澳洲退休金制度之改革：對台灣國民年金制度之啓示

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中文摘要

就如同其他工業國家一樣，澳洲已進入人口老化的結構。雖然比較起來澳洲老人的依賴率（aged dependency rate）仍相當低，而且也不太可能像其他地區會突然激增，但是澳洲的老年化的問題仍不容忽視。另一方面，台灣正面臨快速老年化問題的挑戰。過去卅年來台灣老人的依賴率已成長了三倍。因此，如何找出一個適切的退休收入體系對澳台兩國而言至爲重要。再者，與其他工業國家相較，澳洲的退休社會安全體系起步較遲，而且與這些國家的退休社會安全體系相當不同。近年來澳洲對此一體系進行「私有化」改革更使之獨樹一格。

吾人所關切的是究竟澳洲的退休社會安全體系改革是否有台灣未來的退休社會安全（即老人年金制度）可借鏡之處?本文主旨就是在研究澳洲退休社會安全體系改革之經驗做爲台灣老人年金制度企畫者制訂政策的參考。本文的第二、第三節將分別介紹澳台兩國退休收入體系的演進史以及澳洲以往的退休收入體系。

第四節討論澳洲退休社會安全的相關問題以及其所導入的退休儲蓄帳戶。第五、第六節則爲澳洲改革經驗對我國的啓示以及結語。

將老人津貼（age pension）與退職金（superannuation）整合在一起已成爲澳洲政府一項重要的長期目標。澳洲理想的退休收入體系是退職金以津貼的形式發放，使老人在退休後仍有收入。政府老人津貼的功能應該是作爲那些沒有足夠退休收入老人的備用款項。然而由於許多退休的人仍繼續倚賴老人津貼過活，澳洲強制退職保證金制度尚未達到其預期的目標。因此，澳洲正導入一種藉強制繳交退職金基金的自費退休金制度。台灣老人年金制度的主要目標之一是將當地的老人津貼與職業退休金結合起來，並將未投保的人納入社會保險體系。從澳洲的經驗裡，吾人所得的啓示是台灣或可導入自費退休金體系。此一體系由政府強制施行而由民間運作，使私有化的相關目標（如增加國家儲蓄、減少勞工市場扭曲等）終可達成。

Reform on the Australia's Retirement Income System: An Important Lesson for Taiwan National Pension Program

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Introduction

Populations are aging around the world. Like a number of other industrial countries, Australia has an aging population structure. Although Australia's aged dependency ratio is relatively low and is not projected to rise as steeply as elsewhere (Table 1), the aging problem in Australia still can not be ignored. Taiwan, a newly industrialized country, is facing a relatively more rapid aging problem. The aged dependency ratio is projected tripled in thirty years. Therefore, seeking for the appropriate retirement income system becomes important for both countries.

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Table 1. International Comparison of Aged Dependency Ratios

	2000	*2030*
Australia	16.7	33.0
Taiwan	12	30
Canada	18.2	39.1
France	23.6	39.1
Germany	23.8	49.2
Italy	26.5	48.3
Japan	24.3	44.5
United Kingdom	24.4	38.7
United States	19.0	36.8

Source: World Bank and Taiwan's Economic Construction and Planning Report.

Australia's "social security system" is a public system of income support for people with insufficient income. This is quite different from other industrialized countries. In USA, the "social security system" is the public employment-related retirement income system. The pensions, benefits, and allowances comprise the Australia's "social security system". The age pension is one component of the system. In addition to the age pension, the occupational superannuation schemes are another income security arrangements for the elderly in Australia. Since no employment-related pay-as-you-go national retirement scheme exists or ever existed, the Superannuation Guarantee, a compulsory superannuation, can be considered as the Australia version of retirement social security. There are still problems on the existing Australian retirement income system, so Australia is currently introducing a system of self-provision for retirement through mandatory contributions to private superannuation funds.

