



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

Submission to the Department of Employment and Social
Protection on the Proposed Total Contributions Approach

September 2018

National Women's Council of Ireland

Tel: 01 – 6790100

www.nwci.ie

Executive Summary

NWCI's 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.

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.¹ In the interim, there are gaps and inequities in the first tier of our pension social insurance system which need urgent attention and which should have greater priority than any new or supplementary tier.

Summary of Recommendations

NWCI's response to these proposals reflects our model for comprehensive pension reform.² 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.³ Our comments centre on the need for:

- An independent gender impact assessment of the proposed Total Contributions Model as committed to in the National Strategy for Women and Girls 2017 – 2020
- Transparency and publication of the actuarial assumptions and financial modelling behind the proposals to disregard the introduction of an Universal State Pension
- Improvement of the consultation processes. There has been no delivery of the promised roadshow and limited ways to engage.⁴

NWCI recognises that the Government plans proposes that the current system of yearly averaging be replaced with a Total Contributions Approach from 2020 is only one of the elements required to tackle the long awaited and promised broader reform of the pension system. 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. This is critical as inequalities that older women face are built up over a lifetime.

NWCI's submission also highlights the following;

- Initiate the introduction of universal state pension to be phased in over an agreed number of budgets⁵
- Progression to standard rating of pension tax reliefs
- Resource a Gender Impact Assessment on projected increases in state pension age & subsequent pension reforms
- Deliver the transition to a homemakers credit/care that actively recognises the contribution of care and also serves as a re-entry credit
- Backdate the homemakers scheme to 1973, when the marriage bar was lifted⁶
- Ensure the TCA is limited to 30 years for the maximum pension⁷

¹ Social Justice Ireland(2018), A Universal State Social Welfare Pension: Recognising the Contribution of all our Senior Citizens.<https://www.socialjustice.ie/sites/default/files/attach/publication/5197/universalstatesocialwelfarepension.pdf>

² National Women's Council (2008), Pensions: What Women Want. http://www.nwci.ie/download/pdf/pensions_publication_final.pdf

³ Womens Resource and Development Agency(2018), Women at the Heart of Public Consultation: A guide for Public Authorities and Women's Organisations

⁴ See Consultations Principles and Guidance - <https://www.per.gov.ie/en/consultation-guidelines/>

⁵ This was a recommendation of the Joint Oireachtas Committee on Social Protection Review of the State Pension July 2017

⁶ This was recommended by the Irish Human Rights and Equality Commission in their submission on the Convention on the Elimination of All Forms of Discrimination Against women 2016

Introduction

The National Women’s Council of Ireland (NWCi) welcomes the opportunity to make a submission to the Department of Employment and Social Protection (DEASP) on the Total Contributions Approach (TCA) Proposals. Gender-sensitive pension reform is a priority for NWCi and our members.

The 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.

We welcome the ambition set out in the Government’s 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.⁸ We welcome the commitment by the DEASP that “future pension policy reforms will be gender proofed to assess their impact on women as well as men”, including the Total Contributions Approach. 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.

NWCi also notes the emphasis on increasing occupational, second tier pensions 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.⁹

Submission structure

- Part one outlines our views on the Government principles underpinning Ireland’s pension system and adds two more principles; redistribution and simplicity.
- Part Two details our comments on specific elements of the government’s proposals.

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.

