

Skills, pensions, and facing up to climate change:
the real stakes in the proportional representation debate

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As Labour faces the electoral wilderness, some of its leaders seem suddenly open to changes in the system for electing Parliament; in some cases, this extends to support for full-blown proportional representation (PR). As with the Liberal Democrats' long-standing support for PR, it is easy to dismiss this turn as driven by partisan opportunism. Yet accept this either as a reason for opposing PR, or as a reason for supporting it, is to see things through the myopic eyes of current members of Parliament surveying their own immediate career prospects. The fact is that a switch to PR would change the British political landscape so fundamentally that there is no telling which parties would benefit a few years down the road; whatever parties emerge with a share of power would, of necessity, behave differently than Britain's do today; and, most critically, British governments would be capable of things they are not capable of today.

Defenders of Britain's present electoral system claim that it produces strong governments, while proportional representation (PR) produces weak ones. In one sense they are correct, but it depends on what we mean by 'strong'. Governing is not a weight-lifting contest, except perhaps in the California of Governor Schwarzenegger, so the meaning of strong is not self-evident. It could mean decisive - a government that can take a difficult decision expeditiously, and bring all the resources of the state to bear in carrying that decision out. Or strong could mean a

government that is capable of making a long term promise and then actually backing the promise up - in technical terms, that it can make a credible commitment to future generations.

These two kinds of strength are good for different things. When Tony Blair thought it appropriate to send an army to Iraq, his government was able to do so. That it was able to do so, and do so in the face of overwhelming public opposition and the probable personal opposition of a majority of MPs, may or may not have been a good thing; without doubt, however, it demonstrates the sort of strength that the Westminster system's defenders refer to. On the other hand, that New Labour has, in twelve years, failed to deliver a fair and sound pension system, to achieve an adequate supply of specialized skills, to diminish the dismal cul-de-sac of low-skill, dead end jobs, or to make significant progress on the road to a low-carbon economy, could all be reasonably taken to indicate some form of weakness. We might be tempted to blame Blair and Brown for this, but in fairness they are just the latest in a long line of heads of governments that have failed at these tasks. These are simply problems that will probably never be solved in a Parliament elected from single member constituencies.

Britain's single-member constituency system - the Westminster system - is classed by political scientists as a 'majoritarian' system, because of the decisive majorities it produces. PR systems are 'consensual' systems: in the absence of clear-cut parliamentary majorities, two or more parties must agree before the status quo can be changed, so change comes more slowly. The British system can produce a large parliamentary majority for a single party that has received less than 40% of the vote, and such a majority in Parliament has often been tightly controlled by a single strong clique or even one individual (Thatcher, Blair). To get a parliamentary majority in a

PR system you generally need a coalition of parties actually representing a majority of voters; then, to make changes, you need to get those parties to agree (Cusack, Iversen, and Soskice 2007; Lijphart 1999).

Majoritarian governments tend to be strong in the sense of decisive; they have trouble, however, making credible promises about the future, because come the next election a different party could take control and all bets - and promises - are off. Consensual governments can be better at keeping promises, because it's difficult to assemble a majority coalition around for the purpose of breaking a promise made to some large portion of the electorate. That, according to a growing body of political research, makes a big difference for both pensions and skills. It is likely to make a big difference for environmental policy, as well.

Pensions

In recent decades, many countries have reduced the importance of public 'pay-as-you-go' (PAYGO) systems, in which those who are currently working pay the pensions of those who are retired. In their place have come 'funded' systems, in which the pension contributions for a particular company or profession - or simply our private savings - are either carried on the employer's books or put into ring-fenced accounts for our own retirement. Increasingly, these funds have been invested in the stock market (Dore 2002; O'Sullivan 2001). Investing pensions in the stock market has obvious disadvantages: the management costs are high (those people in the City don't work for free); and, as we have been rudely reminded in the past two years, the market can go down as well as up. In the UK, and in other countries where pension funds have been moved en masse to the stock market, there is widespread concern over the replacement of defined benefit pension schemes (including final salary

schemes) with defined contribution schemes. There has been less attention to the reason for this replacement, which is that stock market returns are unpredictable: the solution has been to transfer this risk from the fund to the individual. That transfer is perverse and destructive, since pensions serve as an important form of social insurance, a pooling of risk (the risk, in this case, of living to a ripe old age). Yet, when pensions are invested in stock markets, defined benefit schemes must amount to guaranteeing stock market returns - something only a fool would do. The question is not why funded pension plans that are invested in the stock market have been switching from defined benefit to defined contribution, but why our pensions were entrusted to the casino in the first place.