Two existing public insurance programs provide with about 2/3 of the population with retirement and other benefits in Taiwan. The Public Employees Insurance Program covers all regular employees in the public sector, and the Labor Insurance Program covers most workers in the private sector. The social assistance program provides the assistance to the poor elderly. These two public insurance programs and the social assistance program constitute the first pillar of old age security. The second pillar of old age security consists of pension plans mandated by the Public Employees Retirement Law and the Basic Labor Law. In addition to the first and second pillars, the third pillar is based on individual savings and commercial annuities.

Approximately 40% of Taiwanese aged over twenty-five years old are not insured by any pension plan. In order to integrate various occupational pension plans and to include uninsured people into the retirement income system, Taiwanese government has proposed a public retirement pension system called "National Pension Program". Several proposals have been discussed. Is it a mean-tested or a social insurance program? Is it a flat rate age pension or an employment-related pension? Is it a pay-as-you-go or a fully funded program? The final decision has not been made.

Australia started its retirement social security system relatively late comparing with other industrialized countries. Its retirement social security system is quite different from others. Recent reform has even moved the system toward a funded scheme. This reform trend is so called "privatization".[1] What can Taiwan's future retirement social security- National Pension Program- learn from Australia's reform on retirement social security system? The main purpose of the paper is to study on the Australian reform experiences and to provide policy implications to the planner of Taiwan National Pension Program.

In the section two, we will introduce the evolutionary history of the retirement income system in Australia and Taiwan. Section three

[1] *Privatization of the social security can be achieved by a variety of ways: advance funding, portfolio diversification, and individual accounts. (Diamond, 1999)*

discusses the Australian previous retirement income system. Section four consists of related issues of Australia's retirement social security and the introduction of retirement saving accounts. In section five, we summarize lessons Taiwan can learn from the reform experience in Australia. Concluding remark is in the section six.

Historic Background

Australia enacted a tightly mean-tested age pension in 1909. However, the mean tests were gradually relaxed and the system became a general entitlement. The age pension is funded from general revenue. It has never been contributory or related to an individual's previous income. Most Australians have traditionally relied on the public age pension. Comparing with the age pension, the employer-sponsered pension plans have a relatively lengthy history. The first occupational superannuation scheme was established in 1862 by the bank of New South Wales. In the beginning, the schemes were mainly confined to white-collar civil servants and employees of financial organizations and large manufacturing companies. The pension plan coverage, however, expanded between the late 1940s and the early 1970s. Australia experienced a rapid expansion in coverage during the late 1970s and continuing into the early 1980s.

The centralized wage negotiations that took place in 1985 and 1986 initialized a system of compulsory superannuation. The federal government agreed to support a claim by the Australian Council of Trade Unions for a 3% employer-provided superannuation benefit to be incorporated in employment awards in lieu of a general wage increase. The government announced a significant expansion of compulsory superannuation, along with a superannuation guarantee charge (SGC) in 1991. In 1996, the new Australian government further introduced retirement savings accounts. Australia is currently introducing a system of self-provision for retirement through mandatory contributions to private superannuation funds. The system will be government mandated but privately operated. In other words, Australia is evolving a system with a means-tested flat benefit to a funded scheme. This evolution process is called "privatization". The privatization of retirement social security is the world reform trend.

Comparing with Australia, Taiwan's occupational pension plans began very late. The Public Employees Insurance Program was established in 1958. Each public-sector employee who has been insured for at least five years is eligible for a one-time lump-sum retirement benefit. The Labor Insurance Program was started in 1960. It provides retirement, survivor's and disability benefits to insured persons. This insurance program covers employees in private enterprises that employ at least five persons and part time (non-regular) government workers.

Pension plans mandated by the Public Employee Retirement Law and the Basic Labor Law constitute the second pillar of old age social security. The Public Employees Retirement Law was promulgated in 1943 and modified on pension plans in 1979.

Table 2. The Evolution History of Retirement Income Systems

Time	**Australia**	**Taiwan**
1862	The first formal occupational superannuation scheme was established.	
1909	An age pension was introduced.	
1943		The Public Employees Retirement Law was promulgated. (In China)
1958		The Public Employees Insurance Program was established.

