Still Stuck in the Gap

Pensions Auto-enrolment from a gender and care lens

December 2024

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Executive summary

This report, prepared by TASC for the National Women's Council, aims to examine the proposed auto-enrolment scheme in relation to both the very large gender income gap between men and women in old age and with the roots of that income gap - how care work is valued in our society.

The planned introduction of auto-enrolment, due to come into effect in September 2025, is probably the most significant change to Ireland's pension system in decades. This reform is designed to address two major problems, employee pension coverage and pension adequacy. Currently Ireland has low levels of pension coverage, and a large number are dependent exclusively on the relatively low state pension. Auto-enrolment aims to address this by automatically enrolling all workers aged 23 to 60, who earn over €20,000 and who are not currently enrolled in a pension scheme into a private pension scheme.

Research has found that amongst people aged 66 and over, women have an income 44% lower than men. The reason for this large income gap is primarily due to a large gap in pension income. Research has also found that women have 35% lower income from pensions than men.

This pension gap is not due to income differences arising from the state pension. It is primarily due to different levels of income from occupational pensions.

The reason women have less income from occupational pensions is not because they are less likely to contribute to occupational pensions. In fact, women are enrolled in occupational pensions at the exact same rate as men, and they contribute almost the exact same proportion of their income to occupational pensions. The reason they have less income from occupational pensions is because the amount they contribute is lower because their earnings from paid employment is lower over their lifetime.

The primary reason women earn less from paid employment over their lifetime is because they spend more time engaged in unpaid care work. As a result, they have lower earnings when in employment and they spend fewer hours in employment.

Women are thereby doubly impacted for the unpaid caring work that they do. Not only do they earn less during working-age due to engaging in unpaid care work, but they also receive significantly lower incomes in retirement.

Because auto-enrolment strengthens the connection between earnings from paid employment and future pension income it may result in it exacerbating the gender pension gap.

The report advocates moving towards a different economic model that values both unpaid care work and employment. This can be achieved not only by promoting cultural change around the gender distribution of care responsibilities, but also by improving employee rights enabling employees to advocate for flexibility around employment so that both men and women can take on caring responsibilities without needing to leave employment; through implementation of government policies around parental leave; through the development of a universal public early childhood education and care scheme; and through developing a pensions policy that does not punish people for engaging in unpaid care work.

The core of a pensions policy that does not punish people for engaging in unpaid care work would be a strengthened state pension. This report therefore advocates moving towards a universal state pension, with the pension benchmarked to a percentage of average earnings. This could enable everyone, regardless of their employment, care history, community participation history, to access an adequate income in older age.

1. Introduction

Pension policy can at times appear impenetrable, a highly technical area understandable only by experts. However, pensions provide the core income to almost all older members of our society, and how pensions are organised reflects not only technical questions of financing but also questions of how we value people and their contribution to society.

This report, prepared by TASC for the National Women's Council, aims to examine the proposed auto-enrolment scheme, due to come into effect in September 2025, in relation to these wider questions. Specifically, it aims to relate auto-enrolment with both the very large gender income gap between men and women in old age, and with the roots of that income gap - how care work is valued in our society.

After analysing auto-enrolment, the problems in Ireland's pension system, and possible approaches to reforming its structure, the report calls for a shift towards an economic model that recognises the value of care work and promotes gender equality.

For over sixty years, the basic structure of Ireland's pension system has remained the same. There are the basic contributory and non-contributory state pensions, which form the bedrock of Ireland's pension system.[1] And for some the state pension is supplemented by occupational pensions, with additional private pension savings forming a relatively minor additional element.

The planned introduction of auto-enrolment is probably the most significant change to Ireland's pension system in decades. This reform is designed to address two major problems: employee pension coverage and pension adequacy.

It is estimated that the state pension would only replace 36.1% of the net income of someone on average earnings.[2] This is one of the lowest replacement rates in the developed world, and well below the OECD average of 61.4% and even further below the 66% level that the Department of Social Protection has identified as necessary.[3] Therefore, many workers face a very large and potentially destabilising income reduction on retirement unless they have a supplementary form of income, such as an occupational pension. However, occupational pension enrolment is low, with only 57% of employees actively contributing to an occupational pension.

1 The state pension is consistently referred to as the "bedrock" of Ireland's pension system. For example, a search on debates in the Oireachtas over the last Dáil terms finds 139 instances of the words "bedrock" and "pension(s)" being used together.

2 See p.29 below.

3 Duggan, T., (2022), Joint Committee on Social Protection, Community and Rural Development and the Islands debate (Unrevised), [online], 14 Dec 2022.

A large proportion of those with an occupational pension are public sector workers. In the private sector occupational pension enrolment is very low at only 35%.[4] And despite very generous tax incentives, this private sector occupational pension enrolment has remained at roughly the same level since the mid-1980s.

The planned auto-enrolment scheme aims to increase occupational pension enrolment by automatically enrolling all workers aged 23 to 60, who earn over €20,000 and who are not currently enrolled in a pension scheme into a pension scheme. Needless to say, by automatically enrolling employees into a pension scheme it is almost certain that the number of employees enrolled in pension schemes is going to increase dramatically. And this is almost certainly going to increase the level of supplementary pension coverage, and almost certainly going to increase the importance of private occupational pensions in Ireland's pension system.

However, auto-enrolment needs to be evaluated not only as an isolated policy reform, but also in relation to wider questions regarding the pension system and how income is provided to older members of our society.

While increasing pension adequacy is of course to be welcomed, the introduction of a quasi-mandatory private pension system was not the only possible road that could have been followed, or prioritised, in reforming Ireland's pension system. Indeed, this report will argue that while the introduction of auto-enrolment will resolve certain problems – namely the low level of enrolment in pension schemes by people currently in employment – it will not resolve many of the major social and economic inequalities related to gender and care faced by older people, particularly women.

In 2008, the National Women's Council of Ireland published a major report by Mary Murphy and Anthony McCashin on the gender dimensions of pension policy in Ireland: *What Women Want: A Model of Pensions that Guarantees Independence*.[5] This analysed Ireland's pension system and presented an alternative approach to pensions policy.

This report identified that the direction of pension reform in Ireland was moving towards a mandatory private pension system, like the current proposed auto-enrolment scheme. The report warned that "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."[6]

In planning for the future, it is essential that we not only think of paid employment and monetary resources, but that we also consider both the environmental sustainability of our economy and the importance of all forms of labour and social participation, both paid and unpaid, in supporting and enriching our society. Central in this is the question of care work. Care work forms a vital part of our social infrastructure, and "encompasses a wide range of activities, looking after the physical, social, psychological, emotional, and developmental needs of one or more people. It includes paid and unpaid care: care of children; care of those with illness and older people; supports for disabled people to live well and to live independently."[7] In the National Women's Council (NWC) and Community Work Ireland (CWI) Feminist Climate Justice Report, Fiona Dukelow et al. advocate "recognising that care is the foundation upon which societies and economies are built", where "care is understood in holistic

4 Government of Ireland (2018). A Roadmap for Pensions Reform 2018-2023. This 35% figure has been repeated since then. See, for example, Pensions Council (2022). Report on Gender Pension Gap.

5 Murphy, M. and A. McCashin (2008). Pensions: What Women Want. A Model of Pensions That Guarantees Independence. National Women's Council.

6 Ibid., p.3.

7 Dukelow, F., C. Forde and E. Busteed (2024). Feminist Climate Justice Report. Dublin: National Women's Council.

terms as care for humans and care for all aspects of the natural world."[8] Those who engage in unpaid care work have to either do it on top of full-time paid employment or they have to reduce their full-time paid employment either by engaging in part-time paid employment, or by not engaging in paid employment at all.

Because of the impact of current normative gender roles, the gendered division of labour, and government policy, a disproportionate amount of this care work is done by women. In particular, women do a disproportionately large amount of childcare, in particular in their 30s and 40s. There are a number of consequences of this. While on average men see their weekly income increase in their 30s, 40s and 50s, women on average see their weekly income flatline. In addition to earning less per hour, women work fewer hours per week, and many women take time out of employment to engage in full-time care work. While this care work is essential to society it is not paid or adequately supported by the state. And over a lifetime, the combination of lower wages, fewer hours, and periods outside of paid employment mean that those that engage in unpaid care work, in particular women, will have earned dramatically less from paid employment than men.

In many ways pension auto-enrolment operates like any other defined-contribution occupational pension scheme. As a worker is employed, money will be invested into a pension fund, which will be invested on financial markets and earn an additional return. In the case of auto-enrolment, the money will be contributed by the employee, the employer and the state. In the case of other defined-contribution occupational pension schemes, the money is contributed by the employee and the employer, with the state making a contribution by providing generous tax relief on these investments. The higher the income, the larger the investment, and the earlier in the employee's life that the investment is made, the larger the accumulated returns. On retirement, the fund will be made available to support the income of the retiree. This income, which will supplement the state pension, will be dependent both on the lifetime earnings of the retiree and the returns earned over time.

Because people who engage in unpaid care work, in particular women, will earn less from employment over their lifetime the contributions to these pension funds will be far lower. The employee will contribute less, the employer will contribute less, and the state will contribute less. Further, because time outside of fulltime employment due to engaging in childcare is likely to occur earlier in life (20s, 30s and early 40s), the relative returns and increase in value of the pot held by women is likely to be significantly lower than those of men over the period before retirement. The result is that those who engage in unpaid care work will not only have far lower incomes during working-age, but that income gap may be even larger when they reach retirement.

Therefore, as the NWCI's 2008 *What Women Want* report explained, by tying the pension system more closely to "the nexus of employment and earnings", private defined-contribution occupational pension schemes and the auto-enrolment scheme may "exacerbate rather than mitigate gender inequalities".

However, this is not the only possible approach to care, work and pensions. As *What Women Want* explained, it would be possible to pursue a different economic model where care work is valued, taken seriously and rewarded, and where the gender income gap both during employment and in retirement is reduced. This could involve transforming the distribution of care work between men and women, and re-assessing the vital and essential role of care work in state, private and broader social systems. This

8 Ibid., p.14.

would comprise cultural change, changing terms of employment contracts to facilitate engaging in care work, and implementation of government policies around parental leave and a universal public early childhood education and care scheme. And it could involve the strengthening of the bedrock of the pension system – the state pension.

