

# Pensions: What Women Want

*a model of pensions that guarantees independence*

National Women's Council of Ireland

"I am totally DISGUSTED with the system which does not entitle me to a full Contributory Pension after a lifetime of fully contributing to Irish society" - Ann

I and other women like me are facing a very "uncertain and impoverished future. Peggy

"I was AFFECTED by the marriage bar we are the forgotten women" - Mary

"I am being PENALISED for STAYING AT HOME TO RAISE MY FAMILY" - MARY

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### **Therese Murphy**

National Women's Council of Ireland Chairperson  
May 2008

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“I am a person in my own right and I would like to be as independent as possible”

Cecilia

## EXECUTIVE SUMMARY

The Government published the *Green Paper on Pensions* in October 2007 and called for a widespread debate on the future development of old age pensions informed both by the Green Paper and the suite of reports published by the Pensions Board. In this report, offered as a contribution to the emerging debate on pensions, the National Women’s Council of Ireland (NWC) sets out its views on the policy issues involved. It does this against a background in which women’s needs and perspectives in relation to pensions have not yet been specifically debated. In short, the report aims to engender the Irish pension debate. The recommendations made in this paper are not only beneficial for women but can also form part of an antipoverty strategy, in that they are also beneficial for the many low income groups who experience cumulative labour market disadvantage and a subsequent high risk of poverty in old age.

### Gender and Pensions

The starting point the NWC adopts in this study is the need to explicitly view pension policy from a gender perspective. First, women’s access to pensions was historically restricted and reflected the general male breadwinner character of social welfare, taxation and employment arrangements. One of the first tasks of future reforms should be the final removal of discrimination.

Second, the study emphasises that currently fewer women than men in old age have independent access to pensions and that the level and sources of their income in old age differ from those of men. These differences arise from past and current differences between men and women in relation to their respective roles in the economy and the family: women still earn less, work fewer hours and withdraw from the labour market to a greater extent than men.

Third, the international experience of pension reform shows that women and men may be affected differently by any given reform option. In other words, the NWC is concerned that some reform options mooted for consideration in Ireland may be distinctly unfair from a woman’s perspective. The government, for instance, has attempted to make the case for mandatory supplementary pensions because of the low take-up of voluntary

(supplementary) pensions. Such a reform would tie the pensions system as a whole more closely to the nexus of employment and earnings, and would therefore exacerbate rather than mitigate gender inequalities.

These analytical concerns are all the more important in light of the fact that women comprise a majority of the older population.

### Pension reform

The NWC stresses that the general social policy criteria it invokes are widely shared (and they are to some extent reflected in the Green Paper and Pensions Board reports). These criteria include, in particular:

- **Adequacy** – state pensions should prevent financial poverty in relative income terms;
- **Comprehensiveness** – the requirement to have a pension system that is inclusive;
- **Simplicity** – the need to structure pensions so that older workers and pensioners have clear transparent pensions that allow them to plan work, retirement and savings arrangements;
- **Redistribution** – the desire to ensure a net

redistribution from higher to lower income groups in the financing of pensions and the structure of pensions in payment.

- **Risk** – the economic and financial risks of pension provision should be shared across the state, employers and employees.

### Gender and pension reform

In addition to these general policy principles, however, the NWCI makes the following two points. First, while these principles are widely supported they are particularly important for women. For example, if state pensions are not adequate, women lose relatively more than men, as women are more likely than men to rely on state pensions. Second, these general principles need to be augmented by critical gender-specific principles that are central to the vision of the NWCI. These principles centre on a vision of a society where men and women enjoy the same power to define their lives and the type of society they live in. It is a vision of the future in which both care and employment are shared more equally by men and women and which achieves gender equality outcomes. In pursuit of this vision, pension policy needs to promote the following gender-specific principles:

**Economic autonomy.** Financial autonomy and individual entitlement are core characteristics of a feminist pension model. The key challenge for a feminist model is to move to a feminist model of pensions where women have direct pension rights.

**Labour Market Equality.** Gender inequality in pensions is primarily a function of cumulative labour market inequality. A woman-friendly pension cannot happen without measures to address gender inequality in working life and without reforms to support and maximise high levels of female labour market participation for considerable periods of their adult lives.

**Facilitating atypical work.** Gender equality in pensions requires a pension model that recognises and rewards all labour market participation.

**Ethic of care.** No reform can be complete without the development of a care contingency that enables care work

to be facilitated and respected, and that enables women to have pension cover and maintain pension contribution records during key stages of care.

**Equal sharing of care obligations.** The method of facilitating and/or compensating for time spent caring during working age should not disproportionately lock women into long-term patterns of caring. This requires the State to invest in a child and elder care infrastructure, and also requires the state to have parallel policy promoting men's full engagement with care obligations. This can be achieved by way of statutory family-friendly policy, obligatory paid paternal leave and supporting traditionally male employment sectors to engage more fully in developing work/life balance policy and culture.

**Pension equality or pension justice.** While working towards greater gender equality in terms of participation in care and employment the pensions system must not reinforce and must be capable of compensating for the disproportionate time women spend in periods of care and the wider gender inequality women experience in the labour market

**Retrospective pensions justice.** The pensions model must be able to compensate for the disproportionate time older Irish women have already spend in periods of care and the significant historical discriminatory practices (until 1973 married Irish women were banned from public employment and women also experienced other discriminatory policies and practices) which led to significant gender inequality in the labour market.

Special attention is drawn here to principles of economic autonomy for women and an ethic of care that values and rewards care in the context of gender-neutral care policies. These principles have implications for many aspects of pension provision. At a general level it requires policy makers to ensure that the pensions system as a whole is not predicated on male lifetime patterns of work and earnings: on the contrary, the NWCI insists that women's continuing experience of lower earnings, fewer years employment and greater contribution to unpaid care work should not exclude them from an adequate, independent pension in old age. There are also many specific aspects of pension design that impinge on women's financial autonomy in old age: the degree to

which (and the manner in which) care work is counted in social insurance; the unit of assessment for means-tested pensions, whether individuals or couples; the relative roles of first-tier versus second-tier pensions; the adequacy of first-tier state pensions on which women rely disproportionately; the use of unisex or separate-sex life tables in annuity calculations, and so on.

### Gender and pensions – Overall strategy

The policy principles reflecting the concerns of the NWCI and the international experience of pension provision and reform suggest the following strategic lessons for Ireland. The critical decision is the relative importance in the pension system of the first-tier state pension. Specifically, the core of the pension system should be an adequate, comprehensive pension guarantee for all individual men and women. The stronger the first tier of pensions, the lower the level of poverty and the greater the access women have to an independent pension in old age.

- In relation to adequacy, the structure and amount of state pensions should build on the so-called 'paradox of redistribution'. Policy should not only prevent financial poverty but guarantee a decent quality of life by offering income replacement levels significantly above the 'poverty line', rather than targeting means-tested pensions to those on lower incomes to alleviate their poverty.
- The redistributive impact of pensions arises not only from the generosity (or otherwise) of pensions but also from the mix of direct state expenditures and indirect tax expenditures. Even if these are not wholly equivalent, there is a clear trade-off between tax subsidies (for example to occupational and private pensions) and improvements to the state pension. Indirectly, women benefit less than men from tax expenditures, and therefore general equity considerations and gender equality principles suggest that reforms should focus on a considerably enhanced state pension in the context of a more limited use of tax allowances for supplementary pensions.

The NWCI acknowledges that a pension appropriate to Ireland's evolving circumstances requires the development of a second-tier pension. However, NWCI suggests that neither the recently introduced PRSA scheme nor the option of a mandatory second-tier pension is appropriate. Aside from general social arguments against such provisions (shifting of risk to individuals, uncertain pension outcomes, need for tax support, the inability of such reforms to improve the incomes of current pensioners), these pensions tie the second-tier directly to workers' capacity to fund pensions and therefore to their incomes and employment: this would be to women's disadvantage.

- Stressing that the critical issue is the link between the first and second tier, the NWCI proposes that, if a second-tier pension is to be introduced, it should take the form of a state earnings-related pension that builds on the existing, widely accepted social insurance system. This should have low entry thresholds in terms of income and hours worked, offer scope for credits for periods of non-employment for care, and apply an earnings formula that allows women to reflect their 'best' years in terms of earnings.

### Gender and Pensions – specific reform priorities

NWCI recognises that, in developing this vision of a pension model, specific short-term reforms are required in themselves and as steps that are incrementally consistent with the recommended longer-term strategy.

#### Comprehensive Pension Guarantee

Make adequacy and individual entitlement the immediate, core function of first-tier pensions. Over a time period introduce an adequate universal pension for all over 66 and resident in Ireland for a minimum of ten years.

#### Social Assistance aspects of pension provision.

The means testing system needs comprehensive reform to ensure maximum coverage and maximum level of individual entitlement within a partial household resource test. All of these reforms could be introduced in the short term.

- a) Full individualisation of old age non-contributory pension;
  - b) Introduction of means-tested parental allowance as discussed in DSFA (2006);
  - c) Abolition of the 'limitation rule' and the qualified adult allowance and changes to the household means test formula to maximise economic autonomy;
  - e) Reform of Carer's allowance/Benefit into a 'wage', facilitating care of older and infirm people to be valued as paid work
  - f) Information campaigns, administrative changes and resources to ensure consistency in regional application of guidelines, so that each individual man and woman is exercising his/her full potential to be an individual claimant.
- be awarded. It would also reform social insurance contribution rules to enable relatives assisting, including spouses of self-employed and farmers, to be insured as employees.
- d) Accommodate care and address previous pension injustice by transforming homemakers' disregards into credits and awarding these retrospectively from 1973.
  - e) Promote a gender-neutral care ethic by introducing paid parental leave benefit for parents of young children.
  - f) Acknowledge the previous injustice of the 'marriage bar' with a once-off, ring-fenced retrospective scheme.

### Social Insurance aspect of pension provision

As a long-term objective, introduce an income replacement function into social insurance, but more immediately gender-sensitive social insurance old age contributory pensions, as follows:

- a) Ensure maximum eligibility by permitting short time spans for minimum entitlement, moving away from an average contribution test to a shorter time span for testing contributions, switching from rewarding 'maximum number of years' contribution records to a 'best of' rule over shorter periods that allows the most beneficial period to be chosen for pension contribution periods.
- b) Ensure that benefit calculations advantage women by avoiding averaging over 'last' years of employment when the gender pay gap can be more pronounced, and having tiered gradual movements across contributions-based entitlements and across averaged earnings.
- c) Maximise access by enabling easy re-entry after periods of disruption. This would entail reforming the S.57 SI 312 1996 rule, according to which a person with no SI record for more than two years must have 26 paid contributions before credits can

### Governance

Effective, gender-inclusive, transparent governance systems are also required. The NWCI has entered the pensions debate and will seek formal representation in key pensions policy institutions including the Pensions Board. It will also seek to ensure pensions policy is fully engaged with in the National Women's Strategy. The NWCI will also insist that all data on pensions (including tax reliefs and private pensions) are disaggregated by gender. The NWCI, as a participant in the social partnership process, will seek to ensure that the evolving Developmental Welfare State framework underpinning recent national partnership agreements more fully incorporates a gender analysis.

### Voluntary pension recommendations

There are various reforms to the tax treatment of pensions that could bring greater equity and more progressive income distribution outcomes.

- a) In the next and subsequent budgets it should be possible to make the tax treatment of pensions more equitable. A variety of specific reforms should be considered, including full abolition of tax relief for private and occupational pensions, restricting such relief to standard rate relief, introducing more stringent caps on the use of reliefs, and limiting the use of Approved Retirement Funds as tax avoidance measures.
- b) Examine options for savings schemes that are supported by the State and structured progressively to benefit those on lower incomes.
- c) Encourage Credit Unions, and the Money Advice and Budgeting Service, to introduce a state-backed low charge savings product for low income earners.
- d) Regulate to require unisex life plans and pension splitting.

“I have no social insurance credits and am only entitled to a non-contributory old age pension when that time comes. The contributions paid on the farm only benefits my husband.”

Lily

## INTRODUCTION

This study offers a gender perspective on pension reform in Ireland. Women comprise the majority of the older population and historically were treated in a discriminatory fashion in the ‘male breadwinner model’ of social welfare. Against this background it is remarkable that in the recent flurry of official documents on pension reform gender has relatively received little attention. Currently, policy debate is framed in the terms of the various reports of The Pensions Board<sup>1</sup>. Briefly, the underlying theme of these reports is the low coverage in the labour force of supplementary pensions, and the need to expand this coverage by exhorting the labour force to save through Personal Retirement Savings Accounts (PRSAs), and by offering incentives for them to do so by way of tax deductions. As it has proved difficult to expand coverage significantly in this way, policy makers’ attention then turned to the possibility of mandatory coverage of supplementary pensions. More recently, the *Green Paper on Pensions* offered a detailed analysis of the pensions system and of the options for reform, reviewed the various reports of the Pensions Board and considered a wide variety of possible reforms.

In the media coverage of these proposed reforms – and in the limited public debate about them – gender has hardly been visible. This report redresses this deficit by placing gender at the centre of debate about pension policy in Ireland, and suggests that a gender-sensitive approach to pension reform would widen the options for consideration and ultimately lead to a fairer, more adequate pension system overall. NWCi argues that the core of the future pension system should be an adequate, comprehensive state pension which can be supplemented by social insurance, occupational pensions and other income sources.

This report is not comprehensive. Its focus is largely – although not exclusively – on the state system of social insurance and social assistance pensions, and on the potential role supplementary private pensions might have. The concern in this report is primarily to respond to the government’s *Green Paper*<sup>3</sup> and associated Pensions Board documents, and to introduce a much-needed gender perspective on future pension reform. Undoubtedly, other important aspects of pensions deserve detailed analysis, notably the impact of the ‘marriage bar’ on the exclusion of many of many of today’s older women from entitlement to pensions in their own right.

Chapter one gives an overview of the Irish pension system and of recent themes in pension reform. Chapter two gives a historical and comparative context. Chapter three, building on the Council’s earlier work on women and social welfare<sup>2</sup>, elaborates a gender perspective on pensions. The final chapter outlines the broad strategy and specific recommendations being advanced by the National Women’s Council. An equality proofing exercise is included as Appendix A.

<sup>1</sup> The most recent of these are: *Securing Retirement Income* (1998), *National Pensions Review* (2005) and *Special Savings for Retirement: Report on Mandatory Pension System to Minister for Social and Family Affairs* (2006).

<sup>2</sup> See the National Women’s Council’s reports *Valuing Care Work* (2002) and *A Woman’s Model for Social Welfare Reform* (2003).

<sup>3</sup> *Green Paper on Pensions*, Department of Social and Family Affairs (2007).

*"I had no choice I want to see major changes in the Social Welfare system, those of us who were denied voluntary contributions should be credited for all the years we spent caring for others"*

Anna

## CHAPTER ONE

### *The Irish Pension System, Existing and Proposed*

This chapter firstly reviews the development of the state pension and then gives a brief description of current provisions, focusing on the relevant aggregate data and, in particular, on state pensions. Secondly, it gives an overview of the issues raised in the recent policy documents, notably the *Green Paper on Pensions* (GPP) and the suite of recent documents published by the Pensions Board. The GPP does not contain specific recommendations; it reviews pension developments to date including the various proposals in *Securing Retirement Income* (SRI), rehearses the various options for change summarised in the *National Pensions Review* (NPR), and considers the possibility of a mandatory private pension, already analysed in some detail in *Special Savings for Retirement* (SSR). Therefore, the analysis here adopts a thematic approach. It considers how the GPP and the other official reports deal with key aspects of pension reform with particular reference to gender.

It is necessary at this point to define some terms that are frequently used in this and subsequent chapters.

**State pensions.** This refers to the three Old Age Pensions payable by the state in Ireland: the Contributory Old Age Pension, based on social insurance contributions and payable at age 66; the Transition pension, also based on social insurance pensions, but payable at age 65 and requiring a more complete social insurance record; the Non-contributory Old Age Pension, based on a means test and also payable at age 66.

**First-tier/Second-tier pensions.** Many countries have two levels of pension, a 'basic' or initial pension invariably provided by the state, and a second source of pension income which can come from the state, employers, or individually acquired pensions. These second sources may be obligatory or voluntary, and funded through a variety of possible mechanisms. The metaphor of 'tiers' (alternatively referred to as 'pillars') attempts to capture the overall structure of the pension system, as some states have only one tier and many have two or more. The second tier of pensions in Ireland is not obligatory and the immediate policy option repeatedly referred to throughout is whether, and how, Ireland should construct a comprehensive second tier.

**Supplementary pensions.** This term is used interchangeably with 'second tier'. It refers also to the second tier, but clearly conveys the point that an actual or proposed second tier may be viewed as an addition to a first-tier state pension and therefore has the role of 'supplementing' the first tier to bring total pension income to a more adequate level.

#### **The Development of the State Pension System in Ireland**

The evolution of state pensions up to the present day can be divided into three broad phases, as follows: first, the period from 1908 (when the old age non-contributory pension was introduced in Ireland and the UK) until the early 1960s, at which point the contributory pension was introduced; second, from the early 1960s until the early 1980s, during which time both of the social welfare pensions expanded, and policy debate focused on the possibility of a State income-related pension, and; third, the period since then in which the current strategy evolved of attempting to develop occupational pensions and private pensions rather than a second-tier State pension.

*"My work on the farm, as a homemaker, as a mother are not recognised or valued by the State." Lily*

The chronology in Figure 1 below gives a thematic overview of pension policy developments in the last quarter century. These developments cannot be concisely understood in a strict chronology, as they reflect general trends and strategies at work throughout the period, at times overlapping and at other times with one development predominating.

As the figure suggests, the construction of the social insurance system was a continuing pre-occupation. In the mid-1980s the Commission on Social Welfare gave the final impetus to the evolution of social insurance, recommending that the social security system should adhere broadly to a system of comprehensive social insurance, based on flat-rate benefits. In the period to the late 1990s the implications of this policy for pensions unfolded. Part-time employees, public sector workers and the self-employed were all included in the social insurance contribution system. As a result, there was a growth over time in the proportion of the retired population in receipt of a social insurance pension, and of the working population contributing to the social insurance system.

A second theme was the consolidation of the second tier of pensions, focused on supporting, regulating and expanding occupational pensions. This series of developments emerged from the aftermath of the pensions debates of the late 1970s. A Green Paper evaluating the rationale for a second-tier state pension was published in 1978, and this was to be followed by a White Paper (Department of Social Welfare, 1977). Policy makers and advocates of pension developments seemed to abandon the prospect of substantial improvement to the state pension in the context of the political stability and unfolding economic crisis of the early to mid-1980s. The White Paper was drafted but never published, and the policy emphasis shifted in the mid-1980s to occupational pensions. This shift was facilitated by a political concern over the widely publicised failure of some occupational pension schemes, and the Commission on Social Welfare's recommendation that the state pension should remain a first-tier, flat-rate benefit.

The net outcome of these developments was the establishment of the National Pensions Board (initially on an ad hoc basis and then statutorily in 1990). The NPB published specialist reports on issues such as the

regulation of occupational pensions, the tax treatment of pensions, social insurance for the self-employed, and equal treatment of men and women. Legislation in the early 1990s gave effect to the NPB's recommendations, resulting in a new regulatory framework for occupational pensions governing the role of trustees, funding standards, auditing procedures, the rights of pension contributors, and so on.

