The Changing Parameters of The International Pension Debate

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■ 抄 訳*

90年代の初めから、将来の公的年金制度の安定性に関する議論が巻き起こった。とりわけ急進的な改革案は、賦課方式による公的年金を民間による運営・完全積立の確定拠出型年金へ完全あるいは部分的に置換すべきというものであった。こうした議論は、安定的な公的年金制度に依存する現役労働者と退職者に対して不確実性と混乱をもたらした。本論文では見落とされがちな公的年金の本源的問題に焦点をあてる。

年金制度は、現役労働者から年金受給者への資源移転の側面がある。確定拠出制度も、結局は蓄積された受給者の流動性資産を労働者に売り、年金原資にするという年金受給者に対する資源移転にすぎず、人口学的圧力に対する根本的解決策でない。数十年間の強制的賦課方式年金による経験は、政府の権限に基づく租税徴収や借り入れ等に裏打ちされる公的システムのみが被保険者や受給者の大部分にかかわるリスクを分散できることを示してきた。

賦課方式から積立方式あるいは部分積み立てへ移行する必要性を貯蓄増大と経済成長に帰する議論もあるが、経済学者の間でも合意点はほとんどない。社会保障基金が多目的の公的支出に用いられているケースもある。また、資本市場の規制が適切かつ強制力を持たない場合、社会保障基金は投資リスクを負うべきでない。また投資リスク引き下げのための多角投資も、新興資本市場では国内の投資機会はごく限られている。外国投資にしても為替レートの問題や外貨準備の問題がある。

工業化が引退という概念をもたらし、引退が年金制度を必然とした。しかし現在の引退概念を再考する必要がある。労働者と年金受給者双方の生活水準を維持するため、引退年齢は上がる必要がある。法制度によらずとも財・サービスの供給量不足で価格が上昇し、年金が不十分なものとなるため引退を遅らせ、結果、国内生産に寄与し年金給付額が増加するということも間接的にある。引退年齢上昇を法定している国々でも、その上昇速度は非常に緩慢だが、遠い将来の年金収支改善には適当である。また、労働不能に関する給付や失業手当の存在が誘引となっているケースもある。

民間・個人勘定・確定拠出の制度を導入しようとする年金改革論議の根本的な動機付けは年金制度から政府を締め出すことであるが、年金制度安定のためには政府は基礎的なセーフティ・ネットとなる給付をすべきであるし、年金制度に民間部門が参入するなら、政府は効率的な規制の仕組みを設ける必要がある。

政府の役割として、社会保障基金の運営に、さらなる注意が払われるべきである。基金運営の失敗は個々の加入員に重大な影響を与えるが、政府にとっても積立不足を一般歳入で埋めなければならなくなるというリスクを与える。また熟慮された公的年金改革でも、政府がこれを適切に推進しなければ目的達成はできない。

また、人口学的要因による、社会保障制度に直接影響する問題もある。高齢者の介護ニーズと給付の問題、高齢化の進展による財政上の制約や世代間の医療資源の分配に関する倫理上の問題、寿命等の医療政策評価基準が生活の質と連関されるようになったこと、共稼ぎや片親世帯の増大に起因する問題、低賃金労働に就く女性の問題、移民の問題などである。

同時に、人口学的要因以外で、将来的な社会保障制度に対して大きな影響を与えうる問題もある。それは、主に伝統的な労使関係、家族関係、社会移動および経年的な経済の繁栄パターン、国民国家の輪郭、公私のバランス等が崩れてきた問題である。

年金制度は長期のプログラムであり、ある制度の特長を評価するにも、一世代、すなわち就労期と引退期の両方が終わる70年以上の月日が経って初めて可能となる。公的年金制度はそれがどのように組織化されていようと、その本来の目的が、十分かつ安定した老後生計費を引退者とその被扶養者にもたらすことであることを忘れてはならない。

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ABSTRACT This article contains reflections on the debate over public pensions which has raged over the last decade. Projections of demographic developments have provided the grounds or sometimes the pretext for reform of public pension schemes. There is an extensive literature on this topic. The article is selective and focuses on fundamental aspects of public pensions which often seem to be overlooked. Wider issues arising from ageing populations which have implications for social security schemes are identified.

