National Women's Council of Ireland
Comhairle Náisiúnta na mBan in Éirinn

Submission to the Department of Employment Affairs and Social Protection on the Automatic Enrolment Retirement Savings System for Ireland

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Executive Summary

The National Women's Council of Ireland’s (NWCI) core position on pension equality is that only direct personal access to pensions for all women, which takes into account the reality of women’s lives including their role in providing unpaid care and predominating in low paid, precarious and part time work will ensure economic independence for all women.

We have consistently argued that a universal pension system which gives both women and men equal access to a comprehensive pension guarantee is the best way to support equality in older age. It would be the best solution to addressing low coverage and income adequacy. NWCI argues against an employment based second tier as such a system will compound inequalities between men and women. However, as parameters for reform have been clearly set out in the consultation document, we have put forward our feedback on the outlined proposals for your consideration.

Summary of Recommendations

NWCI’s response to these proposals reflects our model for comprehensive pension reform. Our model sets out recommendations which would not only support women but also benefit many low income groups who experience cumulative labour market disadvantage and a subsequent high risk of poverty in old age.

The analysis, proposals and lived experiences remain highly relevant in the current context and inform much of this submission. NWCI would encourage the Department of Employment Affairs and Social Protection (DEASP) to have serious regard to this model as a crucial context for any consideration of pension reform in Ireland. This model is the best guarantee for women’s independence and equality. Women’s experiences and testimonials should be acknowledged and central to the planned reform of pension policy.

We urgently need a comprehensive gendered approach across all social protection policies, incorporating child care supports, better maternity and paternity benefits, closing the gender pay gap as well as the introduction of family friendly employment policies to address the factors that limit women’s access to pensions due to underlying inequalities in the labour market. This is critical as inequalities that older women face are built up over a lifetime.

NWCI's submission recommends the following;

- **Initiate the introduction of universal state pension to be phased in over an agreed number of budgets[1]**
- **Resource a Gender Impact Assessment and a comprehensive assessment of costs in terms of tax expenditures on any proposed Auto Enrolment scheme.**
- **Enshrining the commitment to indexing the state pension to future wage and prices increases in legislation to counter concern that the introduction of a supplementary scheme could reduce political commitment to maintaining non-contributory or contributory pension levels.**

[1] This was a recommendation of the Joint Oireachtas Committee on Social Protection Review of the State Pension July 2017 and is supported by Social Justice Ireland(https://www.socialjustice.ie/sites/default/files/attach/publication/5197/universalstatesocialwelfarepension.pdf) and Tasc

Introduction

The National Women's Council of Ireland (NWCI) is the leading national women's membership organisation in Ireland. Established in 1973, it represents a membership base of over 180 groups and organisations across a diversity of backgrounds, sectors and locations and is committed to the promotion of full equality between women and men.

NWCI welcomes the opportunity to make a submission to the Department of Employment Affairs and Social Protection (DEASP) proposals to develop an Automatic Enrolment Retirement Savings System for Ireland under strand two of the Pensions Roadmap. Gender-sensitive pension reform is a priority for NWCI and our members.

We welcome the ambition set out in the Governments Pension Roadmap that reforms will "ensure fair outcomes for men and women" and the commitment to maintaining the state pension as the bed rock of the system.[2] We welcome the commitment in the National Strategy for Women and Girls 2017 - 2020 that "future pension policy reforms will be gender proofed to assess their impact on women as well as men", and we look forward to seeing the gender impact assessment of the Auto-Enrolment proposals being published.

Over reliance on private pensions as a means to expand coverage and guarantee adequate income on retirement has failed. Two thirds of private sector employees have no supplementary pension. Personal and occupational coverage remains low. In order to guarantee pension equality for women, we must address existing injustices in the pension system as well as ensuring they do not occur in the future. The introduction of a universal state pension is the best guarantee for equality and dignity for women in older age.