1960		The Labor Insurance Program was established.
1979		The Public Employees Retirement Law was modified on pension plans
1984		The Labor Standards Law was promulgated.
1985-6	The compulsory superannuation was initiated.	
1991	The compulsory superannuation was expanded significantly. Superannuation guarantee charge was introduced.	
1993		The Public Employees Retirement Law was modified on pension plans again. The process of planning a national pension plan began.
1996	The new government introduced retirement savings accounts.	
1998		The process of planning a national pension plan was completed. The defined benefit Taiwan National Pension Program was proposed.
2000		The new government proposed new versions of National Pension Program. Retirement savings account was one of them.

Source: The table is summarized by the paper.

The Labor Standards Law was promulgated in 1984. Taiwan began the process of planning a national pension plan in 1993 and has not been completed until now. In 1998, the Council for Economic Planning and Development proposed a Taiwan National Pension Program. The program is a defined benefit program. All retirees receive an identical lump-sum annuity. All insured persons pay a lump-sum monthly premium. Originally, the proposed program would be approved by Cabinet shortly afterwards. Due to the prediction of large transition costs, however, the execution time of the plan was postponed. There have been several new versions and changes proposed by the new government lately, but the time for performing the national pension plan is still uncertain depending upon the government financial situation.

Australia has already had age pension, occupational pension plans and its "retirement social security": the compulsory Superannuation Guarantee. In addition, Australia is currently reforming the system and introducing a system of self-provision for retirement through mandatory contributions to private superannuation funds. Although Taiwan has occupational pensions and local age pension, it has not yet had any retirement social security. In order to integrate these occupational pensions and local age pension, Taiwan is still seeking for her best plan of the retirement social security. What kind of public pension plan is appropriate for Taiwan? Should Taiwan also move toward a funded scheme? The reform experiences on the Australian retirement income system may be able to provide some lessons for Taiwan.

Table 3. The Comparisons in Existing Retirement Income Systems

	Australia	**Taiwan**
Age pension	Age pension	Local age pension
Occupational pension	*Occupational *Superannuation	*Public Employees Insurance Program

	schemes	*Labor Insurance Program *Pension plans mandated by the Public Employees Retirement Law and the Basic Labor Law
Retirement Social Security	Superannuation Guarantee	Proposed National Pension Plan
Privatization Reform	Retirement saving accounts	

Source: The table is summarized by the paper.

Australia's Previous Retirement Income System

The system of state support for retirement income in Australia has two major elements: (1)the age pension, and (2) tax concessions to encourage the provision of future retirement income needs through employer-sponsered pension plans. These plans are referred to as "occupational superannuation schemes".

Australian age pension

The age pension in Australia is a flat-rate, noncontributory provision entirely funded from general revenues. The purpose of the age pension is to redistribute income in order to alleviate poverty among elderly. This public foundation is quite different from those found in other industrialized countries. In these nations, the public foundation formed by public retirement income arrangements is a contributory social insurance scheme that provides earnings-related benefits to retirees.

The flat-rate age pension provides a mean-tested payment generally indexed to 25% of average weekly earnings. The age pension receipt is conditional upon satisfying an asset test. A special income test applies to persons aged 70 years or over. Age pensioners are entitled to additional forms of assistance, including various fringe benefits, rental assistance and tax rebate.

The age pension was intended to provide only a minimum level of income support, but it used to provide the only or main source of income for many retirees. For instance, the age pension, together with the service pension, provides approximately sixty percent of all retirement income in late 1980s.

Why do Australian elderly retirees rely on the age pension so heavily? Answering the question requires an understanding of Australia's employer-sponsored pension arrangements.

Employer-sponsored pension

Australia's occupational superannuation schemes are quite different from the employer-sponsered pension plan found in most developed countries. Two features that distinguish Australia's occupational superannuation schemes from employer-sponsered pension plans found in most industrialized countries are the form in which benefits are paid and the circumstances under which they are paid. The most common form of superannuation benefit in Australia is the lump sum payment. The reason why benefits are paid as a lump sum rather than as a pension annuity has to do with the differential tax treatment of lump sum benefits compared with benefits received as an ongoing pension. Lump sum payments compared to the corresponding pension have a tax-advantaged status. The retirement benefits received as a pension were fully taxable while an effective tax rate on the total lump sum is less than 3%. A second distinguishing feature is that benefits are often paid in circumstances other than retirement. Most superannuation schemes allow the payment of the lump sum benefit at any time a worker changes jobs. Thus, occupational superannuation schemes, although mechanisms for providing retirement income, often function as a job termination or severance pay device.

