

Auto Enrolment: Into what, for whom and how much?

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NUI Galway
OÉ Gaillimh



This presentation

- **Into what?**

- Privatisation as a policy innovation, Chile
- Automatic enrolment as a modification, Italy, New Zealand, UK

- **For whom?**

- Looking at those who are not contributing to pensions
- Plus those contributing but at low amounts

- **How much?**

- Initial estimates of additional pension contributions
- Initial estimates of its cost in tax forgone



Privatisation as a Policy innovation

Key International Actor

- Chilean Pension Reformers
- World Bank

Key Idea

- Neoliberal ideology
- Market should dominate
- State residual safety net
- Multi-pillar pension systems

What we can learn from Chile

- The unpensioned
- The poorly pensioned
- Gender
- Fees



Automatic Enrolment

Italy TfR

- Poor take-up
- Lack of trust in financial institutions

New Zealand KiwiSaver

- Fees

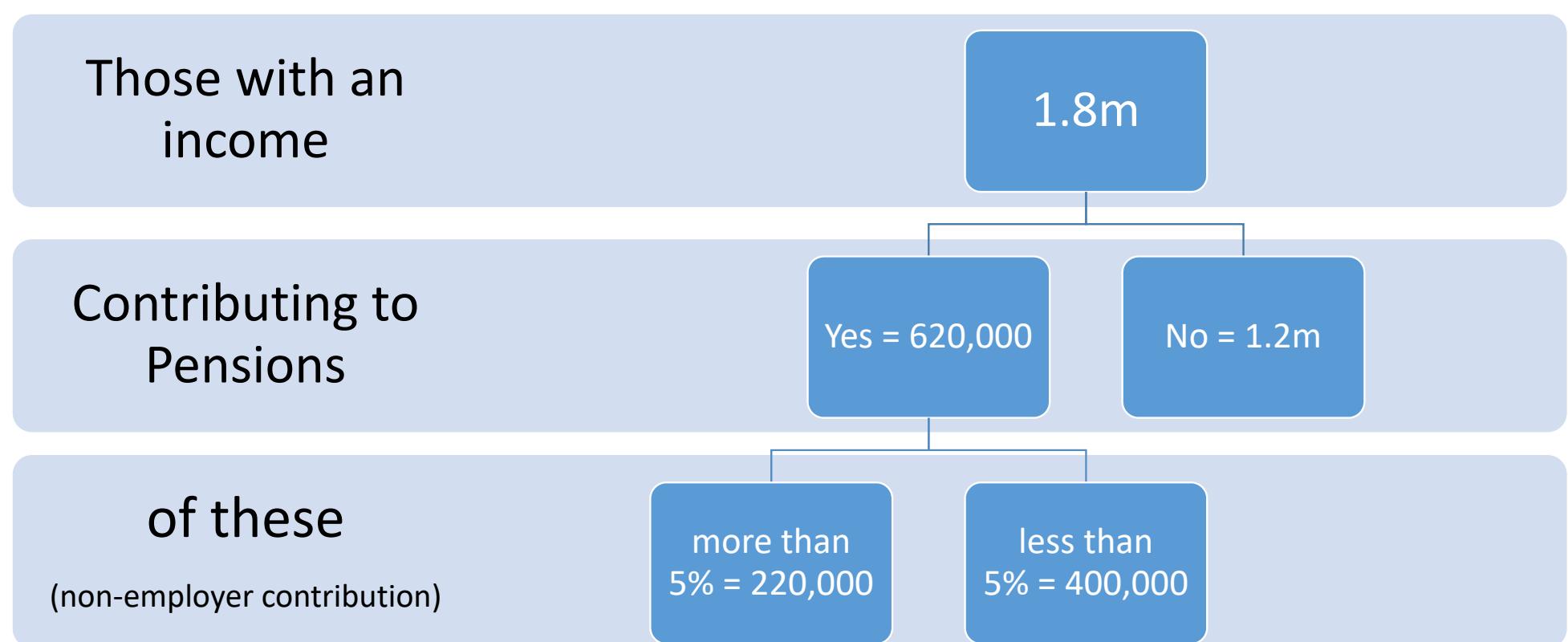
UK AutoEnrol

- Gender of those excluded because of earnings trigger



Automatic Enrolment: for whom?

- Addressing these questions using data from 2014
 - CSO SILC
 - individual and employer contributions
 - public servants included in part
- Overall
 - Pension coverage = 43%
 - Active participation = 34%
 - contributions from any source
 - about 620,000 people





Those with an income

1.8m

Contributing to Pensions

Yes = 620,000

No = 1.2m

of these
(non-employer contribution)

more than 5% = 220,000

less than 5% = 400,000



- ***Who are the unpensioned?***

- 50% males and 50% females
- 50% aged between 30-50 yrs
- 73% are standard rate income taxpayers
- 20% earn above average earnings
- 50% in the top 4 deciles of the income distribution



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- 50% males and 50% females
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- ***Who are the low contributors?***

- more males than females
- 60% are aged 40yrs+
- 71% are higher rate taxpayers
- 66% earn above average earnings



Automatic Enrolment: how much?