Introduction

Today we are regularly reminded that the world is ageing. In most countries increasing life expectancies and falling birth rates are creating societies whose age distributions in the future will be far different from what they have been in the recent past.

Faced with ageing societies, since the early 1990s, the future sustainability of public pension schemes has been at the forefront of discussion in virtually every country but most particularly in industrialized and countries in transition. Leading social policy experts and economists have taken positions, sometimes extreme and often strongly held, on whether fundamental reform or incremental modification of existing public schemes—especially pay-as-you-go schemes—is necessary in order to assure that in the future retired persons will have dependable income support. The certitude of proponents of fundamental reform—which generally involves replacement or supplementation of pay-as-you-go schemes with funded privately managed defined contribution schemes—that this radical reform will assure the provision of more adequate pensions contrasts with the skepticism of others who are wary of this approach, notably the investment risk which individuals assume. This has led to uncertainty and confusion among workers and retirees who depend on statutory public pension provisions, uncertainty which is abetted by commercial interests which see potential profit in the private management of funds currently being paid into the public programmes. Intermediate solutions have been introduced—such as the notional defined contributions system—which reduce the potential benefits payable from public schemes where future pension "promises" were judged to be excessive (Italy, Latvia and Sweden). Given the long-term perspective of public pension schemes, only after a generation (or more) will there be preliminary indications of the merits of the competing positions.

Adapting to demographic change has always been a challenge for social security schemes. But demographic change holds other serious challenges for societies besides pension reform—challenges which may be less susceptible to achieving political consensus—for example in the areas of health care, education, defense and the critical issue of labour market policies so that the expectations of societies for continued economic growth can be met.

Pensions are transfers

A national pension scheme involves a transfer of resources from active workers to retired persons. In a micro-economic sense, individuals can save for their own retirement, but in aggregate, societies—the collectivity of individuals—cannot (Brown, 1997). No matter how they are financed, pensions are simply transfers of resources from active workers to inactive retired persons at the time the pensions are paid. Amounts paid in pensions, which pensioners then convert into goods and services that they consume, are equal to consumption (and investment) which workers forego. Under the pay-as-you-go system the transfer is direct through taxes or contributions paid by workers. Under the defined contribution system, pensioners liquidate assets which they have accumulated by selling the assets to workers. In both cases workers' disposable income is reduced by the amount of resources transferred to retired persons.

Consequently, the problem of an increasing demographic burden is not solved by replacing a pay-as-you-go defined benefit scheme by a defined contribution scheme (Barr,1987 and 2000). Indeed, support of increasing relative numbers of retired persons is possible only if output grows, in other words if economic growth is robust enough to generate sufficient resources to be transferred to retired persons without unduly depriving active workers. The issue of

risk however lies at the core of pension debate. In fully funded pension systems, for example those inspired by the Chile model, the investment risk during the period of build up of reserves is borne by the individual contributor. In view of the rising worldwide insecurity of most investment vehicles, it has become increasingly unclear whether individuals are indeed able to bear this risk or to manage it effectively. The decades of experience with compulsory pay-as-you-go pension systems has amply demonstrated that only a public system, backed by the taxing and borrowing authority of the State, is able to spread risks over a much larger population of contributors and beneficiaries.

Economic growth

It is often argued that it is necessary to move from pay-as-you-go to funded public pensions in order to increase national savings, so that the resulting investment will contribute to the economic growth which is needed to produce the output required to meet the demands of future active workers and pensioners. This sequence has become one of the most frequently repeated slogans of those who promote moving from pay-as-you-go financing to full or partial funding of public pensions—and it is one of the most controversial contentions of the pensions debate. Despite a substantial literature, which goes back to the famous study by Martin Feldstein in 1973, there is little consensus among economists about the linkages between funding, savings and economic growth. For example, it is pointed out that even if funding does increase saving, output will only be increased if there is new and efficient investment which fosters economic growth (Thompson, 1998; Barr, 2000). This is particularly true today when many countries are routinely dipping into the social security reserves to finance current public expenditures on defense, education, health or other public needs.

