Submission to Government Green Paper on Pensions

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Group name:People with Disabilities Ireland (Clare Branch)

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Who are you? A National funded organisation representing people with all types of disabilities, sensory, physical, emotional, intellectual, and their carers.

How many women do you represent? In excess of 100 women

What does your group do? Activities/services Provides advocacy and supports to people with disabilities in County Clare.

Case Study/ Personal Story

Have you been discriminated against within the Social Welfare system?

Have you been affected by the Marriage Bar?

Rational

Gender and Pensions

People with Disabilities Ireland (Clare Branch).....have been involved in the National Women's Council social welfare campaign. We see the need for women's economic independence as a priority in combating women's poverty in older years. The majority of those over 65yrs, especially women because they live longer, are solely reliant on the state pension through the social welfare system for their income. (And 36.2% of women over 65yrs are at risk of poverty) The Irish social welfare system, based as it is on a male breadwinner model, discriminates against women. And defines many older women as 'qualified adults', deriving their pension rights through their husband's contribution record and receiving a reduced payment on their behalf. The system thus reinforces women's dependency on men as the primary earners.

The National Women's Council of Ireland - Comhairle Naisunta na mBan, is a non - governmental organisation, is the national representative body for women and women's organisations in Ireland.

The National Women's Council of Ireland works to achieve change through a very broad range of action and activity. Increasingly their work is carried out in partnership with other organisations in the public, private and voluntary sectors.

As an affiliated group of the National Women's Council we share a common vision.

Equality, human rights and the dignity of people with disabilities are on the top of our agenda and we will make sure that the voice of the 400,000 disabled people in Ireland is heard loud and clear! Accessed 30/5/2008 www.PWDI.ie

Strategy 2003 - 2006

As the collective voice of women The National Women's Council is committed to securing economic independence for all women whether working as carers in the home or in the formal economy. We see Pension policy as an essential component in the work of ensuring women's economic independence.

Pension Policy affects the lives of all women - young and old, working in the informal or formal economy. Pension policy particularly affects women who, due to the nature of our taxation and social security systems, are economically dependent and women who are living in, or at the risk of poverty.

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.

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.

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

Gender and pension reform

If state pensions are not adequate, women lose relatively more than men, as women are more likely than men to rely on state pensions. We have a shared vision with the NWCI in which we want to see 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 and caring 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 equality women experience in the labour market

Include women affected by the Marriage Bar

- **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 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 independence* 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, we insist 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.

Gender and pensions- Overall strategy

The policy principles reflecting the concerns of the orgnaisation of PWDI (Clare Branch) ,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.

As a collective voice with the NWCI we acknowledge 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 for women. 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, we propose 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 ea

Recommendations

Gender and Pensions- specific reform priorities

We recognise 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 with a value of 1/40th pension for each year of residency.

Social Assistance aspects of pension provision.

1. 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.
2. Full individualisation of marriage-based old age non contributory pension;
3. Introduction of means-tested parental allowance as discussed in DSFA (2006);
4. Abolition the 'limitation rule' and the qualified adult allowance and changes to the household means test formula to maximise economic autonomy

5. Reform of Carer's allowance/Benefit into a 'wage' - facilitating care of older and infirm people to be valued as paid work
6. 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

1. As a long term objective, introduce an income replacement function into social insurance, but more immediately introduce a gender sensitive income replacement function into social insurance old age contributory pensions by:
2. Ensuring 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.
3. Ensure 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.
4. 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, and would also reform of social insurance contribution rules to enable relatives assisting, including spouses of self-employed and farmers, to be insured as employees.
5. Accommodate care and address previous pension injustice by transforming homemakers' disregards into credits and awarding these retrospectively from 1973.
6. Promote a gender neutral care ethic by introducing paid parental leave benefit for parents of young children
7. Acknowledge the previous injustice of the 'marriage bar' with a once-off, ring fenced retrospective scheme

Voluntary pension recommendations

1. There are various reforms to the tax treatment of pensions that could bring greater equity and more progressive income distribution outcomes
2. In the next and subsequent budgets it should be possible to make the tax treatment of pensions more equitable and there are a variety of specific reforms that should be considered that include 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

3. Examine options for savings schemes that are supported by the State and structured progressively to benefit those on lower incomes.

4. Encourage Credits Unions, and the Money Advice and Budgeting Service to introduce a state-backed low charge savings product for low income earners.

5. Regulate to require unisex life plans and pension splitting

Governance

Effective, gender inclusive, transparent governance systems are also required. As a member of the NWCI we wish to engage fully in the pension's debate and in seeking formal representation in key pension's policy institutions including the Pensions Board. We will also seek to ensure pensions policy is fully engaged with, within the National Women's Strategy. We also insist that all data on pensions (including tax reliefs and private pensions) are disaggregated by gender.

As an affiliate of NWCI we fully support the NWCI in pursuing economic independence for women and we look forward to a transformed pension system which acknowledges the disproportionate time women spend in periods of care and employment.

People with Disabilities Ireland (Clare Branch) believes that the Government must place women's issues and concerns at the centre of the current developments in pension policy as part of the Green Paper.