

No one wins without change

Written by Taipei Times Editorial
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Some fireworks can be expected tomorrow inside and outside the national affairs conference on pension reform, but a lasting solution to the problems facing the nation's 13 pension funds is not. The pension plans are in need of too much repair for that.

However, the potential for crucial change is there.

It has been clear for years that substantive overhauls were needed to reflect the changes in the nation's finances and demographics, including a low birth rate and rapidly graying society, as well as the need to balance the retirement age and pension plans between the public and private sectors.

Alarms have repeatedly been raised about the imminent bankruptcy of one or more of the pension funds, with patchwork bandages applied to keep them limping along, while efforts to abolish the political footballs that are the 18 percent preferential savings rate for retired public-sector employees and the vast gap between public/private sector retirement rules and plans have been demonized as class, ethnic or political warfare.

All too often political considerations trumped economics and common sense.

A piecemeal repair approach is no longer feasible, yet it does not bode well that a meeting on such a crucial topic was downsized from the original two-day plan. Nor is it a good sign that the government's draft pension reform plan was released just three days before the conference, even though Vice President Chen Chien-jen (陳建生) stressed that the plan was drafted after 20 committee meetings, four regional forums and efforts to solicit public opinion.

However, the reluctance of the Chinese Nationalist Party (KMT), the New Party and the Taiwan Solidarity Union to send representatives to tomorrow's conference will not help efforts, but simply reduce the session to politics as usual.

Any reforms are bound to be painful because current pension systems are both badly outdated

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and poorly funded, but everyone is going to have to work together to achieve the needed changes, not just try to protect their vested interests. Everyone will have to make concessions.

For example, complaints about the impact that raising the retirement age will have on middle-aged workers who might have been planning to retire before turning 65 should be tempered by the knowledge that lower retirement ages were set when life expectancy was much lower and that none of the pension plans will be able to fund decades of retirement for them unless substantive changes are made.

Young people who fear that job or promotion opportunities could be affected by more older people remaining in the labor force should consider how these older workers will continue to pay into pension systems, reducing the burden on the young to fund plans that now appear unlikely to survive until they will be able to use them.

Complaints by retired civil servants about cuts to their benefits, especially the 18 percent preferential interest rate, should be tempered with recognition that they have profited for years from a KMT-rigged system that has been a massive drain on the national budget for decades and is crippling the Treasury.

That 18 percent interest rate was introduced in 1960 as an inducement for people to work for the government, with the government making up the gap between the average interest rate offered by banks and the 18 percent rate. The KMT long protected it as a vote-winning tactic.

The government's plan for eliminating that 18 percent rate guarantee — through two staged options — is probably the best idea that has been presented in a long time, and the most feasible.

Even though the need for action on the pension systems is crucial, it must be well thought out action. Otherwise, Taiwan will remain trapped in an endless cycle of talk and shoddy patchwork.

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