[2] Government of Ireland; A Roadmap for Pension reform 2018 - 2023

NWCI notes the intention of the DEASP to support income adequacy and living standards for older people and their proposal to increase coverage through the development of the auto-enrolment scheme. Tying reform of the pension system more closely to the employment and earnings could exacerbate gender inequalities, given well researched gendered patterns of part-time and precarious employment. We are concerned that resources directed to the development of administrative and management supports for this system will be diverted from first tier pensions without a clear analysis of how this will impact women and workers in low-paid, part-time and precarious employment.[3] We are concerned that this will not address the gender pension gap. Women will only be able to afford supplementary savings if their earnings during their working lives allow it. Current labour market inequalities will preclude women from this scheme. A recent study from the Economic and Social Research Institute concluded that women's disposable income was more affected by long-term budgetary policy.[4] This demonstrates the importance of public investment being scrutinised using a gender and equality proofing framework.

Submission structure

This submission will look briefly at the current context for women and pension policy in Ireland before setting out, as requested in the consultation, some of the central policy goals for consideration. NWCI's submission was developed following consultation with NWCI's membership and engagement with academics working on pension policy. Our responses reflect the lived experiences of the women that we have worked with and that have contacted us in huge numbers over many years. This submission , like previous contributions to the pension debate from NWCI, is underpinned by our vision of Ireland where men and women enjoy the same power to define their lives and contribute to the shaping of the world around them, sharing both care and employment.

[3] Insecure & Uncertain'; Precarious Work in the Republic of Ireland and Northern Ireland, ICTU 2017
[4] ESRI(October 2018); The Gender Impact of Irish Budgetary Policy https://www.esri.ie/pubs/bkmnext367.pdf

Principles

Stated Government principles underpinning Ireland's pension system are as follows;

- **Adequacy** – the fundamental role of State pension policy is to prevent poverty for older people in terms of relative income and indeed realising a further ambition of a decent standard of living through indexing future increases in the pension to increases in wages and prices. Clear income adequacy indicators such as those developed by the Vincentian Partnership in their Minimum Essential Budget Standards research should be referenced.
- **Sustainability –** Debates about affordability now and into the future cannot take place without the examination of the tax expenditure directed to private pensions and low levels of employer contribution within in the OECD. It was estimated that in 2014, 72% of pension tax relief went to the top twenty percent of earners and five percent of the population are getting fifty percent of the tax relief.[5]
- **Equity** - Fairness across genders, economic groups and intergenerationally should be at the core.

Each of these general policy principles has a gender dimension. However these general policy considerations also need to be augmented by a few critical **Gender-Specific Principles**;

- **Economic autonomy -** Financial autonomy and individual entitlement are core characteristics of a feminist pension model. The key challenge is to move to a model of pensions where women have direct pension rights.
- **Simplicity** – People have a right to understand their pension information, there is a need to structure pensions so that older workers and pensioners have clear transparent pensions that allow them to plan work, retirement and savings;
- **Redistribution** – ensuring a net redistribution from higher to lower income groups in the financing of pensions and the structure of pensions in payment. Tax relief is costly in terms of revenue forgone and offers few equality and anti-poverty outcomes.

[5] Collins, M.L. and G. Hughes (2017). Supporting pension contributions through the tax system: outcomes, costs and examining reform. Paper to the Irish Economics Association Annual Conference, May 2017

- **Risk** – the economic and financial risks of pension provision should be shared across the state, employers and employees.
- **Labour Market Equality -** Gender inequality in pensions is primarily a function of cumulative labour market inequality. A woman-friendly pension policy must include measures to address gender inequality in working life and reforms to support and maximise levels of female 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, respected and rewarded and that enables women or men to have pension cover and maintain pension contribution records during key stages of care. Care represents a crucial social and economic contribution to intergenerational social reproduction and as such should be a central consideration in pension policy.
- **Equal sharing of care obligations -** It is important to recognise that 'Care always costs' and that allowing that cost to be carried by individual women in reduced income and pensions is neither 'cost neutral' nor acceptable. Moreover, any method of facilitating and/or compensating for time spent caring should not disproportionately lock women into long-term patterns of caring. The State needs to invest in care infrastructure, and develop parallel policies promoting men's full engagement with care obligations, such as statutory family-friendly leave including paternity leave and promotion of work/life balance in traditionally male sectors.
- **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 indeed 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.

