to go from the present flat rate pension to an earnings related scheme providing a full two-thirds of earnings for everyone.

However, this does not look a realistic option even when hopefully we get over our present economic difficulties. When this happens there will also be considerable demands en the country's limited resources for housing, education, health, the creation of additional jobs for the substantial numbers of unemployed and school leavers. However much we would like to see pensions getting the lion's share I think we must accept that this is unlikely to happen.

In the same connection it is interesting to consider the British experience. There they have been working on earnings related pensions since 1959. Nevertheless in the State Scheme which is due to commence next year - and which incidentally includes contracting out provisions - maximum State pensions will not be payable until 1998. Even then in many cases the pension payable will be less than 50 per cent of earnings. There does not seem to be any good reason why we should expect to be in a position to do better.

Given that the State cannot take care of all our pension needs in the foreseeable future it would seem obvious that there must be a continuing role for Occupational Schemes. This was the view of the Association in making the submission which Mr. Collins referred to in his paper. Nothing we have seen or heard since has changed this view.

Since there is a place in the future for good Occupational Schemes the State clearly has a duty to encourage the parallel development of such arrangements in harmony with Social Welfare provisions. It would be wrong not to admit that there are a number of aspects of Occupational Schemes which are less than satisfactory at present. These include the preservation of accrued rights on changing employment, the security of benefits on redundancy, the provision of adequate post retirement increases, the role of members in running schemes, the special position of women. However, these areas can only be tackled properly when a formal decision has been made on the road future pension provisions should take.

It may be tempting to suggest that future developments of a State Scheme should be on the lines of Model C in the Green Paper. Certainly there is no doubt that much of the debate will focus on this Model and on a number of alternatives which are based on the same broad principle. However, it would be wrong not to mention that there is a strong volume of opinion that any extension of the present Social Welfare system into earnings related pensions must include a contracting out provision. The fear is that the level of benefits under the State Scheme will be increased whenever it is politically expedient to do so; indeed it would be naive to assume that this will not happen. Faced with this situation employers who wished to give employees pensions over and above those provided by the State might feel unable to do so with the result that the State Scheme would in a short term represent the maximum benefits being provided for employees outside the Public sector. Clearly this would not be a satisfactory situation

It may also be worth mentioning that there are what appear to be insurmountable problems in integrating existing occupational schemes into any extended State Scheme in the absence of contracting out facilities. Indeed this very point is recognised in Paragraph 169 of the Green Paper which provides for Civil Servants[1] pensions, to be contracted out.

One final point on the question of contracting out. It has been assumed that this would be on UK lines where a contracted out scheme has to reproduce every small detail of the corresponding earnings related element of the State Scheme. Obviously this is more difficult to administer and I wonder if we should not be looking for some alternative approach. Would it be possible, for example, to allow employees to opt out of the second tier of the State Scheme if they were satisfied that in aggregate their Occupational Scheme provided them with better benefits.

This is the third debate on the Green Papei that I am aware of and there have no doubt been others. I think, therefore, that the Department of Social Welfare can be well satisfied that their Green Paper has achieved its objective of stimulating discussion on a most important question for all of us, the provision of an adequate income in retirement.

T.D. Kingston: I have no doubt that in the ideal world where resources are infinite, it would make sense to introduce to-morrow a scheme which gave pensions of 100 per cent of final salary for everybody.

Unfortunately, we do not live in such a world. Resources are limited and indeed are recognised as such in the foreword of this paper. If I can offer any constructive criticism of the paper, it lies in this area. It does not lay sufficient stress on the problems resulting from the allocation of scarce resources but attempts to deal with this aspect of pensions in isolation.

The compromises this entails lead us to the present system, where the State provides a flat benefit scheme to some of the population and where many employees — including the State — provide income related benefits. If we recognise that resources are scarce, then there seems no question of departing from the present joint venture by the State and the pensions industry.

The first duty of the State is to provide adequate and basic benefit for all. Can we say that this is being done satisfactorily at present. Our resources are evidently not great enough to do this — there are gaps in general areas.