Critically, in its 1993 report the NPB considered what the overall structure of the pension system should be. The Board was divided: a majority argued for a basic state pension combined with a voluntary, regulated second tier underpinned by tax allowances; a minority (the Trade Unions) expressed support for a compulsory second-tier pension, as part of either the social insurance or the occupational pension system (NPB, 1993;21-23). Briefly, the design advocated by a majority of the NPB – a modest, but comprehensive first tier supplemented by a tax-supported, regulated, voluntary second tier – has been implemented.

The three broad strands of policy have interacted with other, more general, policies to shape current provisions, as the lower panel in the figure shows. Poverty and benefit adequacy generally have featured in social policy discourse since the mid-1980s. A variety of analyses, beginning with the Commission on Social Welfare (1986), examined the link between relative income poverty and the level and structure of benefits. Over the period under review a number of poverty-related targets – some specific to pensions and some more general – have shaped both debate and policy. For example, the Commission outlined an indicative target for a minimally adequate benefit for the social security system as a whole, suggesting that social insurance pensions were then in the range of adequacy. In 1998 the NPB offered a target specifically for pensions (34% of average earnings for social insurance pensions) in the context of setting a first-tier pension that would be supplemented by voluntary, second-tier pensions to give an income replacement (in total) of half average earnings.

Figure 1: Summary of Pension Policy Themes 1980 - 2007

Theme	Key Reports and Documents	Examples of Policy Change or Initiative
<b>Developing Comprehensive Social Insurance</b>	<i>Report of the Commission on Social Welfare 1986</i> ; National Pensions Board Report, <i>Developing the National Pension System 1993</i>	Inclusion of self employed and public servants in PRSI; broadening the range of credited contributions; social insurance for part-time Employees
<b>Consolidating second-tier voluntary system</b>	<i>First Report of the National Pensions Board, 1987</i> ; National Pensions Board Report, <i>The Tax Treatment of Occupational Pensions. 1989</i> ;	1990 Pensions Act establishing NPB on a statutory basis; implementation of NPB's recommendations about funding, rights of members, equality of treatment, role of trustees, etc.
<b>Increasing voluntary coverage - occupational and private</b>	Report of National Pensions Board, <i>Securing Retirement Income, 1998</i> ;  Report of National Pensions Board, <i>National Pensions Review, 2005</i> ; Report of National Pensions Board, <i>Special Savings for Retirement, 2006</i>	<i>Introduction of PRSA's</i> ;  <i>Campaign to increase take-up of private pensions</i> ;  <i>Consideration of compulsory Second-tier pensions.</i>

#### Cross-cutting Influences

<b>Poverty-benefit adequacy</b>	Report of NPB, <i>Securing Retirement Income, 1998</i>  Report of NPB, <i>Special Savings for Retirement, 2006</i>  <i>Report of Commission on Social Welfare, 1986 and Programme for prosperity and Fairness, 1987</i>	Target of 34% of average earnings for state social insurance pension;  State pension at 40% of average earnings in the context of mandatory private, second-tier pension;  Adoption of targets for benefit levels and priorities for increases.
<b>Gender</b>	<i>1979 Equal Treatment Directive</i>  <i>1993 Report of Second Commission on Status of Women</i>	Equalisation of dependency status of men and women; equal rights for women in occupational persons;  Introduction of social insurance credits for home based care.

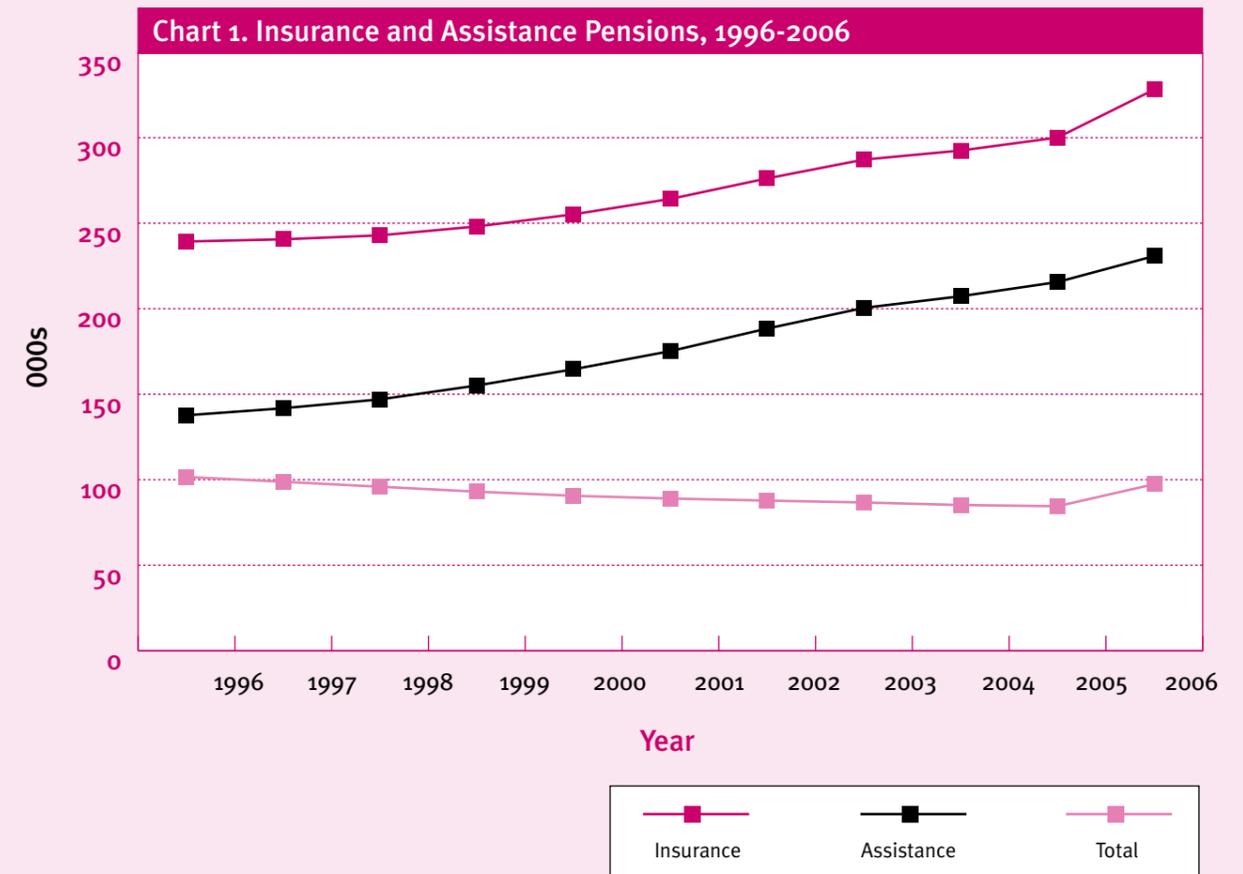
Gender was also a key influence on policy and provisions. The proximate source of this influence was the EU's Equal Treatment Directive of 1979 and its implementation in Ireland in the 1980s and 1990s. In giving effect to the Directive, Ireland altered the level and structure of pensions and other benefits, redefined the nature of dependency in the benefit system as a whole, and removed formal gender discrimination from occupational pensions. Aside from these formal changes, however, the equal treatment debate both reflected and reinforced concerns articulated in feminist critiques of social security about the 'male breadwinner' character of the social security system and continued structural but indirect discrimination. In turn, this led to some degree of individualisation of state pensions and some recognition of caring roles in the social insurance contribution system. The latter issues are dealt with more fully below.

In summary, the Irish pension system now comprises a suite of state pensions that is increasingly comprehensive in coverage, offering a modest level of pensions relative to average incomes. This is complemented by a tax-subsidised, voluntary second tier covering approximately half of the labour force. An important qualification to this description is the separate treatment of established public servants who belong to occupational defined benefit pension schemes (some of these employees have occupational pensions that are integrated with the state pension). As the review of pension systems in OECD countries in chapter 2 suggests, pensions in Ireland belong to a particular pension regime.

### Current Provisions – an Overview

Table 1 gives some key aggregate data in relation to state old age pensions: these data summarise some important trends that bear directly on future pension policy. As the first row of the table shows, the share of the elderly in the population has been stable in the last decade – in fact, it declined slightly. To the extent that concerns about the costs and sustainability of pensions are informed by demographic ageing, it is clear that the Irish pension system does not face such a challenge in the immediate or near future. Rows 2-4 of the table summarise the detailed trends shown in Chart 1 and indicate the increasing maturity of the social insurance system. Over the decade to 2006 the number of insurance-based pensions increased significantly and the number of social assistance (means-tested) pensions fell. Social insurance pensions now comprise in excess of 70% of state old age pensions.

Rows 6 and 7 measure state pension coverage: in 2006 over two thirds of the aged population received a state pension, a figure that reflects significant growth over the decade. If the coverage is measured to include adult dependants, the figure increases to 80%. The final row in Table 1 records a small decline in total expenditure on state pensions as a percent of GNP – an important figure that highlights the sustainability of state pensions. The decline arises from a combination of two trends: a stable share of the elderly in the population and a decline over the period in the state pension relative to GNP per capita. In considering the lessons of other countries' pension reforms and their preoccupation with costs and sustainability, it is important to note the contrast between Ireland and many other countries to date: in Ireland, a stable share of the elderly in the population and a fall in the cost of state pensions.



**Table 1. Trends in Old Age Pensions 1996-2006**

Pensions	1996c.	2006c.	Change
1. Pop. 65+ as % of Total Pop.	11.4	11.2	-0.2
2. Social Insurance (000s)	134.9	215.7	+80.8
3. Social Assistance (000s)	103.0	84.5	-18.5
4. Total State Pensions (000s)	237.9	300.2	+62.3
5. Insurance pensions as % of total	56.7	71.9	+14.2
6. Total as % of Pop. 65+	57.5	66.6	+9.1
7. Total + Dependants as % of Pop. 65+	68.7	79.7	+9.0
8. Pensions Expenditure as % of GNP	2.5	2.1	-0.4

Source: Department of Social, Community and Family Affairs; Central Statistics Office.

Notes: The figures in each column are not all for the same year; 'Dependants' refer to adult dependants only; adult dependants' payments are not conditional on the dependant being of pension age.

Table 2. State Old Age Pensions among the Male and Female Population, 2006

Population – Pensions	Males	Females	All	Payments for Spouses/Partners 000s
Total Population 000s	207.1	260.8	467.9	–
Insurance pensions 000s	155.2	75.6	230.8	58.5
Assistance pensions 000s	35.5	48.9	84.5	3.0
Total Pensions 000s	190.7	124.5	315.3	61.5
(a) % of Population with insurance pension	74.9	29.0	49.3	–
(b) % of Population with assistance pension	17.1	18.8	18.1	–
(a+b) Total %	92.0	47.8	67.4	–

Source: Statistical Information on Social Welfare Services 2006,

Table 3. Percentage distribution of different age groups in the population by income quintile, 2006

Quintile*	Age 0-14		Age 15-64		Age 65+	
	%	Cumulative	%	Cumulative	%	Cumulative
1	23.2	23.2	18.7	18.7	22.2	22.2
2	20.2	43.4	16.6	35.2	40.6	62.8
3	22.6	66.0	20.1	55.3	15.0	77.8
4	18.9	84.9	21.3	76.6	13.7	91.5
5	15.1	100	23.3	100	8.6	100

\* A quintile is a one-fifth share of the distribution; quintiles are ranked here from the lowest onefifth of incomes (quintile 1) to the highest (quintile 5).

Source: EU-SILC 2006, Central Statistics Office

Turning from trends in the number of pensions to the incomes of the elderly, the first point to note is the concentration of the elderly in the lower reaches of the income distribution. As Table 3 shows, this is quite marked in Ireland. In 2006, 63% of the elderly were in the lowest two quintiles compared with 35% for persons aged 15-64. These figures highlight the financial vulnerability of the older population.

In these circumstances, the value of the state pension relative to average income – and to a poverty line based on a per cent of average income – is critically important in determining the level of financial poverty among the elderly. The detailed data in Table 4, summarised in Chart 2, highlight this point. When the state pension exceeded the poverty line in 1994, pensioner poverty was in single digit figures. In subsequent years, as average incomes

rose and the poverty line rose in tandem, pension levels did not increase as rapidly. As the figures show, the gap between the poverty line widened and the rate of poverty among the elderly increased sharply. After 2001, when the rate of income growth receded and budgetary increases in pensions (relative to incomes) were enhanced, this trend was reversed. In the period since 2001 the elderly poverty rate has fallen and in 2006 stood at 13.6 per cent; because of the relative increases in pensions, pensioner poverty is now less than the overall poverty rate. In the context of pension policy, the important point about these data is that the poverty rate among the elderly is very strongly determined by the relative level of the state pension. This is because pensioners in general are in the lower ranges of the income distribution and rely heavily on the state pension: this applies in particular to women.

Table 4. Trends in Pensioner Poverty, Selected Years

Poverty	1994	1997	1998	2000	2001	2003	2004	2005	2006
1. Poverty line* (1 weekly)	98.60	125.54	139.45	165.66	187.84	185.28	185.51	192.74	202.49
2. % of persons poor	15.6	18.2	22.6	23.7	21.9	19.7	19.4	18.5	17.0
3. % of older** poor	5.9	24.2	32.9	38.4	44.1	36.4	27.1	20.1	13.6
4. State pension*** (1 weekly)	90.17	99.06	105.41	121.92	134.59	157.30	167.30	179.30	193.30
5. Poverty gap (1 weekly) [1 - 4]	-8.43	-26.48	-34.04	43.74	-53.25	-27.98	-18.21	-13.44	-9.19

\* The poverty line is 60 per cent of median equivalised disposable income per week for 2003 to 2006 and 60 per cent of mean income for 1994 to 2001 and the figures are therefore not strictly comparable.

\*\* Older people refers to persons aged 65 years and over.

\*\*\*The state pension level refers to the OACP payment for one adult.

Chart 2. Pensions and Poverty Rates



**Table 5. Sources of Income (Per cent) for Retired Persons living alone, 1999-2000**

Age/Gender	Pension Income/ Total	State Employment Pension/Total	Other Employment Pension/Total	State Pension/ Total
Males 65-74	66.7	11.6	12.6	42.4
Males 75+	77.7	23.0	11.5	43.1
Females 65-74	78.0	12.7	14.5	51.0
Females 75+	84.0	10.7	14.3	59.0

Source: Stewart (2005) based on Household Budget Survey 1999-2000.

**Table 6. Coverage rates for second-tier pensions, selected years**

Population	1995	2002	2005	Official
	%	%	%	Target
Male	49	56	58	59
Female	40	45	51	61
All	46	51	55	60

Source: Green Paper (2007) based on ESRI 1995 survey and CSO Quarterly National Household Surveys, Q1 2002 and Q1 2005

In relation to gender differences in poverty rates, EU-SILC data differentiated by gender shows a slightly higher risk of poverty among older women than among men – for example, 28% for women and 25% for men in 2004. Again reflecting recent budgetary increases in pensions which have a greater effect on the incomes of women, the gender differential in poverty rates had disappeared by 2006.

The differential poverty rates for older men and women arise in part from differences in the composition of their income. A recent analysis of the Household Budget Survey for 1999/2000 confirms both the reliance of the older population on the state pension and the greater reliance among women. Table 5 below (referring only to older persons living alone) shows that the highest level of dependence on all forms of pension income is among older women: the figure here is 85%. Social welfare pensions comprise the bulk of this income. The difference between the genders is striking: for men aged 75+ the state pension is 43% of total income, compared with 59% for women. The analysis to this point has focused on the pensioner

population, but it is equally important to note the key gender difference among the current workforce in relation to pensions. There is differential participation in second-tier schemes among men and women. Table 6 above summarises some key data.

The figures for 1995 and 2002 are not directly comparable: in its comment on the data the Green Paper cautions against seeing a rise over time in pension coverage. However, the 2002/5 data are comparable and they span the time period in which the Pensions Board has been attempting to increase coverage by means of the voluntary PRSA initiative. The figures are indicative of a rise in the coverage rate but with a persistent and marked difference between men and women. There are no published data by sector, occupation, employment status, income, and other variables that reveal the sources of the male/female differential. The sectoral details shown in the CSO's survey show a definite pattern related to gender; sectors with high concentrations of female employees have very low coverage – for example, only 10% in Hotels

**Table 7. Per cent Distribution of Reasons for Men and Women not having a (supplementary)**

Reason for lack of coverage	Men	Women
Never got around to organising it	34.1	30.7
Don't understand pensions	3.5	3.3
Can't afford pensions	24.6	29.5
Can't access pension prior to retirement	1.2	0.6
No scheme available through work	7.3	9.6
Other source of income adequate	5.7	4.3
Spouse/partner has good pension	0.7	4.6
Other	14.6	10.5
Don't know	8.4	6.9
Total	100	100

Source: CSO (2006)

and Restaurants and 29% in Services. There are also gender differences in pension behaviour. A CSO (2006) survey about reasons for lack of pension coverage elicited the responses summarised in Table 7. For both men and women the most common reason is 'never got around to organising it'. However, affordability is also important; it is given as a reason by a higher per cent of women than men. Higher proportions of women than men expect their spouse's pension to cover them: likewise, women are more likely than men to state that there is no pension scheme available to them in work.

Finally, in relation to gender patterns in savings and pensions behaviour, the data in relation to the Special Savings Investment Accounts (SSIAs) should be noted. The official figures show that proportionately more men than women invested in these savings and that the average subscription per person was lower for women than men: the average subscription for women was 85% of that for men.

Before turning to the question of pension reform in the next section, it is important to address the underlying factors that affect current and future differences in men's and women's pensions. Clearly, past and current differences are related to gender differentiation in employment and related matters. However, the question for pension reform is whether or not these differences remain so substantial that they will translate into gender inequalities in pensions in the future. One line of reasoning here argues that gender equality in these areas will diminish over time and that greater pension equity will result from the recent and prospective reduction in employment-related inequalities. The empirical basis for this reasoning is the suite of gender policies introduced in the last two decades and the outcome of these policies in the form of rising female participation rates. An analysis along these lines points typically to the growth in female labour force participation and, specifically, to the doubling of married women's employment participation in the last decade or so. The implication here for pension reform is that policy changes that strengthen the link

**Table 8.**  
Summary Indicators of Gender Differences in Employment, Income and Care, Ireland, 2006c.

Employment Indicators	Males	Females
% Participation rate all married persons 15+	77.1	53.0
% Participation rate adults 20 - 44, no children	86.5	84.8
% Participation rate adults 20- 44 , youngest child 0-3	91.3	55.3
% Married adults in employment working part-time	4.3	41.8
Income Indicators		
Average industrial earnings € hourly	15.22	12.32
Average insurable earnings € 000s p.a.	27.1	17.8
Care work Indicators		
No. of recipients of Carer's Benefit/Allowance (000s)	4.9	21.0
No. of Carers per 1,000 in Working Age Groups	41.5	73.4
% of Carers providing 43 + hours weekly	21.2	25.0

Source: *Women and Men in Ireland*, CSO; Census 2006

between pensions and the employment experience would be equitable because of the achievement of substantially greater equality between men and women in the labour market.

There are a number of points to be noted here. First, some of the recent increase in female participation may simply reflect the boom conditions in the Celtic Tiger labour market and may not be a good guide to future trends. Second, the narrative of growing gender equality usually invokes evidence about labour market participation rates for aggregates such as 'females' or 'married females'. However, the critical issue is whether women's work participation and earnings are affected by – and will continue to be affected by – interruptions due to childbirth, child care and family care responsibilities: accordingly, past and future maternal employment rates are more relevant for understanding past trends and considering future policies. The indicators in Table 8, drawn from the *Men and Women in Ireland* compilation and other sources (CSO, 2006) indicate continuing gender inequalities.