Gender and Pensions

Analysis of the gender dimension of different pension reform options is essential. Women comprise a majority of the older population and are more likely to live longer. Any savings scheme must finance a longer period of life. Women's access to pensions in Ireland was historically restricted and reflected that idea of a male breadwinner model which underpinned so much of Ireland's social welfare, taxation and employment policies. This had many manifestations, one example of which was the Marriage Bar, whose effects are still felt by many older women each week in a severely reduced pension.

Policy makers need to ensure that the pensions system as a whole is not predicated on male lifetime patterns of work and earnings. NWCI believe it is crucial that women's continuing experience of lower earnings, fewer years' employment and greater contribution to unpaid care work should not be compounded by exclusion from an adequate, independent pension in old age.

There are many specific aspects of pension design that can impact on women's financial autonomy in old age. These include; 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; and the adequacy of first-tier state pensions on which women rely disproportionately.

Currently, far fewer women than men in old age have independent access to pensions and the level and sources of their income in old age differ significantly from those of men. These differences arise from both past and current differences between men and women in relation to their roles and remuneration in the economy and in the family.

Ireland's Gender Pension Gap is currently 26%[6] and the recently published National Strategy for Women and Girls 2017 –2020 has rightly identified the closing of that gap as a priority. The pension equality gap is decreasing but this stems from overall decreases in private and occupational pension coverage that took place during the financial crisis. This coverage varies greatly across female dominated occupational sectors with coverage in hospitality and retail remaining low.

Women still earn less, work fewer hours and withdraw from the labour market to a greater extent than men. This has been further compounded by the worrying rise in precarious work with many of the sectors where women predominate such as retail, care work, early education and hospitality at the very frontline of aggressive casualisation.[7] The widespread use of non-fixed hours and short term contracts leave many women with inconsistent contributory records. Many years on from the Marriage Bar, a whole new generation of women are facing a serious gender pension gap. Non-fixed hour contracts make it almost impossible to plan regular payments and can limit access to mainstream credit or bank accounts, let alone pension schemes.

The prohibitive cost of childcare continues to hamper women's participation in employment. For lone parents, the majority of whom are women, childcare cost is the highest in the OECD. New research from the ESRI and Pobal has documented that lone parents spent an average of 16% of their disposable income on childcare.[8] There are ongoing lifetime income effects from the lack of a publicly subsidised childcare system for women and families and more specifically women parenting alone.

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[6] EUROSTAT compiles a Gender Pension Gap for the EU Pensions Adequacy Report, which includes all three pension pillars (State Pensions, Private Pensions, and Occupational Pensions). While state pension levels are effectively at parity for men and women in Ireland, this indicator demonstrates that, among those pensioners with additional pension income, we have a gender pension gap of approximately 26%, compared to 37% in EU28. Between 2009-2016, this fell by 10.6% in Ireland, compared to 3.9% in EU28. The fact that the Gender Poverty Gap for over 65s is higher in every country with a lower Gender Pension Gap than Ireland indicates that the gap in the latter is largely among the higher income pensioners, and results from the existing approach to occupational and private pension outcomes in Ireland, rather than the State pension system.

[7] Tasc (2018);Living with Uncertainty: The Social implications of Precarious Work. Alicja Bobek, Sinead Pembroke and James Wickham

[8] ESRI & Pobal (2018); Maternal employment and the cost of childcare in Ireland. Helen Russell, Frances McGinnity Eamonn Fahey and Oona Kenny

Many of those on insecure contracts including younger women and women from a migrant background are aware that they are not building up sufficient contributions to ensure an adequate contributory pension under the current criteria. They may therefore expect to rely on a weekly non-contributory pension. In a context of constantly insecure earnings, security of income in older age becomes a priority. There can be a real concern amongst workers that a small private pension might provide unpredictable returns while also serving to jeopardise their means tested entitlement to a public non-contributory pension.

