

**MULTINATIONAL CORPORATIONS
AND GLOBAL
AND INTERNATIONAL MODELS OF
PENSION PROVISION:
EVIDENCE FROM IRELAND**

Gerard Hughes

October 1999

Working Paper No. 122

Working Papers are not for publication
and should not be quoted without prior
permission from the author(s).

Multinational Corporations and Global and International Models of Pension Provision: Evidence from Ireland¹

Introduction

In the debate about globalisation there are optimistic and pessimistic views about its effects on employment and conditions of work. Optimists believe foreign direct investment brings with it many employment opportunities and higher wages. Pessimists argue that it increases downward pressures on wages, conditions of employment, and social protection. Evidence on the effects of globalisation on wages, employment conditions, and social protection is limited (see Betcherman (1996)). This may be because most of the countries in the Triad of North America, the European Economic Area, and Japan, which account for the bulk of foreign direct investment, do not distinguish in their statistics between domestic and foreign companies. Hirst and Thompson (1996a and 1996b) cite research by Lipsey, Blomstrom and Ramstetter (1995) which shows that the share of production by multinational corporations outside their home countries amounted to only 7 per cent of world output in 1990 and UNCTAD research which shows that the Triad accounted for 75 per cent of the stock of foreign direct investment and 60 per cent of the flow at the beginning of the 1990s.

Ireland has pursued a policy of attracting foreign direct investment for a period of almost 40 years and the activities of foreign firms now account for a significant proportion of its national output and employment. Consequently, there is statistical information available for Ireland which sheds light on the effects of multinational corporations on employment and conditions of work. In addition to presenting this evidence, we will use the results of a national survey of occupational pension schemes for employees of foreign and Irish companies to investigate whether foreign firms behave like transnational or multinational corporations in their relationship with their employees in the host country². The relevance of occupational pension

¹This paper was presented at the International Conference on *Globalization, Institutions and Social Cohesion* held in the Department of Political Economy, University of Rome, "La Sapienza" 15-17 December 1998. I am grateful to my ESRI colleagues John Bradley, Ide Kearney, and Eoin O'Malley for providing information on exports, imports, and relative living standards and to Frank O'Connor for comments on an earlier draft.

² I am using Hirst and Thompson's (1996) distinction between transnational corporations operating in a globalised economy and multinational companies operating in an international economy.

schemes to the globalisation debate is that they are provided on a voluntary basis either at the instigation of the employer or through collective agreements with trade unions.

Foreign direct investment has been a feature of industrial policy in Ireland since the 1930s when protectionist measures were adopted to encourage industrialisation through import substitution. In order to protect access to the Irish market U.K. companies undertook direct investment in Ireland through partnership arrangements with Irish companies. The failure of protection to develop an efficient industrial base led to the adoption of free trade policies and the removal of restrictions on foreign ownership in the 1950s. Some of the U.K. companies which invested in Ireland during the protectionist era continued to operate plants in Ireland to take advantage of the new policy of providing investment grants and a zero corporate tax rate on profits from manufactured exports. Since the late 1960s a considerable amount of foreign investment in Ireland has been in technologically advanced products for export in such sectors as electronics, office machinery, pharmaceuticals, and medical instruments and equipment. The gradual opening of the Irish economy to foreign trade since 1960 is clearly shown in Figure 1. From 1960 to 1973 national output exported increased from around 22 to 24 per cent. Since 1973 the percentage exported has doubled to its present level of 48 per cent.

Since Ireland joined the European Community in 1973 it has increased its attractiveness for foreign companies by providing access to the European market. The importance of this can be seen from the export statistics in Table 1. In 1974 firms of non-EC origin located in Ireland accounted for 58 per cent of the exports of grant-aided foreign owned manufacturing firms. By 1989 non-EC firms accounted for 82 per cent of such exports. The destinations of exports have also changed greatly (see Figure 2). In 1974 grant-aided foreign firms sent 40 per cent of their exports to the UK and 23 per cent to other EC countries. By 1989 the positions had