Currently, the contributory state pension constitutes the bulk of expenditure in the state pension system. While the contributory state pension is tied in a rather complicated way to social insurance contributions made during employment it has in recent years begun to recognise the importance of care work, by taking into account time spent outside of employment due to caring responsibilities[9]. The non-contributory state pension on the other hand is a means tested payment. *What Women Want* recommended that the state pension should be converted into a Universal Pension by abolishing the means test, providing all people[10] above retirement age with a flat full rate pension set at a percentage of average earnings. This could largely be financed by abolishing the higher rate of tax relief on private occupational pensions, which only benefits high earners and has failed in its stated aim of increasing private sector pension enrolment. This could enable everyone, regardless of their employment, care history, community participation history, to access an adequate income in older age.

Auto-enrolment is likely to significantly improve Ireland's pension system in many ways. It will increase enrolment in private occupational pension schemes, and thereby ensure an enhancement in the retirement income of many workers. In other words, it will achieve what it sets out to do. The problem is with how it interacts with wider social problems. This report will examine auto-enrolment, the problems with Ireland's pension system, and consider how the pension system might be reformed to operate differently. It will argue that the core recommendations of the NWCI's 2008 *What Women Want* report are unfortunately just as relevant today as when they were published. We need to move towards an economic model that values care and reduces gender inequality. And we need to move towards a universal state pension, with the pension benchmarked to a percentage of average earnings.

The structure of this report

The next chapter of this report, **chapter two**, will explain how Ireland's pension system currently works. It will highlight that while Ireland's pensions system, like most pension systems, has three pillars - the state pension, occupational pensions, and additional private pension savings - it is the first two pillars that are by far the most important. The chapter will explain how the state pension system works, and it will demonstrate that the vast majority, 70%, of expenditure is on the contributory pension.

Chapter three will then consider auto-enrolment. It will begin with a short history of the road to auto-enrolment, detailing how decades of government reports and considerations of how to increase occupational pension coverage failed to achieve their goals. It will describe how the auto-enrolment scheme will operate, and it will conclude by examining the interaction of the auto-enrolment scheme with care and gender by considering two examples provided by the government of how pension auto-enrolment will work.

Chapter four will then examine the two problems that auto-enrolment is supposed to address: low levels of occupational pension coverage and inadequate levels of pension income. This chapter will also demonstrate that employees in Ireland are

9 Through the Homemaker's Scheme, HomeCaring Periods Scheme and Long Term Carers Contributions. However, there are outstanding access issues with these schemes, including the exclusion of people born before September 1946 and the 20-year cap for the first two mentioned schemes.

10 Subject to a residency requirement.

highly dependent on an inadequate state pension and that the state pension does not provide sufficient income for many workers.

Finally, the chapter will demonstrate that there are large income gaps between men and women aged 66 and over. Women's income is on average 44% lower than men's. This gap is primarily attributable to the gender pension gap, in particular the difference in pension income derived from occupational pensions. It will conclude by noting that auto-enrolment is likely to be successful at increasing occupational pension coverage and providing higher levels of private pension income. However, there are other problems with Ireland's pension system that auto-enrolment does not set out to address, but that cannot be ignored.

Chapter five considers these problems. In particular it considers three problems: the gender pension gap, tax justice and the impact of demographic change on the exchequer.

With regards to the gender pension gap, it is estimated that women receive 35% less per week from pensions than men. This pension gap is not because women invest relatively less of their income in private pensions. In fact, as a percentage of mean and median earnings, men and women invest almost the exact same. Rather, the difference is due to the fact that women earn less and spend fewer hours over their lifetime in employment. This gender gap in pension income is not something auto-enrolment aims to address and, in fact, the chapter suggests that because auto-enrolment ties pension income more closely to income earned from employment it may exacerbate the gender income gap between men and women.

Pension tax relief is another issue that auto-enrolment leaves unaddressed. Current pension tax relief will continue. This chapter considers who gains from the current system of pension tax relief. It demonstrates that nearly all the gains from pension tax relief goes to the highest earners. Further, 67% of tax relief on private pensions goes to men, while only 33% goes to women. It is hard to see how this regressive form of tax relief can be justified. It failed to achieve its aim of increasing supplementary pension enrolment, but this aim is likely to be achieved by auto-enrolment and as such, this system of tax reliefs should be reformed. However, this chapter highlights that because contributions by the state to the auto-enrolment will be made as a percentage of income, auto-enrolment will continue some aspects of this regressive tradition of using the pension system to redistribute income to higher earners.

The third issue considered in this chapter is the impact that population ageing might have on the exchequer. It finds that as the proportion of the population aged 65 and over increases, this will place greater demands on the exchequer. Auto-enrolment is not designed to address this. But the chapter notes that the contributions to the auto-enrolment scheme by the state are likely to cost the exchequer a large amount and suggests that research needs to be conducted on the impact of this expenditure on the exchequer in the long run.

Chapter six takes a step back and considers wider questions of care, gender and the distribution of labour. It examines the importance of care work, the gendered distribution of care work and how that relates to pensions and the income of older people. It advocates for the reinforcement of the state pension, which provides the bedrock of Ireland's pension system, by replacing the contributory and non-contributory pension with a universal pension, benchmarked at a percentage of average earnings.

Chapter seven concludes the report by restating its core findings and recommendations.

2. How Ireland's pension system currently works

It is common to refer to pensions systems as involving three tiers or three pillars. These pillars are often defined in differing but overlapping ways.

The seminal *World Bank Averting the Old Age Crisis* (1994)[11] report described three pillars. The first pillar is a public, non-contributory pension that addresses poverty. The second pillar is a mandatory contributory pension that generates pensions with some equivalence to contributions paid. The third pillar refers to voluntary retirement savings.

For the OECD,[12] the first tier is a redistributive safety net, the second tier is mandatory social insurance pensions that provide an income-related pension, and the third tier is voluntary retirement savings.[13]

In Ireland, it is normally said that we also have a three-tier pension system, although, the tiers are defined slightly differently.

The Report of the Pensions Commission[14] describes Ireland's pension system as having three pillars:

1. **First Pillar:** The first pillar's objective is poverty prevention. In Ireland, the state pension system is the first pillar.
2. **Second Pillar:** The second pillar is designed to provide a standard of living related to pre-retirement earnings. Second pillar pension provision is usually provided through public sector and occupational pension schemes and may be mandatory in a particular employment.
3. **Third Pillar:** This pillar is voluntary, with the purpose of enabling people to save if they wish to do so. In Ireland, savings can be set aside by individuals by means of additional voluntary contributions (AVCs) to their occupational pensions or through various individual pension products. These may be suitable for individuals who are self-employed.[15]

The first pillar is therefore the state pension, and the second pillar is income-related occupational pensions. The forthcoming auto-enrolment scheme as discussed later in this report is aimed at increasing this second pillar.

11 World Bank (1994). *Averting the Old-Age Crisis: Policies to Protect the Old and Promote Growth*. Washington, DC: World Bank.
12 OECD (2014). *OECD Reviews of Pensions Systems: Ireland.*
13 Maher, M. (2016). *The Politics of Pensions in Ireland.* Doctoral dissertation, National University of Ireland, Maynooth, pp. 288-289.
14 Pensions Commission (2021). *Report of the Commission on Pensions.*
15 Ibid., p.31.

This chapter will begin by discussing the first pillar, the state pension, after the second and third pillars, "supplementary pensions" which supplement the state pension, will be discussed together. As we will see, the first and second pillars – the state pension and occupational pensions – are of much more importance for older people's income than the third pillar and therefore they are the primary focus of this report.

A. The state pension system

There are four pension schemes within the Department of Social Protection's Pensions Programme.

1. State Contributory Pension
2. State Non-Contributory Pension
3. Widow/er's or Surviving Civil Partner's Contributory Pension
4. Occupational Injuries Benefit Death Benefit

i. State contributory pension

The state contributory pension is not-means tested and is based on social insurance contributions. The current (2024) maximum payment is €277.30. This is due to rise to €289.30 in January 2025 due to changes implemented in Budget 2025. Rates are graduated downwards depending on a person's social insurance payment history.

To receive a state contributory pension, a person must be aged 66 or older and must have been paying PRSI before the age of 56 and must have a minimum number of weekly contributions (10 years' worth i.e. 520 contributions). You can continue to work while claiming the state contributory pension, and you can live abroad while claiming it. It is estimated that 10% of claimants live abroad.

Spouses, civil partners and cohabitants of those in receipt of a state contributory pension may receive an Increase for a Qualified Adult (IQA) allowance, which is paid directly to them – although their eligibility for the IQA is tied to the primary claimant. The rate of payment is approximately 90 per cent of the main contributory pension rate for Qualified Adults aged 66 and over (with a lower rate for Qualified Adults under the age of 66). The current (2024) maximum rate is €248.60 for those 66 and over, and €184.70 for those under 66. The IQA payment is means-tested based on the qualified adult's personal means.[16] As Anne Marie McGauran has pointed out, the qualified adult system is a "key feature" of the historical male-breadwinner model[17]. She notes that "'qualified adults' were previously called 'adult dependents', with adult claimants (mostly male) considered to have financial responsibility for a dependent adult and children"[18], with most qualified adults being women.[19]

While the state contributory pension is based on social insurance contributions and is therefore supposed to be financed by the Social Insurance Fund (SIF), the SIF is often under budget and requires support from the exchequer. For example, in 2021 it had a deficit of €3.0 billion and required a subvention of €2.6 billion.[20]

It should also be noted that unlike in many other countries where the payments from contributory state pensions are related to income, the state contributory pension

16 Ibid., p.32-33.
17 See section 6.b below.
18 McGauran, A. M. (2021), *Ireland's Social Welfare System: Gender, Family and Class*, Background Paper (151/4), National Economic and Social Council, pp.13-14.
19 McGauran notes that: "Unfortunately, there is little publicly available data on the gender breakdown of QAs. In 2005, 95 per cent of QAs were female, and a Parliamentary Question which sought a gender breakdown of QAs on working age payments in 2012 found that this information was only available for Invalidity Pension, showing that 88 per cent of QAs under it were female." Ibid., p.14.
20 Department of Social Protection (2022). *Statistical Information on Social Welfare Services 2021*, p. 17.

in Ireland is only weakly related to social insurance contributions, being related to the number of contributions not their value. The maximum state contributory pension payment only differs the maximum state non-contributory pension by a notional €10, which is supposed to maintain "the contributory principle" of having a link between benefits paid and contributions made.

ii. State non-contributory pension

If people do not qualify for the state contributory pension, they may be entitled to the state non-contributory pension. This is a means tested payment and is not connected with social insurance contributions. As such it is not funded by the SIF. Instead, it is directly funded by the exchequer.