In the context of pensions, a flat benefit scheme, providing about 35 per cent of national average wage for married people and about 25 per cent for single people which has nothing like universal coverage is hardly adequate.

Similarly, as Mr. Collins points out, numbers of people are not in occupational pension schemes although this number is falling and the Green Paper figures are misleading.

I agree wholeheartedly with Mr. Honohan that this debate is not about an object. The object is clear. The problem is really how best to divide the provision of the object between State and private sector, given that the complete achievement of the object is many years away and that most people can only receive a proportion in the meantime.

For general reasons, I am led to support a slightly different concept from that suggested in the Green Paper, although it is not teiiibly different from Model C. This might be termed a national average income scheme. The State would aim to provide national average earnings to all. This figure could be taken as 30—35 per cent at present but the aim would be to increase this over a period by annual budget reyiews, much as the age of retirement was reduced in the past.

This has the merit that all — unemployed, lower paid, self-employed etc. — can be adequately covered immediately and nobody is left out.

Remaining pension provision would be left to individual Companies and employers. Here the advantages of flexibility would be useful - e.g. variable retiring ages, death in service benefits, etc. Moreover, there would be no problem with contracting out or with existing accrued benefits - a real difficulty for those near retirement.

The great advantages of this system are:—

(a) Adequate basic coverage for all.

(b) A clear definition of the roles of the private and public sector — both sides could get on with the job.

(c) An elimination of problems caused by a gradual takeover by a state scheme.

(d) An economic balance between a state pay-as-you-go and occupational funded schemes. Funds for economic development would be built up to be used to provide the economic growth necessary to pay benefits in the future.

(e) Ultimately, the State could make occupational schemes mandatory.

I would therefore like to see development of Model C along these lines.

D. Humphreys: Following the Government's recent Green Paper on pensions the following proposal is submitted:

Any paper on an issue as fundamental as pension policy needs to consider the implications of such policy for the economy and society at large. It is suggested that the Green Paper has not given sufficient attention to these areas. In this respect perhaps the greatest problem we face for the future in this country is that of providing meaningful employment for the increasing numbers due on the labour market. Since it can take from £5,000 to £20,000 to provide one job in industry, the cost of providing the 30,000 new jobs required annually is therefore between 150 and 600 million pounds annually.

If a real effort is to be made to meet this requirement then all possible sources of finance for investment should be tapped. One such source is savings in the form of pension funds. For this reason I recommend that the proposed National Pension Scheme should be funded by savings rather than on pay-as-you-go basis, and that these savings should be used for productive job-creation in Ireland.

A further reason for this proposal is that the source of the £600 million investment is of great social and political significance. If the full amount comes from multinational corporations then the benefits and control go to foreigners. If the funds are to come from Central Government then we will find that we have moved even further towards a socialist state with all that that implies. The creative solution to this problem is that the owners of these investment funds should be ordinary Irish working people acting in partnership through an investment fund in which everyone shares and is seen to share and on which the bulk of their pensions depend.

A further and most important reason for this proposal is that it would help the climate of industrial relations. There is at present, and in many cases with good reasons, a serious alienation between working people and the owners of capital. This leads to low productivity causing a lack of profits which leads to a shortfall in investment which in turn prevents any net increase in job creation. Everybody loses.

This proposal will lead to a closer identification between the "workers" and the owners of capital since they will increasingly become the same people. The clear distinction between this proposal however and semi-state industry generally is that in the former there will still be scope for the entrepreneur and the more traditional 'capitalist' to work in true partnership with his workforce, whereas in the latter this opportunity does not exist. Furthermore the proposal should have the effect of helping to achieve an adequate rate of return for all savers in the community.

OUTLINE OF PROPOSAL

Pension piovisions can be divided into the following elements.

(I) Insurance element.

(ii) Social-iedistnbution element.

(in) Saving clement.

These elements are defined as follows:

(i) Insurance element. This element is concerned with provisions in the scheme which provide for set payments for contingencies such as disability or premature death, and dependents otherwise unprovided for.