Figure 1: Proportion of National Output Exported

Exports as a percentage of GNP+Imports

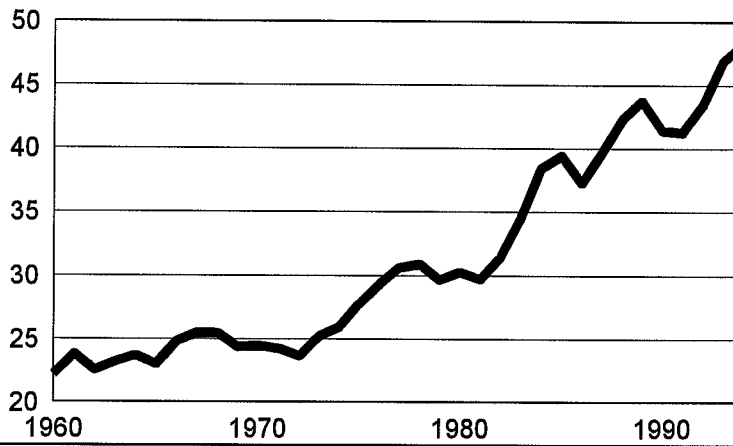


Figure 2: UK Share of Exports and Imports: 1960-95

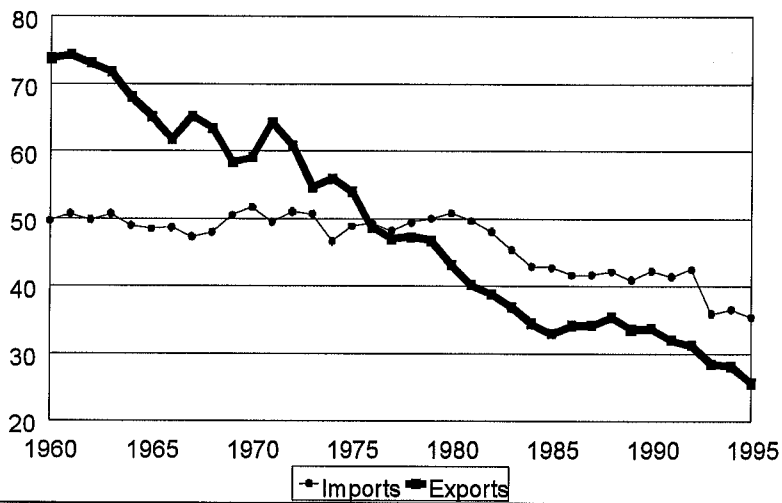


Table 1: Manufacturing exports from Ireland of non-EC firms, 1974 and 1989

Year	Exports of grant-aided non-EC firms/Exports of grant-aided foreign manufacturing firms	Exports of grant-aided foreign manufacturing firms to EC excluding UK	Exports of grant-aided foreign manufacturing firms to UK
1974	57.6	23.1	38.9
1989	82.1	49.3	22.9

Sources: O'Malley (1994, p. 37)

Note: The figures for 1989 refer to all foreign firms.

reversed with 23 per cent of exports of grant-aided foreign firms going to the UK and 39 per cent to other EC countries.

The impact of foreign direct investment on the Irish economy has been very favourable in terms of employment. Table 2 shows the growth in employment in Irish-owned and foreign-owned firms in manufacturing since 1980. Total manufacturing employment fell by nearly 17 per cent between 1980 and 1988. The bulk of this decrease was due to a fall of almost a quarter in employment in Irish-owned firms. Employment in foreign-owned firms fell by only 7 per cent during this period. Since 1988 there has been a strong recovery in manufacturing employment as the number at work has increased by almost 18 per cent. Both Irish-owned and foreign-owned firms have contributed to this growth with employment in Irish-owned firms rising by nearly 9 per cent and employment in foreign-owned firms increasing by 30 per cent. The growth in manufacturing employment in Ireland in Irish-owned and foreign-owned firms since 1988 has been remarkable by international standards, as O'Malley (1998) points out.

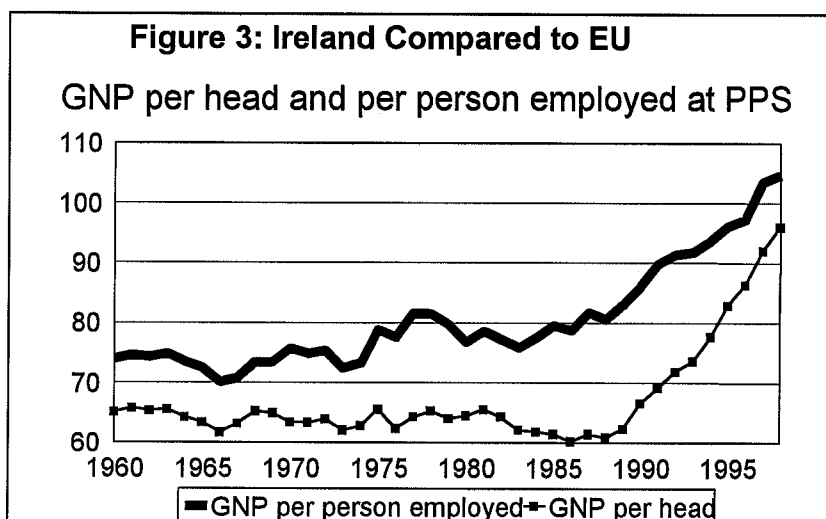
Table 2: Permanent full-time manufacturing employment, 1980-97