The current (2024) maximum state non-contributory pension is €266 for those aged between 66 and 80 and €276 for those aged 80 and over. This will rise to €278 and €288 respectively in January 2025 as a result of changes implemented in Budget 2025. There is no IQA for spouses, civil partners and cohabitants of those on the state non-contributory pension, as they can apply for the state non-contributory pension in their own right. Although, as with all of the main social protection payments in Ireland it is possible to apply for an increase if you are responsible for an adult dependent aged under 66, or for a child dependent.

The state non-contributory pension is available to those aged 66 and over, who satisfy a habitual residency requirement and who satisfy a means test.

The main items in the means test are cash income and capital. You can earn up to €200 per week from employment and it won't affect your pension. While your own home is not counted in the capital income assessment, other income from capital assets is assessed as follows:

Table 1: Assessment of capital for non-contributory pension

Capital Assets	Weekly means assessed
First €20,000	Nil
Next €10,000	€1 per €1,000
Next €10,000	€2 per €1,000
Balance	€4 per €1,000

iii. Widow/er's or surviving civil partner's contributory pension

The Widow/er's or Surviving Civil Partner's Contributory Pension (WCP) can be paid to the husband, wife, or civil partner of a deceased person of any age. Currently, 260 paid contributions are required to qualify for the payment. The social insurance conditions can be met through the social insurance contributions of the claimant or of the deceased civil partner/spouse. If a WCP recipient remarries, or starts to cohabit, the WCP is no longer payable. The WCP is not means-tested and, as there is no retirement condition, a recipient can continue to work.[21]

For those aged 66 and over, the maximum rate of payment is the same as the SPC, currently €277.30 per week. For those aged under 66 it is €237.50. A person cannot receive a WCP and the SPC at the same time – they will be paid whichever is the higher amount.

iv. Occupational injuries benefit - Death benefit

A small number of people receive the Occupational Injuries Benefit - Death Benefit. This benefit primarily applies where a person dies because of an accident at

21 Pensions Commission (2021). *Report of the Commission on Pensions,* p.33.

work or occupational disease. A person cannot receive the pension if they remarry or cohabit. The pension is not means-tested.[22]

The current (2024) maximum rate of payment under the death benefit scheme is €262.50 for those aged under 66, €281.70 for those aged 66-80 and €291.70 for those aged over 80.

v. Expenditure on the state pension system

In 2022 nearly €9.5 billion was spent on Ireland's state pension schemes. Of the vast bulk, 70%, nearly €6.5 billion was spent on the state contributory pension. Of the remaining 30%, €1.7 billion, 18%, was spent on the WCP scheme, and €1.1 billion, 12%, was spent on the non-contributory pension. Only a relatively small amount was spent on death benefit.

Table 2: Expenditure on pensions by scheme (€million), 2013-2022[23]

Scheme	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
State Contributory Pension	3,983.26	4,185.23	4,475.69	4,662.37	4,915.85	5,216.96	5,603.22	5,834.59	6,186.51	6,564.40
State Non-Contributory Pension	952.46	954.41	972.21	982.14	994.74	1,020.25	1,042.83	1,048.55	1,083.12	1,136.46
Widow's Pension	1,349.84	1,369.76	1,422.10	1,437.09	1,466.60	1,510.41	1,558.94	1,586.56	1,650.60	1,725.28
Death Benefit	7.78	8.07	8.25	8.59	9.37	9.89	10.06	10.21	10.4	10.72
State Pension (Transition)*	137.27	73.77	1.19	0.25	0.16	0.09	0.04	0.04	0.01	0
Bereavement Grant*	20.29	4.27	0.06	0.01	0	0	0	0	0	0
Total - Pensions	**6,450.89**	**6,595.51**	**6,879.48**	**7,090.45**	**7,386.72**	**7,757.61**	**8,215.09**	**8,479.95**	**8,930.63**	**9,436.86**

* Both the State Pension Transition and Bereavement Grant schemes were closed to new applicants with effect from January 1st, 2014. The Bereavement Grant expenditure in subsequent years refers to expired cheques that were returned to the Department for re-issue. There are still customers who satisfy the criteria for State Pension Transition and so expenditure on this scheme post 2014 relates to these customers.

In addition to the above four pensions, there are also a range of supplementary benefits available to state pension recipients. These include policy measures such as the Fuel Allowance, the Household Benefits Package (assisting with cost of electricity or gas bill and TV licence), and the Free Travel Scheme. There is also the Living Alone Allowance for those living alone.[24]

22 Ibid.
23 Department of Social Protection (2023a). Statistical Information on Social Welfare Services 2022, Table C1, p.35.
24 Roche, C. and P. O'Brien (2023) Ageing Report Ireland - Country Fiche, European Commission: Economic Policy Committee - Ageing Working Group 2024, p.7.

B. Occupational pensions

An occupational pension is a pension connected to your employment and involving your employer. There are a huge number of occupational pension plans in Ireland. Indeed, as the government's *Roadmap for Pensions Reform* notes "with 160,000 occupational pension schemes and just 1% of the EU population, Ireland is home to about 50% of all pension schemes in the EU."[25]

Occupational pension plans broadly fall into two kinds: defined-benefit and defined-contribution. Defined-benefit pensions are defined by what pension people will receive from their pension plan, while defined-contribution pension plans are defined by how much people contribute to their pension plan. Gradually overtime, defined-contribution pensions have come to constitute the majority of occupational pension plans. In 1991, around 83% of occupational pensions were defined-benefit and 17% were defined-contribution.[26] Today, things have completely flipped around, 66% of occupational pensions are defined-contribution and only 30% are defined-benefit.[27]

In most private sector occupational pension schemes, employees make a contribution of a percentage of their income to a private pension fund, with the employer matching some percentage of that contribution. The private pension fund then invests this money on the financial markets in order to earn a return. At retirement, retirees use the accumulated investment to supplement their income. Increasingly private sector pension schemes are defined-contribution pension schemes.

The public sector occupational pension scheme is a defined-benefit scheme linked to earnings at retirement for public sector employees employed before 2013 and to an average of career earnings for those recruited from 2013. Contributions made through this scheme are transferred directly to the exchequer. They are not invested on financial markets like private pensions funds. Rather the exchequer will make funds available to meet the cost of any benefits payable when the employee retires.

In order to encourage people to invest in occupational pension schemes the state provides generous tax relief on these schemes - both on the income invested into the schemes and on the investment income or capital gains made by the pension funds. See section 5.b for a further discussion of these tax reliefs.

C. Additional private pension plans – the third pillar

The third pillar is far less important than the first two pillars of Ireland's pensions system.

Section 4.b below examines pension income. It shows that one study finds that for individuals aged 66 and over 87% of their income comes from the first and second pillar of the pension system, while only 3% comes from individual private pension plans (i.e. the third pillar).[28]

Another study looks at income across the income distribution of those aged 66 and over and finds that excluding the bottom and top decile, the first two pillars of the pension system – state pensions and occupational pensions – comprise more than 80% of the income of every other decile. While for those in the richest decile, the third pillar comprises 12% of their income, for each of the bottom eight deciles

25 Government of Ireland (2018). *A Roadmap for Pensions Reform 2018-2023*, p.5.
26 According to the Pensions Board (1991), *The Pensions Board First Annual Report and Accounts 1991*, 81,567 were members of defined-contribution schemes, while 387,536 were members of defined-benefit schemes.
27 Central Statistics Office (2024a). *Pension Coverage 2023.*
28 See Table 12: Annual gross individual income source receipt and mean gross income by gender and income poverty status of older people, 2015-2016.

the third pillar comprises between 0.2%-3.5% of their income.

In other words, the third pillar is by far the least important pillar in Ireland's pension system and therefore the rest of this report focuses on the first two pillars.

D. Solidarity and individualisation in Irish pension policy

This chapter began by mentioning that Ireland's three pension tiers are defined in a different way to how the World Bank and OECD define the three tiers/pillars of pension systems. This is because in many countries the first pillar is a universal basic pension, the second pillar is a state mandatory income-related pension funded through the social insurance system, and the third pillar are other private sector pensions.

In Ireland we are essentially missing this second pillar: a state mandatory income-related pension funded through the social insurance system. While, the state non-contributory pension is funded through the social insurance system, it is not in any meaningful way tied to income.

Therefore, in Ireland private sector occupational pensions substitute for an income-related public mandatory system. But Irish occupational pensions are increasingly not income-related, i.e. defined-benefit, but are instead defined by the contributions that people have made to their pension schemes.

Rather than introduce a mandatory public, social-insurance based, income-related pension, which is the historical European norm, auto-enrolment re-commits Ireland's pension system to its dependence on private sector pension schemes.

As these private pension schemes provide no guarantee of income, they expose people to potentially large risks. This transfer of risk from the state to individuals is something that has been well remarked on in the academic literature.[29] It is an approach to pensions that contrasts sharply with ideas that pension policy should be based on principles of joint social responsibility and intergenerational solidarity.

29 See Hacker, Jacob S. (2008). *The Great Risk Shift: The Assault on American Jobs, Families, Health Care, and Retirement.* Oxford: Oxford University Press.

3. Auto-enrolment

A. The road to auto-enrolment

Ireland's public pension system emerged with something of a bang with the passage of the Old Age Pensions Act in 1908.[30] It was this that defined the Irish pension system until 1961, when the contributory old age pension was introduced. This already provided the basic structure of the pension system discussed in the last chapter. Since the 60s, there has been much discussion of pension reform, but relatively little has changed. As Hughes and Maher note, "For more than half a century the Irish pension system has remained structurally unchanged".[31]

The creation of the National Pensions Board (NPB) in 1985 saw the publication of five reports, and the creation of the 1990 Pensions Act, which stated that there must be no discrimination on the basis of sex in respect of any matter relating to an occupational benefits scheme.

The Homemaker's Scheme was introduced in 1994, providing a means of increasing the pension entitlement of carers, by "disregarding" up to 20 years spent caring for children under 12 or an incapacitated child or adult from the calculation of average social insurance contributions.