The first rows of the table show that when adults without children are compared there are no gender differences in employment participation. However, when the comparison is confined to prime age adults with young children, maternal employment rates are substantially lower than the rates for men and this continues to be the case with children at later ages (data not shown). Among married adults the extent of part-time work is markedly higher among women than men. Earnings differences also persist: the average wage covered for social insurance is higher for men and so too is the hourly industrial earnings figure. These comparisons also need to be viewed in the context of women's greater responsibilities for care work. A simple count of the number of recipients of the state payments to carers highlights the preponderance of female carers. When the Census (self-reported) figures for the number of carers, and the proportions giving 43 or more hours of care weekly are considered, the higher rate of care giving among women is very clear.

These data give only a very summary picture of a well-established body of work that repeatedly shows that,

whatever the extent of formal equality between men and women, there are persisting differences between the male and female life course. Men are more closely tied to the nexus of paid employment than women – and to the rights associated with paid employment – and they are better rewarded for their paid employment. Women, however, continue to express their commitment to paid work in a context shaped by the contingencies of childbirth, child care and family care work. If pension reform in Ireland links the pension system as a whole more strongly to paid work, then reform will reinforce economic differences in old age between men and women.

### Issues in Pension Reform

Against the background outlined above, a number of important themes in recent pension debate should be addressed at this point. The policy documents published by the Pensions Board and the recent Green Paper together offer both strategic analyses and very detailed data and recommendations that span the entire spectrum of public and private pensions. Here, without attempting to touch on the detail, the key inter-related issues that have implications in particular for women are noted, and in Chapter Four the views of the NWCI on these questions are elaborated.

**Adequacy.** Since the report of the Commission on Social Welfare in 1986, and all through the recent era of rising incomes and high relative income poverty, the question of the adequacy of the state pension (and state benefits in general) and its role in relation to income poverty has been contentious. In the context of the more recent Pensions Board reports (Pensions Board, 1998; Pensions Board, 2005), attention has focused on a target for the state pension at 34% of average earnings. The analysis outlined above highlights the possibility of other targets. The published EU SILC data, for example, would allow pension levels to be benchmarked against an explicit poverty target based on fully representative income data. Pension adequacy is particularly relevant to those older people more reliant on state pensions – women.

The NWCI observes that the debate about pensions and poverty has been framed wholly in terms of the amount of the pension, while for women the question of the unit of entitlement and of direct personal access to pension income is of equal importance.

**Structure.** Since the publication of the National Pensions Board's final report in 1993, and throughout during the last decade, the persistent question about pension reform is whether or not the overall pension regime should adopt a second, comprehensive tier, and if so, how. The thrust of policy reform has been as follows: that there should be a second tier, that it should remain voluntary (for both individual private pensions and occupational pensions) and that it should be 'grown' by means of encouragement, public education, and tax incentives. There has been little recent attention to, or argument in favour of, a compulsory, state second tier.

Of course, there is a link between the issues of structure and adequacy. The need for, or the role of a second-tier pension depends in part on the adequacy and comprehensiveness of the first-tier, state pension. If the latter is universal and generous the rationale for a second-tier pension is less clear. (The NPR analysis, for example, offers detailed data on the cost and other implications of setting the state pension at 50% of average earnings). There is also an inter-generational aspect to the first-tier/second-tier link: improvements in the first tier will affect the current cohort of pensioners, while the introduction of a new second-tier will benefit future pensioners

Critically, none of the official analyses look at the question of a second tier from a gender perspective. As a generalisation, second-tier pensions are more closely tied to employment experience and contributions. From a gender stance, therefore, the first question is whether a second-tier reform is more of a priority than an improvement in the first tier. NWCI argues that the overriding priority is to improve the state pension.

The second issue is what form any newly introduced second-tier pension might take. NWCI notes that the recent emphasis on voluntary, tax-subsidised PRSAs has not resulted in a substantial improvement in coverage, and the achieved improvement required tax incentives. Furthermore, PRSAs tie supplementary pension income directly to individuals' capacity to contribute to a fund, and this system will be of more benefit to men than women. Therefore, PRSAs should not continue to be the core of a new second tier. For related reasons, NWCI would also repudiate the option of a mandatory private pension discussed in *Special Savings for Retirement*. Mandatory

private pensions would also tie prospective pension income to employment and, like PRSAs, would rest the pension risk on the individual, while still mandating each worker to contribute a percent of earnings. For low income workers (many of whom are women) this mandated contribution could, in effect, compound the workings of PRSI, income tax and means-tested benefits and create poverty traps and disincentives.

This all suggests that if a second-tier pension is to be introduced it should be a state system. Such an arrangement could build on the long-established and widely accepted social insurance system and could incorporate design features that recognise the differential positions of men and women in the labour market. If a state second-tier pension were introduced in the context of a comprehensive pension guarantee at first tier, it would give the state and society two tiers of pension provision in which policy objectives might be advanced. One strategic limitation of the current state pension is that one tier of provision carries the burden of achieving a wide range of implicit and explicit objectives: poverty alleviation, income distribution, income replacement and gender equality, amongst others.

**Sustainability.** The Green Paper and the Pensions Board documents reflect the international pre-occupation with the ‘crisis of ageing’. These documents show that in many countries the combination of generous income replacement, low retirement ages, low economic growth and a rising share of the elderly in the population have all contrived to create a sharp increase in pension spending relative to GNP. For instance, the ratio of pension spending to GNP (survivors’ pensions included) in 2003 was in the range 12 % to 14% for Austria, Italy, Germany, France and Greece. All of these countries have mature pension systems with low retirement ages, moderate to high replacement ratios, and elderly dependency ratios already in excess of 20%.

It is important to stress that the demographic and policy scenarios in these countries are not relevant to Ireland. In Ireland the share of the elderly in the population is still low by international standards, the eligibility age for pensions is high at 65/66 and has remained unchanged since the late 1970s, and the ratio of the state pension relative to average incomes is low. This is all reflected in

the exceptionally low figure for public spending on old age pensions in Ireland – approximately 2.5% of GNP.

The Green Paper (Green Paper, 2007:30) concludes from its analysis that ‘the existing system is simply not sustainable’. However, this interpretation of the demographic and other evidence is unduly pessimistic. It is clear, on the one hand, that pension costs will rise in Ireland as the population ages. In Ireland this process will commence around 2011, and will result in a gradual increase in the numbers of older persons in the population and a fall in the ratio of workers to pensioners. From 2006 to 2031 the share of older persons in the population will rise from 11% to 18% and the ratio of those in working age to those over 65 will fall from 5.6 to 3.3. This demographic shift will impart upward pressure on public spending on pensions. The Green Paper cites a number of estimates of future spending, all pointing to a gradual increase: for example, the National Pensions Review estimated that the cost of all first-tier pensions will increase from around 3% of GNP currently to 4.9 % in 2026 and 6.5% in 2036.

In this context NWCi stresses that, while the pension system must adapt to the evolving population, the current and medium-term scenario in Ireland is distinctly sustainable by international standards. Therefore, because the demographic context in Ireland differs and because pension provisions have been more generous elsewhere, some of the adjustments contemplated or implemented elsewhere are not relevant to Ireland. For example, the replacement ratio is already low and the pension eligibility age is already fixed at the conventional 65/66.

Two broad analytical issues feature in the international debate on sustainability: one is whether pensions should be funded on a Pay as you Go basis (with current taxes and contributions paying for current pensions in payment) or on a funded basis (with past savings and contributions determining the level of pensions expenditure). The international research on this topic is complex and contentious. NWCi notes that the most recent academic synthesis of this work argues that funding per se is not inherently superior to PAYG and does not of itself address demographic ageing (Barr, 2001). The second, related point concerns the relative sizes of the working and retired populations. On this point the analytical work is unambiguous: increasing the size of the labour

force (and also, of course, improving the productivity of the workforce) is an appropriate response to population ageing, and increasing the retirement age is one means by which this strategy can be pursued.

From a gender perspective it is important to stress that increasing female labour force participation is another means by which the labour force can be enlarged. Therefore, pension sustainability de facto requires policies that maximise female and maternal employment rates and simultaneously facilitate employment and parenthood for men and women. The centrality of increased female labour market participation to the sustainability of pensions is underpinned in the pension policy of the EU (Council of the European Union, December 2001). Tuominen and Laitinen Kuikka (2003) and Sarfati (2003:6) strongly argue for ‘the prime importance of increasing employment rates of women’ and suggest that:

*an efficiently functioning labour market, with high participation rates and two-way mobility between activity and inactivity, part-time and full-time work, training and socially useful activities, may be even more important than the age structure of the population in guaranteeing the long-term sustainability of today’s welfare state and ensuring decent living standards and social cohesion to the population.*

The Green Paper discusses the option of increasing the retirement age. NWCi recognises that the concept of the ‘working age’, is, like gender, a socially constructed concept. Cousins (2005) observes how over the 20th Century the concept of working age has increased at the younger end and decreased at the older end of the age spectrum. Given higher life expectancy and different expectations, it is reasonable to expect that at least some older people will want greater choice and flexibility about when and how they retire.

The sustainability challenge for policy makers and for the NWCi is to ensure that the specific employment policies pursued do not lower fertility and thereby exacerbate population aging in the long run. It is also important to note a point neglected in the Green Paper and elsewhere. Pensions (at an individual and macro level) are not merely an outcome of employment: they can also be an incentive for employment participation. Improved pensions for

individual women may be an instrument to sustain the size of the working population.

**Equity.** This issue relates to the socio-economic redistribution of the costs and benefits of the pension system. From a gender standpoint two specific points arise here. The current state pension system is, in an arithmetic sense, redistributive, with lower paid employees and women experiencing higher rates of return and higher replacement rates. This reflects the flat-rate benefit system, the contribution structure, differential life expectancy and other factors. However, it also reinforces the potential of an enhanced state pension to achieve greater redistribution.

The second-tier pension system, however, is not redistributive either in coverage or financing. Coverage is lower among women and other low-paid employees, and detailed analysis has shown that the substantial fiscal cost through tax relief disproportionately benefits higher income groups.

In the context of pension reforms for the future, a critical question arises about the balance between the costs of a tax-subsidised second tier and a more generous, comprehensive, first tier, and this question has added significance because of the relative size of the tax expenditures and state pensions spending. In Ireland, the Green Paper records a figure for 2006 of €2.9 billions as the net cost of tax reliefs, broadly defined. Remarkably, the figure for state pensions (including the Pre-Retirement Allowance) in 2006 is €2.9 billions: the figures are identical. This brings policy choices and trade-offs into sharp relief. New Zealand’s ‘woman friendly’ pension (see Chapter 2) based on an adequate, universal pension was affordable precisely because the voluntary second-tier was not underpinned by tax allowances, and the cost of tax allowances were viewed by policy makers as the equivalent of direct public expenditures.

The significance of this issue is clearly highlighted in the recent study of pension reform options (Callan, 2007). This study used a tax-benefit model to simulate and quantify the impact of altering the tax treatment of pensions: specifically, the study evaluated the distributional impact of allowing the current tax reliefs at the standard rate only and increasing the state pension by €50 per week. For

4 These comments summarise very detailed financial calculations by the OECD in its comprehensive survey of countries’ pensions systems (OECD, 2007).

5 There is some disagreement as to whether the budgetary costs of tax reliefs, ‘tax expenditures’ so called, can be viewed as the equivalent of direct state expenditure on pensions. The Pensions Board’s reports and the Green Paper reject the conventional analysis that the cost of tax reliefs are the analytical equivalent of state spending.

NWCI the salient findings are that the lowest deciles of the income distribution gain and the higher deciles lose: there is a significant net redistribution. Strikingly, the reform would substantially reduce relative income poverty: at the 60% of median income poverty line the poverty rate among the older population would be a mere 1.3%. The author concludes that this specific reform 'would virtually eliminate the risk of income poverty for older people' (Callan, 2007: 41).

NWCI is not advocating the specific reform referred to here. The critical point is that whatever the merits of viewing the tax expenditures as the equivalent of direct expenditure, and whatever the 'knock-on' effects of restricting tax reliefs, the sheer cost of the reliefs, makes it imperative to consider the alternatives, and in particular to evaluate the impact on poverty rates of redirecting the resources foregone through tax reliefs.

**Individualisation.** Although not a central theme of any mainstream pension discussion, there has been some treatment of individualisation and individual entitlement in two recent social partnership working groups concerning Administrative Individualisation (DSFA 2003) and Modernising the Social Insurance System.

This reflects a political commitment contained in 2002 and 2007 Programmes for Government to introduce full administrative individualisation for pensions. While it is a limited reform, the NWCI have welcomed this while pursuing a fuller individualisation agenda.

**Governance.** All pension systems, public and private, voluntary and mandatory, require governance arrangements that enable transparent and accountable management and high levels of public acceptability and legitimacy. There are gender and antipoverty dimensions to pensions governance that are not currently reflected in policy-making forums, and a neglected aspect of the reform debate is how and in what institutional context the reform options are elaborated and debated.

The general themes outlined above do not offer a specific agenda for pension reform for NWCI; they have to be set in the context of a feminist framework for pension analysis. This is given in Chapter 3.

*"I am now seventy years of age and have received nothing from the state even though I have contributed to society by rearing the future generation."*

*Catherine*

## CHAPTER TWO

### *The Irish Pension System in International Context*

This chapter places the Irish system in context with a brief overview of pensions in OECD countries. It distils some relevant lessons from international experience for future policy in Ireland, focusing on the gender aspects of pension reform.

#### **Ireland in Comparative Context - Pensions in OECD Countries**

Figure 2, based on the OECD's recent compilation<sup>6</sup>, summarises the structure of pensions in OECD countries. In the context of this study a number of aspects of these comparisons merit comment. All of the countries have some form of first-tier pension, but there is considerable variety in the structure of these provisions which are designed to alleviate poverty. The most common element in the first-tier is the resource-tested pension, where pensioners' total resources (income or assets or a combination of these) are brought up to a threshold. Some countries do this as part of a general social assistance programme and others, Ireland included, by way of a specific resource-tested programme for pensioners. Only two countries rely wholly on such schemes at the first tier.

Basic pensions are in place in thirteen countries. These pensions are flat-rate in the sense that the pensions are not based on past earnings and usually (as in the case of Ireland) reflect number of years at work: additional income does not alter the value of the basic pension. The flat-rate aspect of basic pensions imparts an indirectly redistributive profile in this, arithmetic, sense; lower paid workers have higher replacement rates, but of course a

higher replacement rate might co-exist with a low level of basic pension.

At first tier, Ireland is unexceptional: it combines a resource-tested pension (the Non-contributory Old Age Pension) combined with a basic pension (the Contributory Old Age Pension). This combination applies to four countries. It is important to note, however, that six countries use only a minimum pension and a further eight combine these with other first-tier pensions. Like resource-tested, first-tier pensions, these minima are designed to ensure that pensions do not fall below a threshold; however, they only take account of pension income and are not affected by non-pension income or assets. In the context of pension reform debate in Ireland, it is useful to observe that resource-tested pensions are not inherently necessary to the construction of an effective first tier.

Turning to the second tier, Ireland and New Zealand are the only two countries that do not have mandatory provisions, either public or private, which add an income replacement function on top of the first tier<sup>7</sup>. It can also be seen that the majority of the countries recorded in the table have Defined Benefit (DB) pensions at the second tier, i.e. pensions set as a fraction of earnings. In these

<sup>6</sup> See OECD (2007) Pensions at a Glance. Public Policies across OECD Countries. Paris: OECD

<sup>7</sup> In fact New Zealand introduced Kiwi Saver in 2007. This is a mandatory private pension along defined contribution lines: it operates on 'auto-enrolment' principles in which employees are automatically enrolled and then allowed the option of leaving the scheme. As it has just been introduced, it is not yet in payment among the retired population.

arrangements pension income is a function of the number of years' contributions and a measure of earnings. The 'points' schemes in France, Germany, Norway and Slovak Republic are a variant on the standard DB scheme: in points systems workers earn pension points based on their individual earnings for each year of contribution, and at retirement the points are multiplied by a pension point value to convert them into a pension.

At the second tier, the most common system after DB is Defined Contribution (DC). In DC plans the pension income depends on the amount of the contributions into an individual account and the returns on investment funds, with the financial risk falling on the individual pensioner. In Australia, which has the most widely cited mandatory DC scheme, employers are required to contribute on behalf of workers. In three other countries with broadly similar schemes (Poland, Mexico, and Hungary) workers select a pension provider without employers' involvement. A relatively new variant on the DC system is the Notional Defined Account (NDC) introduced in Italy and Sweden specifically to inject a contributory element into their state-funded Pay-as-You-Go system. These schemes record each worker's contributions in an individual account and apply a rate of return; the accumulated capital in each separate account is converted at retirement into a pension by applying a formula based on life expectancy. (As the contributions and the interest applied exist only on the books of the fund managing institution, these accounts are notional).

Viewed in broad terms, two general points arise from the detailed comparisons. First, in focusing on the need to construct a second-tier pension, policy makers in Ireland are correctly redressing a deficit in its pension system that only one other country retains. Second, the emphasis on voluntary, second-tier pensions in the Pensions Board's reports and policies is striking in the light of the sheer variety of pension regimes in other countries from which Ireland might have much to learn.

The comparative details noted above describe the structure of the countries' pension systems, but these details need to be viewed in the light of important parameters and design features of the pension system. Selected relevant data for the OECD area are given in

Figure 3, and these data place Ireland in sharp focus. The replacement rate figures refer to all mandatory pensions: in Ireland at average earnings the rate is at the very low end of the international spectrum; this applies whether gross or net measures are used (pension wealth simulations not shown in the table convey a similar pattern). The data on pension age also makes Ireland something of an outlier: while the expected retirement age is 65 in Ireland, in the state pension system the age is 66 for both the Contributory and Non Contributory pension. Nor is there any scope to acquire these pensions at a lower age, for either men or women. Taken together with the structural characteristics, these comparisons show that Ireland's pension system is undeveloped, and detailed contrasts with GNP or similar measures would not highlight national income as the source of Ireland's relative pension status.

Figure 2. Structure of Pension Systems in OECD countries

Country	First tier			Second-tier, Mandatory/insurance	
	Universal, redistributive			Public	Private
	Resource-based	Basic	Minimum	Type	Type
Australia	*				DC
Austria	*			DB	
Belgium	*			DB	
Canada	*	*		DB	
Czech Republic	*	*		DB	
Denmark	*	*			DC
Finland			*	DB	
France	*		*	DB +points	
Germany	*			points	
Greece	*		*	DB	
Hungary				DB	DC
Iceland	*	*			DB
Ireland	*	*			
Italy	*			NDC	
Japan		*		DB	
Korea		*		DB	
Luxembourg	*	*	*	DB	
Mexico		*	*		DC
Netherlands		*			DB
New Zealand		*			
Norway		*	*	Points	DC
Poland			*	NDC	DC
Portugal			*	DB	
Slovak Republic			*	Points	DC
Spain			*	DB	
Sweden			*	NDC	DB+DC
Switzerland	*		*	DB	DB
Turkey			*	DB	
UK	*	*	*	DB	
USA	*			DB	

DB = defined benefit; DC = defined contribution;

NDC = notional accounts.