⁷ 30 years was originally proposed in the National Pensions Framework

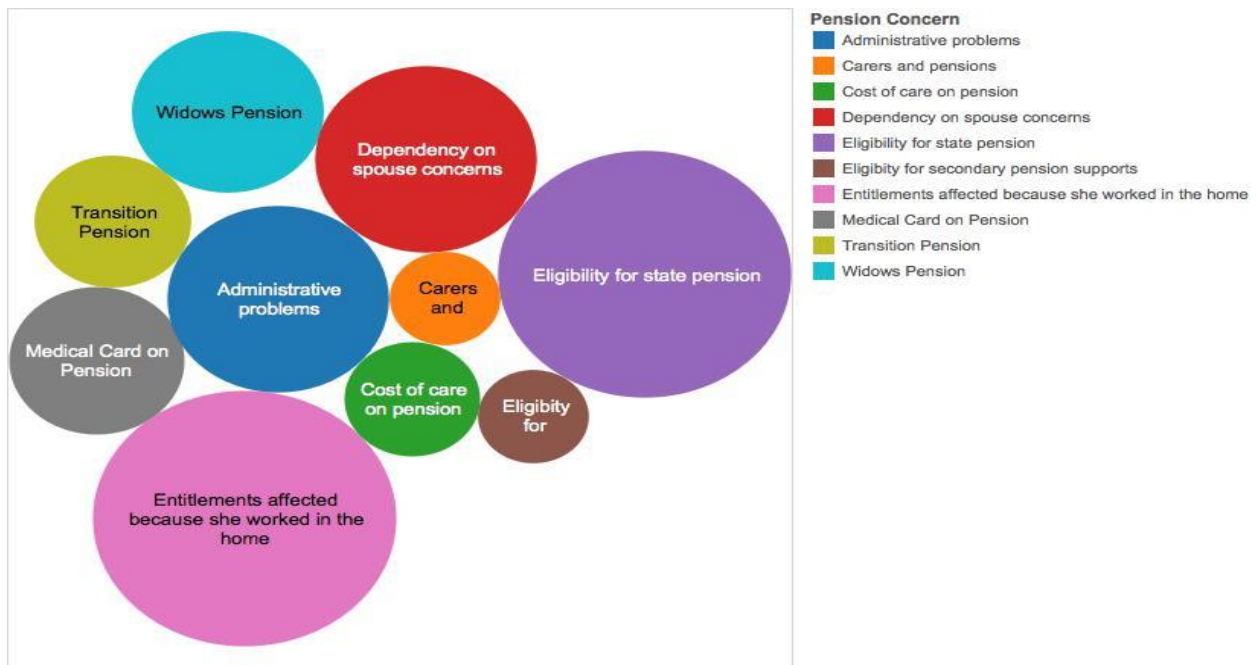
⁸ Government of Ireland; A Roadmap for Pension reform 2018 - 2023

⁹ Insecure & Uncertain; Precarious Work in the Republic of Ireland and Northern Ireland, ICTU 2017

Part One: Principles underpinning the State Pension

Simplicity

The introduction of a Universal State Pension would dramatically reduce the bureaucracy by having only one test for accessing the payment and eliminating the myriad of conditions that are part of the current and the Government's proposed systems.¹⁰ According to the Citizens Information Pre-Budget Submission 2018, there were 35,000 queries concerning the State Pension (Contributory) in 2016 – which was the second most queried payment during 2016. There is a lack of knowledge amongst many people who are approaching retirement around their entitlements, and the various requirements and conditions surrounding the qualifying criteria for state pensions. DEASP need to clearly plan on how to mitigate anticipated confusion for pensioners, if and when changes are introduced in post 2020, including targeted awareness campaigns, financial education and proactive transition strategies to support women. A phase in period would be required to assist those who retire after the new method of calculating is introduced.



11

¹⁰ Social Justice Ireland(2018), A Universal State Social Welfare Pension: Recognising the Contribution of all our SeniorCitizens.<https://www.socialjustice.ie/sites/default/files/attach/publication/5197/universalstatesocialwelfarepension.pdf>