In 2007, a comprehensive review of the pensions system was published with the *Green Paper on Pensions*[32], which included a significant focus on the gender dynamics of the pension system. It estimated that 47,000 people – predominantly women and the self-employed – were completely outside the state pension system.[33] The *Green Paper* led to the creation of the *National Pensions Framework*, which was published in 2010. This proposed increasing the pension age, keeping the state pension at 35% of average weekly earnings, the introduction of a single 33% rate for tax relief on pensions, and the introduction of auto-enrolment. Auto-enrolment was to involve mandatory enrolment into a pension plan, which would be collected through the PRSI system and invested by the private sector without any state guarantee on returns.[34]

A *Statement of Government Priorities 2014-2016* committed to developing a roadmap for the introduction of a new, universal, supplementary workplace retirement saving scheme. In 2018, the Government published *A Roadmap for Pensions Reform 2018-2023*. This set out six planned reforms to the pension system, one of which was the introduction of a pension auto-enrolment scheme. In 2019 the government published a 'Strawman' design for the auto-enrolment scheme. The new government in 2020 included a commitment to the introduction

30 Ó Grádá, C. (2002). *"The Greatest Blessing of All': The Old Age Pension in Ireland"*. Past & Present, No. 175, pp. 124162.

31 Hughes, G. and Maher, M. (2016) *'Redistribution in the Irish pensions system: upside down?',* in M. P. Murphy and F. Dukelow (eds.), The Irish Welfare State in the Twenty-First Century: Challenges and Change, London: Palgrave Macmillan, p.93.

32 Department of Social and Family Affairs (2007a). *Green Paper on Pensions.*

33 Social Justice Ireland (2018). *A Universal State Social Welfare Pension: Recognising the Contribution of all our Senior Citizens*, p.8.

34 Maher, M. (2016). *The Politics of Pensions in Ireland*, pp.208-209.

of an auto-enrolment scheme in their Programme for Government. In October 2021, the Government published the 'Report of the Commission on Pensions', which, while focussed on the state pension, endorsed the introduction of an auto-enrolment system. And in March 2022, the Government decided to proceed with the implementation of the auto-enrolment system.[35]

B. Overview of the planned auto-enrolment scheme

Today, Ireland is one of the only countries in the Global North that does not have some form of a mandatory supplementary pension scheme.[36] As a result, we have low levels of pension coverage. Only 57% of those in employment have an active occupational pension, and much of that is accounted for by public sector workers. Only 35% of private sector workers have such coverage. In the absence of occupational pensions, the replacement rate faced by workers in Ireland is very low. Therefore, many workers facing retirement face potentially very large drops in their income. To address these two problems of coverage and adequacy, a new pensions auto-enrolment scheme will be introduced.

From September 2025, the auto-enrolment scheme named "My Future Fund" will start. It will provide a new savings and investment scheme for employees where financial returns are paid out to participants on retirement, in addition to the state pension.

The scheme will automatically enrol people aged between 23 and 60 who earn over €20,000 and are not already enrolled in an occupational pension scheme. The government estimates that there are approximately 750,000 employees in this category.[37]

Contributions will be made as a percentage of the employee's gross income. The contribution by the employee will be matched by the employer and the state will also make a contribution equal to one third of the employee's contribution.

The scheme will be gradually phased in over a decade. For the first three years the employee will make a contribution equal to 1.5% of their income. With the additional contributions by their employer and the state, that will be a contribution equal to 4.5% of their income. The size of these contributions will be gradually increased by 1.5% in three steps over ten years so that after ten years, employees will be contributing 6% of their income to My Future Fund. With the additional contributions of their employer and the government, that will amount to 14% of their income.

Table 3: Contributions by employees, employers and the state as a percentage of the employee's gross income.

	Employee Contributions	Employer Contributions	State Contributions	Total Contributions
Year 1 to 3	1.5%	1.5%	0.5%	4.5%
Year 4 to 6	3%	3%	1%	7%
Year 7 to 9	4.5%	4.5%	1.5%	10.5%
Year 10 +	6%	6%	2%	14%

35 Department of Social Protection (2023b). Submission by Department of Social Protection on Report on Pre-legislative scrutiny of the General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022.
36 OECD (2023). *Pensions at a Glance 2023: OECD and G20 Indicators*.
37 Government of Ireland (2022). *The Design Principles for Ireland's Automatic Enrolment Retirement Savings System.*

Employer contributions and the state top-up will be capped at a maximum €80,000 of an employee's gross salary. Employees may contribute on earnings greater than €80,000 if they wish, but the state will not make contributions above that level, and employers will not be required to do so.

It was decided to choose this system of government top ups instead of a system of tax-relief. Employer contributions will receive tax relief in the same manner as currently applied in respect of employer contributions to occupational pension schemes, whereby contributions can be offset in the calculation of corporation tax. With regard to the wider tax relief system as it currently applies to traditional occupational and private supplementary pensions, this will remain unaffected by the introduction of auto-enrolment. The two systems will work in parallel with each other.

If an employee wishes to leave the system, they may opt out. However, they may not opt out within the first six months. When they do opt out only their contributions will be returned to them, the contributions by their employer and the state will remain in their account. The thinking here is that when employees see the additional income accrued in their pension pot from the contributions by their employer and the state, they will choose to keep contributing. If an employee does choose to opt out, they will be automatically re-enrolled after a period of two years.

The contributions will be managed by a central National Automatic Enrolment Retirement Savings Authority (NAERSA). This is to be established with effect from 31st March 2025. NAERSA will administer the system on behalf of enrolled employees, their employers and the state. It will invite private commercial providers to tender to become Registered Providers (RPs). There will be a shortlist of four RPs each of which will be required to offer four fund profiles:

- A conservative fund (e.g. mainly Government bonds, cash, or cash equivalents)
- A moderate risk fund (e.g. Government bonds, plus blue-chip equities, stock exchange indices etc.)
- A higher risk fund (e.g. equities and properties)
- A 'default fund' which will operate on a lifestyle/lifecycle basis.

Employees will be free to choose from between these four options. As there is a tendency for people to go with the default option with pension savings,[38] it might be expected that most will choose the default "lifecycle" fund. A lifecycle investment approach is one where contributions for each member are invested more heavily in higher risk growth investments, such as equities and property, at younger ages and then gradually switched to lower risk investments, such as bonds and cash, as the member nears retirement.

Under this design, while NAERSA will be a state agency, the funds themselves will be private pension funds.

Ethical investment

As these are going to be private funds, but which the state will be semi-compelling people to invest in there are difficult ethical questions about where these funds are invested.

Under the *Automatic Enrolment Retirement Savings System Act 2024*, the funds will be invested "in the best long term interests of the participants on whose behalf units in the scheme are held"[39] and "shall take into account the potential long-term impact of investment decisions on environmental, social and governance factors"[40].

38 Choi, J. J. "Contributions to defined contribution pension plans." Annual Review of Financial Economics 7, no. 1 (2015): 161-178.

39 Government of Ireland (2024a). Automatic Enrolment Retirement Savings System Act 2024, Article 74(2)(a).

40 Ibid., Article 74(2)(b).

This requirement to take into account environmental, social and governance factors involves a requirement to "conduct, at intervals of not more than 3 years, an assessment of the risks [arising from environmental, social and governance factors], and report to [NAERSA] on the assessment, and prepare, and from time to time revise, a statement describing how considerations arising from environmental, social and governance factors affect its investment decisions".[41]

In other words, while the funds "shall" take into account principles of ethical investment, this is essentially a reporting requirement. The key duty of the funds is that they must be invested "in the best long term interests of the participants". In other words, the funds have a "fiduciary duty to get the very best return for the members".[42] Therefore, it seems quite probably that at some stage some elements of these funds could be invested in investments widely seen as unethical such as fossil fuels or the arms industry. This has been raised at numerous points in the development of the auto-enrolment scheme.[43] As a result, the Joint Oireachtas Committee Report on Pre-Legislative Scrutiny of the General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022 proposed "that the investment funds be prohibited from investing in fossil fuels or the arms industry".[44] This proposal was rejected on the grounds that "it is important to note that the NAERSA will not be administering a new state fund, but rather will be administering hundreds of thousands of individual savings accounts that will be the personal property of the AE [auto-enrolment] participants. The AE scheme is, in that sense, a state incentivised personal retirement savings scheme for individuals rather than a new national fund. In that context, the NAERSA and investment managers will have a duty to, first and foremost, get a good financial return for participants. It is important not to impose more restrictions on AE participants' investments than those that apply to workers paying into occupational or private pension schemes."[45]

There are difficult ethical issues around the state introducing a quasi-mandatory investment scheme, where hundreds of thousands of citizens may, unbeknownst to them, be investing in fossil fuels or the arms industry.

Low incomes

A further issue with auto-enrolment is with how it affects those on low incomes. On the one hand, those who earn below €20,000 will not be automatically enrolled. Therefore, they will see no benefit from auto-enrolment. On the other hand, a full state pension results in a relatively high replacement rate for low wage employees. As Tim Duggan from the Department of Social Protection pointed out at a meeting of the Joint Oireachtas Committee: "the state pension provides people with an income of just over €13,000 if they have been working full time. Based on that, for someone earning €20,000 in their working life, the state pension would give them a net replacement rate of 69% to 70%, which is well over the two thirds that we believe is necessary."[46] Therefore, there is a risk that auto-enrolment may induce excessive savings by people on low incomes who would be better off spending their earnings in the present. This is an additional problem in that the pot accumulated by someone on low wages may end up being quite small and only make a negligible impact on their income in retirement.

41 Ibid., Article 75(1).
42 Duggan, T., (2022), Joint Committee on Social Protection, Community and Rural Development and the Islands debate (Unrevised).
43 Ibid. and Higgins, A. M., (2024), *Seanad Éireann debate (Unrevised),* [online], 19 Jun 2024.
44 Joint Committee on Social Protection, Community & Rural Development and the Islands (2023). Report on Pre-Legislative Scrutiny of the General Scheme of the Automatic Enrolment Retirement Savings System Bill 2022.
45 McLoughlin, E. (2024). Bill Digest: Automatic Enrolment Retirement Savings System Bill 2024. Oireachtas Library & Research Service.
46 Duggan, T., (2022), *Joint Committee on Social Protection, Community and Rural Development and the Islands debate (Unrevised).*

This is likely to be a particular issue for women, who are more likely to be on low wages, more likely to work part-time and more likely to spend time outside of employment. For many women auto-enrolment will have little to no positive impact on their income in retirement.