Source: OECD 2007

Figure 3. Selected Pension Scheme Parameters in OECD countries

Country	Scheme Parameters					
	Gross Replacement Rate – age 25 at entry	Gross Replacement rate	Net Replacement rate	Normal Pension Age	Early pension Age	Second –tier pensions: indexation of earnings measure
Australia	45.9	47.9	61.7	65	56	–
Austria	71.2	80.1	90.6	65	–	Discretionary
Belgium	37.9	40.7	64.4	65	60	Prices
Canada	49.5	49.5	62.8	65	60	Prices
Czech Republic	49.1	54.3	70.3	63	60	Prices
Denmark	78.2	83.5	94.1	65	–	–
Finland	58.2	63.4	68.0	65	62	Wages/prices
France	37.5	51.2	62.8	60	–	Prices
Germany	35.5	39.9	57.3	65	63	Wages
Greece	92.9	95.7	111.1	65	56	Discretionary
Hungary	66.6	76.9	96.5	62	–	Wages/prices
Iceland	74.8	80.1	86.9	67	–	Prices
Ireland	<b>38.2</b>	<b>38.2</b>	<b>44.4</b>	<b>66</b>	<b>65</b>	–
Italy	61.0	67.9	77.9	65	60	Prices
Japan	34.4	36.8	41.5	65	60	Prices
Korea	64.6	72.7	77.8	65	60	Prices
Luxembourg	79.8	90.3	98.0	65	57	Wages
Mexico	31.5	36.6	37.3	65	–	–
Netherlands	76.7	81.7	105.3	65	60	Wages
New Zealand	46.8	46.8	46.6	65	–	–
Norway	59.0	60.0	70.0	67	–	Wages
Poland	53.3	61.2	74.8	65	–	Prices
Portugal	54.3	54.3	67.4	65	55	Prices/GDP
Slovak Republic	46.8	56.7	71.9	62	–	Prices/Wages
Spain	81.2	81.2	84.2	65	60	Prices
Sweden	60.5	63.7	66.2	65	61	Wages
Switzerland	58.2	62.0	68.8	65	63	Wages/prices
Turkey	65.9	72.5	103.4	65	–	Prices
UK	32.6	34.4	45.4	65	–	Prices
USA	43.6	43.6	55.3	67	62	Prices
<b>OECD average</b>	<b>56.3</b>	<b>60.8</b>	<b>72.1</b>	–	–	

Source: OECD 2007

Note: The final column refers to the mechanism by which second-tier pensions are indexed. Some countries use different rules for lower and higher pension levels and some combine an index with GDP or similar measure.

### Pension Reform in OECD Countries

Since the early 1990s there has been a wave of reform of both public and private pension provisions, reflecting in some cases very specific concerns about costs and sustainability and in other cases (similar to Ireland) concerns about constructing and developing the pension system. As a precursor to the comparative analysis of Ireland in the next section, the following paragraphs outline the mechanisms of reform adopted across countries, as recorded in the OECD's summary.

#### Increased pension eligibility age:

In three countries the age is already 67 and three other countries are legislating for increases. The most common gender-related pattern is for age increases affecting men and women equally – seven countries – and in four countries the equalisation is being effected through removing lower pension ages for women. As the OECD observes, age increases may be justified on cost and sustainability grounds, but they may affect lower income retirees who are more susceptible to earlier forced retirement because of unemployment or illness.

#### Improved rewards for remaining in work:

There has been a very widespread shift towards restricting early retirement pensions and to actively creating incentives to remain in work. For example, in Australia a lump sum bonus was introduced as an inducement to stay in the workforce, and in Finland older workers are now given higher accrual rates than younger workers. These changes improve sustainability and arguably improve equity as between workers retiring at different ages – this could also, indirectly, reduce pension inequalities between higher and lower-paid workers.

#### Changes in the link between earnings and benefits:

The most common pattern historically was to link pensions to immediate pre-retirement earnings or to the 'best' years of earnings. Many countries are now using longer earnings periods or shifting to measures of lifetime earnings. Austria is committed to moving the averaging period to 40 years and Finland, Poland, Sweden and Portugal are moving to a measure of lifetime average earnings. These kinds of changes will improve sustainability and have complex social effects – the latter are dependent on the lifetime work and earnings profiles of different categories of workers. It is distinctly possible

that women may lose relative to men because of their particular lifetime work participation profile.

#### Changes in the revaluation of past earnings:

In many earnings-related pensions past earnings are re-valued to reflect changes in living standards over time. However, the established pattern of re-valuation in line with economic growth is now giving way to re-valuation based on prices. France implemented this reform in the 1990s and several other countries have modified their re-valuation systems to a mixture of prices and wage growth. This shift has the potential to improve sustainability, but will tend to reduce average pension benefits; here too the social effects are complex and depend on workers' age-earnings profiles.

#### Linking pensions to life expectancy:

Some countries have added DC schemes to their pensions system or (as in the case of Mexico) substituted one for a public system. DC plans usually entail the conversion of the fund to an annuity; this automatically links the annuity to life expectancy. While DC plans represent a structural mechanism in the pension system as a whole, other, more common – and less visible – methods of implementing this change include: establishing a link between average life expectancy and eligible pension age (Denmark); linking life expectancy to the number of contribution years required to get a full pension; adjusting the value of pensions to life expectancy at retirement (Finland and Portugal).

#### Changes in the indexation of pensions in payment:

There is a general drift away from indexation of current pensions to earnings towards indexation based wholly or partially on prices. Italy, for example, indexes lower pensions to prices and higher pensions to a percentage of price inflation; Austria indexes pensions to prices only up to a ceiling. In the last decade too there are instances of countries temporarily abandoning their indexing regime, in Germany on three occasions prior to 2004, and also in the US and Belgium. Of course, this change improves the financial sustainability of pension systems, but, as the OECD observed, it may challenge their social and political sustainability.

**Pre-funding of public pensions:** The pension systems that faced the more serious sustainability challenges

were those based largely or wholly on Pay-as-You-Go principles, and the introduction of DC schemes and other changes noted above were a response to this challenge. However, governments have also moved to adopt public pension reserves, as a device to fund pensions 'up front'. Ireland introduced the National Pension Reserve Fund, while other countries such as Canada, New Zealand and Norway have also adopted such pre-funding mechanisms.

The emerging evidence on the impact of pension reforms seems clear, according to the OECD. Reflecting the relative reduction in state versus private provision and the specific changes in contribution requirements, pension ages, the role of DC schemes, and the mechanisms for indexation, there will be 'a reduced pension promise for today's workers compared with past generations' (OECD, 2007; 74). The OECD adds that the tendency towards lower replacement rates may result in 'a resurgence in old age poverty in some countries' (OECD, 2007:75). However, it is important for policy makers in Ireland to note the variation in the reforms' impacts across countries. Table 9 shows the estimated impact on replacement rates of the reforms; clearly, in the majority of the countries studied, pension generosity will decline. However, some reforms will improve pensions for both men and women, and to illustrate the implications of alternative reforms for future policy in Ireland the contrasting experiences of specific countries are noted, with Hungary as an example of positive impacts and Poland as an example of more gender-negative impacts<sup>8</sup>.

Hungary's reforms will result in significantly improved replacement ratios for both men and women (part of this improvement, it should be noted, derives from a change in taxation, as the pension was related to earnings net of taxes before the reform). The core of the reformed pension system is an earnings-related public pension combined with a mandatory, funded DC scheme. This system applies to all new labour market entrants and all those aged 42 or less at the time of the reform (1997/8). In the earnings-related system the ceiling on pensionable earnings is high at 4.2 times the average, and pensions in payment are indexed to a combination of prices and wages. There is also a minimum pension (i.e. a minimum pension independently of means or contributions) set at 25% of net average earnings (to be abolished in 2009).

In the case of the DC scheme, 8% of gross earnings are invested in the fund, the capital in which must be converted into an annuity; the annuity must have the same indexation arrangements as the earnings-related pension. From a gender perspective, it is critical to note that the life tables used to calculate annuities must be unisex. This avoids the problem of women acquiring lower DC pensions because of their greater longevity.

In contrast, replacement ratios are projected to decline significantly in Mexico and Poland. The Polish case is an example of a change from a conventional defined benefit scheme to a funded scheme. Under the pre-reform scenario there were two components. The first was a flat-rate payment linked to average earnings (net of social insurance contributions) set at 24% of economy-wide earnings, and conditional on 25 years contributions for men and 20 for women, and the second was an earnings-related pension paying 1.3% of earnings for each year of contributions using a 'best years' formula linked to the average wage. There are two components to the reformed system, of which the first is a system of notional accounts. A contribution of 12.2% of earnings will be credited to individuals' accounts and at retirement the capital is converted into a pension benefit, applying a formula based on average life expectancy at retirement. Contributions are re-valued by price inflation plus 75% of the growth in the real (covered wage bill). The second component is a funded, Defined Contribution pension which is also obligatory for those aged under 30 at the time of the reform. A 7.5% share of total contributions is deposited into a fund which will be converted into an annuity, which the calculations assume will be indexed to prices. Under both scenarios there is also a minimum pension. The structure of this minimum is unchanged, but for 2005 the indexation formula will switch to prices only from a mixed prices/wages formula.

**Table 9.**  
Gross Replacement rates, workers on average earnings, and percentage points change in public spending on pensions/GDP, selected countries

Country	Men		Women(if different)		Change in % of GDP 1900-2003 spent on old age and survivors' pensions
	Pre-reform	Post-reform	Pre-reform	Post-reform	
Austria	90.0	80.1	80.0	80.1	1.3
Finland	66.3	63.4			-1.7
France	64.7	51.2			1.4
Germany	48.7	39.9			1.5
Hungary	57.7	76.9	52.7	76.9	n.a
Italy	90.0	67.9	80.0	52.8	3.6
Japan	40.7	34.4			4.3
Korea	69.3	66.8			0.6
Mexico	72.5	35.8	72.5	29.7	0.7
New Zealand	39.7	39.7			-2.9
Poland	62.2	61.2	57.3	44.5	7.2
Portugal	90.1	54.1			5.1
Slovak Rep	59.5	56.7			6.5
Sweden	78.9	62.1			1.5
Turkey	107.6	72.5	102.8	72.5	n.a.
UK	30.8	30.8			0.8

Source: OECD 2007: 64-66

As the details show, the gross replacement rates are projected to decline significantly for women and slightly for men; this result is replicated when a net replacement rate is used. This projection of the outcome in a reform based on funding principles is reflected in the case of Mexico. Briefly, the reform here also entailed a move to a funded scheme (in this case privately managed) from a defined-benefit scheme.

The implication of the OECD review of the reforms is that there is considerable diversity in the reform measures and that reforms can have very different projected effects on men and women. These particular findings should be viewed in the light of the emerging research on the gender

impact of pension reforms already in place. The recent studies of the Australian mandatory funded scheme, for example, show the importance for women in particular of offsetting a private funded model with an enhanced state pension. Having projected the employment and earnings profiles of the 60s 'baby boom' generation now close to retirement, one study concludes that women's superannuation accumulations – derived from employers' contribution of 9% of gross earnings – will be at least 35% lower than men's. This minimum gap derives only from differential average earnings and number of years in employment. If other gender differences (such as gender differences in returns to education, higher life expectancy, lower non-wage income, occupational segregation, and so

<sup>8</sup> The impact is estimated by contrasting two scenarios for workers entering the labour market in 2004: one in which the pension is calculated as if the pre-reform pension system applies and the other in which the pension system post-reform applies.

**Figure 4. Dimensions of Social Policy and Country Proto-types**

Welfare Regime Type	Gender Classification - Male Breadwinner		
	Strong	Moderate	Weak(Adult worker)
Universal	Norway		Sweden
Corporatist	Japan	France	
Liberal	Ireland		New Zealand

Source: Esping-Andersen (1990), Lewis (1991)

on) were included in the estimates, the gap would be higher, leading the authors to conclude that:

[the] publicly financed age pensions will remain a significant source of retirement income for most baby boomers and for women in particular. It is important to direct attention to this pillar of the Australian retirement income framework and to consider the gender biases inherent within the current system. Minor changes to superannuation policy will not address the gender disparities inherent in a framework based on a nexus with paid employment (Jefferson and Peston, 2005: 95; emphasis added).

A recent analysis of reforms in three Latin American countries based on funding and DC principles likewise points to the importance for women of substantially improving the first-tier state pension (James, Edwards and Wong, 2003). This analysis also shows that certain groups of older women can gain relative to men from very specific aspects of the reforms, such as; the use of unisex life tables, joint annuities for married men and women, age-related additions to the state pensions for the very old. For policy makers in Ireland, the net implication of the emerging evidence about pension reform is that strong first-tier state pensions are especially important for women and that reforms of retirement income arrangements closely tied to lifetime employment (and therefore income) can worsen gender disparities in retirement income unless specifically designed to counter them.

### Gender and Pension Systems

At the time of writing the Irish pension system is in transition, with policy makers poised to reshape the overall structure by adding – or attempting to add – a comprehensive second tier of pensions. The international evidence suggests that implementation of such a reform has implications for the relative pension prospects of men and women. It is important, therefore, at this point to place the detail of recent reform proposals in Ireland against a broad backdrop. In turn, this requires an outline of the relevant dimensions of Irish social policy as portrayed in comparative social policy analyses.

In this context, as Figure 4 records, there are two relevant dimensions that put Ireland's welfare state, and pension system, in context.

The typology is useful as it identifies the underlying factors that shaped the countries' welfare states. As such, it captures the fundamental character, rather than the specific details, of these welfare states prior to the restructuring processes that began in the 1980s and accelerated in the 1990s and beyond.

First, the typology deploys the familiar regimes from Esping-Andersen's *Three Worlds of Welfare Capitalism*<sup>9</sup>. This dimension reflects how comprehensive the overall welfare system was in the mid-to-late 1980s and how egalitarian the thrust of social policies were: it would be measured by variables such as the share of GDP accruing to social expenditure, the extent of income and wage inequality and the level of income replacement offered by unemployment benefits, pensions, and so on. Typically, the Nordic states lie in the comprehensive

end of this continuum and Ireland, the UK, the US and the Australasian states at the liberal end. In pension terms this meant that liberal countries typically relied on private pensions to a considerable degree and offered flat rate state pensions giving modest benefits rather than significant income replacement. Corporatist regimes – typified by Japan, Germany, France, Italy – rely largely on social or other collective forms of insurance tied to employment. They structure their pensions and other social provisions around employment and occupational groups – in the German, French and Italian cases the trade unions have an important role in the structuring and management of pensions – and the pensions confer generous income replacement pensions.

Second, the columns in Figure 4 summarise the male-breadwinner dimension. This captures how strongly states historically adhered to social and employment policies that reflect male patterns of employment and create and reinforce female subordination and dependence (Lewis, 1991). One end of this continuum comprises 'strong male breadwinner' states such as Ireland, Italy and Japan, built essentially on the principle of male domination in employment and the assignment of women to maternal and caring roles. These states had tax systems based on marriage, state social security and pensions structured around women as secondary, dependent beneficiaries, an absence of state support for working parents' child care, the cumulative effect of which was to keep female and, in particular, maternal employment participation low. This model translated into inferior old age pension rights for women; lower state and private pensions because of their lower life-time employment and exclusion from individually entitled state and private pensions. In contrast, the weak version of the male breadwinner state focused on fuller employment participation by women, underpinned by state provisions to sustain maternal employment; greater individualisation in the tax system, strong maternity rights, state intervention in child care, and so on. The net outcome in such states was greater independent access by women to pensions, higher relative incomes in old age and lower poverty rates than in the liberal case.

The moderate scenario refers to those countries – France being the clearest case – where support for motherhood and families generally was always strong.

Here the objective of policy is to sustain the birth rate and family life, by offering generous support to families with dependent children at all income levels and in all employment statuses. This is done by using family status and family size as a criterion in taxation, family benefits and employment arrangements. While the focus of this model is on support for all families with children rather than employment-based gender equality (as in the weak case), it resulted in higher maternal employment and hence better pensions for women in old age.

Finally in relation to this classification, it is important to observe – as a generalisation – that many countries, while remaining in the same location 'vertically' (in the rows of the typology), have shifted 'horizontally' towards a weaker version of the male breadwinner. Briefly, many welfare states have adopted policies and undergone changes that have substantially altered the gender profile of their social policies, resulting in some reduction in gender relativities. According to an authoritative analysis of such developments<sup>10</sup>, states have adopted varying mixes of the following policies:

**Gender neutrality:** the removal of formal discrimination in employment and social protection (for example, through the EU's Equal Treatment Directive);

**Gender reinforcement:** addressing inequalities that arise from women's unpaid domestic and care work by expanding entitlement based on the principle of care (for example, Carers' benefits or social insurance credits for care) and improving women's entitlement as wives;

**Gender reconstruction:** attempting to transform fundamental gender role differences by reforming the family-labour market link through family-friendly work policies, paternal as well as maternal leave, and challenging men to engage in domestic and care work;

**Individualisation:** Reform of family law to strengthen the rights of women within families and to give legal recognition to a variety of family forms, and restructuring the tax and benefit systems towards individuals (rather than families or households) as the unit of contribution and entitlement, (for example abolition of marriage-based means-testing and use of individual tax bands and credits in taxation).

9 This widely cited classification has not gone unchallenged. However, recent reviews of the typology and of attempts to repudiate or refine it confirm its broad validity (Arts and Gelissen, 2002). Ireland, it should be noted, sits somewhat uneasily in Esping-Andersen's original framework as it had weak scores on indicators of both liberalism and corporatism, although most comparative analysts are content to assign Ireland to the liberal 'world of welfare'.

10 See Sainsbury's (1996) *Gender, Equality and Welfare States*.

Figure 5. Overview of pension provisions in six liberal welfare regimes

Country	Statutory			Mandatory Earnings Related			Voluntary	
	Flat-rate social insurance	Needs-tested Social assistance	Public	Private	Private	Private	Private	Private
UK	Poverty prevention Basic Pension (contributory)	Poverty relief Minimum Income Guarantee (claimed topup)	Income replacement State earnings Related pension (DB)	Income replacement Occupational Pensions and Personal pensions (DC) (contracted out of SERPS)	Income replacement OP; APP (DC)	Income replacement Occupational Pensions and Personal pensions (DC) (contracted out of SERPS)	Income replacement OP; APP (DC)	Income replacement OP; APP (DC)
USA	–	Social Security Income (claimed topup)	Social Security (DB)	–	Individual Retirement Accounts (DC) 401 Ks (DC)	–	Individual Retirement Accounts (DC) 401 Ks (DC)	Individual Retirement Accounts (DC) 401 Ks (DC)
Ireland	Old Age and Transition Pensions (contributory)	Old Age Noncontributory pension (means-tested)	–	–	Occupational pensions; Personal Retirement Savings Accounts (DC)	–	Occupational pensions; Personal Retirement Savings Accounts (DC)	Occupational pensions; Personal Retirement Savings Accounts (DC)
Canada	Old Age Security (clawback possible)	Guaranteed Income Supplement (automatic topup; tapered against nonpension income)	Canada Pension Plan (DB)	–	RRSP (DC) RPP (DB)	–	RRSP (DC) RPP (DB)	RRSP (DC) RPP (DB)
Australia	–	Age Pension; means-tested, but de facto universal	–	–	Occupational pensions; Personal pensions	–	Occupational pensions; Personal pensions	Occupational pensions; Personal pensions
New Zealand	–	New Zealand Superannuation	–	–	Occupational pensions; personal pensions (no tax relief)	–	Occupational pensions; personal pensions (no tax relief)	Occupational pensions; personal pensions (no tax relief)

Note: DB= defined benefit; DC=defined contribution  
Source: Ginn, Street and Arber, (2001)

In Ireland, it is clear, aspects of each of these strategies have been implemented, resulting in a moderation over time in the male breadwinner character of social policy generally, pensions included. It is important to note that within both the feminist literature and more general commentary there is considerable debate about how gender equality should be defined and implemented, about the relative effectiveness of the different strategies noted above and the actual mix of strategies pursued in different states.<sup>11</sup> This theme is developed in Chapter 3 in a wider discussion of feminist approaches to social security reform. It is worth noting here, however, that the liberal welfare states (the US, notably, but also Ireland) have inclined to emphasise gender neutrality strategies, involving the removal of formal, legal discrimination against women without achieving substantially more equal outcomes and provisions for men and women.