Year	Irish-owned	Foreign-owned	Total
1980	143,300	88,400	231,700
1988	110,918	82,381	193,299
1997	120,700	107,173	227,873

Sources: O'Malley (1998)

The annual average percentage change in manufacturing employment in Ireland during the period 1988-96 was 1.5 per cent. In Japan there was no growth in manufacturing employment during this period and the United States, Australia, the United Kingdom, the 15 countries of the European Union and Canada all suffered job losses in manufacturing ranging from 0.6 to 2 per cent per annum.

The strong increase in manufacturing employment in Ireland was accompanied by a gradual increase in output per person employed relative to the European average since Ireland joined the European Union in 1973 (see Figure 3). However, there was little improvement in living standards per head of population because of high dependency ratios up to 1990. Since then falling dependency ratios and strong output growth has increased Ireland's GNP per head of population from 62 per cent of the European average to 90 per cent, thus almost closing the gap between Ireland and other EU countries. The strong increase in living standards in the 1990s has been accompanied by a significant decrease in unemployment. In the period 1985-90 the average unemployment rate was 16 per cent. It fell to 12.3 per cent in the period 1995-97 (see Bradley, 1998).



Foreign firms have made a significant contribution to this improvement in living standards as their skill levels are higher than in domestic firms. Measuring skill level by the proportion of staff working in technical and administrative jobs shows that 19 per cent of those employed in foreign dominated sectors in manufacturing work in such jobs compared with 14 per cent for all manufacturing sectors. One consequence of the higher skill level in foreign firms is that “the average wage in foreign industry (£16,000 in 1993) is approximately 25% higher than in indigenous industry”, as Barry and Bradley (1997, p. 1802) point out.

Global and International Models of Pension Provision

Occupational pension schemes have existed in Ireland in the public sector since the foundation of the State in 1921. Their growth in the private sector of the economy dates from the 1960s when employment in industry began to increase and employment in agriculture continued to decrease (see Hughes, 1994). McCarthy, O'Brien and Dowd (1975) point out that: "Because most [wage] rounds in the sixties took the form of flat rate cash increases the wage structure was steadily compressed during that period." This probably created an environment in which trade unions could bargain with employers over the introduction of occupational pension schemes. What made this an attractive option for trade unions was that they could maintain solidarity on the pay front while negotiating an increase in the total compensation package by deferring the non-pay part until it could be realised in the form of pension benefits during retirement. For employers such schemes were attractive because they provided a means by which they could reduce the turnover of skilled employees and terminate their employment at a specified age without difficulty when their productivity declined. The schemes which emerged from the bargaining process were funded and they provided pension benefits for employees which were a defined percentage of pre-retirement pay. The government promoted the development of occupational pension schemes by giving generous tax reliefs on pension contributions and on the investment income of pension funds.

Irish firms which provide occupational pension schemes use them to ensure that their skilled employees will spend most of their working life with them. Consequently it makes sense for them to offer a defined benefit scheme which will give pension benefits equal to a specified percentage of pre-retirement earnings. Most defined benefit schemes will provide an income during retirement equal to two-thirds of pre-retirement earnings if the employee works for 40 years with the same firm. Foreign firms may have a looser attachment to the Irish economy than domestic firms so they do not necessarily expect that their skilled employees will spend most of their working life with them. The kind of occupational pension scheme which they are likely to provide for their employees may depend on whether they regard themselves as transnational or multinational corporations. Hirst and Thompson (1996, pp. 8-9) compare the kinds of behaviour which may be expected by

companies which regard themselves as operating in a globalised economy or an international economy. In an international economy the main actors are national economies. Multinational companies "retain a clear national home base; they are subject to the national regulation of the mother country, and by and large they are effectively policed by that country". In such an economy multinational companies are likely to adapt their labour relations to the model which prevails in the host country or the mother country and to set up defined benefit occupational pension schemes. Since transnational corporations can shift their business relatively easily from one country to another they ought to have a strong preference for defined contribution schemes. Defined contribution schemes are designed to cater for a workforce which does not have long-term ties with the employer. They offer mobile companies a means of providing pensions at low cost and of transferring many of the risks associated with occupational pension provision to employees. Transnational companies which see themselves as operating in a globalised economy have a strong preference for corporate control. Hence, they may be expected to resist the imposition of controls by national governments or trade unions, as Hirst and Thompson (1996) point out. Consequently, they could be expected to have a policy of not recognising the right of trade unions to bargain for the work force.