- First set of estimates – ongoing work
- Baseline estimates; no behavioural change
- Looking at:
 - individual contributions only
 - moving unpensioned to 5% contribution
 - moving up low contributors to 5% contribution
 - show overall effect and then without those below income of €25,000



	For all earners	For those above €25,000 per annum
Increased Individual Contributions to Pensions		
The unpensioned	+ €1,729m	
The low contributors	+ €666m	
Total	+ €2,395m	
Additional Tax Relief (revenue forgone)		
The unpensioned		
The low contributors		
Total		



	For all earners	For those above €25,000 per annum
Increased Individual Contributions to Pensions		
The unpensioned	+ €1,729m	+ €1,262m
The low contributors	+ €666m	+ €643m
Total	+ €2,395m	+ €1,905m
<hr/>		
Additional Tax Relief (revenue forgone)		
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Total	+ €2,395m	+ €1,905m
 Additional Tax Relief (revenue forgone)		
The unpensioned	+ €553m	
The low contributors	+ €254m	
Total	+ €807m	



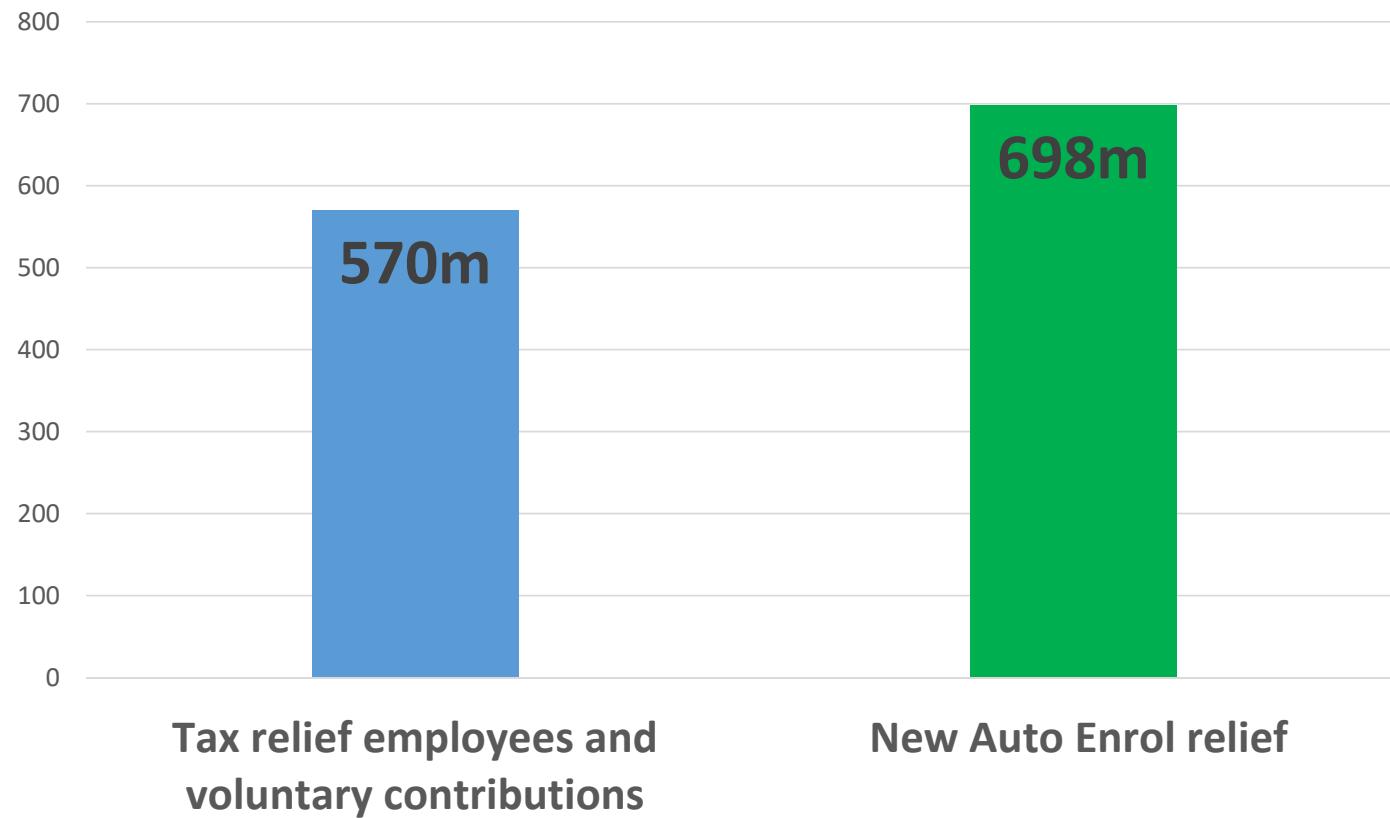
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Comparison of Tax Relief Costs, 2014 basis €m



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