The distribution of coverage in Australia, however, is quite similar to that of other industrial countries. The incidence of coverage is highest among white-collar males between 45 and 59 years old with the above-average incomes who are employed full time in the public sector and in industries that tend to be highly unionized.

There are over 280,000 superannuation schemes in Australia. Traditionally, most superannuation schemes have been company-based. However, more industry-based schemes have emerged in recent years. Generally speaking, the majority of Australia's superannuation schemes are accumulated contribution schemes where retirement benefits are based on the accumulated contributions made on behalf of the employee and the investment earnings on those contributions. Contrarily, the majority of the members of superannuation schemes were covered under defined benefit schemes. This suggests the larger schemes tend to be of the defined benefit type while smaller ones tend to be of accumulated contribution variety.

Most workers pay part of the cost of employer-sponsored pension plans. The basis of payment into superannuation funds is usually a fixed percentage of earnings.

Retirement Social Security System: Superannuation Guarantee

There are two main reasons for Australia to move towards a funded retirement social security system. (1) *The retirement income policy should be based on funded arrangements.* Unfunded systems can only work equitably where the demographic structure of the population does not vary much. The demographic transition which is embodied in the aging of the baby boomers will lead to dramatic demographic change. Therefore, a funded retirement social security is necessary. (2) *A better interaction between age pension and superannuation is necessary.* Due to the small size of lump-sum retirement benefits, there exists an incentive for many superannuitants to dissipate their lump sums with a view to establishing age pension eligibility. Many workers would use superannuation to finance retirement prior to age pension age. The practice of dissipating a superannuation lump sum rapidly at or before age pension age has been defined as "double dipping". Although the tax concessions aimed at supporting a self-provision for retirement through employer-sponsored schemes, the Australian government finds itself supporting the retirement incomes of superannuitants through the age pension program. Therefore, the superannuation is a relatively minor source of retirement income. In order to avoid the double dipping, a better interaction between the two systems is necessary. The integration of the age pension and superannuation becomes a long-term important goal for Australian government. The ideal solution to the poor integration is the payment of superannuation as an annuity during the retirement years, an annuity that is assessable by the tax system and under the age pension's income test. In other words, the ideal Australian's retirement income system is which superannuation is received as a pension and provides an income flow throughout the retirement years. The public age pension should serve as a residual provision for those with insufficient retirement income.

1. Superannuation guarantee charge legislation

The move to a system of compulsory superannuation had its origin in centralized wage negotiations that took place in 1985 and 1986. The government agreed to support a claim for a 3% employer-provided superannuation benefit to be incorporated in employment awards. This was endorsed by the Industrial Relations Commission in 1986. The Australian government announced a vast expansion of compulsory superannuation and introduced a new compliance mechanism named superannuation guarantee charge(SGC) in 1991.

Until then, Australia was one of the exceptional developed countries without a national employment-related retirement income scheme. On 1 July 1992, this changed, with the start of the Superannuation Guarantee(SG). Its legal basis is that an employer who fails to provide employees with the required minimum level of Superannuation support will be liable to the comparatively expensive Superannuation Guarantee Charge. The structure of the legislation was that employers were not technically mandated to contribute to employee superannuation but that, if they did not, the government would impose a superannuation guarantee charge of an equal amount through the tax system and then redistribute this to the employee. The Superannuation Guarantee Charge payments would not be tax deductible and would have an additional administration charge included. Thus, it would be cheaper for employers to make the superannuation contributions themselves. In 1992 the minimum contribution rate was 4% of employee earnings in the case of employers with payrolls exceeding $1 million, and 3% in the alternative case. The eventual goal of SGC legislation is to increase the employer contributions to 9% of earnings and to encourage or mandate additional contributions of 3% by employees, to be supplemented by a matching contribution from the federal government, thus bringing the total level of contributions eventually to 15%. The primary objectives are to increase the level of savings within the economy and to reduce the future level of age pension costs as superannuation benefits will be providing a higher proportion of retirement income benefits.