¹¹ Citizens Information Centre(2014) Social Policy Returns

Adequacy and Individual Entitlement

The state pension must provide a sufficient income to avoid poverty and guarantee a decent standard of life. As women disproportionately rely on the state pension, income certainty is crucial. Indexing must allow for women's longer life span. 10.8% of women over 65 are at risk of poverty according to latest CSO SILC data. An adequacy benchmark of 40% net average industrial earnings would ensure quality of life and ensure pension income standard would increase in line with average living standards and earnings.¹² We welcome the commitment to index future increases in the pension to increases in wages and prices and to take these decisions out of the political sphere at budget time. This should be cross referenced against clear income adequacy indicators such as those developed by the Vincentian Partnership in their Minimum Essential Budget Standards research.¹³

NWCI make the case that women are not likely to be in an equal position to men with regard to their pension entitlement for the foreseeable future as they continue to carry out the majority of care and are more likely to be in part-time and low paid work. Pension reform must ensure as far as possible that everyone can equally establish an entitlement to an adequate pension, and we propose that the time has come to move to a universal pension system which gives both women and men equal access to a comprehensive pension guarantee. This pension must be at a payment rate to provide a decent standard of living for all. Social Justice Ireland has recently published an analysis of Ireland's pension system and a fully costed proposal for the introduction of a Universal Pension in Ireland based on residency, not social insurance contributions.¹⁴ The OECD recognised in their 2014 report on the Irish pension system, that structural reform of the state pension to include a universal basic pension scheme could provide a flat-rate benefit for the entire population, regardless of their lifetime work or contribution status.¹⁵

We know that many older women in Ireland who receive a very reduced pension or are only recognised through a 'Qualified Adult' increase in their husbands' payment do not feel they can apply for the State Non-Contributory because it will involve a test of household assets - assets which they may have no control over or access to - and there is also a fear that it could jeopardise their husbands income. Such women therefore remain economically dependent, something which can also impact on their autonomy or independence in other areas of life. The individualisation of taxation and social security rights should replace household unit models, which perpetuate gender entrenched roles and maintain women in a dependency status either through their partners or through the State. Internal distribution of resources within the household are not revealed. The unit of assessment for means tested pensions denies women economic

¹² Duvvury, N., Ní Léime, A, Callan, A, Price, L., Simpson, M. (2012) Older women workers 'access to pensions: Vulnerabilities, perspectives and strategies. Irish Centre for Social Gerontology, National University Ireland Galway

¹³ <https://www.budgeting.ie/about/mebs-research-centre.html>

¹⁴ Social Justice Ireland(2018), A Universal State Social Welfare Pension: Recognising the Contribution of all our SeniorCitizens.<https://www.socialjustice.ie/sites/default/files/attach/publication/5197/universalstatesocialwelfarepension.pdf>

¹⁵ OECD (2014), OECD Reviews of Pensions Systems: Ireland, OECD Publishing. <http://dx.doi.org/10.1787/9789264208834-en>

autonomy. The independent access to social assistance payments for married and cohabiting women is essential if women are to be empowered and enabled to leave violent relationships.

Redistribution

There is a need to ensure redistribution from higher to lower income groups in the financing of pensions and the structure of pensions in payment. The redistributive impact of pensions arises from the mix of direct state expenditures and indirect tax expenditure. A significant proportion of the €2.39b currently spent on private tax relief, the majority of which goes to high earners and men, can be reinvested in first tier state pensions. Costly in terms of revenue forgone, they offer few anti-poverty outcomes. 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.¹⁶ We note that this funding option is not considered to fund a universal pension in the DEASP 2018 TCA consultation document. The additional €1.3 billion per annum is within the pension tax relief envelope and would deliver a considerable impact on the gender pension gaps. The projected costings of €700 – 800 million¹⁷ to deliver on an auto-enrolment scheme would be better targeted at the achieving adequacy in the first tier. NWCI reject the idea of substantial cuts on the rate of payment would be required to fund a universal pension.

Equity

Fairness across genders, economic groups and intergenerationally should be at the core. We are concerned about the recent increases in pension age, discussion on longer working lives and the projected increases based on forecasts in life expectancy.