(li) Social-redistributive element. This element is concerned with provisions which give benefits which vary according to the number of dependents. For example a married man with four children is entitled to a greater pension than a single man who made identical contributions throughout his lifetime.

(iii) Saving element. To the extent that a fund is built up >then the saving element consists of the accumulated contributions plus interest. This element specifically excludes any element of insurance or social redistribution. On a pay-as-you-go scheme there is no saving element. Private pension schemes generally consist of elements of saving and insurance.

State schemes have generally combined social redistribution with insurance elements and omit saving. The State is already involved in providing subsidised or free education, health services, travel, housing, food, employment, and social service for great numbers of our working population.

The post-war British experience shows, if nothing else, that the introduction of these types of welfare state provisions can have a seriously enervating influence on a previously healthy economy. Probably the most insidious influence is the idea that the State will cushion the citizen from the harsh reality of the competitive world. This contributes to the degree of irresponsibility witnessed on both sides of industry in wage and productivity bargaining, the dangerously high level of expectations, and the excessive expenditures of Central Governments imbued with this philosophy.

The question of whether to adopt a funded or a pay-as-you-go pension scheme icaches into the fundamental aspects of such philosophy. A pay-as-you-go approach has predictably been adopted by the socialist Government in the UK, thereby adding further to Central Government spending and losing the opportunity to provide an element of automatic regulation on inflationery forces. It is proposed here that a funded scheme is inherently healthier since its central focus is on the savings element of pensions policy and it should be framed in such a way that any element of Government subsidy would be seen as an exception rather than the rule.

DETAILS OF SCHEME

It is proposed that there should be a National funded pension scheme consisting of two elements as follows,

(i) A 'basic' scheme modelled on the present social insurance scheme where flat-rate payments are required from all working persons and where payments of a largely insurance and social redistributive nature are paid on a pay-as-you-go basis. The level of benefits under this scheme will be set for 'basic' needs only. The scheme should be extended to cover all self-employed persons. The scheme should not be pay-related, and no provision for contracting-out should be available.

(n) A supplementary funded pension scheme with the following features should be operated alongside the basic scheme.

(a) Minimum annual payments to be pay-related and compulsory but with provision for contracting out on approved conditions.

(b) Pensions to be paid from accumulated savings and interest earned on same.

(c) The pension fund to be made available to each participant in proportion to his individual savings, e.g., if an individual contributes £200 per annum for three years and his accumulated interest is £160, then the balance of his pension fund after three years is £760.

(d) Pension contributions are to be tax-deductable and interest payments tax-free.

(e) Provision should be made to allow individuals to withdraw portion of their pension fund balance if they fall on hard times. The agreement of both marriage partners should be required for any such withdrawals.

(f) Such withdrawals should however count as part of their taxable income in the period when the withdrawal is made.

(g) The pension fund should be administered by an independent Semi-state Board. This Board will have the responsibility of ensuring that a real rate of return of at least 2 per cent is earned on all pension funds entrusted to their care.

(h) If however the Board can demonstrate to the Government that economic conditions are such that in any one year it is not possible for it to maintain this rate of return, then the Government must undertake to make up the shortfall between the earnings actually achieved by the fund, and the proscribed minimum rate of return.

(i) The Government guarantee should help to concentrate the minds of successive Governments towards encouraging an environment where enterprise is encouraged, saving generally is rewarded and inflation is curbed. Where they fail to do this, then part of the penalty will be the publicity attached to the size of the topping-up payment required under this guarantee.

(j) It is proposed that a simple system of limits to individual fund balances should be implemented. This system would be based on the assumption that contributions begin at say age 20 and finish at say age 65. Throughout this period therefore the individual's pension fund balance should increase progressively to the point where at age 65 it is adequate to see him through a comfortable retirement and still leave a small nest-egg for his immediate dependents.

In any one year it should be possible to say therefore what balance should be in the fund of a 65 year old to enable him to retire on a supplementary pension of say £4,000 per year or whatever upper limit is set from time to time. This fund balance can therefore be taken as the upper limit allowable for a 65 year old under the scheme. Using the logic, a corresponding upper limit will be established for each age during the life of a bread-winner.