C. Auto-enrolment case studies – gender and care

The government has given a number of examples of how this scheme will work.[47] If we compare two of these examples, they are illustrative of how auto-enrolment interacts with questions of care and gender discussed throughout this report.

The *Design Principles for Ireland's Automatic Enrolment Retirement Savings System*, released in March 2022, describes "Jack", a 25-year-old worker in a gardening centre earning €25,000, with an expected retirement salary of €40,000. Jack will contribute 6% of his salary, the gardening centre will contribute 6% and the state will contribute 2%. Jack chooses the default lifecycle fund, and it is assumed that the return on this is 4.0% per year until 10 years before retirement when Jack's money is moved over to a more conservative investment strategy with the investment return reducing annually to a port-retirement interest rate of 0.5%. On this basis, by the time of Jack's retirement he is forecast to have accumulated the pension fund described in table 4. On the basis of Jack's personal contribution of €84,123, he will have a pension fund of €375,169.

Table 4: Jack's projected fund breakdown at retirement

Jack's contributions	€84,123
Jack's employer's contributions	€84,123
State top-up	€28,041
Jack's total savings	€196,287
Projected net investment returns	€178,882
Jack's total projected fund	€375,169

The same document also describes the example of "Fiadh", a 30-year-old restaurant worker earning €30,000 a year, with an expected retirement salary of €51,000. The assumptions about the fund and investment are basically the same. However, Fiadh takes a career break for 10 years between 35 and 45 to care for her children and is not in paid employment during this period. On this basis, by the time of Fiadh's retirement she is forecast to have accumulated the pension fund described in table 5. On the basis of Fiadh's personal contribution of €64,343, she will have a pension fund of €232,196. Therefore, although she has a higher annual wage than Jack and although her lifetime contributions are only less than €20,000 less than Jack's, her total projected fund at retirement is more than €150,000 less than Jack's. The reason for this is largely because of how the system has designed how it deals with people taking employment leave to do care work.[48]

47 Government of Ireland (2022). *The Design Principles for Ireland's Automatic Enrolment Retirement Savings System.*
48 An additional reason is that in this example Fiadh joins the scheme aged 30, while Jack joins it aged 25.

Table 5: Fiadh's projected fund breakdown at retirement

Fiadh's contributions	€64,343
Fiadh's employer's contributions	€64,343
State top-up	€21,448
Fiadh's total savings	€150,134
Projected net investment returns	€82,062
Fiadh's total projected fund	€232,196

Fiadh's total pension pot of €232,196 is only slightly more than four times her retirement salary of €51,000. As described in section 5.c, by 2050 women are expected to live to around 90. It is doubtful that this pot will be adequate to significantly increase Fiadh's retirement income over that 24-25 year period. This highlights the earlier mentioned issues around how auto-enrolment affects those on relatively low incomes.

4. The problems auto-enrolment sets out to solve

The reasons for the introduction of the auto-enrolment scheme are relatively simple. Both the state non-contributory and contributory pensions are too low to provide an adequate income replacement for large numbers of employees. Therefore, without an occupational pension many employees in Ireland would face a large income reduction on retirement. And indeed only 57% of employees are currently contributing to supplementary pension. For private sector workers, this falls to 35%. Therefore, auto-enrolment is being introduced to increase enrolment in supplementary pension schemes.

This is the primary problem that the new auto-enrolment scheme sets out to solve. As has been mentioned, it is far from the only problem with the pension system – and therefore it is useful to note that focus on this policy proposal occurs at the expense of political and policy capital being spent on other measures which may tackle other inequalities within the pension system, including more direct interventions targeting gender and care inequalities. Further discussion of auto-enrolment in the context of the broader pension system will follow in further chapters, this chapter will examine the problems auto-enrolment sets out to solve: to increase supplementary pension coverage and income in retirement.

A. Occupational and private pensions coverage

In addition to the basic state pension, there is a need for further pension supports through the second and third pillars of the pension system.

Regardless of gender, 57% of people in employment aged 20-69 are currently covered by either an occupational pension plan from their current employment or a personal pension plan that they are currently paying into. If we expand this to include pension plans that are not currently being paid into, deferred pension plans and pension plans that are being drawn down, coverage increases by around 10% to 68%. There does not appear to be a significant difference in pension coverage between men and women. Not surprisingly coverage is higher amongst older people. And coverage is significantly higher amongst people working full time than amongst people working part time (women are more likely than men to work part time), and higher amongst employees than amongst the self-employed.[49]

49 Central Statistics Office (2024a). *Pension Coverage 2023.*

Table 6: Pension coverage in the state for persons in employment (ILO) aged 20 to 69 years1, Q3 2021 to Q3 2023, % of persons in employment aged 20 to 69[50]

	Only occupational pensions from current employment and personal pensions in current contribution			Occupational pensions from current /previous employments and personal pensions, including deferred pensions and pensions in draw-down mode		
	Q3 2021	**Q3 2022**	**Q3 2023**	**Q3 2021**	**Q3 2022**	**Q3 2023**
State	56	58	57	66	66	68
Sex						
Male	57	58	57	68	68	68
Female	56	57	57	64	65	67
Age group						
20-24	22	29	25	25	31	33
25-34	53	52	53	57	56	61
35-44	62	61	63	71	69	72
45-54	67	66	66	77	77	77
55-69	55	59	55	74	75	73
Nationality						
Irish nationals	59	61	59	69	70	70
Non-Irish nationals	37	39	42	43	45	52
ILO employment status						
Self-employed and/or assisting relative	30	33	30	55	56	54
Employee	60	61	61	67	68	70
Hours of work						
Full-time	63	64	63	71	72	72
Part-time	27	28	29	42	43	47

50 Ibid.

If we look at what kind of pension coverage people have, we can see in table 7 that 70% only have an occupational pension, 10% have a personal pension, while 20% have both. Significantly more men than women have a personal pension, with 74% of women having only an occupational pension, compared to 66% of men.

Table 7: Persons in employment (ILO) aged 20 to 69 years with a pension by type of pension, Q3 2023[51]

	Occupational pension only	Personal pension only	Both occupational and personal pension
Male	66	13	22
Female	74	7	19
State	70	10	20

As described above, public sector workers are covered by a public sector occupational pension. The CSO estimates that 17.4% of workers in Q1 2024 were public sector workers, this increases to 20.2% when semi-state bodies are included.[52]

Unfortunately, the CSO does not provide information on the pension coverage divided by public/private sector. However, the Pensions Authority states that only "35% of the private sector workforce has [supplementary pension] cover (despite availability of generous tax reliefs)."[53] Given the decades of trying to encourage the increased occupational pension coverage in the private sector, the fact that pension coverage is still only 35% is remarkable. In a 2005 paper, Gerald Hughes showed that private sector occupational pension coverage was 33% in 2003.[54] Hughes was highlighting at the time that despite the generous tax reliefs, private sector occupational pension coverage had hardly increased since 1985, when it was 31%. That after 40 years of government reports, and policy interventions, and tax reliefs, private sector occupational pension coverage had only marginally increased from 31% in 1985 to 35% in 2022 indicates a real failure of policy.

B. Income of older people

With such a low level of private sector pension coverage, it is worth asking how people without a pension expect that they will support themselves in old age. Table 8 shows that nearly 60% of those without a pension expect they will be dependent on the state pension. 17% have not decided, and presumably do not have clear plans for their future income. 5% intend on joining a pension scheme. Only 19% of those without pension plans have a plan for an alternative source of income. If we exclude the "not decided", 70-72% of those without a pension expect the state pension will be the main source of their income. Given that it is forecast that higher numbers of older people will live in rented accommodation in the future, the low level of the state pension may pose real challenges in the future.[55]

51 Ibid.
52 Central Statistics Office (2024b). *Labour Force Survey Quarter 2 2024*, Table 8.13 A2.
53 Government of Ireland (2018). *A Roadmap for Pensions Reform 2018-2023*. As noted above, this 35% figure has been repeated since then. See for example Pensions Council (2022). *Report on Gender Pension Gap.*
54 Hughes, G., (2005) "Pension Tax Reliefs and Equity" in G. Hughes and J. Stewart (eds.), For Richer, For Poorer: An Investigation of the Irish Pension System, Dublin: Tasc at New Island, pp.138-140.
55 Slaymaker, R., Roantree, B., Nolan, A., and O'Toole, C. (2022). *Future trends in housing tenure and the adequacy of retirement income*. ESRI Research Series RS143, Dublin: ESRI.

Table 8: Persons in employment (ILO) aged 20 to 69 years without a pension classified by expected main source of income on retirement1, Q3 2023[56]

	Male	Female	State
State Social Welfare pension	58	59	59
Not decided	17	17	17
Savings or investments	8	13	11
Spouse or partner's occupational or personal pension	4	1	2
Sale of business or farm or other property	1	2	2
Intend to join pension scheme	5	5	5
Moving back home/abroad	4	3	3
Rent from properties or land	1	1	1

Currently there is widespread dependence on the state pension. Indeed, as table 9 shows, the state pension comprises more than half of the income sources for the bottom 70% of those aged 66 and over. Collins and Hughes[57] examine the sources of income for those aged 66 and over in Ireland by income decile. As can be seen, for every income decile the vast majority of income comes from pensions. Excluding the bottom and top decile, the first two pillars of the pension system – state pensions and occupational pensions – comprise more than 80% of the income of those aged 66 and over. For those in the poorest income decile, housing allowances comprise a significant proportion, 11%, of their income. While for those in the richest decile, private pensions and income from self-employment comprise 12% and 10% of their income respectively. Outside of the top two deciles, third pillar private pension income is not a substantial income source. And, outside of what has been described, almost no other source of income comprises more than 5% of income for any decile.

Clearly, the largest source for income for older people are the state pension and occupational pensions. Of these, not surprisingly, the state pension is more important for lower income deciles than higher income deciles. For the bottom 40% of the distribution, occupational pensions comprise less than 5% of income. As stated, for the bottom 70%, the state pension comprises more than half of their income. It is only for the richest 20% that occupational pensions are a significantly more important income source than the state pension.

56 Central Statistics Office (2024a). *Pension Coverage 2023*.
57 Collins, M. L and Hughes, G. (2017). *"Supporting pension contributions through the tax system: outcomes, costs and examining reform".* The Economic and Social Review, 48, 4, 489–514.