In short, a comparison of the current Irish social welfare system with that prevailing twenty five years ago would show movement away from the ‘strong male breadwinner’ category towards the ‘weak male breadwinner’ within the liberal welfare regime. The current pension system, therefore, has the following defining attributes:

As a ‘liberal’ system, its core is a state pension payment at a low level relative to earnings, without a comprehensive second-tier pension (public or private) to provide income replacement for all, complemented by a voluntary, private second tier that is more accessible to men and to middle and higher income groups;

As a reformed, ‘weaker male breadwinner’ system, it offers state pensions based on contributory principles, with some recognition of women’s differential work and care profile, supplemented by a residual means-tested pension with a marriage-based means test.

A number of countries have this kind of pension system and at this point it is useful to study these more closely and – with the aid of a detailed comparison<sup>12</sup> – to look at the gender-relevant variation within this type of pension system. Figure 5 summarises these countries’ pension arrangements.

In the **first pension tier**, four of the countries, Ireland

included, have flat-rate basic pensions. In two of these cases, Ireland and the UK, these are contributory social insurance and in two others, Canada and New Zealand, tax-funded, residence-based pensions. Ireland, Canada and Australia also have social assistance provisions specifically for the elderly and retired, although the nature of the means test varies sharply from one country to another.

At the **second tier**, only three of the countries (UK, USA and Canada) have mandatory state earnings-related pensions, all of these systems providing defined benefit (DB) pensions in retirement. Uniquely, the UK allows workers to opt out of its state scheme (SERPS) into occupational or personal pensions. Australia, as noted earlier, has mandatory private pensions funded wholly by employer contributions, with the risk carried by employees as the pension is defined contribution in nature.

All six countries have a **third tier** of voluntary private provision, but its significance varies widely. Almost half of British pensioners received some private pension income, in contrast to about 15% in both Australia and New Zealand. In five of the six cases voluntary private provision – either occupational or personal – is substantially subsidised through tax incentives on employer/employee contributions. In relation to the quality of these pension systems for women, there are a number of key features that have lessons for Ireland.

First, in all six countries women are more reliant than men on state pensions, as women are less likely to have pension income; therefore, the level of the state pension is particularly important in preventing old age poverty among women.

Second, mandatory state earnings-related pensions (such as SERPS in Britain, SS in the USA or Canada’s CPP) are more helpful than private pensions for women: state systems more easily allow disregards for years of low or zero earnings, and as DB schemes they offer more secure pensions than the DC schemes in private systems, and furthermore state schemes can be more easily skewed towards the low paid.

Third, in five of the six countries the means test for couples is based on joint resources, potentially

<sup>11</sup> Sainsbury’s (1994) account of these strategies implies that these strategies are mutually exclusive and that specific types of welfare state adopt one strategy rather than another. Whatever the merits of this view, the Irish developments span the four different gender strategies, with possibly less emphasis on individualisation.

<sup>12</sup> See Ginn, J., Street, D. and Arber, S. (2001) ‘Women’s Pension Outlook; variation among liberal welfare states’ in Ginn, J., Street, D. and Arber, S eds. *Women, Work and Pensions*. Buckingham: Open University Press

leaving married women open to loss of access to benefits if the husband has significant income or assets; the tapered withdrawal of benefits and ease of claiming in Ireland, Canada and Australia moderate these effects of means testing.

Fourth, there is a clear pattern linking the extent of gender inequality in retirement incomes with the public-private mix; as Ginn and her colleagues bluntly point out; 'Thus countries where private pensions play the largest part (Britain and the USA) show the greatest inequality in retirement incomes. Evidence from the six countries suggests that this is not only because men are better able than women to obtain good private pensions but also because tax spending to subsidize private pensions reduces the resources needed to provide redistributive state pensions at an adequate level to all older people' (2001:227).

Finally, it is important to note, one country's pension system has been described as having 'woman friendly aspects'<sup>13</sup>. New Zealand earns this accolade because it features a universal, tax-funded basic pension, based on residence and citizenship that awards a pension of around 40% of average earnings. While citizens are encouraged to participate in second-tier pensions, these are not supported by tax allowances. New Zealand therefore balances an unsubsidised second tier with a more adequate, universal first tier. In 2007 a 'soft mandatory' second-tier pension was introduced, i.e. all those over aged 18 starting a new job will be automatically enrolled in the new 'Kiwi Saver' with the option of withdrawing, and with specific financial incentives to remain in the scheme; the international evidence implies that over time women's retirement income relative to men's will decline.

Against this backdrop, chapter three turns to a discussion of feminist principles of pension reform.

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<sup>13</sup> The phrase is used in St. John, S. and Gran, B. (2001) 'The World's Social Laboratory; women friendly aspects of New Zealand pensions' in Ginn, J., Street, D. and Arber, S. eds, *Women, Work and Pensions*. Buckingham: Open University Press.

“It is blatantly obvious the current Social Welfare system is flawed as it creates anomalies in the system for women who worked under the marriage bar legislation.”

Eileen

## CHAPTER THREE

### *A gendered model for Pensions Reform*

The lessons from Chapter One and Chapter Two are clear. The review by the OECD (2007) underscores the importance, from a gender perspective, of maintaining and improving the adequacy of first-tier pensions and of developing mandatory public second-tier pension schemes. In all types of pension schemes, it is possible, by paying attention to crucial design details, to maximise gender equality outcomes. In means-tested schemes, for example, it is possible to approach resource testing to maximise the likelihood of individual entitlement. In second-tier mandatory public schemes, gender differentials in working life can be mitigated by rules concerning access and calculation methods, and in second-tier pensions, private scheme use of unisex life tables and joint annuities or pension-splitting for married couples.

The challenge is to develop this learning into practical proposals for Irish pension policy. This chapter elaborates a theoretical framework which can be of practical use in developing NWCi pensions policy. The chapter develops earlier NWCi proposals for a woman’s model for social welfare reform (Murphy 2003). Specifically, it uses wider feminist care and work typologies to locate pensions policy in the wider context of Irish women’s social care and economic participation patterns (discussed in Chapter 2). The chapter promotes a vision which stresses women’s economic participation in the context of a strong gender-neutral care ethic ‘carer-worker model’. Key to this pension model is the capacity to recognise, engage with and compensate for present unequal gender care and labour market patterns and to do this without reinforcing unequal gender care roles. This vision, while ambitious, recognises the need for pension policy to work incrementally alongside other social economic and labour policies towards greater gender equality in work, care and pension outcomes.

The chapter ends by outlining the core principles of a gender-oriented pensions reform agenda. The key principle informing more specific practical proposals for a gendered model of pensions is women’s economic autonomy or financial independence. Of the more specific

pension policy principles the key principle stressed is adequacy. The next chapter then applies this model to develop specific proposals for women-centred proposals for pension reform.

#### **The social construction of care roles**

The previous chapter discussed how ‘working age’ is a political and socially constructed concept. Feminist theory recognises that gender is a socially constructed concept. Different to biological sex roles, gender roles are an outcome of cultural values often expressed in government policies, societal norms and attitudes. It is essential, then, to understand how care roles and expectations, so central to women’s lived experience, are socially constructed. We have moved quickly in Ireland, where a woman’s role was primarily constructed as a primary carer, to care being increasingly commodified, i.e. a good that can be purchased outside the home in the childcare and elder care market. Government policy has played an explicit role in this transition: on the one hand, government policy has supported development of a privatised childcare and elder care infrastructure; on the other hand, government has avoided introducing paid paternal or parental leave – policies which might offer choice to working parents considering care options.

These social constructions of care are problematic. One of the problems in developing a model for pension reform is to define a concept of care that is more than a conservative male breadwinner conception of care or a liberal, rational economic conception of care. We need to develop a different understanding about relations between people. The following discussion draws heavily from Lynch and Baker (2005) and Lynch and Lyons (2008) who argue that care is not simply a woman's obligation or a mechanistic function that can be purchased, they argue a liberal concept of citizenship ignores the reality of dependency and interdependency, and implicitly – and often explicitly – equates citizenship with being a 'paid worker'. They argue that to ignore or not recognise the reality of human dependency and interdependency is to ignore and undervalue much of the care and love work that women do without pay. This leaves such women vulnerable to the control and abuse of others.

Lynch and Baker (2005) offer a '*feminist egalitarian perspective*' which emphasises the fact that the citizen is also a universal caregiver and care receiver – a person who has citizenship with or without paid employment based on a relational rather than an autonomous view of the person. This perspective sees the citizen as independent, interdependent and dependent. It also allows for a definition of 'love labour' as work that involves emotional and other work oriented to the enrichment and enablement of others and the bonds between self and others. Lynch and Lyons (2008) identify that such work is both a sentient (thinking, and planning for others, attentiveness, managing relations and conflict) and non-sentient activity (practical tasks). It involves the creation and transformation of persons and relationships, the object of such relationships is the enrichment of other persons and the reinforcement of the relationship itself. It is a set of perspectives and orientations integrated with tasks: attentiveness to the needs of others; responsibility; commitment.

This interdependency and mutuality is often spread over time and unevenly distributed across women's life cycles. Thus, the moral imperatives on women to undertake love labour and care labour is often experienced as both a burden and a pleasure, obligation and love simultaneously. As Lynch (2007) rightly observes, this obligation has costs in terms of time and energy; it is also

a service that is indispensable for the continuation of the entire society. Care work is fundamental and has to be provided by somebody. Whoever is providing it needs to be given due recognition and valued not just at that moment but throughout the life cycle.

While acknowledging this affective function of parenthood in general and motherhood in particular, it is necessary to be critically aware that the value placed on women's care roles is also socially constructed by government policy. Most women at some stage in their lives will have caring responsibilities. Many engage in care over three generations of family life (for young children, elderly parents, relatives with disabilities and/or partners with chronic illnesses). In a social welfare system structured on the male breadwinner model the caring role of the woman is most often recognised in the female partner's classification as a dependant (or qualified adult). In Ireland both tax and social security policy have played a strong role in socially constructing 'wifely labour' (Shaver and Bradshaw, 1995). No value is placed directly on the demands of the caring role, most women carers are viewed officially as adjuncts of their partners and remain financially dependent on their partner's income, whether on social welfare or in employment. Since the 1970s new social policy developments have recognised lone parents in their own right as primary carers (but only to means-tested payments and with strong socially constructed rules limiting their sexuality). Likewise, the principal payment for caring, Carer's Allowance, is determined according to household means rather than on the basis of the woman's care responsibilities.

The care infrastructure remains underdeveloped both for childcare and elder care. While the Government has started a programme of investment in childcare, most childcare is still provided in the informal economy or by private providers who, because their services are labour-intensive, are obliged to charge high fees. Similarly, elder care is increasingly available only through private providers with the result that costs are extremely high. It is still expected that women will undertake most caring responsibilities. Since the longest period of child-focused leave is maternity leave, available only to women, and since men are reluctant to or simply cannot afford to avail themselves of unpaid parental leave, official Government policy reinforces the notion that men do not have a duty to care for their children.

This is the reality from which we begin to develop a feminist model of pension reform. On the one hand, the model has to cope with the reality of this deeply entrenched but socially constructed world. On the other, it should not further reinforce this world. Rather it should aim to be part of the building blocks used to socially construct a world of gender equality in work, care, pensions and life.

### Feminist care and work typologies

Pensions policy cannot be divorced from this socially constructed wider cycle of women's lives. We do not arrive suddenly at old age: rather aging is a cumulative process and the resources and assets we bring to old age are those that we have cumulatively gathered over a life time of working and caring. Gough (2001) illustrates the impact of the gender pay gap on post-retirement earnings. She argues that the factors that affect women's earnings during their working years go on to affect their earnings in retirement: 'part time working, career patterns, types of occupation and employment all contribute not only to keeping women's earnings lower than men's during their working life but also to a reduced pension entitlement to benefits from occupational pension schemes after retirement'. A feminist framework has to engage with women's cumulative experience.

This section therefore reviews feminist literature to locate a feminist labour market and care typology that can help NWCi articulate its vision for pension reform. It begins by reflecting on how the male breadwinner concept has helped articulate past discrimination, and explores how the gender differentiated models like the Mother-Worker help to articulate the present duplicate roles women play. Finally, it explores gender-neutral approaches of the Adult-Worker, and the Carer Worker models which help distinguish choices about the future allocation of work and care between men and women.

### Box 1: Feminist work-care typologies

#### Male- focused typologies (Past)

Male breadwinner

Modernised male breadwinner

#### Gender differentiated (Present)

Mother worker model

#### Gender-neutral (Future)

Adult worker model (no care ethic)

Carer worker model (care ethic)

### Male breadwinner typologies (describing the past)

The most widely used gender-aware or feminist approach to consideration of social welfare policy is that of the male breadwinner approach used in Chapter One and by Murphy (2003) for previous NWCi analysis of social security reform. Originally developed as the male breadwinner model (Lewis 2003), it has been further developed by Pfau-Effinger into the modernized male breadwinner model which incorporates the notion of women working part-time over certain stages of the life cycle. This model, as the discussion in Chapter One illustrated, is theoretically useful in illuminating the historical experience of pension reform. However, as a model it is less useful in enabling us to visualise the future. Even a 'weak male breadwinner model' is conceptually and linguistically focused on the male as breadwinner and does not fully incorporate the vision of economic autonomy for women. It does not therefore serve the function of articulating a feminist vision for reform. It would be ironic, for example, for the NWCi to publicly advocate a weak male breadwinner model of pensions reform.

### Gender-differentiated approaches (describing the present)

Wollenscraft originally distinguished between two feminist or gender-aware approaches; models that reflect a desire to create greater conditions of equality and models that seek to respect and accommodate difference

between genders (Fredericks, Maier and de Graff 2007). The gender-differentiated approach seeks to respect and accommodate the difference between genders by redefining the financial value of unpaid work: it assumes traditional gender differences in relation to care but seeks to increase the societal value placed on care work. This raises the question of what type of care work should be valued and how. The discussion of labour market and care trends in Chapter 2 suggests Irish mothers will continue to have interrupted paid employment patterns to accommodate child and elder care. It is essential then for reform options to accommodate in the short to medium term a pro-woman model of care and work, where a balance is struck between enabling the reality of care and equality of participation in paid employment for women and men. This could be referred to as the mother-worker model which, while gender-differentiating women's experience as mothers and carers, also firmly seeks to socially construct women as paid workers (Leira, 2002)

This recognizes the present gender-differentiated reality of women's lives as mothers and the reality, at least over the next generation, that women will experience greater interruption of working life due to childbirth and early infant care. This model incorporates rather than ignores women's differentiated experiences but it does not seek to reinforce this care role and, equally, stresses the worker role of the modern woman who has a significant life time attachment to the labour market. Such a model suggests that accommodating, recognising and valuing the dual roles of the mother as a carer and a worker needs to be an integral part of pensions policy and is the immediate approach to pension reform in Ireland. The difficulty with the model is that it may accept or reinforce traditional, socially constructed care roles that work against women's broader interests. This works directly against one of the principles outlined above, gender neutrality. Women's labour market participation is central to achieving both gender equality and also a sustainable context for future provision of pensions.

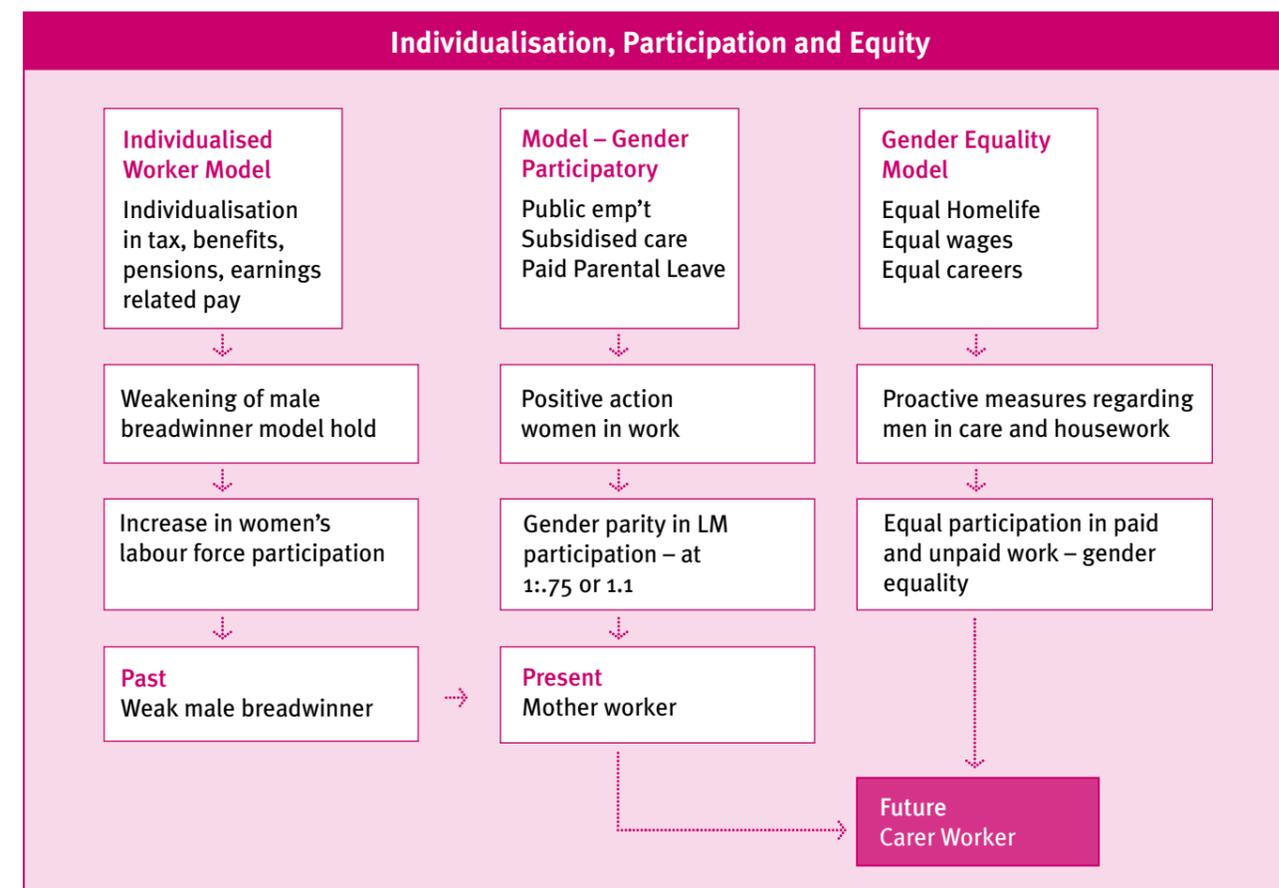
### Gender-neutral approaches

The EU (2003) report on greater equality for men and women highlights the evolving social and economic roles of men and women, the moves away from the

male breadwinner model to women's greater economic independence and the need to focus on reconciling work and family life for both parents. A more liberal type of feminist approach seeks to reconstruct gender roles to share the paid labour roles more equally. Various models that focus on reformulating the conditions of paid work can be distinguished by the degree to which they accommodate an ethic of care and by the degree to which they work towards equal sharing of that care. Ideally, working with the principles outlined above, the feminist approach most consistent with NWC1 values is one where both care and work are equally shared but also where there is accommodation of a care ethic in the wider society and economy.