There are more elderly women living alone than men, with women accounting for 62.3% of all elderly people living alone. Among the older age group - aged 85 and over – women accounted for almost three in every four of those living alone.¹⁸ Research from the Vincentian Partnership for Social Justice (VPSJ) consistently shows that households containing a pensioner living alone have an inadequate income in terms of achieving a minimum standard of living; a fact that significantly and disproportionately impacts older women.¹⁹

Older women may also be obliged to work longer in the absence of an adequate pension. Health issues of those working in low paid jobs needs to be considered. Extending the working age for older women may exacerbate income and health inequalities. Inequalities in life expectancy are increasing between income and occupational class groups. Although women may live longer,

¹⁶ 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

¹⁷ 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).

¹⁸ Census 2016

https://www.cso.ie/en/media/csoie/releasespublications/documents/population/2017/Chapter_4_Households_and_families.pdf

¹⁹ Vincentian Partnership for Social Justice Minimum Essential Budget Standards Research Centre https://www.budgeting.ie/download/pdf/mesl_2018_update_report.pdf

they spend many more years than men living with age-related ill-health and disability. 30% of women aged over 50 in fair health were employed and 9% of women in poor health were employed.²⁰

It is important that policymakers fully understand and take account of the health impact of introducing longer working lives especially for those in caring roles. Women (and men) with health conditions and/or who are in physically demanding employment sectors need mitigating and transitional arrangements. There has been no gender or poverty analysis of increases in age for eligibility for the state pension. This one size fits all approach does not take into account inequalities within the workforce in terms of horizontal segregation of women in low paid sectors, women predominating in part time work and interruptions from building your pension from caring responsibilities. Women in low pay are less likely to have sufficient pot built up to facilitate earlier retirement. Older women living in rural areas are less likely to have an occupational pension.²¹

Sustainability

Affordability now and in the future is a necessary part of the debate on reform. We cannot have the debate about sustainability without examining the significant tax subsidies directed to private pensions. Tax support for private pensions peaked at 1.9% of GNP in 2006, which was not far short of public support for state pensions at 2.1% of GNP²² Those outside the tax net do not receive any subsidy towards their pension. There are limited possibilities for pension provision across the life-work trajectories of women and data gaps about the level of provision women have where they do have occupational or personal pensions.

A narrative has been presented of a demographic issue but it is a mainly a coverage issue. Ireland has a favourable demographic profile in comparison to its European counterparts. The percentage of people over 65 is still the lowest in the EU. Our old age dependency ratio is still the lowest in the EU and predicted to continue to be the lowest in 2060.²³ In 2015, Ireland had the highest birth rate, the second-lowest death rate and the fifth-highest rate of net inward migration. Ireland has the highest effective retirement age in Europe.

Additionally, women's employment is currently 51.5% compared to 67.8% of men. More than 40% of the potential female workforce in 2015 is inactive because of personal and family responsibilities in Ireland.²⁴ Europe 2020 has set targets of 75% for female participation in the workforce.²⁵ Challenging unequal gendered labour market participation can be addressed through occupational desegregation, decreasing gendered barriers to active labour market

²⁰ TILDA. (2011). Fifty Plus in Ireland 2011: First results from the Irish Longitudinal Study on Ageing. Dublin: TILDA.

²¹ Gender and Rural Ageing in Ireland: Profile and Key Issues Áine Ní Léime, Caroline Finn, Ronan Healy and Padraic Ward Irish Centre for Social Gerontology National University of Ireland, Galway

²² Hughes, Gerard and Michelle Maher. 2016. Redistribution in the Irish Pension System: Upside down? Pp. 93-118 in The Irish Welfare State in the Twenty-First Century. Challenges and Change. Edited by Mary P. Murphy and Fiona Dukelow. Basingstoke: Palgrave Macmillan

²³ http://ec.europa.eu/eurostat/statisticsexplained/index.php/Population_structure_and_ageing

²⁴ European Commission(2016) European Semester thematic factsheet labour force participation of women

²⁵ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/eu-economic-governance-monitoring-prevention-correction/european-semester/framework/europe-2020-strategy_en

programmes, education and training, setting targets and new indicators. By addressing these other gender inequalities, women's participation in the workforce could be increased.