A less alarmist view of the requisite economic growth is that if worker productivity in the USA continues to grow at around one percent per year as it has in the past, despite the decrease from about five workers to support every pensioner now to three workers in 2030, output per worker will be 40 percent higher in 2030 and per capita income will rise by a third, thereby resulting in higher real incomes for workers and pensioners. (Eisner, 1997)

Investment of social security funds

Through their investments, social security institutions can stimulate the development of domestic capital markets. They can encourage the development of new financial instruments, outlets and intermediation. In developing countries, deepening of domestic capital markets is mutually advantageous for social security institutions and national economies. However, unless market regulation mechanisms (e.g. banking supervision, disclosure requirements, securities legislation) are in place and enforced, the level of risk can be unacceptable for social security investments.

Diversification among investment instruments, as well as among different industries and geographic areas reduces investment risks. The call for diversification is compelling, but in countries with nascent capital markets there are limited domestic investment opportunities at acceptable levels of risk to permit diversification of the investments of social security funds. In many countries social security institutions face a "liquidity problem": they have funds to invest but insufficient acceptable domestic outlets.

Constraints to diversification of investments in domestic markets and market saturation lead to pressure from social security institutions that regulations, which in nearly all developing countries restrict investments abroad, be relaxed. This would enable schemes to diversify their investments and could be advantageous to participants in the schemes. But investments abroad can have significant national macro-economic implications, particularly with respect to exchange rates; and if foreign exchange is limited, it must be allocated among competing priorities—medicines, capital goods, etc.

The limitations of shifting investments from fast-ageing countries to slower-ageing countries has been clearly outlined by one of the World Bank's leading pension expert, Robert Holzmann, who has stated that pension investments in emerging markets might help at the margin, but do not solve the demographic problem. "In order to harvest the potential advantages, capital

sending and receiving countries must fulfil various politically and economically challenging requirements...These sobering results imply that the solution to the ageing problem has to be found largely in the countries themselves." (Holzmann, 2000a, page 15–16).

The economic cost of supporting pensioners

The relative economic cost of supporting pensioners (the retirement burden) can be considered to be the consumption of pensioners divided by total national production. This can be expressed as the product of three factors (Thompson, 1998):

(1) total consumption/total national production X
(2) number of pensioners/total population X
(3) average consumption of pensioners/average consumption of total population.

Any modification to a pension scheme in order to reduce the economic cost of supporting pensioners deals with at least one of these three factors. >From (1), as discussed in the preceding section, increasing output (total national production) will decrease the retirement burden.

Factor (3) involves reducing retirement benefits, for example reducing the frequency or amount of adjustment of pension benefits. Reducing pension entitlements, such as may occur with a notional defined contributions benefit formula can ultimately reduce the average consumption of pensioners. Clearly, as the numbers of pensioners increase, their political influence will limit measures which affect the level of pensions in payment.

Retirement age

Retirement age has the greatest impact on factor (2). Raising the retirement age decreases the number of pensioners. It reduces the period during which pensions must be paid and lengthens the contribution period. Since benefit rights are acquired during the lengthened contributory period, the resulting pensions are higher.

Social security planners dealing with benefits for aged persons have the great advantage of robust estimates of the number of aged persons who will be pensioners or in need of health care at a specified date in the future. The number of persons who will be eligible in 2050 for old-age pensions at age 65 or older can be projected from the current population. Other social security benefits, such as family allowances, depend on birth rates which cannot be estimated with the same confidence as mortality rates.

There has been much discussion and controversy over whether the ageing of populations makes public pension schemes which have so successfully contributed to the maintenance of retired persons over the last half-century no longer sustainable. But maybe we are asking the wrong questions. Could it be that the current concept of retirement is no longer valid?

Formerly, in agrarian societies older persons did not retire (and they still do not). Instead they were relied upon for their wisdom and their knowledge of crafts and farming. The concept of retirement grew out of industrialization and the shift in the nature of work. Workers became employees in urban centres and self-sufficiency became dependence. While the bucolic image of an agrarian society should not be exaggerated, industrialization led to work becoming a means to have a living income rather than a way of life. Subsequently, it was deemed that older workers were less efficient and that replacing them with younger workers would both increase efficiency and alleviate unemployment. Thereby the concept of retirement at a fixed age took hold. Later, in order to relieve the poverty in which enforced retirement placed older persons, pension schemes were established. As the schemes became increasingly generous, retirement lost its negative financial connotations and in many industrialized countries retirement has become an eagerly anticipated, apparently idyllic lifestyle. Is this popular image of retirement true?