Evidence from the National Survey Of Occupational Pensions in Ireland

The idealised global and international economy models developed by Hirst and Thompson enable us to derive hypotheses about the kind of occupational pension schemes likely to be provided by transnational and multinational corporations which can be tested using Irish data. The evidence which is available which is relevant to these hypotheses relates to differences which should exist between foreign and Irish firms in the provision of pension schemes, in the type of employment they offer, in pension coverage rates, in relationships with trade unions, in the categories of workers covered by pension schemes, and in the type of occupational pension plan provided.

A national survey of occupational pension schemes was carried out in Ireland in 1995 by the Economic and Social Research Institute for the Department of Social Welfare and the Pensions Board (see Hughes and Whelan (1996)). Evidence from this survey will be used to test the applicability to pension provision of the global and

international economy models. The survey was intended to establish how many employers provide an occupational pension scheme for their employees and the nature, scope and extent of pension coverage. All employing organisations in the private and public sectors of the economy were included in the survey. For private and commercial public sector firms the sample was drawn from the Dun and Bradstreet list of 18,000 firms. These firms come from all sectors of the economy and they employ about three quarters (730,000) of all employees in the non-agricultural labour force. The sample for the non-commercial sector was drawn from the ESRI's list of all public sector organisations which employed the remaining quarter of non-agricultural employees (276,000). The list of employers was classified by firm size and industry and a stratified random sample was drawn. The stratification gave the larger firms a higher probability of being selected than the smaller firms. This ensured that valid conclusions could be drawn about the population of firms and the pension schemes they operated. Questionnaires were sent by post to 1,176 firms. Allowing for firms which had gone out of business or which turned out to be subsidiaries of other firms in the sample the valid sample was 1,064 firms and the response rate from these was 61 per cent. This response rate is somewhat above that normally achieved for a postal survey and it allows statistically valid inferences to be made about the population from which the sample is drawn.

Table 3 shows how many Irish and multinational firms provide occupational pension schemes for their employees and how many do not. Of the 145 multinational firms in our sample 121, or 83 per cent, have a pension scheme. The corresponding figure for Irish firms is 50 per cent. On the face of it multinational firms appear more likely to provide a pension scheme than domestic firms. However, this is mainly due to the fact that multinational firms are larger, on average, than Irish firms. Comparing pension provision in large multinational and Irish firms shows that 93 per cent of multinational firms employing 100 or more workers have a pension scheme while the corresponding figure for Irish firms is 90 per cent. Hence, there is little difference in pension provision between Irish and multinational firms in the same size category.

Table 3: Number and percentage of multinational and Irish firms having or not having an occupational pension scheme by firm size

Type of company	<100	>100	Total
<i>Pension scheme</i>			
MNC	36 29.8%	85 70.2%	121 100.0%
Irish	112 50.5%	110 49.5%	222 100.0%
<i>No pension scheme</i>			
MNC	18 75.0%	6 25.0%	24 100.0%
Irish	208 94.5%	12 5.5%	220 100.0%
<i>Total</i>			
MNC	54 37.2%	91 62.8%	145 100.0%
Irish	320 72.4%	122 27.6%	442 100.0%
<i>Grand total</i>	374 63.7%	213 36.3%	587 100.0%

As there is little difference between large multinational and Irish firms in the provision of pension schemes for their employees it will help to simplify the presentation of results if we confine our analysis to firms with 100 or more employees. Geographical analysis of large firms in our sample which provide pension schemes for their employees shows that over 80 per cent of them are subsidiaries of firms in the U.S. the U.K. France, Germany or Japan. Hirst and Thompson (1996, p. 80) point out that these countries were the five most important investors abroad in 1993. Since there are few Japanese firms in our sample the geographical areas we will use in our analysis are the U.S., the U.K., Ireland, and the Rest of the World. The Rest of the World category is dominated by firms from Germany and France but it also includes a small number of Japanese firms and firms from other EU countries in mainland Europe.