The 'adult worker model' (Knijn and Kremer 1997, Williams 2004) places labor market participation firmly in the driver's seat and focuses on the terms and conditions that will facilitate women's employment. This reflects policy in many Western European countries and the direction of the European Commission. The model assumes that men and women share paid and unpaid work equally, with both working three-quarter time jobs and with greater time for sharing care and other forms of housework. While the model informs much thinking about labour market and social security reform (for example 'flexicurity' (EC 2007) it assumes that men will 'embrace a more feminine life course' (Esping-Andersen 2005, Fraser 1997). Recognising the practical difficulty of accommodating care and fully sharing care, one version of this model veers towards practically accommodating what were women's care obligations by the addition of 'the commodification model'. Esping-Andersen argues that pensions equality can be best achieved by fully 'marketising' childcare so that the burden of family care is taken from women, allowing them to achieve a greater level of activation in the labour market. This model has been criticised for failing to recognize the degree of gender segregation that exists in the labour market and the relationship between gender pay gaps and pensions inequality. It also fails to acknowledge that even in a fully commodified childcare market women's lives are interrupted by childbirth. Lewis (2003) and others remain sceptical that society is capable of making the profound changes required of the 'adult-worker model' or that women want the commercial version of childcare offered in the 'commodification model'.

Figure 6 Hobson's (2003:76) Gender Model of Individualisation, Participation and Equity (amended by authors)



It seems the adult worker model under emphasizes the ethic of care while a totally gender-differentiated approach perhaps overemphasizes an ethic of care and narrows its application to women as mothers. Neither the adult worker model-offering full life time labour market participation without involvement in childcare, nor the gender-differentiated approach reinforcing women's traditional care roles offer greater choice, and neither may be what many women in modern Irish society want.

In the longer term, if appropriate policy measures are taken to fully develop men's care role, it is possible to vision a carer-worker model where both care and paid employment are shared more equally and a higher form of gender equality is achieved. This approach and the incremental progress it implies is well captured in

Hobson's (2003:76) Gender Model of Individualisation, Participation and Equity (see Figure 6). This theorises an incremental or staged approach to reaching the fuller model of gender equality. The various feminist work care typologies are plotted into this model to show how to incrementally move from a male bread-winner approach to the present mother worker stage but towards the longer term goal of reaching a carer- worker model. The key lesson for feminists is that pensions policy is not isolated, it forms part of a suite of policies that, taken together over time, have the capacity to achieve ultimate gender equality. Previous recommendations for the reform of the Irish social welfare system recognises the importance of building, in an incremental fashion, on the system that already exists (Murphy 2003). Welfare reform itself happens incrementally and also requires horizontal

complementary reform in other dimensions of economic and social policy.

We conclude this discussion about feminist approaches to pension reform by affirming the need for a planned integrated approach across all economic and social policy. This approach should be informed by an ethic of care and recognise that while presently gender-differentiated care roles leave us nearer a mother-worker model but are ultimately aspiring towards a carer- worker model.

### Principles of a woman-centred pension model

Chapter One reflected on how there has been some progress away from a strong male bread- winner model. This Irish progress in social welfare reform has been characterised by fuller gender neutrality, (removal of formal discrimination in employment and social protection, for example, through the EU's Equal Treatment Directive) and by gender reinforcement (where inequalities that arise from women's unpaid domestic and care work were addressed by expanding entitlement based on the principle of care through Carers' benefits or Carers credit disregards). There has been little significant progress in relation to gender reconstruction or attempting to transform the underlying gender role differences, or in individualisation or movement towards restructuring the tax and benefit systems towards the individual as the unit of contribution and entitlement. This provides the starting point for developing feminist women- centred principles for pension reform. The two primary principles are economic autonomy or individual entitlement and enabling a gender-neutral ethic of care.

The headline news that the Irish Times/Behaviour and Attitudes opinion poll revealed that financial independence is very important for Irish women today (Irish Times, Thursday, September 27, 2007) came as little surprise to NWC members. This principle of economic independence is the core message voiced by women who over the years have written and phoned NWC to passionately express concern about their own and collective pension issues (excerpts from these letters form the basis of the cover of this report). The issue of a neutral ethic of care is very much a futuristic vision. Hilliard (2006) records a significant change in attitudes towards women's and mothers' participation in the

labour market. However, the daily reality of women's lives has not changed as rapidly: McGinnity et al's (2007) analysis of time use shows women's lives are still disproportionately dominated by housework and domestic chores as well as care work.

A reform agenda centred on feminist reform principles would make more significant progress on individualisation, and redress previous gender construction of care roles by rebalancing care roles and domestic work away from women and towards men. The reform model must respect and facilitate women's present role as workers and carers but also work towards a vision of more equal sharing of paid employment and care work, in effect socially construct men as carers and as people who do a fair share of domestic tasks.

### Principles of feminist pension reform

- **Economic autonomy.** Financial autonomy and individual entitlement are core characteristics of a feminist pension model. The key challenge for a feminist model is to move to a feminist model of pensions where women have direct rights.
- **Labour Market Equality.** Gender inequality in pensions is primarily a function of cumulative labour market inequality. A woman-friendly pension cannot happen without measures to address gender inequality in working life and without reforms to support and maximise high levels of female labour market participation for considerable periods of their adult lives.
- **Facilitating atypical work.** Gender equality in pensions requires a pensions model that recognises and rewards all labour market participation.
- **Ethic of care.** No reform can be complete without the development of a care contingency that enables care work to be facilitated and respected, and that enables women to have pension cover and maintain pension contribution records during key stages of care.
- **Equal sharing of care obligations.** The method of facilitating and/or compensating for time

spent caring during working age should not disproportionately lock women into long-term patterns of caring (McLaughlin, 2001). This requires the State to invest in a child and elder care infrastructure and also requires the state to have parallel policy promoting men's full engagement with care obligations. This can be achieved by way of statutory family-friendly policy, obligatory paid paternal leave and supporting traditionally male employment sectors to engage more fully in developing work/life balance policy and culture.

- **Pension equality or pension justice.** While working towards greater gender equality in terms of participation in care and employment, the pensions system must not reinforce and must be capable of compensating for the disproportionate time women spend in periods of care and the wider gender equality women experience in the labour market.
- **Retrospective pensions justice.** The pensions model must be able to compensate for the disproportionate time older Irish women have already spend in periods of care and the significant historical discriminatory practices (until 1973 married Irish women were banned from public employment and women also experienced other discriminatory policies and practices) which led to significant gender inequality in the labour market. Retrospective pensions justice can be delivered by a ring-fenced time-related policy package or by a more integrated approach. Given the complexity involved, it might be preferable to administer retrospective pension justice by way of a ring-fenced package, alternatively a comprehensive pension guarantee would deliver, with immediate effect.

Alongside these principles for a gender-sensitive pensions model there are also other broader principles which should inform the development of pensions policy. These are adopted from the Commission for Social Welfare (1986), the NESF (1984), various Pensions Board reports and the Green Paper.

- To ensure antipoverty outcomes and a minimum adequate income standard

- To ensure equity, fairness, simplicity, transparency and good governance (basic principles of good policy)
- To protect against vulnerability in a more volatile global economy by ensuring an appropriate and sustainable balance between state-led and market-led provision for risk
- To allow for some provision for income replacement
- To enable flexible mobile lifestyles consistent with the high levels of migration in modern societies
- In the context of a wider equality framework, to enable diversity and inclusion relating to ongoing work, family and life style choices on old age and to respect family formation and sexual orientation choices.

Of these principles the principle of adequacy stands out (Ginn 2004). Women, having a higher rate of poverty, will benefit from more generous first-tier pensions, but it is also the case that, as OECD (2007) found, because women rely more on first-tier pensions, generous first-tier pension schemes work best for women. Without adequacy other principles, especially the principle of economic autonomy, have less meaning. The next chapter examines three core options for pension reform by evaluating how far the different options progress the gender-specific and more general principles discussed above.

*“My long search for security in my later years has left me feeling frustrated with the Social Welfare system. I feel unvalued by the state for all the years I’ve given to caring, we were unpaid workers who took care of parents. We save the state a lot of money.”*

**Mary**

## CHAPTER FOUR

### Detailed recommendations for pension reform

This chapter develops pension reform options from a gender and antipoverty perspective. Reviewing variants of different policy combinations, it plots various reform options and discusses how they deliver the objectives of the feminist principles for pension reform developed in the previous chapter. It begins by introducing a proposal for the preferred default reform option, a First-Tier Comprehensive Minimum Income Guarantee. It then discusses, in the event that means-tested approaches are maintained, how to maximise the gender equality and antipoverty dimensions within means-tested first-tier pension regimes. The chapter moves to introduce a proposal for the preferred second-tier default option, a mandatory social insurance/pay-related scheme with a strong accommodation of care and built-in mechanisms to compensate for the gender inequalities experienced in the working life of women. It then discusses some of the reforms needed to the present social insurance system to achieve a mandatory social insurance scheme that has this strong care and gender dimension. The issue of retrospective pension justice is also addressed.

The chapter does not promote tax-supported voluntary savings and argues there are regressive anti-poverty and gender equality outcomes from all private pension savings schemes as they immediately favour only those who can afford to save, that is those who are in relatively secure and well paid employment. Better value and more secure outcomes can be achieved from investing in state-led approaches to pension provision. However, for the purposes of engendering debate about all aspects of private pensions policy, the chapter compares the gender and anti-poverty dimension of the debate about standard rating voluntary private pensions and the separate but related debate about whether private pension schemes should be mandatory. The chapter draws attention to alternative more progressive and equitable mechanisms to promote private savings and argues these could and should be considered as alternatives to tax-supported pension schemes.

#### The options

Discussion now focuses on the gender implications of three key policy reform options.

- A **first-tier option** which places the primary focus on income adequacy, a Comprehensive Pension

Guarantee. This discussion includes a variant of a means or income-tested pension.

- A **second tier** which has a primary focus on income replacement and redistribution; a mandatory social insurance/pay related with a well developed care/gender dimension capable of replacing present gender anomalies in the social insurance system.
- A **third tier** (if considered necessary for income replacement purposes or because it is considered necessary to incentivise national savings) of private pensions savings. The discussion here focuses on the possible reform options for private pension scheme and focuses on three key debates: making tax reliefs more equitable and progressive, the gender implications of making private pensions mandatory and the need for government to regulate private pension provision to ensure schemes are gender-neutral, eg requiring unisex life tables and pension splitting.

### A comprehensive income guarantee scheme

It is surely one of the most ironic features of social security systems that the more targeted the scheme the less effective it is in reducing poverty (Hassain and Kangas, 2006). There is a strong argument, therefore, from both an antipoverty and a gender autonomy perspective, to have a first-tier pension based on a comprehensive pension guarantee scheme. While the ideas and intent behind basic income has merit, the previous NWCI model for social welfare reform did not use a universal reform proposal as a template for working/aged payments<sup>14</sup>. There is no reason, however, not to consider a comprehensive income guarantee scheme for children (which is already in existence in the form of child benefit) or for old age payments. McCashin (2006) makes a strong argument for a comprehensive income guarantee scheme as a bulwark against poverty in old age. This approach would basically make a social security pension payment to all who can prove long-term residence and who are over the age of 65. The World Bank (1994; 240) praised schemes that provide benefits

*'to everyone of pensionable age regardless of income, wealth or employment history as in New Zealand and the basic pensions paid in the Nordic countries.<sup>15</sup> Administratively this is the simplest structure with the lowest transaction costs for the public pillar. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps to ensure that the poverty reduction objectives are met ...'*

**Economic Autonomy.** A comprehensive income guarantee scheme or a model of social welfare for pensions modelled on a participation income meets all the required principles of individual entitlement and economic autonomy, and so rates highly as a model that provides pension justice for all women. It offers the opportunity to eliminate the concept of qualified adults or adult dependency in the social insurance system – this will make the system easier to administer and eradicates the controversial issue of means-testing contributory payments.

**Retrospective Justice.** Early introduction of a universal pension would eliminate present issues concerning men and women not satisfying qualifying conditions for pensions and the well documented problems with average contribution test for purposes of satisfying entitlement to the main flat-rate state pension. This would be of immediate benefit to the cohort of women (and men) most disadvantaged in pensions terms, by present and historical anomalies. It also provides immediate redress for those who have suffered historical discrimination in the labour market and social welfare system.

**Ethic of care.** Such a payment is paid to everyone without recognising periods of care and/or paid employment in the Irish state. In this way it is neutral regarding care and does not punish those who have spent significant periods caring. However, if it is considered desirable to publicly reward such care work and other forms of socially useful participation, it is possible to develop a 'participation style' comprehensive income guarantee scheme which awards the income for the very fact of caring.

**Adequacy.** In order for this to be meaningful it should be adequate enough not only to lift people from poverty but to guarantee a decent quality of life. Although it is possible to offer such a payment at a lower level (a partial basic income or minimum income approach) this partial approach does not fare as well against some of the core pension reform principles outlined earlier in this report. The appropriateness and adequacy of payment rates is always a matter of political debate and recent debates have set the range at between 40% GAIE and 50% GAIE (McCashin 2006). Whatever the adequacy benchmark, the key policy is the indexation mechanism used to upgrade the pension to keep pace with average living standards.

Chapter One reflected how, of the liberal regimes, Canada and NZ offer the best examples of pension first-tier adequacy but while NZ indexes to wage increases Canada indexes only to prices. New Zealand is therefore more likely than Canada to maintain adequacy over a time period. Uprating and indexation must allow for women's longer life span and, as a matter of principle avoid actuarial calculations. The aim should be to ensure a secured, predictable and adequate income for senior life.

An adequacy benchmark of 50% Net Average Industrial Earnings would ensure quality of life and also ensure the pension income standard would increase in line with average living standards and earnings.

This form of non-means-tested pension has capacity to encourage savings over the life time and so encourage self responsible provision. It also enables people to liquidify property and other assets and so overcomes the asset rich – income poor paradox of many of Ireland's senior population. It also has the added advantage of bringing more mobility into the housing market and allowing people to trade up and down over the life cycle thereby augmenting the pension.

**Sustainability, equity and distribution.** Sustainability is a key challenge for any pension system. McCashin (2006) and Hughes (2007) estimates the combination of present and future social assistance and social insurance schemes to achieve virtually full levels of state pension coverage (98% by 2020). The cost of a comprehensive income guarantee scheme is therefore not likely to be prohibitive. This is especially the case given there are less administration costs and control resources required for a universal pension (Willmore 2003;5). The savings in administration, generally estimated to be 4% of the total cost, would easily cover the extra 2% coverage.

The sustainability of any such scheme would clearly be dependent on the level of adequacy or generosity of the universal payment. Callan (2006) observes that the cost of achieving pension adequacy in the present pension system could be met by standard rating pension tax reliefs. This would also achieve greater equity in overall distributive terms (Hughes 2007).

Progressive distribution outcomes can be achieved by making such payments taxable. The way of maximising equity or progressive distribution outcomes is income testing through the tax system. Given little desirability in maintaining the current means-tested system, a progressive income distribution (a targeted aspect to a first-tier pension), if considered necessary, can be achieved by introducing an alternative form of means testing at the other end of the spectrum by, for example, withdrawing a portion of the value of the universal pension through the tax system. Willmore (2003) argues

that it is possible to recover some of the cost of universal pensions from the rich with a moderate surcharge on their taxable income which could apply until the pension is fully or partially recovered.

Crucially it also encourages people to work longer into retirement or to only semi-retire. This contributes to maximising labour market participation, a key part of the overall pension sustainability strategy. In the context of the need to control for possible inward migration incentives for people near retirement age, most countries operate a residency requirement with a full universal pension requiring up to 50 years residence (NL) but usually 40 years (Denmark and Finland). Migrants and expatriots are accommodated by allowing 1/40th of pension for each year of residence.

### First tier – maintaining a means-tested system

Amaryta Sen (1995:12) discusses four major social costs of means testing; disutility and stigma, informational distortion, incentive distortion and administrative and invasive losses, as well as significant poverty, employment and asset liquidity traps. While some of these traps can be mitigated by tapering and careful design, Sen and others have long established the superiority of universal schemes over means-tested schemes from gender and anti-poverty perspectives (Willmore, 2003). Such means-tested systems are best kept as residual features of the social welfare system (NESC, 2002). While there is a clear need for continuing reform of social assistance (NESF, 2001), it is better to strive for as many people as possible to be covered through the social insurance system (NESC, 2002). If the comprehensive income guarantee system is not considered desirable, then there is the challenge of achieving maximum poverty alleviation and individual entitlement in a resource-tested social welfare scheme.

### Means-tested reforms to enable greater entitlement

Given that the more targeted the scheme the less effective it is in reducing poverty, it makes sense to think of reforming the present means-tested system away from the testing of 'means' and more towards the testing of 'income', thus pitching the test at a higher level and making it more likely to bring more people, and especially more women, into entitlement.

<sup>14</sup> It argued that high tax rates required to fund a universal working age adult approach mean that it will be unaffordable, impractical and politically unfeasible. Such tax rates will also have uncertain labour market implications and may cause work disincentives and increased participation in the informal economy. The NWCI have also argued that a basic income option for working age may reinforce gender-differentiated approaches to care and housework.

<sup>15</sup> This model is also used in Mauritius, Nepal, South Africa, Namibia and Botswana.

### Means-tested reforms to enable greater economic autonomy

In a male breadwinner model, carers' payments are still within the context of a male breadwinner model of social welfare regime, where the woman is defined in terms of the status of her relationship with her husband and can only access derived rights acquired by individuals on the basis of their relationship to someone who has acquired direct rights,<sup>16</sup> and when they satisfy some type of contingency and are paid as a portion of the spouse or partner's payment.

Derived rights should have no place in a feminist pensions system. Greater economic autonomy can be achieved by moving towards fuller individualisation even, within means-tested rules. There are particular obstacles to achieving full individualisation in the context of means-test and there are particular disadvantages of means testing from a gender perspective. Means-tested schemes tend to be household administered schemes. They are means-tested on household earnings and paid on a head of household basis, and therefore don't offer autonomy and financial independence. However, even in the context of household means tests there are reforms that can be made to the present system of Irish means tests. These are discussed under three headings; administrative individualisation, limitation rule and changes to the household means test formula.

#### a) Administrative individualisation

The 2002 Programme for Government committed to Administrative Individualisation for Contributory Old Age Pensions. Budget 2008 finally introduced full rate adult payments for both partners and a default administrative individualisation was introduced for all newcomers in 2008. There are, however, administrative and legal issues in maintaining this position and obstacles to making it the default option for all COAP's. Government need to restate their commitment to this policy and remove remaining obstacles to its full implementation.

Where both adults are in receipt of non-contributory old age pension (NCOAP), two full adult payments

are already paid to the household. The default option for this should be to administer individualised equal payments to couples where both are eligible for NCOAP.