Table 9: Sources of income for those aged 66 and over in Ireland by income decile, 2014[58]

Income Category	Low	2nd	3rd	4th	5th	6th	7th	8th	9th	Top
Employee income	0	0.6	1.5	0	1.2	2.1	0.3	1.3	1.9	5.7
Self-employed income	2.2	1.4	1.7	0.9	3	1.8	4.7	8	5.5	10.3
Private pension income	2.6	1.2	0.2	2.8	1.4	3.3	3.5	3.5	5.4	12
Occupational pension	7.8	8.9	2.5	3.7	14.4	18	32	42.1	54.8	44.9
State Old-Age payments	65.4	81.3	85	85.4	72.5	60.2	53.9	40	27.7	17.6
Rental income	3.7	1.6	0.9	1.1	0.7	0.7	1.3	2.4	1.5	4.3
Investment income	2.8	0.1	0.5	0.1	0.6	6.9	1.1	1	2.2	4.5
Other direct income	0.2	0	0	0	0	0	0	0	0	0
Housing allowances	10.6	4.1	5.1	4.2	2.8	2.3	1.3	1.4	0.7	0.4
Other social transfers	4.8	0.9	2.7	1.8	3.5	4.8	1.9	0.4	0.3	0.2
Gross Income	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

This very large dependence on the state pension is remarkable especially for those in the middle of the income distribution, as the state pension is well below average earnings. Table 10 shows estimates made by the OECD of the replacement rate, i.e. the percentage of an individual's annual employment income that is replaced by retirement income. Combining both total mandatory public and private pensions, which in Ireland really only amounts to the state pension, we can see that Ireland has some of the lowest replacement rates in the developed world. For those who earn 200% of average earnings, Ireland has the second lowest replacement rate in the OECD, with gross replacement rates only 13% of income – less than a third of the OECD average. For those who earn average earnings, Ireland has the third lowest gross replacement rate at 26% - roughly half the OECD average, and the fifth lowest net replacement rate at 36% slightly above half of the OECD average.

For those on lower incomes Ireland's mandatory pension system is not quite as bad. For those who earn 50% of average income, their replacement rates are over 50% - over 80% of the OECD average, and tenth lowest in the OECD. Indeed, the net replacement ratio, 60.5%, is not very far from the 66%, or two-thirds, level that the Department of Social Protection thinks is necessary.[59]

58 Ibid., p. 494.
59 Duggan, T., (2022), *Joint Committee on Social Protection, Community and Rural Development and the Islands debate (Unrevised).*

Table 10: Pension replacement rates from mandatory public and private schemes and voluntary private pension schemes for individual with average earnings, 2022 (%)[60]

	Total mandatory (Public + Private)		Total with voluntary	
	Gross	Net	Gross	Net
50% of average income				
OECD	63.8	73.2	68.1	78.3
Ireland	52.4	60.5	81.9	97.1
Ireland Ranking	28/38	28/38	2/10	2/10
100% of average income				
OECD	50.7	61.4	55.2	66.9
Ireland	26.2	36.1	55.7	74.4
Ireland Ranking	36/38	34/38	4/10	2/10
200% of average income				
OECD	42.3	52.8	47.2	59.0
Ireland	13.1	21.6	42.6	62.0
Ireland Ranking	37/38	37/38	5/10	4/10

Clearly, the mandatory elements of the Irish pension system do not provide an adequate income replacement in retirement for many on medium to high incomes. As a result, Ireland has an unusually high voluntary pensions sector. But it is hard to estimate the pension replacement rate including voluntary pensions. The OECD performs an estimation where they estimate that a voluntary pension in Ireland will increase the gross replacement rate by 29.5 percentage points, regardless of income. This is a very rough guesstimate, but its results are provided in the two right hand columns in table 10.

Collins and Hughes[61] also attempt to estimate the replacement rate in Ireland, including voluntary schemes. They take the median contribution of €3,300 per annum as an example, contributing to a pension for 40 years will provide an annual income in retirement of approximately €5,200. Combined with the state pension, this gives a still very low replacement rate of 37.5 per cent for a median pension contributor.

The evidence therefore suggests that the replacement rate for those on medium incomes is very low. As it stands, large numbers of earners, including people in the middle of the income distribution, are not contributing to a supplementary pension plan and will be very dependent on the state pension as their primary source of retirement income.

This points to the need, firstly, to increase the level of enrolment in second pillar pension schemes and, secondly, to ensure that the state pension is adequate. While the auto-enrolment scheme is likely to go a long way to enrolment in second pillar pension schemes, it is not intended to address the issue of state pension adequacy.

Because of the increase in the state pension following the National Pensions Policy Initiative, described in chapter two above, the number of people aged 65 and over at risk of poverty fell dramatically in the first decade of this century.[62] Since then, the state pension has been just enough so that

60 OECD (2023). *Pensions at a Glance 2023: OECD and G20 Indicators.*
61 Collins, M. L and Hughes, G. (2017). "Supporting pension contributions through the tax system: outcomes, costs and examining reform".
62 Gilmore, O. (2024). *The State We Are In: Inequality in Ireland 2024.* Dublin: TASC, pp.28-29.

it keeps those dependent on it as their sole source of income slightly above the poverty line. However, it is worth noting that despite this for the last 15 years roughly 10% of those aged over 65 are still at risk of poverty.

Research by Nolan et al[63] used pooled data from the 2015 and 2016 Survey on Income and Living Conditions (SILC) to try to understand the phenomenon. They consider the possibility that this could be explained by the presence of other non-pension recipient householders who could be dragging down the average household income. However, they reject that as they find that almost 80% of income-poor older people live in single or couple households. Instead, the evidence would seem to suggest that income poverty amongst older households is due to older people having insufficient income.

Their research confirms the findings of Collins and Hughes that pension income is the most important income source for households of people aged 66 and over.

For these households, average income is €36,918. 87% are in receipt of the contributory pensions, which includes both the state contributory pension and occupational pensions, and this comprises on average 62% of income. 20% are in receipt of the state non-contributory pension and this comprises on average 7% of household income.

For households not in poverty, where income is above 60% of the median income, average household income is €40,215, and contributory pensions comprise 60% of income, with the non-contributory pension comprising only 6% of income.

But, for households in poverty, where income is below 60% of the median income, average household income is only €13,639. Here the contributory pension comprises only 47.5% of income, and at €6,479 is well below the maximum contributory pension rate. The non-contributory pension comprising a much larger 22% of income, providing on average €2,965.

As Nolan et al point out “the much lower level of receipt and mean level of contributory pension of poor older people has several possible explanations: weak previous relationship to the labour market, due to periods of inactivity (home duties, unemployment); periods of emigration (working or not); as well as persons not claiming their full entitlements.” [64] From this explanation of poverty amongst older people, it would appear likely that poverty is a particularly large problem for older women. And this is what the research finds.

63 Nolan, A., A. Whelan, S. McGuinness and B. Maître (2019). *Gender, Pensions and Income in Retirement.* ESRI Research Series RS143. Economic and Social Research Institute: Dublin.

64 Ibid., p.48.

Table 11: Gross household income source receipt and mean gross income by income poverty status of older people, 2015-2016[65]

	All households with 66+			Not income poor			Income poor		
	% receipt	Mean	As % of gross income	% receipt	Mean	As % of gross income	% receipt	Mean	As % of gross income
Employee cash or near-cash income	14.2	4238	11.5	15.1	5397	13.4			
Cash benefits or losses from self-employment	11.8	2422	6.6	12.1	2887	7.2	8.6	549	4
Pension from individual private plans	9	1025	2.8	9.3	1075	2.7			
Unemployment benefits	7.4	593	1.6	6.8	663	1.6	13.2	1361	10
Old age benefits (contributory)*	86.6	22845	61.9	89.3	24337	60.5	60.5	6479	47.5
Old age benefits (non-contributory)	20.4	2689	7.3	19.3	2528	6.3	31.7	2965	21.7
Disability benefits (Contributory)	2.6	196	0.5	2.8	234	0.6			
Disability benefits (non-contributory)	2.6	272	0.7	2.7	298	0.7			
Income from rental of a property or land	6.1	432	1.2	6.3	467	1.2			
Family/children related allowances	10.2	885	2.4	10.1	939	2.3	11.1	574	4.2
Social exclusion not elsewhere classified	1.9	35	0.1	2	35	0.1			
Housing allowances	75.7	562	1.5	76.7	553	1.4	66.6	420	3.1
Interest, dividends, profit from capital investments in unincorporated business	20.7	637	1.7	21.6	712	1.8	12.1	208	1.5
Total gross household income		**36,918**	**100**		**40,215**	**100**		**13,639**	**100**

65 Ibid, p.49.

Looking at individual income amongst those aged 66, Nolan et al finds that average individual income is €18,978, 87% of which comes from the state contributory pension, occupational pensions and non-contributory pensions, (i.e. the first and second pillar of the pension system), while only 3% comes from individual private pension plans (i.e. the third pillar).[66]

They also find that this €18,978 average income figure hides a large gender inequality. While men aged 66 and over have an average individual income of €24,853, women have an average income that is 44% lower at €13,935. Women's income amongst those aged 66 and over is only slightly over half that of men.

While older women receive on average more from employee income, and less from self-employment income and private pensions, the major reason for this income gap is simple: it is a gap in income from contributory pensions and occupational pensions. While women on average receive €10,822 from these pension schemes, men receive nearly 1.8 times as much: €19,007.

Amongst "income poor" (per Nolan et al) men and women the contrast is very strong. Only 62% of income poor men receive a contributory pension, far fewer than the 86% of men on average, while 26% receive the non-contributory pension, nearly twice as much as men on average. While the average income from the contributory pension amongst income poor men is a third of the average income for man.

For income poor women, the finds are similar but more pronounced. Only 40% of income-poor women receive a contributory pension, and the income they receive from it is less than a third of the income the average woman gets from contributory pensions. And it is only slightly more than half what an income poor man receives.

In contrast the average amount of income received from the non-contributory pension is stable across these groups – between €1,529 for men on average to €2,610 for women on average. Although, relatively, the state non-contributory pension is a much more important income source for the income poor than for the population on average.

66 (14,602+ 1870)/ 18,978=87%, 630/18,978=3%.