The superannuation coverage has widened substantially as a result of these measures. As shown in Table 4, seventy five percent of employees had superannuation coverage by 1991, five years after the initial decisions by the Industrial relations Commission. In 1994, almost entire employees in the public sector had been covered in the superannuation.

Table 4 **Superannuation Coverage** % covered

Time period	Public Sector	Private Sector	All Employees
1986-1987	63.4	31.8	41.6
1987-1988	68.0	34.1	44.0
1988-1989	90.4	40.7	54.8
1989-1990	91.7	56.9	66.9
1990-1991	93.9	67.5	75.3
1991-1992	94.6	70.7	77.6
1993-1994	97.0	89.4	91.5

Source: Edey and Simon(1998)

2. Superannuation fund management and investment

The funds are generally managed by professional managers who are chosen by the board of trustees for each superannuation fund. The superannuation funds themselves are chosen by the employer or negotiated with the employer as part of the award process. This led to the establishment of union-created "industry funds" that cover many workplaces.

Assets of superannuation funds are invested in the broad categories of equities, bonds, and property. The trends have been a substantial reduction in the portfolio share of bonds and a rise in that of equities over the past decades. The long term reduction in bond portfolio is the consequence of removal of earlier portfolio restrictions setting minimum holdings of government bonds. The portfolio share of foreign assets was around 13% in 1995 (see Table 5).

Table 5. Assets of Superannuation Funds(1995) unit: %

Cash and short-term bank instruments	14.5
Loans	7.4
Fixed interest	19.2
Equities	35.6
Property	8.7
Foreign	13.3
other	1.2

Source: Edey and Simon (1998)
Note: Total assets:279 billion

In Table 6, we have seen the level of assets in superannuation funds increase from $117 billion in June 1990 to $174 billion in June 1994. This represents a compound growth rate of 10.5% per annum. The significant growth of assets is not due to increased contributions but extra saving. Compulsory contributions have clearly increased the level of contributions going into superannuation. However, they have been offset by the payments from the superannuation funds which have been higher than expected due to the impact of the recession. Table 6 clearly shows that the growth of the assets of superannuation fund reflects very closely the investment earning rates of superannuation funds.

Table 6. Growth Rate and Earning Rates for Superannuation Funds

Date	Total Assets ($bill)	Growth Rate %	Fund Earning Rates%
June 1989	102.1	-	-
Dec. 1989	112.6	-	-
June 1990	116.6	14.2%	11.6%
Dec. 1990	115.8	2.8%	1.6%
June 1991	126.3	8.3%	10.2%
Dec. 1991	139.3	20.5%	20.7%
June 1992	144.4	14.3%	12.1%

Dec. 1992	146.1	4.9%	4.0%
June 1993	159.3	10.3%	11.9%
Dec. 1993	179.4	22.8%	26.1%
June 1994	173.7	9.0%	8.8%

Source: Knox (1994)

3 Saving, labor market, equity, and efficiency

Effects on saving

Australia's gross national saving rate has historically been below OECD averages and has declined substantially in the past decade. Gross private saving has also been declining while household saving declined faster than the private sector. Projections of the effect of the compulsory scheme have been made by the Australia Retirement Income Modelling (RIM) Task Force. They project a sharp increase in aggregate saving when the employee and government co-contributions come into effect. When the schedule is fully implemented by 2003, Australia's saving is projected to have increased by around 3% of GDP.

Effects on the labor market

Freebairn(1996) suggests that compulsory superannuation paid by employers, employees or government is likely to have important effects on labor market wage and employment outcomes. He has suggested potentially large distributional effects within the workforce, and particularly between high wage and low wage workers of the compulsory superannuation scheme. Most wage earners will lose effective income, and in some cases large amounts with compulsory employer and employee superannuation. Further, the losses will be greater for lower wage earners than high income earners.