We could imagine a number of answers to this. We might, with some reason, blame the political influence of the City, and of the wealthy minority who owned most of the shares before pension funds moved in: the City gets fees, and the prior owners of shares saw their holdings grow in value as demand from pensions funds bid up prices. But, given that our pensions are funded, rather than PAYGO, there aren't any good choices. Leaving the pension funding commitment on an employer's books brings big problems of oversight and insurance - what do you do when an employer under-funds the pension, and then goes bust? So, just as it is not surprising that pension funds invested in the market have shifted towards defined contribution, it is not surprising that funded pensions are invested in the market. The real question is then why we have funded pensions rather than PAYGO pensions in the first place. The answer is simply that, foolish as it is to trust the stock market and the City fund managers with your pension, it would be even more foolish to trust a PAYGO system operated by the British state. Trace the history of Britain's State Pension in between the Second World War and 1986, and you will see the real value of both the basic

pension and the earnings-related supplement yo-yo up and down as control of Parliament changed hands (Gordon 1988). By the time New Labour came to power in 1997, restoring the value of the State Pension was far down the agenda, and no wonder: a pension commitment is no good if another party, taking power in five, ten, or fifteen years' time, can easily reverse it.

PR is no magic bullet here: the politics of intergenerational bargains are tricky; most PAYGO systems in other countries have over-promised, so that countries now face hard choices between raising taxes and cutting pension benefits. For all of these difficulties, however, the stock market has shown itself to be even less reliable than the PAYGO pensions in many states with consensual systems of government, such as PR (Gourevitch and Shinn 2005). And, while some countries with PR election systems - the Netherlands is the leading example - have succumbed to the siren call of the stock market, those major economies that have resisted this call all have electoral system that political scientists would rank as relatively consensual, rather than majoritarian.

Skills

The UK seems to be in a perpetual skills crisis. Employers' representatives decry skill shortages; a large slice of the labour force is stuck in low-skill jobs with little prospect for advancement; parents' anxiety about the quality of schools only seems to grow.

Why a skills shortage? The simple answer is that uptake of vocational education and training (VET) in the UK is low, compared with any of our Continental counterparts or with the better-off countries of East Asia. Among the rich industrial

countries, those with low levels of participation in VET are all English-speaking - UK, US, Ireland, Australia, New Zealand (Estevez-Abe, Iversen, and Soskice 2001). The electoral systems of all these countries are relatively majoritarian, if sometimes less so than Britain's.

Now, on the face of it, we might expect the market mechanism to solve this problem for us: skill shortages should mean great opportunities for young people just entering the labour market, and also for middle-aged people who find themselves jobless. If skill shortages persist despite this obvious incentive to obtain skills, where might the fault lie? Some common scapegoats are welfare dependency; poor early education in the more basic skills - reading, maths, and so on - needed to make good use of VET; and inadequacies in the provision of VET itself. Government ministers, civil servants, panels of the great and good, strive endlessly to fix these systems so that we might have more and better home-grown builders and engineers, rather than importing them.

Most of these efforts are wasted, for the simple reason that if you live in the UK, a personal investment in specialized skills is a very risky proposition. Let's say that you have the opportunity spend several years earning low wages while becoming thoroughly familiar with the latest computer-assisted design technology. You might expect to get a good job after that, but what would happen to you if, in ten or fifteen years' time, that technology becomes obsolete? What, for instance, if it goes the same way that old printing technologies did in the 1970s, when thousands of well-paid pressmen and typesetters lost their jobs? You have to ask yourself, 'If this skill becomes obsolete before I reach retirement, will somebody then provide me with an opportunity to train in a new set of skills, and support my family while I do so?' If you lived in Germany or Belgium, the answer to this question would be that the state and

your employer would do so together - the employers cooperate in part because those states have made it very costly for the employer to sack you. If you lived in Denmark or the Netherlands, your employer could sack you (albeit not quite as easily and cheaply as a British employer could), but the state would step in to provide the training and income support. But if you live in the UK, or any other industrial country with a majoritarian electoral system, you are essentially out of luck. The sensible response to this prospect is to invest not in specialized skills, but in something 'transferable': very general office and IT skills; degrees in Business or Law (or, for that matter, subjects like History, Philosophy or Economics, which advertise one's broad analytical abilities and literacy). Pursue a career in buying and selling, in public or private management; in teaching, accounting or medicine: just don't tie your fate to a particular technology or product (Iversen 2005).