A common perception of multinational companies is that they are less likely to offer permanent employment than domestic firms because they are more footloose. It is also expected that they will hire proportionately more part-time and temporary employees than domestic firms to meet their need for a flexible labour force which can be expanded or contracted as fluctuations in demand require. Table 4 shows the breakdown of employment by country and employment status. Surprisingly, the

table shows that Irish firms are more likely than multinational firms to have a smaller percentage of their labour force employed on a full-time permanent basis. The split between full-time permanent and other forms of employment is approximately 85/15 for multinationals whereas it is about 70/30 for Irish firms. The breakdown of employment by sex is about two-thirds male to one-third female for firms from the U.K., the Rest of the World, and Ireland and about 50/50 for U.S. firms.

Table 4: Number employed in large firms which have a pension scheme by country of origin and employment status

Country of origin and employment status	Number employed			Per cent of total employment		
	Males	Females	Total	Males	Females	Total
<i>U.S.</i>						
Full-time permanent	5,692	4,752	10,444	47.1	39.3	86.4
Part-time permanent	2	50	52	0.0	0.4	0.4
Full-time temporary	702	881	1,583	5.8	7.3	13.1
Part-time temporary	3	1	4	0.0	0.0	0.0
Total	6,399	5,684	12,083	53.0	47.0	100.0
<i>U.K.</i>						
Full-time permanent	7,373	3,557	10,930	59.2	28.6	87.8
Part-time permanent	64	668	732	0.5	5.4	5.9
Full-time temporary	432	274	706	3.5	2.2	5.7
Part-time temporary	12	72	84	0.1	0.6	0.7
Total	7,881	4,571	12,452	63.3	36.7	100.0
<i>Rest of the World</i>						
Full-time permanent	5,818	2,784	8,602	58.0	27.8	85.8
Part-time permanent	50	596	646	0.5	5.9	6.4
Full-time temporary	329	381	710	3.3	3.8	7.1
Part-time temporary	21	52	73	0.2	0.5	0.7
Total	6,218	3,813	10,031	62.0	38.0	100.0
<i>Ireland</i>						
Full-time permanent	157,219	81,244	238,463	48.0	24.8	72.7
Part-time permanent	12,874	25,402	38,276	3.9	7.7	11.7
Full-time temporary	41,467	3,713	45,180	12.6	1.1	13.8
Part-time temporary	3,065	2,823	5,888	0.9	0.9	1.8
Total	214,625	113,182	327,807	65.5	34.5	100.0
<i>Grand total</i>						
Full-time permanent	178,048	93,258	271,306	48.7	25.5	74.2
Part-time permanent	13,017	26,796	39,813	3.6	7.3	10.9
Full-time temporary	43,034	5,338	48,372	11.8	1.5	13.2
Part-time temporary	3,140	3,016	6,156	0.9	0.8	1.7
Total	237,239	128,408	365,647	64.9	35.1	100.0

The pension coverage rate in large firms which provide occupational pension schemes is 68 per cent for U.S. firms, 87 per cent for U.K. firms, 75 per cent for firms from the Rest of the World, and 74 per cent for Irish firms. While the coverage rate for firms from the United States is somewhat lower than for other foreign firms the coverage rate for all foreign firms is actually a little higher than for Irish firms. In

terms of pension coverage, therefore, large Irish and multinational firms do not differ in their willingness to include a high percentage of their employees in their pension schemes.

In Table 5 we examine whether there are any significant differences between large multinational and Irish firms in their willingness to deal with trade unions. Contrary to a widespread perception Table 5 shows that large multinational companies are as likely to negotiate with trade unions as are large Irish firms. Thus, almost 80 per cent of multinational companies have negotiating agreements with trade unions compared with 82 per cent of Irish firms. However, U.S. multinationals are somewhat less likely than multinationals from the U.K. and the Rest of the World to have a negotiating agreement with a trade union. Since the percentage of the work force which belongs to trade unions in the U.S. is much lower than in the E.U. these differences in recognition of trade unions reflect different attitudes to the organisation of work in the countries of origin.

