National Women's Council of Ireland

Comhairle Náisiúnta na mBan in Éirinn

National Women's Council of Ireland

Submission to

Department of Social and Family Affairs

Consultation on the Green Paper on Pensions

The NWCI published 'What Women Want – a model of pensions that guarantees independence', (May 2008) and submitted it to the Department of Social and Family Affairs for the Green Paper Consultation process. For the purposes of the DSFA website the following is the Executive Summary of the publication, for the full publication please download the report from:

Pensions: What Women Want (12.6MB)

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Pensions:

What Women Want

a model of pensions that guarantees independence

National Women's Council of Ireland

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

Cecilia

EXECUTIVE SUMMARY

The National Women's Council of Ireland (NWCI) is a non-governmental organisation representing women's groups in Ireland. The NWCI currently has 163 member organisations affiliated to it, representing an estimated 300,000 women.

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 (NWCI) 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 NWCI 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 NWCI 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 NWCI 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 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 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.

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 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.

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.

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.