When social security was enacted in the United States, the retirement age was set at 65. At that time life expectancy at birth in the USA was 63, so workers had a reasonable chance of surviving to retirement and enjoying a few years of pension. Now life expectancy at birth is 76, but the retirement age remains 65 (increasing to 67 by 2027). In the early years of the scheme, persons retiring at age 65 could expect to live for about 12 years while now their expectation is around 17 years. When the scheme began, for those persons reaching retirement age the retirement period

was about 25 percent of the contributory period; now it is nearly 40 percent of the contributory period. If an age when the full pension can be received is to be set, should this age not take into account increases in the expectation of life and thereby reflect the period during which society is both prepared and able to support pensioners?

Is age 65 old? With the decline in jobs requiring strenuous physical labour, are workers over 65 inefficient? Are retirees replaced by younger workers, or with the now common corporate downsizing, are they replaced at all? Despite the popular image of contented retired persons, do they successfully make the adjustment to enforced leisure and are they indeed happy? These are matters which must be addressed. It is not simply a question of adjusting the normal retirement age, rather the issue is the concept of retirement.

The need to have economic growth robust enough to generate sufficient resources to be transferred to retired persons without unduly depriving active workers has been cited. But this future economic growth must be generated by a relatively smaller number of workers. This is the same relatively smaller group of workers which is alleged to be inadequate to support a pay-as-you-go pension scheme (albeit large enough to purchase the assets of retired defined contribution scheme participants—but at what price?). Is it not probable that in order to maintain living standards for workers and pensioners alike, the age at which workers exit the labour force must rise; if not by legislation, then indirectly due to rises in prices resulting from inadequate supplies of goods and services which render potential pensions inadequate and force workers to remain longer in the labour force thereby contributing to national output and increasing their pension entitlements?

Normally, there is much resistance to legislated increases in retirement age. In countries where increases have been introduced, the increases are very gradual and/or long-deferred. This is not surprising since persons nearing retirement may have made plans for themselves and their families which it would be inappropriate to disturb. Generally, increases in retirement age take effect well beyond the time horizon of politicians and workers who are planning their retirement. Provided legislated increases in retirement age are adequate to bring the schemes into balance, such gradual increases are appropriate since projected deficits in public pension schemes are also some time in the future.

Participation in the labour market

While one may focus on the effective retirement age and seek to eliminate incentives for workers to retire and withdraw from the labour market, a broader perspective embraces persons who are not in the labour market due to disability and unemployment. Disability retirement is exploited by workers and employers alike. It has been a means of personnel management in many transition countries, and in developed countries it is used as a bridge to provide or supplement income between the time an employer sheds an older employee and the employee's normal retirement age. While unemployment can result from a genuine failure to secure employment, it can also be encouraged by incentives in the unemployment insurance scheme. Aside from the social consequences for individuals improperly in disability or unemployment status, production (and contributions for retirement benefits) of these potential workers is lost and the social security schemes which provide their benefits incur the cost of paying them.

Role of government

It is clear that a principal motivation for the reform of public pension schemes, especially the introduction of privately managed individual accounts defined contribution schemes is to get the government out of the business of providing public pensions. In some countries, trust in government's capacity to operate the existing pension schemes properly has been seriously eroded. There is also a desire to empower individuals to take greater responsibility for their own retirement. This has to be balanced by protection of society from individuals' possible myopic behavior which could result in their retirement benefits being inadequate to meet their needs. It is clear that government has an important role to play in statutory pension systems. Government must provide a basic 'safety net' pension

and if there is private sector participation, set up effective regulatory mechanisms.

The social protection of retired persons is simply too important for government to leave pension arrangements solely to the "prudent" behaviour of individual workers or the vagaries of market forces. No doubt governments also bear in mind that the increasing numbers of pensioners are voters who will not look kindly upon their governments if their pension expectations under the statutory arrangements are not met.