Table 5: Number and percentage of large multinational and Irish companies having a pension scheme which have a negotiating agreement with a trade union

Country of origin	Does company have a negotiating agreement with a trade union?		Total
	Yes	No	
U.S.	25 71.4%	10 28.6%	35 100.0%
U.K.	26 86.7%	4 13.3%	30 100.0%
Rest of World	22 81.5%	5 18.5%	27 100.0%
Ireland	128 82.1%	28 17.9%	156 100%
Total	201 81.0%	47 19.0%	248 100.0%

While there is little difference in the propensity of large Irish and multinational companies to provide pension schemes for their employees companies may have different schemes for different categories of employees. Occupational pension schemes in Ireland were originally provided for white collar staff in the public service, the railways, banks, and insurance companies and some of the larger manufacturing firms in brewing and distilling. These schemes are generally described

as “staff” schemes. Subsequently, separate schemes were introduced for blue collar workers in manufacturing and services. These schemes are generally described as “works” schemes. In cases where both white and blue collar workers belong to the same scheme they are described as “combined” schemes. In recent years some companies have introduced a new type of scheme for their senior managers. These schemes are referred to as “executive” schemes.

Broadly speaking, schemes provided by Irish companies for different groups of employees can be ranked in term of the generosity of the pension benefits they provide. The most generous benefits are provided by executive schemes. Staff schemes come next in this ranking and they are followed by combined schemes. Works schemes provide the least generous pension benefits. Table 6 shows that, on balance, large multinational companies are more likely than similar Irish companies to have the same type of scheme for all employees. Just over 55 per cent of multinational companies have combined works and staff schemes compared with 35 per cent of large Irish companies. Multinational companies, therefore, do not simply reproduce the pension arrangements they find in the host country. They provide about the same proportion of executive schemes as Irish companies but differentiate much less than Irish companies between schemes for white collar and blue collar workers.

Table 6: Category of worker covered by pension scheme provided by large multinational and Irish companies

Country of origin	Works	Staff	Combined	Executive	Total
U.S.	4	6	20	5	35
	11.4%	17.1%	57.1%	14.3%	100.0%
U.K.	4	12	12	2	30
	13.3%	40.0%	40.0%	6.7%	100.0%
Rest of World	1	4	19	3	27
	3.7%	14.8%	70.4%	11.1%	100.0%
Ireland	23	60	55	20	158
	14.6%	38.0%	34.8%	12.7%	100.0%
Total	32	82	106	30	250
	12.8%	32.8%	42.4%	12.0%	100.0%

Note: Totals differ from those in previous tables because some companies have multiple schemes.

Differences in the period during which the schemes were set up may be partly responsible for companies from the U.S. and the Rest of the World providing a larger proportion of combined schemes than Irish or U.K. companies. Table 7 shows that

over half of the schemes provided by large Irish and U.K. companies were established before 1975 whereas 78 per cent of the schemes provided by U.S. companies and 54 per cent of schemes provided by companies from the Rest of the World were set up after 1975.

Table 7: Period in which multinational and Irish occupational pension schemes were established

Country of origin	Up to 1960	1961-75	1976-85	1986-95	Total
U.S.	0	7	14	12	33
	0.0	21.2	42.4	36.4	100.0
U.K.	3	13	5	5	26
	11.5	50.0	19.2	19.2	100.0
Rest of World	4	7	7	6	24
	16.7	29.2	29.2	25.0	100.0
Ireland	21	55	39	36	151
	13.9	36.4	25.8	23.8	100.0
Total	28	82	65	59	234
	12.0	35.0	27.8	25.2	100.0

Developments in the organisation of work in the last two decades and changes in the skills of the labour force have lessened job demarcations between blue and white collar workers. This has made it possible for companies opening plants in Ireland to ignore job demarcations which influenced the types of scheme which Irish and British companies provided in an earlier period.

In a globalised economy in which trans-national corporations are potentially able to relocate anywhere to obtain the highest rates of return defined contribution schemes would be preferred to defined benefit schemes. Defined contribution schemes enable employers to shift the risk of a fall in pension benefits to the employees. Once the employment relationship between the employer and employee is ended by the company moving abroad, the employer has no long-term commitments to honour a pension promise as is the case under a defined benefit scheme. If the globalised model accounts better for contemporary economic developments than the international model one would expect to find a much higher proportion of foreign firms operating defined contribution plans than the proportion of Irish companies operating such plans. Table 8 presents information on the type of scheme provided by large foreign and Irish companies. It shows that on average about 14 per cent of schemes are defined contribution schemes. In Irish-owned firms almost 12 per cent of the schemes are of the defined contribution type while in foreign

firms the figure is 18 per cent. There is some variation around the average for foreign firms, with almost 30 per cent of the schemes provided by U.S. companies