#### b) Limitation rule

A significant obstacle to direct rights in the present Irish system is the limitation rule where certain couples are paid a collective of 1.7 times the adult payment rather than two separate full adult payments. This limitation rule causes difficulty for women under the age of 66 and married to or cohabiting with an old age pension recipient. This provision undermines the financial advantage older but non-pension-aged women may have in claiming a payment in their own right and makes it less likely these women will seek a payment in their own right. In addition, by not claiming in their own right, these people, mainly women, in turn are not recognised as part of the labour force and can be excluded from a range of subsequent employment schemes and training programmes, participation in which is dependent on the live register. In order for present qualified adults to qualify in their own right for a household means-tested payment, the limitation rule needs to be abolished.

#### c) Changes to the household means test formula to maximise economic autonomy

Millar (2003) and McLaughlin (2002) outlined the main aspects of a fully individualised social security system.<sup>17</sup> Full abolition of household means testing is unlikely to be a politically viable option for general social security reform, and given the regressive income distribution it would give rise to it does not pass greater distributional or antipoverty principles. Gender equality outcomes can be promoted by reducing to the maximum degree possible women's financial dependency within the family.

Millar (2002) proposes restructuring to enable an individual claim in a partially individualised means test where the claim covers the needs of just the claimant and the award is paid directly to the claimant. Various changes made to Irish household

means-testing rules are already moving in this direction. Further progress adjusting Irish means-testing formula would maximise the number of women in low income households to qualify in their own right for such payments, even if these payments are household means-tested and do not always amount to the maximum payment.

### Second tier - Income replacement

#### A Mandatory state earnings-related social insurance system

Social insurance has significant political and popular support in Ireland. This system rewards those who engage in work through paid employment. In a more limited way the social insurance system also acknowledges other socially useful work including child and elder care and voluntary work overseas. The biggest reward for participation is built into the core feature of state social insurance, that the state is willing to take its share of the risk alongside the employer and the employee or person insured. The risk of pension investment is underscored by the state and not solely by the individual as in the case of voluntary pension schemes. This is an important principle in the context of increasingly volatile global financial markets and less secure working lives.

NESC (1999), NESC (2002), and the *Programme for Prosperity and Fairness* (2000) endorsed enhancement of the social insurance scheme. This approach to pension reform has been supported by gender equality academics. McLaughlin (1999) states that: 'it will be clear that my own view is that careful extension and expansion of the social insurance system offers the most feasible route to individualisation over the next 20 years.' A previous minister Dermot Ahern (September 2001) broadly supported a direction of social security reform to improve the financial position of women and enhance the possibility for women to achieve economic independence. Chapter One concluded how mandatory state earnings-related pensions are good for women and low income workers. They have the advantage of defined benefit structure, the state underwriting the risk and the capacity to incorporate credits for caring or other periods of interruption of working life. When compared to voluntary or mandatory private schemes, mandatory state earnings schemes are far superior on gender and redistributive grounds.

**Economic autonomy.** A system based on individualised social insurance records is in effect an individualised system. With a universal first tier of individualised pensions there would be no need for qualified adult payments or for means testing of qualified adult contributory payments. In effect the outcome would be a fully individualised pension system. This eliminates questions of pension rights on the basis of sexual orientation or alternative forms of living together. Depending on the degree to which basic needs are met in the universal pension, the primary function of the social insurance pension could shift from income adequacy and towards income replacement.

**Income replacement.** Introducing an income replacement function into the Irish social insurance system requires amending the present flat rate scheme into a tiered income replacement function. Such a mandatory social insurance scheme could, for example, include a minimum payment. The scale and adequacy of this minimum payment would very much depend on whether it was supplementing an adequate first-tier universal payment or whether, in the absence of a universal adequate payment, it was in effect necessary and fundamental to meeting the principle of adequacy.

Any subsequent tiered system with an earnings-related aspect of the pension could be administered through three earnings bands, A, B, and C, with the payments designed to fulfil an income replacement function of up to a certain percentage of the average industrial wage. While Irish pay-related benefits were fully abolished in 1994, it is possible to redesign the current scheme to include a pay-related aspect. Recent social insurance reforms to include part-time workers in unemployment and disability benefits introduced a pay-related graded tier of payments.

We estimate that there will be no cost to the exchequer when the lost revenue to tax incentives on present voluntary income replacement pension schemes is factored into the system. The administrative system is already in place for such a mandatory system and with increasing use of information technology is now considerably more effective.

**Ethic of Care.** The framework for a mandatory social insurance system is already in place but to date it has not adequately compensated for gender differentials

<sup>16</sup> Direct rights are acquired by an individual on the basis of residency and satisfying some type of contingency (as in a universal scheme) or on the basis of contributions and satisfying some type of contingency for which they have paid into the social security system (as in an individualised mandatory social insurance scheme)

<sup>17</sup> Each person would have an individual right to claim financial support and no one would be able to claim financial support for another adult. The award would cover the needs of that individual only and would not include any payment for other adults in the household. Payments would be made directly to the individual. In a means-tested system a fully individualised system would assess financial means on an individual rather than a household basis and without taking it into account the resources or other income of any adults residing in that household.

in relation to care and labour market experiences. Proposals to iron out gender discrimination are discussed immediately below. While recognising that any earnings-related system will discriminate against women, it is a primary function of pensions to provide income support and it is difficult to avoid a relationship between income support and previous earnings. However, there are some mitigating design features that can maximise the compensation for care periods and minimise the fall-out from periods of disruption to working life for care. Tuominen and Laitinen-Kuikka (2003) observe that, in countries like Ireland with strong male breadwinner legacies, womens' employment patterns may equate to little more than two thirds of men. Compensating for this significant shortfall is therefore necessary in the structural design of the social insurance qualification criteria.

For women with childcare responsibilities, full interruption in paid work implies a dramatic impact on life time earning and therefore on pension accrual. As a rule of thumb, according to Tuominen and Laitinen-Kuikka (2003), for every five-year break there is a 1.5 to 2 years loss of earnings per year of interruption. A ten-year break may therefore translate into a 15-20% wage drop. This is observed in the gender pay gap. Ginn (2001) adds that because part-time work choices tend to be exercised over the same years that women are in the prime earnings years, the opportunity cost of that part-time work is high.

Leitners, (2001) detailed analysis of pension systems from a gender perspective allows us to make some key observations about what may or may not work in designing a second-tier mandatory social insurance pension. There is significant variation in how different countries design (consciously or unconsciously) structural gender discrimination into or out of the design of pension systems. Most pension systems do, however, systematically treat women differently to men and reflect gendered assumptions about the social risks of work and care-oriented protection.

The principal mechanisms for differentiating men and women are earnings-related systems which have traditionally rewarded men's occupational patterns and payments that maintain gendered division of care labour in the family. Understanding how specific design details facilitate unequal gender outcomes helps us understand

how to avoid structural design features that lead to inequality. On the other hand, understanding how equal outcomes can be facilitated by pension systems helps us identify what is required of good pension policy.

Lietner (2001) examined best practice in constructing, access conditions, qualifying contributions and benefit calculation. She observes that certain access conditions can deny women entry when they require a minimum duration of insurance coverage to be eligible or when they require minimum hours/earnings per week to be in contribution. Regarding eligibility, the longer the period on which benefits are based the smaller the benefit base in general, the higher the number of years considered for full eligibility purposes the more the system rewards men over women. Long benefit calculation periods, requiring significant years of coverage, advantage continuously high earning labour market careers which are found more often among men than women. Not all Irish access, eligibility and benefit calculation rules conform to best practice in gender-sensitive pensions design. A 40-year pension norm coverage does not reflect interruption of working life for childbirth, and this labour market disadvantage is reflected in level of pension. The smaller the required working life the better from a woman's point of view. There is a need consequently to reform access, qualifying conditions and benefit calculation rules for social insurance-based pensions so that, as far as possible, pensions policy takes into account women's inferior earnings over the life course and accommodates, recognises and values care.

From her assessment it is possible to develop the following as guidelines for best practice:

#### Access

- allowing part-time workers access (Ireland presently allows access to those working eight hours or more),
- avoiding minimum income thresholds for entry to social insurance.
- easy re-entry after periods of disruption

#### Eligibility

- short time spans for minimum entitlement
- moving away from average contribution test to a shorter time span for testing contributions,
- moving away from rewarding 'maximum number of

- years' contribution records
- allowing for a 'best of' rule over shorter periods that allows the most beneficial period to be chosen for pension assessment contribution periods

#### Benefit Calculation

- avoiding averaging over 'last' years of employment when the gender pay gap can be more pronounced
- having tiered gradual movements across contributions-based entitlements and across averaged earnings

#### Adequacy, sustainability, equity and redistribution.

From a gender standpoint an enhanced first-tier comprehensive pension guarantee by the state automatically achieves greater redistribution. However any second-tier pension system that is earnings-related will not necessarily be redistributive and may indeed widen gender income differentials. However it is possible to build more progressive income outcomes into an earnings-related social insurance scheme by, using the guidelines above, paying fine attention to the design details concerning access, eligibility and benefit calculation rules. While principles informing appropriateness and adequacy of payment rates and levels would need to be assessed on income replacement principles, there is still room for redistributive principles and for building progressive rather than regressive income replacement outcomes into such a scheme. In other words, it is possible to skew mandatory social insurance pay-related towards low-paid to the advantage of women. There is also the advantage of portability of state mandatory schemes and the fact that they can easily accommodate or include self-employed and atypical workers, many of whom are women (Nash 2006).

#### Retrospective pension justice – Highlighting the legacy of the male breadwinner.

Lewis (2003) highlights the cumulative effects of class, gender, race and ethnicity on education and social redistribution in the context of the historically developed system based on the male breadwinner systems. The legacy of the male breadwinner lives on in structural features of social security, pensions and employment which militate against full pension equality for women. The path dependency of the male breadwinner system continues to create pension inequities.

- Older women, who were forced to leave employment to spend their lives caring for their families due to the marriage bar, are now facing a situation of no entitlement to pension in their own right, or significantly reduced pensions;
- While women are increasingly able to acquire direct pension rights on the basis of their own PRSI contributions, there are still a significant number of women (60,000 in 2006) who only have derived rights to their pension: that is, they must acquire the pension through their husbands.
- The Homemakers Scheme which the Government introduced in 1994 was a piecemeal measure which will not assist women coming to pension age now, and for younger women will 'disregard' their years in care work, which is demeaning for women and will certainly not attract men to take up the provision;
- Women who have worked on family farms and in family businesses also do not have social insurance coverage, which means that they are totally reliant on their husbands in older age.
- Women who have worked in part-time, casual and seasonal employment also have broken social insurance records and are at higher risk of poverty. The Pensions Board have highlighted the low levels of coverage for lower paid and part-time workers, who are predominately women.
- Loss of independence and dignity, feelings of being a burden and embarrassment at surviving on an inadequate state pension is the experience of many older women
- Higher levels of poverty are traditionally experienced by older women .

There are two, not necessarily related, questions here:

- (1) how to address retrospectively past injustice for groups of Irish women at or near pension age and
- (2) how to avoid future pension injustice in the present working generations.

It is worth noting that immediate implementation of a comprehensive minimum income guarantee would meet both women's needs for adequacy and individual entitlement.

**Re evaluating how to value care in the social insurance system.** In the absence of such a scheme, the Irish state has to re-examine how it has treated periods of care so that women who previously spent long periods of time caring for others and women who will do so in the future will have this care valued and recognised. This means reviewing how Irish care credits are currently structured. Clearly, awarding credits of equal value to paid contributions is the most effective way to equalise periods spent caring with periods of paid employment, and is the strongest form of acknowledgement and compensation for care work.

An existing 1994 homemaker's scheme caters for people who spend periods of time – up to a maximum of 20 years – outside the labour force caring either for children or for incapacitated people. It works by 'disregarding' time spent caring when calculating a person's contributory old-age pension entitlement. When the person's contribution record is averaged, the disregard increases the likelihood of achieving eligibility criteria for the contributory pension.

This can be distinguished from a credit which would be added to a person's contribution record before the average contribution was calculated. A credit rather than disregard option was originally considered and rejected at the time of introduction of the homemaker's scheme, mainly on the grounds of cost. Since then, the 1999 *Expenditure Review of Credited Contributions* considered this issue, as did the Review of Qualifying Contributions for the old-age contributory and retirement pensions. The Credits Expenditure Review noted that disregards gave no value for short-term payments and gave a slightly lower yearly average than if credits were awarded. It was noted that disregards were beneficial for some homemakers because they were not affected by the S.57 SI 312 1996 rule, where a person with no SI record for more than two years must have 26 paid contributions before credits can be awarded.

Notwithstanding the latter difficulty, the 1999 review concluded that it would be useful to see if disregards and credits could be managed within a single arrangement.

*The Review of Qualifying Contributions* was largely satisfied that the proposal for a switch from disregards to credits was warranted. The question of converting these disregards to a system of credits was considered in the second phase of the Review of Qualifying Contributions for old-age contributory pensions and the review was positively disposed towards managing the homemaker's pension by way of credits rather than disregards.

**This logical conclusion is to value women's care work as a contribution (rather than being disregarded) and support the proposals to move from a disregard to a credit.**

The scheme is available, however, only to women registered as homemakers since 1994, to women whose children are under 12 or are in need of full-time care because of a disability. It does not extend to women required to give up work due to the marriage bar which operated until 1973. There have been consistent demands to apply the scheme retrospectively to 1973. The Review of Qualifying Contributions is broadly supportive of retrospection. However, it also notes the financial implications of greater pension costs and the difficulty of deciding a retrospection date; the administrative implications of the retrospective application of the 1994 scheme; the difficulty of ascertaining whether a person was in a care position for all of these years.

In addition, there are fears of false expectations being raised, as many of the women will still not qualify for pensions because they will not have had prior paid contributions. It raises what is probably the most serious obstacle to reform: maintaining the logic of the social insurance principle and the difficulty in finding a balance or a parity of treatment between full-time 'contributors' and those on credits. The following is supported by the National Council on Ageing and Older People. Costs made available in 2007 suggest that this would be in the region of 150m per annum (DOF 2007).

**The 1994 homemaker's scheme should be awarded retrospectively to 1973 and relevant women attributed the maximum 20 years allowed for under the homemaker's scheme.**

In the context of a move from disregards to credits and towards retrospective credits, the Review of Qualifying Contributions is very important (especially given the need to safeguard the viability of the social insurance scheme).

**Phase one of the review recommended a switch from a yearly average calculation to a total number of contributions (paid and credited) calculation, this needs to be assessed from a gender perspective to see if such a move mitigates against women.**

There are clear issues for women in the degree to which the review strikes a balance between valuing paid contributions over credited contributions and in the number of minimum paid contributions required to qualify in the first instance.

**The number of paid contributions required to qualify will increase from 260 to 520 in 2010. This is largely acceptable and in line with European norms but should not be further increased. Recommendations arising from phase two of the Review of Qualifying Contributions recommendations should be the subject of a gender impact assessment.**

In Germany care credits are constructed to guarantee a minimum entitlement to a pension guaranteed by state. This means that there is not necessarily any paid contribution required to achieve a minimum state pension. This might be a desirable feature for pension reform from the perspective of Traveller, rural and some migrant women from ethnic communities that favour traditional home-based roles for women.

**Consideration should be given to allowing a number of care credits guarantee a minimum entitlement to a pension guaranteed by state.**

**Gender neutrality.** Finally, as Tuominen and Laitinen-Kuikka (2003:14) argue, gender neutrality needs to be a feature of the care credit policy. They argue 'to be neutral the compensation must be high enough, otherwise it will not be a real alternative to men who most often are the highest earners in the family. They argue that even if the cost of a gender-neutral care credit might be higher it also means a more positive balance in labour market and care participation between men and women. It is important

to remember that, while it may appear ironic, a generous approach to crediting care has the added advantage of encouraging women back into the labour market. Making a pension easier to attain actually motivates women to return to work.

Caution needs to be exercised that this does not reinforce women's traditional care roles. A gender-neutral approach to facilitating 'parental leave' is required as well as stronger statutory rights facilitating leave for family reasons, including elder care. There are different degrees to which they are designed with other paternal rights to be accessible to men, but Sweden, for example, requires a proportion of parental leave to be forfeited if not taken up by the father. Pension care credits should also be constructed in a way that enables choice to remain in the labour market. France, the UK, Germany and Austria, for example require interruption in working life to take maternal benefits, this is not conducive to choice or sharing between genders. The system for elder care also needs to be reformed so that women are not locked into caring roles for long periods of time.

**Carers, supports need to be reformed into a carers, wage fully integrated into the social insurance system. In the absence of this, family or other carers on state-funded caring schemes need to be fully credited.**

**Pension splitting.** An alternative approach to achieve gender pension equity is to statutorily require pension splitting. With increased levels of divorce and remarriage it has become necessary to have a fair way of rectifying inequality in pension provision between both partners in a marriage. In Germany, Netherlands and Switzerland it is mandatory to split equally the pensions of both spouses.

### Third tier – Private pensions

The function of income replacement can be met by a voluntary or mandatory private pension savings system or a mandatory state earnings-related social insurance system. The Green Paper makes a strong and convincing argument that the present voluntary private tax-supported pensions system is both unsustainable and, from a gender and anti-poverty perspective, ineffective. Then it is somewhat illogical to make an

unequal, regressive, ineffective and unsustainable scheme mandatory. There seems little if any real rationale, from a gender or poverty pensions perspective, for providing regressive, costly and ultimately ineffective tax incentives for voluntary pension saving when the other option of a combined universal first tier and the mandatory state income replacement pensions scheme appear to meet all the relevant principles for pension reform.

This section therefore makes no argument for a tax-supported voluntary scheme; rather it seeks to draw out the gender and anti-poverty relevant aspects of this pension debate.

### Voluntary system of private pensions

There will always be a voluntary private market pension scheme. However, as Tuominen and Laitinen-Kuikka (2003) observe, emphasising these as a route for pensions means promoting a route that leads to discriminatory outcomes for women. The policy debate here is whether there is any real rationale from a gender and anti-poverty perspective for providing tax incentives for voluntary pension saving. As expenditure foregone on tax incentives impacts on revenue available for investment in the statutory aspects of pension provision, there is no logical argument, on any of the principles outlined to inform this pension study, to proceed with voluntary tax reliefs at the expense of strengthening that statutory provision.

**Economic autonomy.** Given that women are less likely to be working and less likely to be working in full-time employment, there is no sense in which voluntary private pension provision is likely to maximise routes to economic autonomy for women.

**Ethic of care.** The literature review in Chapter 1 makes it clear that private voluntary pension provision is the least favourable to women and has no real role in a women-friendly pension system (Ginn, 2001). Gough (2001:312) argues that the method of calculation used to determine the benefits offered by the majority of pension schemes works against the career patterns of most women. The gender pay gap into and out of occupational pensions is therefore substantial. Ginn (2004) makes a convincing argument about the unequal privatisation effect of private

pension schemes which fail to incorporate allowances for periods of unpaid caring work over the life cycle.

**Adequacy.** Non-mandatory voluntary pensions are problematic from a risk perspective. In an environment of global economic turbulence and recent exposure of severe risk in financial markets, they create a produce where in the defined contribution produce the full risk is borne by the investor. This introduces vulnerability as a factor which needs to be taken into account when discussing adequacy. The security of having a guaranteed income is crucial for many families, and many lone parents are reluctant to part with the security of a guaranteed independent income (Murphy 2003, 2008). O'Donnell & Arup (2001) argue that claimants value the stability of a regular though lower income flow over what it may be theoretically possible to earn from employment or investment.

