

SOME ASSUMPTIONS IN THE GREEN PAPER CHALLENGED

CHARLES MCCARTHY*

In the first place I should like most heartily to congratulate the Department of Social Welfare and in particular its research and development branch on an excellent discussion document in the Green Paper. It is concise and informative, and if I am critical in one important respect, I am critical more of a general approach in our society than of the Green Paper itself. Equally I should like to express my appreciation of the expert presentation by Mr. Collins and Mr. Honohan.

What the Green Paper omits to discuss — or rather discusses inadequately — is the nature of the obligation which underlies a pension scheme. Only one view is offered throughout, that is to say that pension obligations rest on the principle of deferred income. This principle springs from a view of employment that has more and more come under question. It assumes that all rights and all obligations in employment can be expressed in terms of a wage-work contract, or to put it more crudely that work can be bought and sold as one would any other commodity. Anything which falls outside this must be regarded as discretionary; it follows therefore that if pensions are to have legitimacy they must partake in the price for which the work has been sold. I do not have to remind you of the broadly socialist challenge to this concept of work, a challenge which took all sorts of interesting forms, whether prompted by Marx, or the Fabians, or Horace Plunkett and his co-operatives, or by present-day enthusiasts for industrial democracy. All of them would deny that such a concept of employment was adequate and they would urge instead that the fact that men are men, and must be treated as such, imposes anterior rights and obligations, and far from employment contracts excluding such considerations, they must be seen in such a context. If one is released from notions of economic individualism, where then does one look for the root of title to pensions? One view is that the fact of employment creates a community, and the community has a responsibility to its retired members which is of a quasi-familial kind. The problem here ceases to be one of finding a root of title to a pension; this springs from the nature of the community itself. The problem lies instead in the manner in which a pension might be guaranteed even when the firm goes out of existence. If this is the principal problem — and not the problem of title — then guarantees can be provided in a number of ways, the creation of a fund being only one. There are a variety of ways and circumstances in which the State itself can, as it were, become a co-guarantor. There is even a wider view than this, a view I suspect, held by the Irish Congress of Trade Unions if we are to judge from the submission which they made to the Department of Social Welfare. It is broadly to the effect that society itself must recognise its obligations to all its members in old age, and that the root of title lies there. In fulfilling such an obligation, society would be

* Lecturer in Industrial Relations, Trinity College, Dublin.

guided by certain equities, which by general consensus appear to be accepted. The first is that the contribution made should be related to the employee's capacity to pay; the second is that the pension paid should be related to the employee's standard of living, with a minimum standard maintained which had dignity as its objective. No fund would arise here, except in so far as it would stabilise contributions over a period. As has been pointed out this evening already it would be essentially a pay-as-you-go arrangement. Some concern was expressed in the Green Paper concerning the imposing of even a small liability on future workers regarding the pensions of those now in the work force. Again we are concerned with equity here; and I personally can see no difficulty in such an arrangement. It would I believe fall well within the consensus on what was considered proper. Men normally do not contract across generations, and in practice find it distasteful to do so. If it were a matter of economic individualism alone then all our children, for example, would be in a sorry plight.

In raising these questions of entitlement, I have attempted as well to put in question the idea of pension funds as a root of title, whatever about their role in guarantee. But there are compelling financial reasons as well for questioning the propriety of pension funds as a general basis of administration. In estimating the possible size of a national pension fund the Green Paper turned away from the idea of attempting actuarially, and in the light of present inflationary trends, to calculate what size the fund might be, since, in their own words, 'the estimates of cost...for many years ahead would be increased almost to the point of absurdity.' In fact this absurdity is being experienced now, as occupational pension schemes are attempting to meet their actuarial commitments. The impossibility of doing so in present circumstances should I believe have been faced by the Green Paper. It has a current relevance in that a number of State companies are obliged by the government to administer their pension schemes in this way. It has a relevance with regard to future planning, since no pension fund can provide on the one hand for guaranteed inflation-proofed benefits and an actuarially adequate current contribution. It is quite out of the question in the light of present inflation; indeed talking of a 15 per cent contribution as a basis for calculating the size of the national fund could be quite misleading. If a fund is not possible in present circumstances, and if it is considered essential to create one, in fact one is deciding against taking any action on a national pension scheme until inflation has ceased to be a major phenomenon in our society. I doubt if there are many who would agree with such a course. There is discussion in the Green Paper on a partially funded scheme, but the objective here seems to lie more in forcible saving than anything else. In my personal view, forcible saving is hardly worthy of a democratic state attempting — however inadequately — to achieve at least some degree of social responsibility. On the other hand, I do not suggest the sudden abandonment of present pension funds, whatever decision is made in principle; we would all recognise the perils in doing so. The point I am anxious to emphasise is that offering as a reason for creating pension funds the objective of forcible saving is rather a shabby one.

I turn finally to the three options, or the three models as they are called in the Green Paper. I take the view that whatever I might wish to see or whatever you

might wish to see, Model C will, if indeed these become the options, inevitably prevail. The reason, I think, lies in the nature of the occupational pension funds. There is a vigorous support for them despite their actuarial inadequacy. In the first place, I suspect that despite the high-minded submission of the Irish Congress of Trade Unions, employees in well-furnished occupational schemes would seek their continuance, both because they would fear the egalitarian impact of a State scheme in substitution for their own, and also because they would hope that a State scheme in addition to their own might provide an opportunity for some additional benefit for themselves. Secondly there is some curious talk about economic democracy, as a development of industrial democracy, in which pension funds would play an important part. In the United Kingdom trade unions will have a place on the trustee boards of administration and this has been seen as a means by which economic ownership in firms may be diversified and democratised since substantial sums will become available for democratically-influenced investment. Indeed I heard Clive Jenkins of the ASTMS at a conference last summer speaking in imperial terms of instructing his members on pension trust boards to support certain companies and to withhold support from others, so that the financial pillars of the nation would tremble at his name. I think all this is as serious as a will o' the wisp. Members must delegate investment decisions to representatives, and often a very small number at that. There is no place for democracy of a popular kind. Those with the responsibility for management of the fund in my view will act autonomously to a very substantial degree despite the Clive Jenkins of this world. What is significant about them however is that they have an influential vested interest in the continuation of the pension fund system, and they are overwhelmingly supported in this not only for the rather self-centred reasons I have already described, in the case of their members, but also because the same members would prefer to feel that a fund existed which could under no circumstances be invaded. This, incidentally, despite what is said in the Green Paper, is not an indication of stability but rather of basic self-interest understood in a very narrow way.

It would be natural therefore to expect that such schemes would first attempt to opt out of the national pension arrangement if it were proposed, and if this failed — as I think in our circumstances it must — then I think they will be influential enough to enforce the third model. If this should be the outcome, I think we would on the whole be wise to accept them on their terms. The social advantages to be gained are considerable. I do hope however that whatever funding does take place will be confined to the supplementary area, and will not complicate the administration of the national scheme.