Effects on Equity, and Efficiency

The main impact of superannuation guarantee charge upon the working poor may well be in housing. This could manifest as a reduction of their housing repayments and therefore the value of their housing services. There may also be cases where the lower wage growth likely to be imposed by the introduction of the Superannuation Guarantee Charge will force some people out of home purchase altogether. Because owner-occupied housing is not taxed in Australia (except for municipal rates), whereas earnings in Superannuation Guarantee Charge accumulations are taxed at a statutory rate of 15%, some poor people will be driven out of an untaxed asset into a taxed one.

Women are put at a relative disadvantage by the structure of occupational superannuation, they are likely to be disadvantaged by a compulsory scheme with the same features. Bateman and Piggott (1993) noted that the age pension acts as a cushion for people on low incomes. Women's relative deprivation will be substantially reduced by the way in which the Superannuation Guarantee Charge interacts with the age pension. They provided the impression that equity issues were probably not a critical negative in assessing the superannuation guarantee.

4 Issues on Australian retirement income system

<u>The Australian retirement income system is not yet stable.</u> Two systems for providing retirement income exist. They are the means tested age pension and Superannuation. The problem is that these two systems are not integrated. There is no consistency in benefit forms. One is lump sum, one is pension.

<u>Superannuation became much more complicated.</u> In the 1970s, it was possible for an individual to have a fairly good understanding of the total superannuation system as it then operated, together with its various regulations. Even though in the early 1980s, superannuation was still relatively straight forward. However,

Superannuation was very different since then. During the 1980s it has become much more comprehensive in its coverage, but much more complicated and much more compliance oriented. After the Superannuation Guarantee Charge was introduced, this problem was even more serious.

Superannuation and politics now mix. The Superannuation industry is clearly in the political arena and with almost all Australian employees now receiving superannuation contributions, changes to the superannuation system affect a very large proportion of the Australian electorate.

Defined contribution plans have passed all risks onto the employee. The recent Australian experience has moved from a defined benefit scheme towards defined contribution plans. Although defined benefit plans are permitted and remain with many larger employers, the legislation expresses the minimum contributions in terms of current earnings which clearly represents a defined contribution approach. Actuaries are fully aware that within a defined pension scheme, the employer bears the investment risk, the salary inflation risk and the longevity risk. However, within a defined contribution plan, the employer bears none of these risks. Indeed, they have all be passed onto the employee. Knox(1993) analyses the defined contribution arrangements from the member's perspective. The objective of a retirement income system should be to provide a structure whereby funds are transferred from the pre-retirement earning years to the post-retirement years so that a reasonable level of secure retirement income is provided to the member. He finds a system based on defined contribution plans does not meet this fundamental objective.

The tax rules for Superannuation are complex. In the early 1980s, employer contributions to superannuation funds, employee contributions (up to a limit of $1,200), and income on superannuation assets were tax free. Pension payouts were taxed as normal income, while lump sum payouts had the first five percent added to income for taxation with the remainder tax free.

In 1983, the status of employee contributions was changed to be no longer tax deductible, and they had to be paid out of after-tax income. In 1988, the arrangements changed again. Employer contributions were now taxed at 15% on entry to super funds. Employee contributions were still paid out of after-tax income. Fund earnings were subject to 15% tax. Pension payouts were subject to the normal income tax with 15% rebate. The lump sum payouts were subject to 20% taxation. These provisions remain broadly in place subject to adjustment of the tax-free threshold. Another change, introduced in 1988 and fully effective from 1994, was to mend the reasonable benefit limits. The aim of this was to encourage people to take benefits in the form of annuities. Thus, the annuities can provide for their retirement and they don't have to rely on the government pension. Further changes announced in the 1996-97 budget increase the tax on employer contributions to 30% for employees earnings more than $85,000.

<u>The contribution rate does not guarantee an adequate retirement income</u>. The long term Australian government objective is a superannuation contribution rate equal to 12% of earnings (employer 9% and employee 3%). Knox (1994) concluded that a 12% contribution rate will not provide an adequate retirement income for most future retirees, even for males who have worked full time for 45 years. This means that many retirees will continue to rely on the means tested age pension funded by the government.

