СЕКЦІЯ 1. ПРОГРАМА ОЗДОРОВЛЕННЯ ДЕРЖАВНИХ ФІНАНСІВ УКРАЇНИ ТА РОЛЬ БЮДЖЕТУ В ЇЇ ЗДІЙСНЕННІ

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PENSIONS: GOVERNMENTAL OBLIGATIONS OR INDIVIDUAL CHOICES

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Approach

Economics and philosophy often cross paths when it comes to macro distribution of benefits, responsibilities and rights. Nations often deliberate whether all its citizens should be treated equally in the assignation of benefits and financial assets. Philosophical tenden¬cies in societies with socialistic tendencies always see pensions as a benefit or governmental benefits at covers basic needs of its older population. In capitalist oriented economies often the pension system is to a great extent based on a combination of governmental benefits and private contributions. The current and future dilemma is to find the proper balance of contributions and benefits.

The ideal pension system should have the proper combination of contributions from the government, the employer and the employee. Additionally, an adequate pension system should have the proper incentives at all levels to maximize contributions levels, benefits and monthly cash pensions.

The Role of Macro Economics

For politicians the most common method to slow down benefits is always the idea of increasing the retirement age, and to increase future benefits the solutions is always to increase current contributions. Both policies are often counter- productive as increasing the retirement age stifles the normal rate of labor substitution between new employees and retiring employees. Postponing the assimilation of younger employees with new skills may be an overall society loss. Increasing contributions may also affect disposable income reducing current consumption and life style. Governments need to be cautions implementing these policies as the desire results may not be accomplished.

Government and IncentivesResponsibilities

The role of government in pension systems is paramount in the quality of life of its retiring populations. Whether the governmental pension includes medical benefits, disability and survivor benefits, the cash out benefit should always guarantee some basic benefits, however current modern realities indicate that no government pension alone can meet the needs of retirees. Adding the perception and reality of increasing longevity all over the world leads to the conclusion that single governmental pensions are insufficient. Given this reality government policy-makers, industries and employees need to give the proper incentives and contributions to ensure that the basic benefits from a single central system are supplemented with additional pensions.

Governments must implement incentive programs for employers, industries and employees to be able to increase contribution from all by deferring current expenditures on the employee side, tax deductions for employers and matching supplemental contributions.

Individual Choices

It is evident that given this reality in the modern world, individuals must supplement their future pension levels by contributing to additional pension systems and these systems should be supported by a strong system of governmental incentives. The philosophical tendency to think that we all are the same and deserve equal decent pensions is absurd and unsustainable, therefore governments' most important activity in strengthening the pension system should to support employer/employee pension groups or systems that will ensure that older populations will have decent pensions without facing poverty.

Macro-Economic Impact of Increasing Pension Contributions

The voluntary decision to contribute to supplemental pensions systems increases investment and may reduce current disposable and conspicuous consumption in favor of future cash flow that is multiplied by the additional matching contributions of governments and employers.

Governments can create incredible gains by teaching its population to increase the saving rate in favor of increased cash flows when income from salaries and wages will decrease at retirement age. Although it is a risky governmental policy, large pension pools are a good source of government financing that if manage well can generate stable income from return in investments.

Employer Contributions

In capitalist societies there is some level of competition in employee recruitment and retention when companies advertise as a benefit their supplemental pensions which often are offered in terms of a matching benefit. Some industries for example on top of the contributions to retirement through a centralized social security system, offer supplemental pensions with a percentage of salary matched. It is not unusual that employers match a retirement contribution up to 8 % of salaries. It would ideal that governments support and provide incentives to these programs.

Personal Responsibility

If an employee sacrifices current consumption and defers its income to be spent 30 years later, this employee deserves a better future and a better pension as his/her personal responsibility valued more his future welfare that having additional current disposable income. If another employee does not take the responsibility to plan for his/her future, this employee when retired should not expect pensions about survival levels. Governments must be cautious not to have minimal contributions in their main pension systems as many retirees will seek other government benefits and subsidies upon retirement.

The Role of Government

The worst pension systems in the world are those where governmental policy has discouraged supplemental pension systems, it is obvious governments alone cannot maintain decent pension levels for its retirees, increasing the retirement age is a retrograde decision that can only affect new generations, increasing contribution rates to a single system is not a good decision either as in marginal economies it will signify a wage decrease. Governments have a responsibility to encourage and enrich supplemental pension systems.

There are multiple options, employer pools by industry, employee labor unions, incentives to small business, tax credit pools, annuity credits, etc. The role of government has to be dynamic, creative and solid. Pension system cannot be static they must be design to meet employees taste and preferences. Deferring current disposable income to increase cash flow in the future should be a very important government policy. To make sure these policies meet their intend objective it is very important that governments have extreme transparency. Cases like the fraud in pensions in Chile where Pensioners received television set or vacations to increase their contributions, but at the end lost all their funds are great examples where governmental regulations have failed and have made supplemental systems mechanisms to exploit and not help employees that in good faith postpone their disposal income for a better future.

In the pension world often small changes in policy or small creative practices may be the best approach to have stronger and better pensions. To do nothing to improve pension rates below poverty rates is irresponsibility on the part of government, employees and employers. The role of academicians could be very important in this pursuit as all these decisions must be comprehensive, clear and corruption-free.