Table 8: Type of scheme provided by large multinational and Irish companies

Country of origin	Type of Scheme		Total
	Defined Benefit Scheme	Defined Contribution Scheme	
U.S.	25 71.4%	10 28.6%	35 100.0%
U.K	28 93.3%	2 6.7%	30 100.0%
Rest of World	22 81.5%	5 18.5%	27 100.0%
Ireland	139 88.5%	18 11.5%	157 100.0%
Total	214 85.9%	35 14.1%	249 100.0%

being defined contribution and only 7 per cent of the schemes provided by U.K. companies being of this type. The greater preference of U.S. companies than of other foreign companies for defined contribution plans reflects national differences in the provision of pension plans. Dailey and Turner (1992, p. 16) show in their analysis of the type of plan provided in different countries that “the United States and Australia are the only countries that have a sizable percentage of participants in defined contribution plans” and that in “Canada and the United Kingdom, by far the larger number of participants are in defined benefit plans”. They also note that many employers in the U.S. use defined contribution plans as a supplement to a defined benefit plan. When allowance is made for preferences in the country of origin what emerges from the analysis of the type of scheme is that the majority of large Irish and foreign companies provide defined benefit schemes for their employees.

Proposals for Development of the National Pension System

The evidence from Irish national statistical sources and the survey of occupational pension schemes by the ESRI suggests that the behaviour of foreign firms in Ireland in relation to their employees is closer to Hirst and Thompson’s international economy model than to their global economy model. It may be argued that this evidence tells us only about the past and that current and future behaviour is likely to be very different as the globalisation model becomes more dominant. If

foreign firms are more likely to behave in the future as transnational than multinational corporations in the provision of retirement income for their employees one would expect to see some sign of this in their input into proposals which were made in May 1998 by the Pensions Board (1998) for the future development of the national pension system.

The Pensions Board proposed that the retirement needs of low paid employees should be looked after by the State while the needs of better paid employees should be catered for by employers or private pension providers. It recommends that the State should be responsible for replacing half of the gross pre-retirement earnings of the lowest paid 30 per cent of employees in the private sector. This should be done by increasing the basic flat-rate Social Welfare pension from its June 1998 level of 28.5 per cent of average industrial earnings (£83 per week) to a target level of 34 per cent over a five to ten year period. The Board also recommends that the real value of Social Welfare pensions should be preserved by indexing them in line with prices or with earnings if circumstances permit.

The Board argues that the major vehicle catering for the retirement income needs of middle and higher income groups should be a new Personal Retirement Savings Account (PRSA). It believes that private pension providers would introduce such savings accounts if they received more favourable tax treatment than existing occupational pension schemes. Personal Retirement Savings Accounts would be similar to 401(k) plans in the United States. They would be available to everyone regardless of employment status, so an employee who quits work or becomes self-employed could continue to make contributions to his or her retirement savings account. The Board proposes it should be mandatory for employers to provide facilities for their employees to contribute to PRSAs through payroll deductions if the employees wish it. However, the employer will not be obliged to contribute to these accounts. It is intended that PRSAs will be marketed by a wide range of providers including banks, insurance companies, credit unions, and the Post Office.

The philosophy behind the proposal to introduce a Personal Retirement Saving Account is similar to that underlying proposals by the World Bank (1994) for privatisation of social security. However, strengthening the social insurance

component of the social protection system is not in keeping with the Bank's recommendations. The proposed increases in the basic state pension combined with ageing of the population will increase expenditure on the state pension scheme from 4.8 per cent of GNP in 1996 to 8.6 per cent in 2056, according to Hughes and Nolan's (1998) estimates. If the Pensions Board's proposals are adopted they will result in significant increases in social charges on employers. These are the only direct tax changes which are likely to lead to a significant increase in taxation on multinational corporations in Ireland because the Government has already given commitments to maintain corporation tax at a low level, 12 per cent, in the future.

Since multinational corporations are well represented in the representative body for the pensions industry (see Table 9) they could have used their influence to get the IAPF to oppose proposals which are likely to result in significant increases in

Table 9: Number and percentage of large multinational and Irish companies having a pension scheme which are members of the Irish Association of Pension Funds

Country of origin	Member of the Irish Association of Pension Funds		Total
	Yes	No	
U.S.	18 52.9%	16 47.1%	34 100.0%
U.K.	18 64.3%	10 35.7%	28 100.0%
Rest of World	15 57.7%	11 42.3%	26 100.0%
Ireland	99 62.5%	53 37.5%	152 100%
Total	150 62.5%	90 37.5%	240 100.0%

social charges. However, no public statement has been issued indicating that multinational corporations are opposed to such increases and when the Pensions Board's proposals were published in May 1998 in a report entitled *Securing Retirement Income* they were welcomed by the Irish Association of Pension Funds. The Chairman of the IAPF said that:

“Securing Retirement Income is probably the most significant document which has ever been published on pensions in Ireland and will set the agenda for the development of our pensions system for [the] next 20 to 25 years at least. The main ... conclusions and recommendations are broadly in line with IAPF’s own thinking accordingly we are pleased to give it our support” (IAPF News Release, 7 May 1998).