5. *Reform: Australian retirement saving accounts*

Since there are still problems on the Australian retirement income system, further reform is necessary. In 1996, the new Australian government further introduced retirement savings accounts. Australia is currently introducing a system of self-provision for retirement through mandatory contributions to private superannuation funds. The system will be government mandated but privately operated. In other words, Australia is evolving a system with a means-tested flat benefit to a funded scheme in order to promote private and national savings. Australia is one of relatively few countries moving toward a funded scheme. Chile, Mexico, Argentina, United Kingdom, Sweden are countries moving toward a funded scheme. USA is considering to move its unfunded social security system toward a funded scheme. This "privatization" trend is getting more popular. Studies indicate that the privatization can eventually raise the national saving, the return rate. In addition, it can reduce the distortion in the labor market.

Lessons Learned from the Australian Reform Experience

The Australian retirement income system is not yet stable. Two systems for providing retirement income exist. They are the means tested age pension and Superannuation. The problem is that these two systems are not integrated. In order to avoid the double dipping, a better interaction between the two systems is necessary. The integration of the age pension and superannuation becomes a long-term important goal for Australian government. In order to avoid the same problem, one main goal of Taiwan National Pension Program is to integrate the local age pension and occupational pensions into a national pension plan.

As what we mentioned earlier, the Australian compulsory superannuation scheme increases in aggregate saving. When the schedule is fully implemented, Australia's saving is projected to have increased sharply. The retirement saving accounts can even promote savings more. Hu, Chen and Chen(1998) suggests the effect of a partially funded defined-benefit pay-as-you-go National Pension Program as proposed by the Taiwanese government will have a negative effect on aggregate saving. The saving effect of national pensions is relatively small in the first ten years, but will become increasingly larger afterwards. Although Taiwan's saving rate is still relatively high, it is declining. In order to sustain the economic growth and living standards as the population is aging quickly, a possible solution is to establish a fully funded National Pension Program.

The compulsory superannuation paid by employers, employees or government is likely to have important effects on labor market wage and employment outcomes. There are potentially large distributional effects within the workforce, and particularly between high wage and low wage workers of the compulsory superannuation scheme. In other words, Australia's retirement social security distorts the labor market. The compulsory premium of the proposed National Pension Program is constant and shared by employees, employers and government. The problem of labor market distortions is not avoidable. However, the privatization can reduce the distortion in the labor market. From the standpoint of labor market distortion, the retirement saving account is a better proposal than the proposed National Pension Program for Taiwan.

The execution time of the proposed Taiwan National Pension Program has been postponed for several times due to the large anticipated government financial burden. The huge financial burden can be avoided if the retirement saving accounts substitute for the pay-as-you-go National Pension Program. Just like private superannuation funds in Australia, these retirement saving accounts can be considered as individual retirement funds. Taiwanese government just has to mandate people to deposit money into the retirement saving accounts. Professional managers manage these individual funds and invest them into various financial markets. Therefore, the government does not have to bear too much financial burden.

Concluding Remark

Populations are aging in both Australia and Taiwan. Seeking for an appropriate retirement income system is very important for them. The integration of the age pension and superannuation becomes a long-term important goal for the Australian government. The ideal Australian's retirement income system is which superannuation is received as a pension and provides an income flow throughout the retirement years. The public age pension should serve as a residual provision for those with insufficient retirement income. The Australian compulsory superannuation guarantee, however, has not yet achieved the ideal goal because many retirees still continue to rely on the age pension. Therefore, Australia is currently introducing a system of self-provision for retirement through mandatory contributions to private superannuation funds. It is one of few countries moving toward a funded scheme.

One main goal of Taiwan National Pension Program is to integrate the local age pension and occupational pensions, and to include uninsured people into a social insurance program. Besides this, we think the program should have the following goals: (1) avoiding huge government financial burden, (2) raising national saving and (3) reducing the distortion in the labor market. According to lessons learned from Australia's experience, we suggest that the partially funded defined benefit National Pension Program should be replaced by the fully funded scheme. Taiwan can introduce a system of self-provision for retirement through mandatory contributions to individual retirement funds. The system should be government mandated but privately operated. The privatization is projected to raise national saving, return rate, and to reduce the distortion in the labor market. These four goals, therefore, should be achieved eventually.

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