Table 12: Annual gross individual income source receipt and mean gross income by gender and income poverty status of older people, 2015-2016[67]

	All 66+		Men 66+		Women 66+		Income-poor men 66+		Income-poor women 66+	
	% receipt	Mean	% receipt	Mean	% receipt	Mean	% receipt	Mean	% receipt	Mean
Employee income	2.90%	605	2.70%	829	3.10%	412	*	*	*	*
Self-employment income	6.90%	1202	11.80%	2240	2.70%	311	*	*	*	*
Pension from private plans	5.90%	630	9.50%	1136	2.90%	196	*	*	*	*
Unemployment benefits	1.30%	69	1.90%	112	*	*	*	*	*	*
Old age benefits (contr.)	76.40%	14,602	86.40%	19,007	67.80%	10,822	61.60%	6465	40.90%	3,349
Old age benefits (non-contr.)	16.80%	1870	13.70%	1529	19.60%	2162	26.50%	2392	30.50%	2,610
Total individual gross income		18,978		24,853		13,935		9,715		6,060

C. The likely impact of pension auto-enrolment on coverage and income

The primary aim of auto-enrolment is to increase enrolment in occupational pension schemes. It will do this by automatically enrolling employees who are not currently enrolled in a pension scheme into a scheme. It is almost certain that this will dramatically increase supplementary pension coverage.

If we look at the experience in the UK[68], automatic enrolment was phased in over a six-year period between 2012-2018. This led to a tenfold increase in total membership of defined-contribution occupational schemes, from 2.1 million in 2011 to 21 million in 2019, and it saw the actively contributing membership rise from 0.9 million active members in 2011 to 10.6 million members in 2019.[69] Needless to say, this is a very large increase in supplementary pension coverage.

Of course, because both the UK and Irish automatic enrolment schemes are defined-contribution schemes, the pension that they will finally pay out depends on the return they earn on their investments over the lifetime of the funds. So, it is uncertain what impact the Irish scheme will have on the income of pension recipients, but it appears certain that they will increase the adequacy of income for future retirees.

In short, it seems almost certain that auto-enrolment will achieve the two broad aims – increasing supplementary pension coverage and the adequacy of pension income for future retirees. Currently, men and women have pension coverage at roughly the same rate. It is possible that pension coverage will remain similar between men and women after auto-enrolment. Although, as a large number of women earn below €20,000 a year, the impact might not be completely equal. Further research on auto-enrolment coverage by gender is required.

67 Nolan, A., A. Whelan, S. McGuinness and B. Maître (2019). *Gender, Pensions and Income in Retirement*, p.51.
68 For a useful evaluation of the UK auto-enrolment scheme see Cribb, J. and Emmerson, C. (2016). *What happens when employers are obliged to nudge? Automatic enrolment and pension saving in the UK.* London: The IFS.
69 Mirza-Davies, J. and K. Zaidi (2023) *Pensions: automatic enrolment - current issues*. Research Briefing, House of Commons Library.

The impact of auto-enrolment on income during retirement by gender is even more complex, as this depends not only on coverage but also on income during working-age. Here we are likely to see auto-enrolment interact with existing gender inequality. Understanding this and other problems require expanding our sights to consider problem with Ireland's pensions system that auto-enrolment explicitly does not aim to address.

5. Further problems in Ireland's pension system

Considered on its own terms, pension auto-enrolment seems certain to achieve its core aims of increasing supplementary pension coverage and increasing adequacy of pension income for many future retirees. However, if we move beyond this and consider pension auto-enrolment in relation to the wider problems and inequalities within the Irish pension system we can see that significant problems are going to remain unaddressed. Indeed, there is a risk that pension auto-enrolment may exacerbate these problems and inequalities.

This chapter will consider three specific problems: gender pension inequalities, tax justice and the impact of demographic change on the exchequer. It will conclude by considering how auto-enrolment might interact with these problems.

A. Coverage of women and carers

In addition to the research using pooled data from the 2015 and 2016 Survey on Income and Living Conditions (SILC), Nolan et al examine evidence from the Irish Longitudinal Study on Ageing (TILDA), which was conducted in 2010, to understand pension income amongst older people. They focus on those in the TILDA survey who are aged over 65, who are retired, not currently employed and did not receive a lump sum in this year.

They look at the actual pension payments received by those aged 65 and over and find that a very high proportion receive the state pension: 83% of men and 93% of women. State pension payments received by men and women are on average very similar.

In contrast, both coverage and payments from occupational and private pensions are very different when divided by gender. 55% of men receive an occupational and/or private pension, while only 28% of women do. Men receive on average €233 from this source, while women only receive €82, 65% less than men.

The result is that the gender pension gap is quite substantial. While men receive on average €433 per week in pension income, women receive only €280, 35% less than men.

Table 13: Distribution of pension type by gender, 2010

	All who are 65+, retired and not employed (%)		Average pension income (€/week)	
Pension type	**Men**	**Women**	**Men**	**Women**
State pension	88	93	200	199
Occupational and private pensions	55	28	233	82
Any form of pension income	100	100	433	280

From their research, Nolan et al conclude that "the significantly lower total pension incomes of women [is] explained almost entirely by deficits in occupational and private pension income".[70]

Therefore, it is worth trying to understand those deficits in occupational and private pension income.

As we will see, the gender pension gap is essentially explained by two factors: women having less time in employment over their lifetime, and women earning less than men.

The first thing to note is that the deficit is not because women participate in pension schemes at a lower rate than men or invest relatively less of their income into pensions than men.

As noted in table 6, the exact same proportion of men and women are actively contributing to occupational pensions: 57%.

Micheál L. Collins has also looked at pension coverage by gender, focusing on "private pension" coverage, by which he means pensions other than the state pensions (i.e. pillar two and pillar three pensions). He found that the percentage of earnings invested in pensions by men and women is almost identical. However, looking at the mean and median contributions, he found that men contribute far more to their pension plans than women. On average, the amount contributed to private pensions in 2014 was €5,058, with men contributing over a third more than women.

Table 14: Annual private pension contributions as a proportion of earnings, by gender, 2014

	Overall	Males	Females	Difference
Mean contribution	€5,058	€5,984	€3,872	35%
Median contribution	€3,340	€3,840	€2,724	29%
Mean contribution % earnings	9.30%	9.70%	8.90%	0.80%
Median contribution % earnings	8.00%	8.00%	8.00%	0.00%

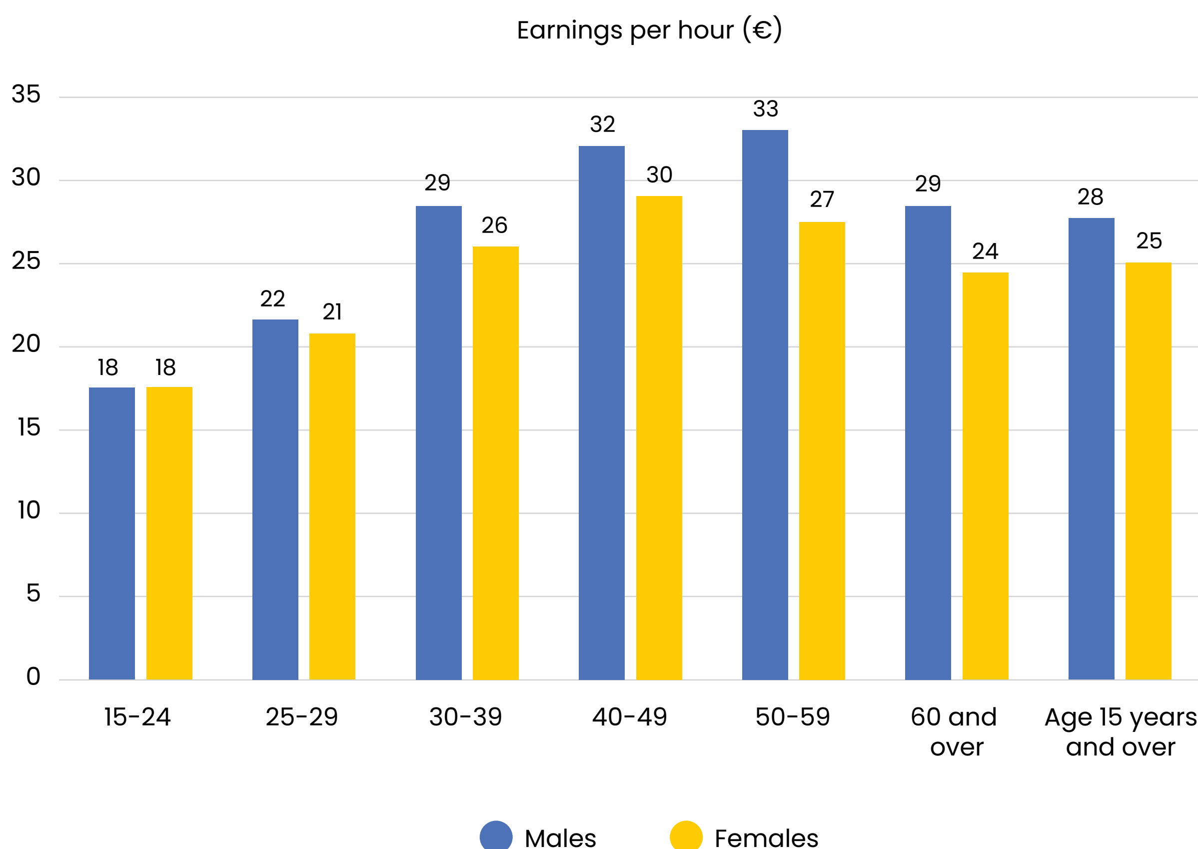
If men and women contribute the same percentage of their income to pensions, then the reason for the large difference in pension contributions between men and women would therefore appear to be because of differences in earnings, not difference in any propensity to save for a pension.

And as we know, there are large differences in earnings between men and women.