The economic and financial risks of pension provision should be shared across the state, employers and employees. Ireland has one of lowest levels of PRSI contribution in the OECD. For too long there has been political unwillingness to address this issue, with strong resistance from employers despite the fact that the social protection system is increasingly being relied on to bridge the gaps in an insecure employment landscape.

Part Two:

Gender Pension gap

Ireland's Gender Pension Gap is currently 26%²⁷ and the recently published National Women's Strategy 2017 –2020 has rightly identified closing of that gap as a priority. The reduction of the gap from 36% is not due to an increase in women's pension coverage but a decrease overall in private and occupational pension coverage during the financial crisis. This coverage varies greatly across female dominated occupational sectors with coverage in hospitality and retail remaining low.

Women's financial security in retirement is still largely defined by their history as a wage earner or their attachment, by way of the household, with a wage earner. 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. NWCI note the aspiration in the departmental consultation documentation that work patterns will have changed sufficiently in the future that the current gender pension gap will continue to reduce. However, based on current social patterns there will be an ongoing legacy of the marriage bar, a social welfare system poorly designed to support individual entitlement or recognise care work, and a deepening gendered occupational segregation into precarious part-time non-pensionable work. Women involved in seasonal work, piecework and short-term contracts have particular vulnerabilities. Women's lives are still disproportionately dominated by housework and domestic chores as well as care work. This will necessitate the state pension to mitigate persistent gendered income poverty and inequality in older age.

²⁷ 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.

Home caring credit

We welcome the introduction of the home caring credit. The current homemaker's scheme is only backdated to 1994 and limited to the care of the children up to 12 years. The limited application of the Homemaker's Scheme for the current/ upcoming generation of pensioners is a key area of concern. NWCI want the homemakers scheme to be applied retrospectively in order to broaden access to the contributory State Pension. We are disappointed that the government's new proposals provide care credits only to women who began accessing their State Pension from 2012 and therefore is of benefit to future pensioners and does not address on going legacy issues with the pension system, such as the recognising the care work of women receiving pensions now and the penalising implications of the marriage bar.

Longer periods of caring than currently envisaged, must be recognised in the final design of the TCA to recognise carers of adults and children with disabilities who may require a life time of care. We do not agree with the proposal to capping the caring credits at 20 years. This practical recognition of the social and economic contributions of care should also serve as a Re-Entry credit, ensuring that those looking to re-enter the workforce can access training, educational and employment supports. Many women can find it challenging returning to paid employment after periods of providing unpaid child and elder care.

Contributions

A narrow understanding and view on contribution linked to paid employment will continue to disadvantage women and under value caring roles. Retaining the minimum paid contributions test of 10 years may prove a barrier for women in long term carer roles. Other groups, for example migrant workers, people with disabilities and those who are precariously employed may also find it difficult to earn the minimum level of contributions in order to qualify for the Contributory State Pension. Individualization does not apply in means testing for the non-contributory pension so a carer could potentially receive neither pension in their own right. Removing a paid contribution condition for credits as is the case in the UK should be investigated. It is crucial that women's contribution to families and communities are credited when it comes to pensions. It is time to stop economically penalising women for time devoted to childcare, elder care and care of other dependants in the family.

Conclusion

Under the current system, women are hampered from building up sufficient contributions across both the private and public pension systems. This is as a result of the pay gap, precarious and low-paid work, carrying out unpaid caring, and being excluded from the labour market for long periods over the course of their lives as a result of the prohibitive cost of childcare, lack of transport and lack of sharing of the responsibility of care and household work.

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 nor is a state system that doesn't fully recognise care work. In order to guarantee a fair State 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.