Governance

Increasing attention must be paid to the governance of national social security schemes. At one level this applies to schemes which now have responsibility for the responsible investment of social security funds. This is particularly important in countries where funded schemes have been introduced but whose domestic capital markets offer limited (or no) opportunities for appropriate investments of social security funds.

At another level, it applies to the capacity of schemes to implement the reformed programmes which have been adopted but not yet successfully implemented. Even if a public pension scheme reform is well-conceived, if it is not properly managed, for example if participants fail to meet their contribution obligations, the pension scheme cannot achieve the objective of providing adequate retirement income for them and their dependants. Governments have an interest in the governance and management of the statutory schemes. Clearly, management failures have obvious implications for individual participants, but they also have implications for the state which risks being importuned to supplement inadequate pensions from general revenues.

Other issues

Other trends attributable to demographic developments and possible, sometimes conflicting, future scenarios which directly affect social security schemes can be identified.

- The need for long-term care for ageing populations and problems associated with providing this care are recognized. With ageing populations, financial constraints and ethics concerning the allocation of health care resources will become increasingly complex and politically sensitive. Should investments be made, for example, in Alzheimer's research or in prenatal nutrition? Will effective health care policies permit populations to live not only longer but also to add years of healthy living to their lives?
- Diseases which it is thought had been brought under control will reappear due to immigration, urban crowding (which strains sanitary services), resistance to antibiotics, neglect of immunization and increased trade (which results in imports containing strains of diseases to which persons in the importing countries lack natural immunity).
- Household and family configurations are changing. Two earner and single parent families have become more common. While there are increasing numbers of women employed outside of the home, they often work in part-time and low-paid jobs, posing a particularly tricky problem for pension reform.
- There are also growing numbers of households where the breadwinners work abroad and remit funds to support their families. In other countries, the labour force is made of larger and larger numbers of migrant workers who are essential to economic development and who will remain, along with their families, residents of the host country, possibly even after retirement.

At the same time, other developments which are not principally demographic will have great impacts on the future of social security schemes.

- The middle class is coming under heavier financial pressures, and everywhere those who aspire to this status are worried whether they will achieve this status. This is due to the increasing difficulty of ensuring middle class values and expectations such as:
  - stable family relationships;
  - a good education assures a good livelihood;
  - continuous employment with continually rising earnings;
  - a full career assures a secure retirement;
  - children will have a better standard of living than their parents.

  Instead, people's lives are transitional, and they

have diminishing control of their financial, professional, marital and geographical destinies.

- Growing numbers of persons comprise an excluded underclass which is alienated and disenfranchised from society and the mainstream economy. While persons in this underclass are generally poor they are distinct from those who may be temporarily in poverty but striving to improve their situations.
- The nation state with its artificial boundaries, and the control and services it provides is becoming less relevant. Power is devolving from federal centres. Technology has made it impossible for states to control information. Markets, trade, migration and environmental issues transcend national boundaries. Multinational enterprises increasingly assume the prerogatives of nation states. New boundaries result from ethnic and religious affiliations and individuals who coalesce in the face of uncertain and threatening externalities.
- The distinction between private and public activities and enterprises is blurring due to a convergence of their behaviour, budgeting, marketing, customer service approaches and accountability structures.
- Traditional economic models and measurement are becoming less useful. Underground economies and countertrade (barter and conditional trade) are growing. There is a growing list of countries where the formal employment sector has either stagnated or shrunk while the informal sector has steadily expanded.

Conclusion

It is not the intention of the author to propose any particular model of public or private pensions or to claim that one system is more robust than another. Indeed, it is prudent to be wary of any such claims. Pension schemes are long-term programmes, and an assessment of the strength of a particular system can only be ascertained after a generation has completed its working and retirement periods—which means after 70 years or more.

It is however, necessary to bear in mind fundamental principles regarding pensions and to regard retirement pensions as a component of the total social security package. Among these fundamental principles, the following must surely be included:

- public support by the major stakeholders (workers, employers, interest groups, etc.)
- financial sustainability
- political feasibility
- coherence with economic and labour market realities
- client-friendly management and administration.

And, it is necessary to remember that the fundamental objective of a public pension scheme, no matter how it is organized, is to provide adequate and sustainable income to retired persons and their dependants.

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