Conclusions

The evidence summarised in this paper relating to the impact of foreign direct investment on employment and conditions of work in Ireland supports Hirst and Thompson’s (1996, p. 198) argument that “most MNCs adapt passively to governmental policy rather than continually trying to undermine it.” A significant loss of national control has, however, occurred in connection with the investment of pension funds following the internationalisation of financial markets since the 1970s.

Exchange controls were removed in Ireland in 1988. Subsequently there was a gradual shift of pension fund investment towards overseas markets. This trend will continue as Irish interest rates fall to the continental European level with the introduction of the Euro from 1 January 1999. Pension funds now operate in a global financial market in which a handful of U.S., U.K., and Swiss banks control pension assets “larger than the individual GDP of every country in the world with the exception of two – the United States and Japan” as Minns (1996, p. 74) points out. The volume of pension assets will continue to grow in the future, particularly if the European Federation of Investment Funds and Companies succeeds in getting national governments in the EU to introduce individual retirement accounts similar to those already proposed in Ireland and the U.K., (see Lessing (1997)). Globalisation theorists argue that national governments have lost the power to regulate international financial flows because of the global integration of money markets. While this is so it does not mean that international financial flows are beyond control by supra-national organisations. Economic and Monetary Union provides an opportunity for the EU to promote, with the other members of the Triad, international economic governance of the World financial system which was not available in the past to individual member states.

References

- Barry, F., and J. Bradley, 1997. "FDI and Trade: The Irish Host-country Experience", *Economic Journal*, Vol. 107 No. 445.
- Betcherman, G., 1996. "Globalization, Labour Markets and Public Policy", in R. Boyer and D. Drache (editors), *States Against Markets: The limits of globalization*. London: Routledge.
- Bradley, J., 1998. *Interpreting the Recent Irish Growth Experience*. Dublin: Economic and Social Research Institute Report Prepared for the OECD.
- Dailey, L., and J. Turner, 1992. "U.S. Private Pensions in World Perspective: 1970-89", in J. Turner and D. Beller (editors), *Trends in Pensions 1992*. Washington: U. S. Department of Labor Pension and Welfare Benefits Administration
- Hirst, P., and G. Thompson, 1996a. *Globalization in Question: The International Economy and the Possibilities of Governance*. Cambridge: Polity Press.
- Hirst P., and G. Thompson, 1996b. "Globalisation: Ten frequently asked questions and some surprising answers" in *Soundings*, Issue 4 Autumn 1996.
- Hughes, G., 1994. *Private Pensions in OECD Countries: Ireland*. Paris: Organisation for Economic Co-operation and Development, Social Policy Studies No. 13.
- Hughes, G., and B. Nolan, 1998. "Competitive and Segmented Labour Markets and Exclusion from Retirement Income". Dublin: Economic and Social Research Institute (mimeo.)
- Hughes, G. and B. Whelan, 1996. *Occupational and Personal Pension Coverage 1995*. Dublin: Economic and Social Research Institute.
- Lessing, A., (editor), 1997. *Mutual Funds in European Old-Age Provision*. European Federation of Investment Funds and Companies Pensions and Investment Funds Committee (mimeo.)
- Lipsey, R. E., M. Blomstrom, and E. Ramstetter, 1995., "Internationalised Production in World Output", NBER Working Paper 5385.
- McCarthy, W., J. O'Brien, and V. Dowd, 1975. *Wage Inflation and Wage Leadership*. Dublin: Economic and Social Research Institute General Research Series Paper No. 79.
- Minns, R., "The Control and Investment of Pension Funds" in *Pensions in the European Union: Adapting to Economic and Social Changes*. Report of a conference organised by Gesellschaft für Versicherungswissenschaft und -gestaltung e.V. and the European Network for Research on Supplementary Pensions in Munster, Germany 13-16 June 1996 (mimeo.)