For example in any one year the maximum allowable balance for a 65 year old could be £80,000, that for a 50 year old £40,000, that for a 25 year old £2,000, etc. Such balances could very well provide pensions considerably greater than some persons average earnings. This is not seen as a disadvantage however since if an individual for personal reasons is capable of building up such a pension fund balance, he should be allowed the freedom to do so. Similarly if an individual falls on hard times or starts late in the scheme, then he should be allowed if he wants to build up to his maximum allowable balance over a short period or even in one year at any age. The outstanding characteristics of this scheme are therefore security, equity, flexibility, and individual freedom and responsibility.

(k) It is recommended that all public service employees should also join this scheme. No grounds in equity can be established as to why they should have the advantage of any scheme with greater benefits. Any resultant increases in expenditure as outlined in paragraph 169 of the Green Paper would only reflect the true costs of such employees and the sooner this is done the better.

(L) The scheme is similarly suitable for all categories of self-employed subject only to information on age of applicant.

(m) A particular advantage of the scheme is that it can be implemented immediately for both employed and self-employed categories without any elements of negotiation or arguments about "who is entitled to what benefit". Persons of any age or of any means can join at any time, and should be given a statement at the end of each year showing exactly at what level their pension fund balance stands.

(n) It is submitted that this scheme will help to improve the climate for enterprise in the community since the "them-and-us" conflict as between workers and the owners of capital will be seen to be more irrelevant. To build on this aspect of the scheme however it is proposed that employees in certain approved organisations should be given the option within the scheme of investing a proportion of their pension funds in their own organisation, either in the form of loan or equity capital.

Such individuals could therefore benefit from the good fortunes of their own firms and/or assist them in fund-raising operations. The organisation's own Board should be left with the authority to decide what level of additional employee participation is invited in any one year. A Government guarantee to maintain capital contributions intact but not to guarantee interest or dividend payments for such employee investment schemes is proposed.

(o) The Pension Fund Board should have the responsibility of investing all its funds in Ireland. Within this constraint its investment policy should function freely like other insurance organisations. While its annual investment funds will provide a means or creating many new jobs, the Board's role as a job-creator should be as a partner in conjunction with private enterprise or existing semi-state organisation. This will create the dynamic sought in Brendan Halligan's National Development Corporation proposals without the undesirable consequences following from an unmanageable State-owned conglomerate without clear earnings targets. Since the great bulk of the earnings of the fund will be re-invested again its impact on job-creation in Ireland will be most substantial and its very size will provide a highly stabilising influence in the economy.

CONCLUSION.

The two tier pension scheme proposed here will with its basic scheme enable the Government to apply its assistance more selectively to the sections of the community most in need. At the same time it provides a supplementary pension scheme which will enable most people to further provide for themselves under the umbrella of a State guarantee but without losing their economic independence and freedom of action.

From an economic viewpoint it will divert resources from consumption to investment in Ireland thereby assisting fundamentally in the fight against inflation. 11 is high!) likely also to produce a considerable inflow of funds which were previously invested abroad in the search for a positive real rate of return.

There is a suggestion in paragraph 171 of the Green Paper that a National income-related pension scheme should be used to achieve a "significant degree of vertical redistribution of income". If such further redistribution is considered desirable by the State then it were better that it be done openly rather than surreptitiously under the guise of a "pensions policy".

An element of such redistribution may certainly be incorporated into the 'basic' scheme on a highly selective basis, but as a guide, it is recommended that the 'basic' pension element for an average industrial worker should not be more than 50 per cent of his total pension. The remaining 50 per cent should be provided by himself through the supplementary pension fund. In the case of more highly paid workers the proportion represented by the 'basic' pension, (which will be the same for all, independent of means) will be less than 50 per cent, and the importance of the 'funded' element correspondingly greater. It is proposed that the combined 'basic' and 'secondary' schemes will provide an era of social justice in the field of pensions combined with a high degree of incentive for the individual and flexibility within the system.