Most good careers based on generalist skills require either university degrees or good business connections. For many pupils from disadvantaged backgrounds, there is not much hope of either. The motivation to learn basic skills wanes as the realities of the job market become clear, and secondary schools with too many pupils from disadvantaged backgrounds become places where it is difficult either to learn or to teach. And there is, of course, a demand side to this picture: British employers have adapted themselves to a world of general skills, which reduces the opportunities available even for those who are willing to take a plunge on more specialized ones; weak unions, a very low minimum wage, and a world in which it is easy to hire and fire, make this an easy path for employers to follow.

Can the government solve these problems? Surely, a government could decide to invest heavily in VET; it could even decide to provide generous benefits to support mid-career retraining, or to require employer to do so. Such policy changes may be

necessary for the development of workforce generously endowed with specialized skills, but they are not sufficient. However much support the state provides, the acquisition of specialized skills requires an investment on the part of the people receiving the education and training - if nothing else, they are opting *not* to spend that same time learning more general skills. A sensible young person will be less likely to make such an investment if they lack confidence that such mid-career support will be there when they actually need it - ten, twenty, thirty years down the road. Even if today's government were to put such a system in place, it would be foolish to have confidence that such a system would continue: one election could wipe it out. With the current electoral system, we would not trust anybody's assurances that a future government either would cover re-training costs - including the cost of living, of supporting a family and paying a mortgage, during that training - or would require our employer to do so. In short, skill development founders on the same rock as PAYGO pensions. Britain's 'strong' governments can't make credible long term promises in either area.

The flip side of the skill problem is the benefit system. Compared with many of its Continental counterparts, the UK's benefit system is mean; at the same time, it has a reputation as a dead-end, an element in a culture of benefit-dependency. Those most concerned with keeping mothers, children and the disabled out of poverty strive to make the system more generous; those more concerned with the system's poor record at getting claimants to acquire new skills and move on to new jobs strive to make benefits more conditional, which usually also means a bit more mean. Watching policy-makers at work on the UK welfare system is to watch proponents of these two views chasing each other in circles.; it looks a lot like a dog chasing its tail, and the chances of success are about the same.

Climate change and green jobs

An electoral system that can't sustain inter-generational bargains is bad at providing pensions and bad at supporting investment in specialized skills. We must also ask how it is likely to fare in dealing with an even greater inter-generational issue - the kind of natural environment we leave our grandchildren. There are two reasons to believe that Britain's extreme majoritarian electoral system will deal with these problems less well than a consensual PR system would. One is the difficulty of facing up to the short-term costs of making a transition to a more sustainable society. The costs of converting to a sustainable economy - changes in infrastructure, in business practices, in patterns of consumption and ways of living - are front-loaded. No political system really good at facing up to short term costs for long term gains, at placing the interests of future generations on an equal footing with the present one; some, however, are worse than others, and it stands to reason that the short-termist bias of majoritarian systems will show itself here as in other areas: when participation in government is all-or-nothing, the big question - no, the *only* question - for many politicians is whether their own party will win the next election. The second problem is in the area of green jobs. Green jobs tend to be jobs of the kind that PR systems, with their high levels of vocational training, are good at: for instance, the manufacture, and incremental improvement, of a lot of mid-technology materials and machines, and skilled building trades. It is hardly a surprise that, among the other bad news of the current economic crisis, that Britain's only maker of wind turbines has closed down, requiring their import from Denmark or Germany. Britain's skill shortage thus hampers its ability to contribute to environmental solutions. That would be unfortunate in and of itself, but the very unlikelihood that Britain will be

able to compete in green products makes it even less likely that its politicians will bring themselves to make responsible environmental choices. Green jobs are one of the carrots now promised in exchange for green policy. In Britain, that promise is less credible because of the country's approach to, and incentives for, vocational education and training.

What is the state capable of?

The stakes of the PR debate are not what party is in government. They are what tools the state has at its disposal for solving problems. A government controlled by a single party with a strong majority can make people do a lot of things *now*: it can go to war, restructure the NHS, impose targets on the NHS and schools, and restructure again. Its promises for the future, however, are only as good as its fortunes in the next election, however. If you're used to the Westminster system, you might take that as a definition of democracy. Yet other countries, with equal claims to being democratic, have governments which are in practice able to make bargains that stretch across generations. In some of those countries the leading party has usually been conservative (as in Germany), in others it has usually been social democratic (as in Sweden): in the end, the party labels are not as important as the constitution. If you want a government that is capable of considering alternatives to having your pension gambled in financial markets, of supporting the development of skills for the twenty-first century, and of facing up to the challenges of creating a sustainable economy, then you want PR.

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