The costs of Defined Contribution private pensions include the front loading of administrative charges, disproportionately higher administrative charges for smaller accounts and discriminatory annuity rates. There are also the problems associated with annuity structures for those with longer longevity (typically women). It is worth observing here, for example, that the Netherlands (COM 2002:90) have introduced a law which mandates private pension companies using defined contribution schemes to apply a unisex rule to averaging which equalises the amount paid to men and women (Tuominen and Laitinen-Kuikka (2003:15).

### Sustainability, Equity and redistributive justice.

So far we have pointed in the direction of a model built on a universal tax-funded payment-related to residence or participation in care and/or employment and a mandatory state income-related social insurance contributory scheme with potential for women-friendly provisions such as childcare credits. We assume, voluntary private market pension schemes will remain, but argue that there are no sound rational policy reasons for supporting these with tax incentives.

Redistribution of the cost of tax incentives for private pensions (presently 2.9 billion per annum) will help fund a more progressive and adequate universal first-

tier state pension. Tax incentives could theoretically have a role in incentivising participation in second and/or third-tier schemes. However, there is no real role for tax incentives if the universal first tier and mandatory state second tier deal comprehensively with the key issues of individualisation, adequacy and income replacement. There will, of course, be a maximum cap on the income replacement levels in a mandatory social insurance scheme, and a genuine case may be made that higher earners will need a state-regulated voluntary pension scheme to supplement the income replacement function of the mandatory state scheme. An argument for regulation is not however, an argument for tax incentives.

If tax incentives are seen to have any role, on both sustainability and equity grounds, they need to be made less regressive by, for example, making them available at the standard rate or a uniform rate to all, and by directing their value towards the poor through refundable tax credits and making them available at source. Alternatively, if promoting private savings is considered a necessary pensions policy objective, the principles of equity require instruments that produce progressive rather than regressive outcomes. In the absence of refundable tax reliefs (the only tax mechanisms that can assure theoretical equity), a scheme similar to SSIA's is the preferable mechanism from a gender and anti-poverty perspective, to promote private savings.

As discussed above, tax incentives offer little anti-poverty outcomes. They are costly in terms of revenue forgone. Hughes (2007) has demonstrated that tax incentives are utilised more by men, and most of all by male higher earners, and they are, in the context of the present Irish system, very regressive.

**Future reforms must mitigate the costs and the regressive character of these tax expenditures. If it is considered necessary to retain pension tax incentives they must be capped and only available at the standard or agreed nominal rate (for example 10 or 15%) and accessible to all through a system of refundable tax credits.**

### Mandatory system of private pensions

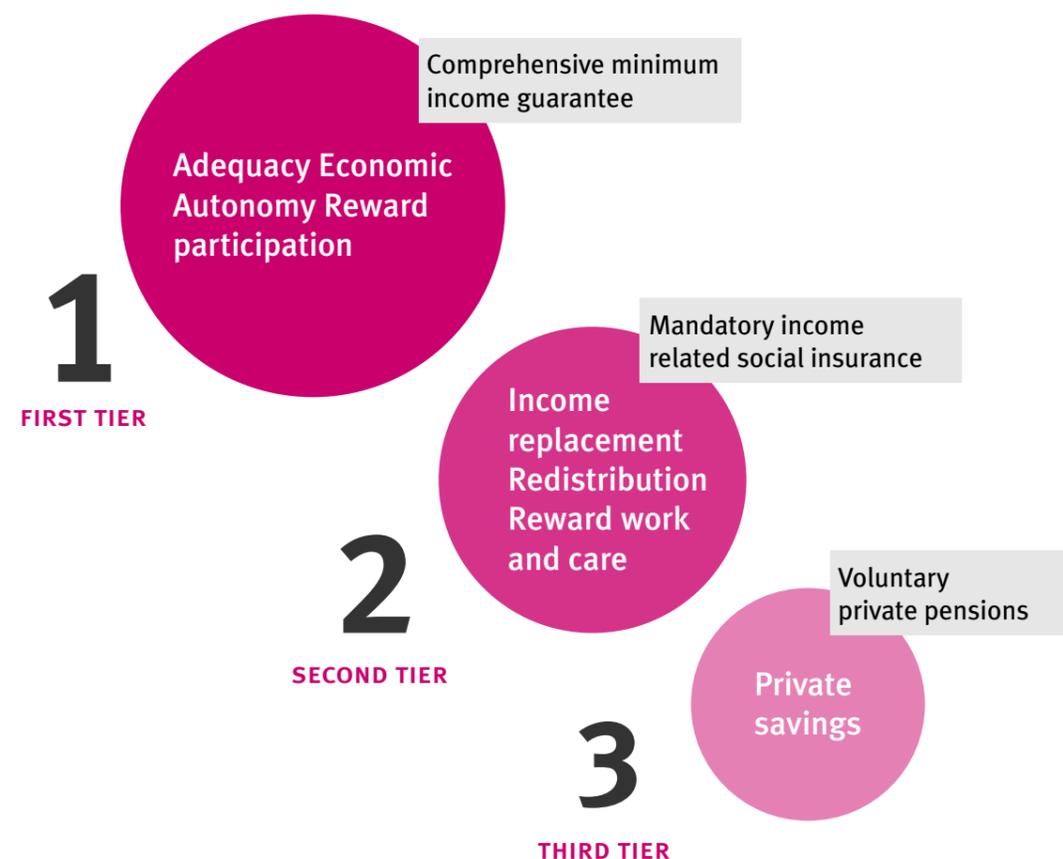
The core pensions debate in the green paper revolves around the issue of whether to make mandatory the present voluntary system of private pensions. Hyde, Dixon and Drover (2004), strong advocates of a mandatory private pension scheme, acknowledge that women are disadvantaged in earnings-related schemes, public and private. They argue, against Ginn (2004), that while voluntary private schemes offer no compensatory mechanism to offset these disadvantages, state-mandated private schemes have the possibility, if political will is there, to prescribe that such schemes protect vulnerable public interests.

While it is true technically that government can subsidise particular membership categories, they fail to locate one example where governments have chosen to subsidise women temporarily outside the labour market because of childbearing or caring responsibilities. While Dixon et al (2004) outline some examples of good practice in mandated private pension schemes, the only reference to accommodating care is the provision for women to voluntarily affiliate and pay contributions when out of the labour market. This proves the point that women in mandated private schemes are on their own. The possibility of social compensation for periods of care, while technically possible is never a political reality in a scheme based on individual provision rather than collective solidarity.

Given the already strong equity arguments against tax-supported voluntary private pension schemes, there is no rationale for mandatory tax-supported private pension schemes. Mandatory contributions to private schemes, while logically identical in purpose to mandatory state schemes, carry the opposite disadvantages. They are defined contributions, the individual carries the risk and there is no provision for periods of interruption of paid employment for caring or other reasons.

A gender-sensitive pensions model will avoid mandated private pensions in favour of second-tier mandatory-earnings related social insurance schemes. This is the case even if tax supports are reformed to maximise progressive income distribution outcomes.

Figure 7. NWCI reform option for Irish pensions



### Reform options to achieve gender-specific and general pension principles

Throughout this report we have drawn attention to the fact that some versions of pension reform automatically lock in strong gender equity dimensions while some versions, on the other hand, embed negative outcomes from equity, care and individual autonomy perspectives. This is true at the level of structural design as well as at the level of regulatory detail in each scheme. From an anti-poverty perspective, for example, third-tier private pension schemes make no contribution to pension adequacy and are, therefore, a low priority for public investment and have little place in a pro-woman model of pension reform. Rather, as Ginn (2001, 2004) concluded,

there is an obvious default model for pension reform that maximises both gender equality and anti-poverty outcomes. This default model embeds gender equality objectives into the structural design of the pension model. The NWCI will advocate this structure for Irish pensions. The following section develops this structure by charting what is required in Figure 7 and then outlines in more detail policy terms to achieve the main outcomes required of this model of pension reform. Where relevant a time scale is indicated.

### Detailed recommendations and relevant time lines

#### Comprehensive Pension Guarantee

- Make adequacy the core function of first-tier pensions
- Introduce an adequate universal pension for all over 66 and resident in Ireland for a minimum of ten years with a value of 1/40th pension for each year of residency.

This would require a considerable lead-in time for full implementation, but a decision in principle to move in this direction could then guide other more immediate reform options

#### Means-tested recommendations

The means-testing system needs comprehensive reform to ensure maximum coverage and maximum level of individual entitlement within a partial household resource test.

- Full individualisation of household-based old age non-contributory pensions
- Introduction of means-tested parental allowance as discussed in DSFA (2006).
- Abolition of the limitation rule and the qualified adult allowance and changes to the household means test formula to maximise economic autonomy
- Reform of carers allowance/benefit to a 'wage', facilitating care of older and infirm people to be valued as paid work
- Information campaigns, administrative changes and resources to ensure consistency in regional application of guidelines, so each adult is exercising their full potential to be a claimant in their own right.

All of these are already live policy options and some have already been under detailed examination and are fully costed. Subject to administrative resources being made available these options could be fully implemented within two years.

#### Social Insurance recommendations

Introduce an income replacement function into social insurance and introduce a gender-sensitive income replacement function into social insurance old age contributory pension by

- Ensuring maximum eligibility by ensuring short time spans for minimum entitlement, moving away from average contribution test to a shorter time span for testing contributions, moving away from rewarding 'maximum number of years' contribution records and allowing for a 'best of' rule over shorter periods that allows the most beneficial period to be chosen for pension assessment contribution periods
- Ensure that benefit calculation advantages women by avoiding averaging over 'last' years of employment when the gender pay gap can be more pronounced, and having tiered gradual movements across contribution-based entitlements and across averaged earnings
- Maximise access by enable easy re-entry after periods of disruption by reforming the S.57 SI 312 1996 rule, where a person with no SI record for more than two years must have 26 paid contributions before credits can be awarded, and amend social insurance contribution rules to enable relatives assisting, including spouses of self-employed and farmers, to be insured as employees
- Accommodate care and address previous pension injustice by reforming homemakers'

disregards into credits and awarding these retrospectively from 1973.

- e) Promote a gender-neutral care ethic by introducing paid parental leave benefit for parents of young children
- f) Acknowledge the previous injustice of the ‘marriage bar’ with a once-off ring-fenced retrospective scheme

While a decision to incorporate an income replacement function into the social insurance system would take some time to consider, and at least a five-year time period to implement, most other social insurance recommendations could be achieved within a two-year period.

#### Voluntary pension recommendations

- a) There are various tax reforms that could bring greater equity and more progressive income distribution outcomes. These range from full abolition of tax relief for private pensions to restricting such relief to standard rate relief, introducing more stringent caps on the use of reliefs and APFs and making tax refundable all pension tax relief
- b) Examine options for a non-regressive non-tax-based pension promotion tool – like SSIA – and make it progressively more beneficial for lower and non-earners
- c) Encourage credits unions, MABS or financial regulator to introduce a state-backed low-charges produce for low income earners
- d) Regulate to require unisex life plans and pension splitting

While developing alternative approaches to promoting private savings could take a number of years, the fiscal reform advocated to bring about greater distributional equity could be enacted over a period of annual budgets. Regulation for unisex life tables and pension splitting could be achieved within two years.

#### Governance issues in Irish Pensions

It is a key objective of this report to bring a gender dimension to the Irish pension debate. This cannot be done without gendering the governance systems that debate and make decisions about Irish pension reform. The Irish political culture based on strong patriarchal values (O’Connor 2008; Yeates, 2003; McLaughlin, 2001) has influenced both the policy process and the policy content. As O’Connor and Murphy (2008) observe, lack of gender equality participation in all aspects of the Irish policy-making community (political, bureaucratic, corporatist, Church and academic) is a significant obstacle to gender-related social security reform’s progression. Women require a critical mass to reinforce points made by individual women. Cousins (2005), notes how women play an important agency role in the development of the social security system. It is crucial then that the Irish women’s

movement, as an actor in the pension policy community, responds to the challenge of engaging in pension debate.

Pressure for Irish pension reform has been significant. However, as discussed in Chapter One, there has been little gendering of the pension debate. Debate is instead stakeholder-driven and like other elite-driven privatisation policy processes (Chari and McMahon 2003) largely dominated by the representatives of private industry, in this case the pension industry. All pension systems, public and private, voluntary and mandatory, require governance arrangements that enable transparent and accountable management and regulation of such key resources. There are gender and anti-poverty dimensions to governance in terms of equal participation and policy proofing systems. Pension governance needs to be accountable, transparent and equitable.

Recommendations for future pension governance.

- That the Pensions Board membership be augmented with a specific NWCI representative.
- That all Pensions Board publications undergo a published gender-proofing exercise and all Pensions Board data be gender disaggregated. That Pensions Board commission qualitative and quantitative research to fill data gaps regarding women and pensions, this should include a gender impact assessment of the distribution outcomes of pensions tax reliefs.
- Given the focus on Social Insurance in the development of Irish pensions, it is necessary to enhance social insurance governance. This could be done by establishing a National Social Insurance Board with membership from the social partners and specific membership for NWCI.
- There is a need for a specific review mechanism for Benchmarking and indexation mechanisms for child, working aged adult and pensions. A process should be agreed to ensure a regular five-year review mechanism.
- The NWCI recommends that this report be examined by the Oireachtas Committee on Women’s Affairs and within the implementation structures of the National Women’s Strategy.

The NWCI as a social partner is committed to pursuing this pension reform agenda through social partnership and ensuring a gender analysis is incorporated into the evolving Developmental Welfare State framework which underpins the ten year Towards 2016 national agreement. Two aspects of this framework are critical to pensions. It will be necessary to ensure that the life cycle approach to policy is able to incorporate the reality of cumulative disadvantage that women (and others) experience across their life cycles. Of the three overlapping policy domains noted in the *Developmental Welfare State*, the relationship between income supports and public services is crucial. The more public services are adequate to the task of securing quality of life the less pressure there is on first-tier pension adequacy. The inverse is also true.

#### Conclusion

This report sought to gender Irish pensions debate and to develop practical pension reform options from a gender and anti-poverty perspective. It has argued for a default reform option, a First-Tier Comprehensive Pension Guarantee combined with a default reform option for Second Tier pensions – a Mandatory Social Insurance with an income replacement function and a strong accommodation of a care ethic, a principle of economic autonomy and built-in mechanisms to compensate for the gender inequalities experienced in the working life of women. The report discussed some of the reforms needed to the present social welfare and tax systems (presented in summary form above). Recognising that the preferred NWCI reform options may not be governments’ option, the report also engages what is required to maximise the gender equality and anti-poverty dimensions and more fully incorporate an ethic of care and principles of economic autonomy into a remaining first-tier means-tested and social insurance pension regimes.

The report argues strongly against tax-supported voluntary savings approaches to pensions, and argues that there are regressive anti-poverty and gender equality outcomes from all private pension savings schemes and especially from mandatory schemes. It argues that, at the very least, voluntary private pensions should only be accompanied by standard rated tax relief and that this should be capped and that alternative, more progressive and equitable, mechanisms to promote private savings should be investigated. The absolute priority, from a gender and anti-poverty perspective, is however investing available public resources in universal and social insurance approaches to pension provision. This will not happen without ensuring that governance mechanisms for Irish pensions facilitates Irish women’s voices to be heard clearly in Irish pension debate.

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## APPENDIX A

### Equality assessment

A basic equality assessment shows serious limitations in the present model of pensions for people with disabilities, non-nationals and Traveller communities and especially for women in these communities. The proposed reform will not totally resolve the barriers to accessing social insurance coverage for groups which, for different reasons, have inadequate access to employment, and related inadequate exposure to social insurance.

However, an adequate universal first-tier scheme will go a considerable way to ensuring that everyone, including groups facing structural labour market or other discrimination, has access to a basic social welfare payment adequate to basic needs and participation. While the general nature of social assistance payments can cause problems like stigma and unemployment traps for all recipients, the lack of independent entitlement to social assistance payments can cause much more extreme problems for women trapped in violent relationships. Therefore a universal approach for first tier of pensions can only be welcomed from an equality perspective

### Marital status

#### Divorce

In relation to divorce, Yeates (2001) points out that legislation now allows women to retain eligibility to benefit entitlements earned through a previous marriage. Social Welfare Bill No 2 was introduced before the divorce referendum in 1995. It provided for the necessary changes in the social welfare codes to ensure that no spouse would be disadvantaged in terms of his or her social welfare entitlement as a result of his or her legal status being changed from married, separated or deserted to divorced. This clear system of derived rights to social insurance benefits now means that, in theory at least, a number of derived claims could be made from the one contribution record. Given the high risk of poverty among divorced women elsewhere, the comfort factor of derived rights may have been necessary in encouraging the electorate to accept divorce. A social insurance model, however, now needs to find both an interim and a long-term way to turn these derived rights into direct rights. This is a strong motivating factor for enhancing social insurance individualisation and making it a woman-friendly mandatory second -tier system.

#### Lone Parents

The security of knowing there is an adequate universal payment in old age is likely to benefit lone parents and their children, and may give them more confidence to enter and exit new relationships.

#### Violent Relationships

Control of money is used as a way of entrapping women in violent relationships. Independent access to social assistance payments for married and cohabiting women is essential if they are to be empowered and enabled to exit violent relationships.

#### Migrants and returning emigrants

A residence-based universal approach to first-tier pensions will have serious implications for migrants. Much depends on whether there are minimum residence requirements and how long they are and to what degree proportionate lengths result in only proportionate payments. There will also be problems with documented proof of residency. Most migrants enter Ireland young and have the opportunity to develop a social insurance record, but many will be working in the informal economy and may not enter social insurance. The role and status of women in some cultures will mean that it

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will be difficult for women to establish and maintain a social insurance record. A special information campaign may be needed to inform migrants and returning emigrants of the social insurance system and the long-term implications of non-coverage.

#### **Traveller Community**

There is little formal economic activity among the Traveller Community and that leads to little social insurance coverage and little eligibility for social insurance. This will be even more problematic for traveller women (although they tend to be active participants on labour market programmes and may enter the social insurance system in this way). Given that many travellers will enter social insurance through community employment and other labour market programmes, pre-entry credits and targeted information campaigns will be important in this regard.

#### **People with a disability**

With a 80 per cent unemployment rate, disabled people's access to social insurance related payments is very problematic. Therefore the issue of independent access to a pension guarantee is of as vital importance to this group as it is for women.

#### **Sexual orientation**

The reform is likely to have positive impacts on the sexual orientation ground of equality legislation. The NWCi supports the extension of transferability of tax credits and social insurance and voluntary pension rights to cohabiting couples and same sex couples.

#### **Poverty proofing**

Poverty proofing guidelines require the policy-maker to consider:

- If the proposal increases the level of poverty, what options might be identified to ameliorate this effect;
- If the proposal has no effect on the level of poverty, what options might be identified to produce a positive effect.

This proposal, if implemented at an adequate level, will reduce the level of consistent poverty and relative poverty in Ireland. Implementation of the proposed model should contribute to the achievement of the NAPS global poverty reduction target of less than 2 per cent living in consistent income poverty by 2007.

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"My work on the farm, as a homemaker and as a mother are not recognised or valued by the State." Lily

"I had no choice. I want to see major changes in the Social Welfare System. Those of us who were DENIED voluntary contributions should be credited for all the years we spent caring for others -" Anna

"A grave injustice has been done to women who had to give up work because of the marriage bar." Anne

"A pension would at least be an Acknowledgement of work done by stay at home mothers' Eithne.

"I am also a victim of the "marriage bar" and one of Ireland's forgotten Women, thank God I had a generous husband' Anne

"I am DEPENDENT entirely on my husband's income for every penny I need" May

"The wording in the social welfare system needs to change to call women qualified adults or dependent adults is derogatory to women" Brenda