The design of any supplementary scheme needs to reflect and understand the reality of women's working lives. The Low Pay Commission 2016 found that 60% of minimum wage workers were female. In 2014, 50% of women workers earned less than 20,000 per annum.[9] Women continue to concentrate in lower paid occupations and in private sectors with lower pension coverage. We are witnessing deepening gendered occupational segregation into precarious part-time non-pensionable work. Women involved in seasonal work, piecework and short-term contracts have particular vulnerabilities. Moreover, lower incomes can be very low indeed. In-work poverty is a serious problem with many families relying on social protection subsidies such as the Working Family Payment (WFP) in order to get by on a week to week basis. Women accounted for 70% of PT workers in Q4 2017.[10] The EU Country Specific Recommendations in 2018 noted that the employment rate of women remained below the EU average in 2016, at 64.2%, with many moving into inactivity or part-time work because of caring responsibilities. Women experience more broken patterns of labour market participation due to care responsibilities. Women usually take leave for caring responsibilities because it represents a lower loss of earnings than is the case for many men. They then lose out on years of pension building and promotional opportunities.

[9] LPC (2016) The preponderance of women on the national minimum wage, Dublin LPC http://www.lowpaycommission.ie/publications/women-on-nmw-report.pdf
[10] CSO(2018) Labour Force Survey

Second Tier: Supplementary Pension Policy

Organisational Structure

Costs to establishing the central processing authority are missing from the consultation document. Costs have been projected as being as high as €700 – 800 million.[11] It is not clear that this is the most efficient and best use of the public finances without an analysis of the costs involved.

A key concern in relation to any supplementary system would be ensuring that there are adequate governance systems which will guide it and hold it to account. Moreover, if a scheme is publically subsidised then there must be a chain of accountability not just to its customers but to the wider society. Any public supplementary pension system should be ring-fenced and protected from redirection into any other area of public spending. The fund should also be subject to ethical, environmental, human rights and equality criteria, both in terms of its operation and its investment policy. This would be in line with the wider policy, promoted by NWCI and others, of attachment of social criteria and social clauses to all areas of public spending.

If private pension funds are included within a supplementary system, it becomes more difficult to provide such comprehensive accountability. Traditionally, the governance guidelines of investment funds, place maximisation of return as the sole or primary ethical responsibility. While the State may not always be able to change investment policy through regulation, it retains a clear responsibility to set criteria around which kinds of funds it will or will not provide matching funding towards. The State should require the incorporation of environmental, social and governance (ESG) factors into investment decisions as outlined in the UN Principles for

[11] Initial estimates by Collins and Maher indicate that auto-enrolment could have cost an additional €807m in additional tax expenditures in 2014, or €698m if enrolment was limited to those earning more than €25,000
(Collins & Maher, 2017).

Responsible Investment (UNPRI)[12]. Governance and the maintenance of a clear chain of accountability can be particularly difficult given the long term nature of pension investment, the often rapid takeovers or mergers within the financial services industry and the shifting sometimes unstable nature of the investment landscape.

An alternative to a private pension focused supplementary scheme could be a **Public Supplementary Pension Scheme** based additional payment attached to the already widely accepted social insurance contribution system with a goal of improving income replacement levels. These payments could be automatic with an opt out option. Building on an already established system which reaches nearly all workers and employers would make it easier to reach not only employees but also employers and therefore ensure that those employers deliver their matching contributions. Directing the supplementary payments through a single state system also makes it easier to incorporate subsidised contributions to recognise care or mitigate precarious work. Moreover, social insurance records are already set up to support 'the pot following the individual'. Lastly a public option offers greater accountability and potential for best practice in governance and investment.

