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PENSIONS IN IRELAND: THE PERSPECTIVES OF IRISH CITIZENS

AND IMPLICATIONS FOR
THE IRISH PENSION
SYSTEM AND REFORMS

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and Michelle Maher



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Horizon 2020 - FairTax

Revisioning the 'Fiscal EU': Fair, Sustainable, and Coordinated Tax and Social Policies

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European pension policies for fiscal fairness and sustainability

Aim

To critically evaluate the implications of demographic ageing...with a focus on pensions in Ireland (in an EU context)with a particular focus on fiscal sustainability, equality, and consolidation across the EU.

Approach

Qualitative (connecting with EU Citizens Dialogue)



Voice of citizens-Life course interviews

- 52 participants (Different cross section from age/gender/marital status/with-without children)
- Public/Private sector
- Self employed
- Precariously employed
- Home-makers
- Observations from citizens shaped stakeholder interviews



Voice of citizens - Focus groups

- Old Age Pensioners
- Network members (Female professionals – Self-employed and EE)
- Rural Ireland
- Unemployed and people living in disadvantaged areas
- Private sector & Self employed



Stakeholder interviews (informed by voices of citizens)

- Pensions Authority
- Irish Association of Pension Funds
- Revenue Commissioners
- Irish Tax Institute
- Department of Employment Affairs and Social Protection
- Small Firms Association



Findings

- *Adequacy and coverage*
- *Gender (cross-cutting)*
- *Automatic Enrolment (AE)*
- *Extended working life (EWL)*
- *Taxation*



Adequacy

- Social Welfare pensions - insufficient to live a normal life after retirement
- Added health problems lead to old age poverty especially if you are depending on the social welfare pension
- Active time in retirement is limited due to financial difficulties (holidays, meeting grand kids or friends, transport from rural areas)
- Some sell home to live (necessity), or for an enhanced retirement standard of living
- Cannot afford to retire early due to inadequate pension/income



Coverage

- Most women don't have a private pension and are dependent on the state welfare pension (means tested)
- Earnings insufficient to save into a pension
- The workplace did not offer a pension plan
- Most private sector, part-time and precarious workers were dependent on the state welfare pension



Gender

- Costs of women taking time out for caring work: reduced/no income, no pension contribution?
- High child care costs making women stay at home
- There should be a pension for unpaid care workers (mostly women) in their own right
- Women (any everyone in general) need more education about how they are losing out on their individual pension rights by taking time out of work
- Marriage bar has restricted older women from availing of homemaker scheme-> leading to-> gender inequality -> pay inequality -> pensions inequality



Taxation

- Lack of knowledge
- Affordability - Most citizens don't earn enough to save into an occupational/personal pension to avail of tax credits
- Pensions are sold as a way of saving tax (rather than as planning for retirement per se)
- Inequity - The current method of marginal tax relief favours people who are earning more money
- Gender Dimension - Women less able to avail of tax relief



Automatic Enrolment (AE)

- Perceived in general as a good idea-most young people do not think of a pension until they are almost 20 years into employment
- Who is taking the responsibility for regulating and assuring pension entitlement at the end? Government guarantee??
- What about people who are ineligible?
- Trust issues (with private pension providers)
- AE might further exacerbate gender gap rather than reduce it





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Extended working life (EWL)

- Flexibility and Choice are key - there should be a choice
- Willing to work longer if health permits
- EWL concerning people in physically demanding jobs
- Healthy time in retirement
- EWL should be customised (One size doesn't fit all)
- Prefer to retire early from stressful jobs



Stakeholders

- Coverage
 - Very concerned at low level of coverage
 - Very costly and unsustainable for the State
- Gender
 - Need to focus on income inequalities during working life
 - Women live longer so receives a pension for longer
- EWL
 - Inequities across socio-economic groups
 - A rather 'glib' approach
 - Challenge for those suffering burnout
 - Flexibility needed



Stakeholders contd

- Auto-enrolment
 - Generally supportive
 - Keep flat rate state pension
 - Need for citizens to be fully informed
- Taxation
 - Simply doesn't lead to enhanced coverage
 - 'this is the way to minimize your tax bill'
 - Compounds inequalities
 - Need cross departmental approach to AE w.r.t taxation



Key Policy Recommendations

- Adopt a life-course approach
- Prevent cumulative disadvantage – address inequalities across work, income, health etc
- Flexibility in pensions reform – reflect diverse range of work/life experiences and trajectories
- Better regulation.....enhance **trust** between citizens and government, pension fund managers and financial intermediaries (before AE introduced)



Key Policy Recommendations (2)

- Revisit AE proposals (opt in/opt out rules in particular)
- Undertake gender impact assessment of AE and other pensions reforms
- Carry out serious investigation of tax provisions relating to pensions (capture differential effects by gender and low income)
- Consider abolishing generous tax reliefs for private pensions



Thanks!

Comments/Qs



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