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. A supplementary pension which builds on the current established social insurance system will offer more potential to integrate different forms of contribution.

If a wider second tier supplementary system to be put in place, it is essential that at least one option available to employees should still be a state owned and operated retirement investment fund, ring-fenced and accountable not only to customers but to citizens. Credit unions, MABS, the financial regulator or An Post could possibly play a role in introducing a state-backed low-charges product for low income earners. State-mandated private schemes have the possibility of

[12] https://www.unpri.org/

ensuring that such schemes protect vulnerable groups or subsidise particular categories of workers.

A lack of gender analysis in decision-making has often been a significant obstacle to effective or sustainable social security reform. It is crucial that the Irish women's movement and organisations like NWCI are recognised as central actors not only in pension debate but in subsequent implementation oversight and governance of any final pension policy.

Target membership

There is a need to ensure more women on low incomes can benefit from the introduction of auto-enrolment as we know women predominate in low pay will be at risk of exclusion. More people could be included in the scheme through the abolition of the income thresholds, where they could avail of and benefit from the employer and government contribution.

It is important that any scheme would accommodate short or inconsistent work periods with easy re-entry after periods of disruption and accommodation of periods without employment. Access to the scheme must encompass part-time workers rather than impose minimum income thresholds. It is not clear whether combined earnings from part time jobs will be counted towards meeting the income threshold. However, care should be taken so there is no economic advantage for employers in favouring shorter contracts. If someone not eligible decides to join, does this then compel his or her employer and the state to make a contribution?

There have been increases in employers hiring people on a self-employed basis and avoiding costs associated with direct employment.[13] Excluding self-employed people from the scheme may encourage employers to change the status of some employees to self-employed, leaving employees with no social protection.

[13] Tasc (2018);Living with Uncertainty: The Social implications of Precarious Work. Alicja Bobek, Sinead Pembroke and James Wickham

It is essential that any system should learn from the failures of the current tax relief system and ensure that disproportionate benefit or advantage (including the advantage of a wider range of options or subsidisation of more expensive management costs) does not accrue to those on higher incomes. Principles of redistributive progressivity must be incorporated into any scheme.

A mechanism would need to be developed to ensure that those, usually women, who contribute socially and economically through the provision of care, are not disadvantaged. A type of **auto-enrolment care credit** could be designed into the system. Awarding credits of equal value to paid contributions is the most effective way to equalise periods spent caring with periods of paid employment, and the strongest acknowledgement and compensation for care work. Any Government subsidised supplementary scheme could risk deepening the gender pension gap by allowing further omission of care.

We propose removing all age thresholds as set out in the consultation documents. State retirement age will be 68 in 2028 and it cannot be assumed that all young people are in third level education.

Current Private Pension Tax Expenditure

The current tax based incentive system for pension savings is regressive. The structure of the incentive discourages regular pension savings from those on low pay and or with irregular work patterns. In 2008 NWCI cautioned against tax reliefs for private pensions as an approach to delivering improved pension coverage. These concerns have been vindicated as despite extraordinary cost to the public exchequer such reliefs have failed to deliver results. There has been little change in coverage levels over the last twenty years, particularly for those on lower incomes. Moreover thanks to a marginal rate approach the bulk of the tax benefit and associated social transfer has been received by those on already high incomes and more likely to have a private pension regardless of incentive. Costly in terms of revenue forgone, they offer few anti-poverty and equality outcomes.

Given the already strong equity arguments against tax supported voluntary private pension schemes, there is little 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 usually carries the risk and there is no provision for periods of interruption of paid employment for caring or other reasons. Moreover, following the economic crisis and the massive devaluing of many pension funds, NWCI believes there are serious questions as to the cost/benefit of risk and return in many such funds.

A number of tax reform options have been mooted to improve the poor income distribution outcomes of the current system. These include a move from a marginal rate of tax relief on private pensions, which disproportionately benefits higher earners, to a standard or standardised rate of tax relief, a change committed to in in Ireland's Memorandum of Understanding with the Troika but never implemented. NWCI believes the abolition of all tax relief for private pensions and redirection of the savings towards redress of the gaps in our first tier pension is the most equitable process go address this inequity. A gender-sensitive pension's model would avoid mandated tax subsidised private pensions in favour of second-tier mandatory earnings related social insurance schemes.

Opt-out and re-enrolment

There is a very narrow opt out window proposed of eight weeks. NWCI is concerned about what will happen the six months of contributions that have been made by employees if they decide to opt out. A related issue is what suspension or contribution holidays look like in the scheme. Active measures should be taken to ensure that employees are not subject to pressure from employers in regard to take up or not of any opt-out clause. With a growing number of workers on insecure contracts there is a danger that fear of repercussions could lead employees to opt out.

Distribution of risk

The information available suggests that what is being proposed is a mandatory defined contribution scheme, which will provide employees with individual retirement savings accounts. The move to individual defined benefit contributions as opposed to group schemes places risk with the individual. The main difference in the role of trustees in Defined Benefit (DB) and Defined Contribution (DC) schemes arises from the absence of an employer guarantee. All of the risk (long term investment performance risk, short term cyclical risk, longevity risk, and the risk of under-funding) is thus transferred to scheme members. In the UK, there is evidence of employers changing their superior DC occupational pensions to match the AE terms.

A fundamental and primary concern for most people of retirement age is security and predictability of income – being fully assured that you will not fall below the poverty line and further, if higher levels of income replacement are achieved, being able to plan for the future. This is a pension as 'social insurance' rather than 'private investment'. Private pensions have previously been shown to be deeply unpredictable in their outcomes and returns. In 2008, the OECD reported a fall of over 33% in the value of Irish pension funds. For many of those affected, this did not simply represent a loss of 'investment' it meant a loss of core financial security.

NWCI questions where risk lies in any new supplementary system. Will it sit with the pension company, with the individual or with the State? NWCI has serious concerns that a universal supplementary scheme would replace social solidarity with individual risk. NWCI is also gravely concerned about systematic redirection of public monies into a financial services sector whose financial irresponsibility Irish society continues to be paying for over recent years. In considering a scheme which could channel vast public and personal funds into the pension industry, NWCI questions if the pension industry as a sector has engaged in a sufficiently robust process of review and reform following the recent economic crisis.

The highly unpredictable nature of the investment landscape also makes it harder to engage in the kind of cost/benefit analysis which should underpin public spending. NWCI does not believe that it has been robustly demonstrated that a supplementary pension scheme will deliver greater outcomes for older citizens then a similar economic investment in a universal pension or in improved services and supports for older people such as strengthened care and transport. Nor has it been clearly proven that women will definitively benefit from their contributions.

Conclusion

NWCI believe that the vision of an equitable or effective pension policy cannot be achieved through consideration of a second tier or supplementary scheme in isolation. Rather it is essential to have a holistic and integrated approach beginning with the essential foundation of a first tier pension provision. Moreover, a supplementary pension must respond to and not reinforce existing inequalities. A private pensions system is therefore not the sustainable answer for the vast majority of women to secure a decent income in their older years. In order to guarantee a fair pension system which will guarantee income adequacy and dignity for women and men in older age, the government should introduce a Universal State Pension system. We will continue to advocate for its introduction.

The international experience of pension reform shows that women and men may be affected differently by any given reform option and this is why gender sensitive analysis, monitoring and review are crucial to any new policy direction. A fundamental test of this scheme must be its impact on the gender pension gap and that impact must be tested not only in terms of theoretical outcomes but in terms of concrete measurable difference for women, particularly those on lower incomes and those working in female dominated sectors such as retail, care work and hospitality. Introduction should be slow and review and consultation should be built in to monitor impacts. Particular indicators should be identified as triggering an immediate review, an increase in the gender pension gap or a rise in in-work poverty, deprivation or debt levels.