Figure 1 shows the hourly gender pay gap. Hourly gender pay gap grows from 0% amongst those aged under 24 to 17% for those aged 50-59. Across all age groups the hourly pay gap is 9.6%

70 Nolan, A., A. Whelan, S. McGuinness and B. Maître (2019). *Gender, Pensions and Income in Retirement*, p.21.

Figure 1: Hourly gender pay gap, 2022, €[71]

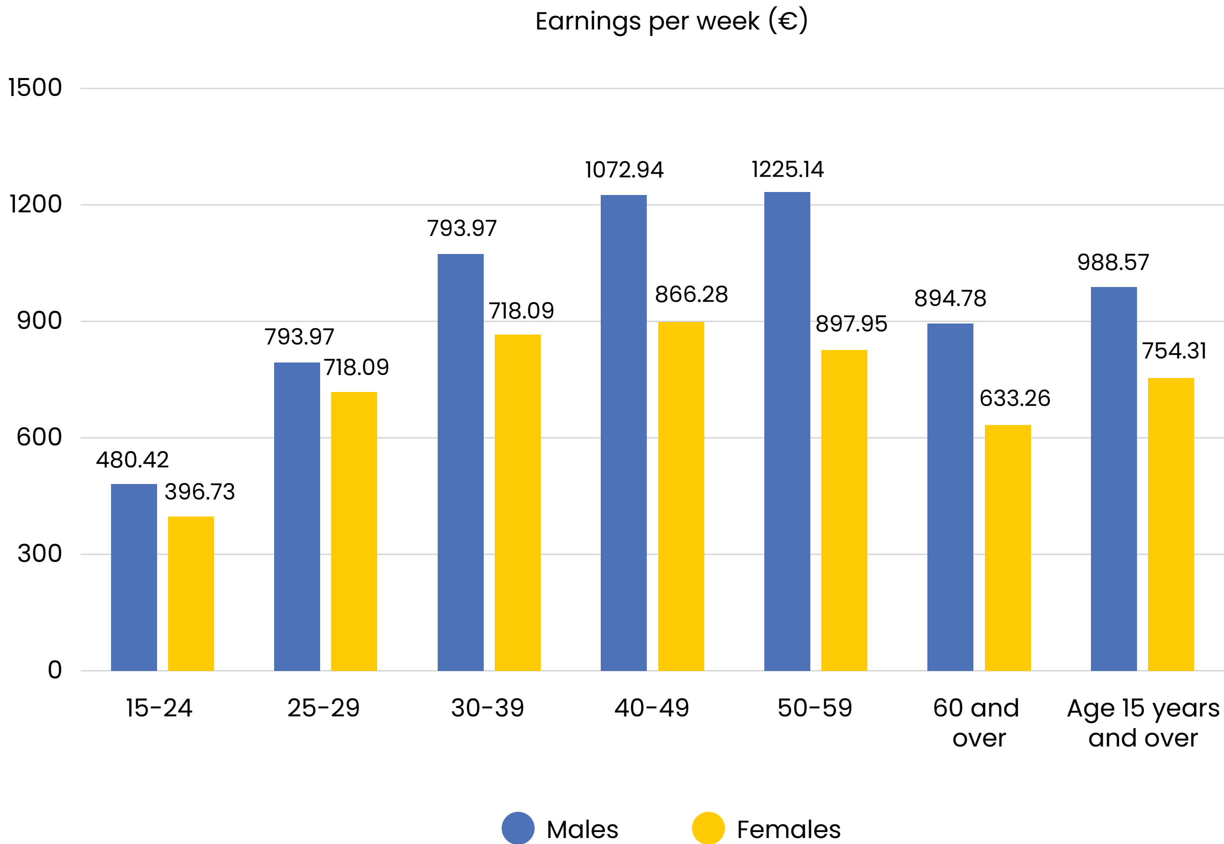


However, if we multiply hourly earnings by weekly hours worked, we can have an estimate of the weekly gender pay gap. The weekly gender pay gap grows from 10% amongst those aged under 25-29 to 33% for those aged 50-59. Across all age groups it's 24%. This is because, not only do women earn less per hour than men, but women also work fewer hours than men in their 30s, 40s and 50s. Women take on larger amounts of caring work (see section 6.a below) and tend to work part-time at higher rates.[72]

But what is particularly striking is that while weekly earnings increase for men consistently as they grow older, increasing as they move from their 20s, into their 30s, then into their 40s and 50s. It only begins to decline when they enter their 60s. For women in contrast, their earnings increase as they go from their 20s into their 30s and then they basically flatline and don't increase as they go into their 40s and 50s. Part of the explanation of this is the growing hourly gender pay gap described in figure 1 above. But part of it is also because of women working fewer hours than men. Both sides of this flatlining weekly income are related to the larger amount of unpaid care work performed by women.[73]

71 Central Statistics Office (2023). *Structure of Earnings Survey 2022*.
72 National Women's Council (2004) *Pre-Budget Submission 2025.*
73 Of course, paid care workers are also to a large extent low-paid women.

Figure 2: Weekly gender pay gap, 2022, €[74]



Given these pay differences, it is not surprising that men contribute more to pensions than women.

Collins[75] tries to disaggregate the difference in "private pension" contributions by gender. Average earnings were €36,090 in 2014, the year of the survey examined by Collins. As can be seen, men consistently contribute more to pensions than women. Amongst those aged over 50-60, men are contributing nearly 40% more than women, and amongst those aged over 60, they contribute nearly 60% more.

Not surprisingly, pension contributions are far higher among higher earners. Amongst those earning less than half of average earnings (€36,090), people contribute between €1,000 and €2,000 a year. While, amongst those earning more than twice the average earnings, people contribute more than €11,000 a year.

74 Central Statistics Office (2023). *Structure of Earnings Survey 2022.*

75 Collins, M.L. (2020). *"Private Pensions and the Gender Distribution of Fiscal Welfare".* Social Policy and Society, 19(3), pp. 500–516.

Table 15: Average private pension contributions by socio-economic characteristics, 2014, € per annum

		Overall	Males	Females	Difference
Age group	18-29	3,229	3,485	2,827	+19%
	30-39	4,486	5,468	3,543	+35%
	40-49	5,048	5,677	4,254	+25%
	50-54	6,009	7,212	4,381	+39%
	55-60	5,574	6,417	3,992	+38%
	60 plus	5,966	7,261	3,033	+58%
Employer	Public sector	2,523	2,673	2,443	-9%
	Private sector	6,179	6,761	5,069	+25%
Sector of employment	Agriculture	4,286	4,349	-	+14%
	Industry	6,699	6,983	5,773	+17%
	Wholesale & retail	4,713	5,433	3,650	+33%
	Accomm. & food	4,093	5,970	-	+62%
	Admin. & support	3,449	4,041	-	+33%
	Health & social work	4,197	8,116	3,076	+62%
	Public. Admin, Defence, Educ.	2,676	2,588	2,727	-5%
	All other sectors	6,341	6,680	5,652	+15%
Individual earnings range	€0.01 to €10,000	1,166	1,102	1,242	-13%
	€10,000-50% av. earnings	1,553	1,997	1,197	+40%
	50%-100% av. earnings	2,459	2,602	2,362	+9%
	100%-150% av. earnings	3,816	3,749	3,887	-4%
	150%-200% av. earnings	5,329	5,743	4,622	+20%
	200% av. earn+	11,457	11,497	11,299	+2%
Highest completed education	Less than lower secondary	3,138	3,152	3,098	+2%
	Higher secondary	3,955	4,683	2,650	+43%
	PLC/Non-degree	4,235	5,007	3,419	+32%
	Degree or above	6,615	8,382	4,675	+44%
Children in household	No	5,230	6,007	4,213	+30%
	Yes, under 18 yrs	4,929	5,966	3,620	+39%

While Collins' research focuses on how employees are investing in pensions, a further aspect of the gender pension gap arises from the fact that, primarily, due to caring responsibilities, women spend fewer years in employment than men.

Returning to the TILDA study conducted by Nolan et al, which looked at people aged 65 and over in 2010, we can see that the numbers of average years in employment is very different between men and women.

As the number of years in employment is a key factor in determining pension entitlements, it is worth examining this closely. Table 15 shows that while only 5% of men report having 0-20 years of employment experience, 55% of women report the same. Nolan et al separately find that 3% of men and 22% of women report having no employment experience[76], which suggests that 2% of men and 33% of women have between 1-20 years of employment

76 Nolan, A., A. Whelan, S. McGuinness and B. Maître (2019). *Gender, Pensions and Income in Retirement,* p.16.

experience.[77] In contrast 77% of men have more than 40 years of employment experience, while only 18% of women have the same. As Nolan et al observe: "Such an imbalance in work-life histories will, almost by definition, generate a substantial gender gap in occupational and private pension incomes."[78]

Table 16: Distribution of work experience (years) by gender, 2010

	All		State		Occ./Priv.	
	Men	Women	Men	Women	Men	Women
Average work years	44.66	20.7	45.29	18.87	44.37	19.82
0-10	0.05	0.41	0.05	0.45	0.05	0.43
10-20	0	0.14	0	0.15	0	0.14
21-30	0.02	0.12	0.03	0.12	0.02	0.11
31-40	0.16	0.15	0.13	0.12	0.17	0.14
41-50	0.5	0.13	0.46	0.1	0.5	0.13
51+	0.27	0.05	0.33	0.06	0.26	0.05
Total	**100**	**100**	**100**	**100**	**100**	**100**

From all of the above it would appear that, as stated above, the gender pension gap is essentially explained by two factors: women having less time in employment over their lifetime, and women earning less than men. A recent study by the Irish Life insurance company supports these findings.[79]

However, tackling these issues by simply allowing for greater access for women to paid employment for greater periods of time doesn't solve the underlying issue that the unpaid care work done, largely done by women, is of real societal value, and yet is undervalued both during working-age and pension age. The re-orienting of our economic model to incorporate care is discussed in subsequent sections.

B. Tax justice

As has been mentioned a few times already in this report, there is substantial tax relief on pension savings. However, as has been demonstrated already, most occupational and private pensions saving is by those higher up the income distribution scale, therefore benefits of these tax reliefs fall largely on higher earners.

While Ireland's tax relief system is in some ways not unusual, its impact on the exchequer is unusually large. Like most OECD countries, the tax treatment of pension savings takes an "EET" approach with contributions exempt (E) on the way into the fund, investment income and capital gains exempt (E) within the fund and pension payments taxed (T) upon drawdown.[80]

77 Ibid., p.21.
78 Ibid.
79 Irish Life (2024). *8 more years? The Case of Gender Pension Parity in Ireland.*
80 Collins, M.L. (2020). *"Private Pensions and the Gender Distribution of Fiscal Welfare"*.

There are limits to the amount of pension contributions you can get tax relief on in any one year. This is set at a percentage of your income depending on your age, with a maximum cap of €115,000 per year. And if the overall value of your pension fund goes over the standard fund threshold (currently €2m in 2024), then a marginal rate of 40% will be charged on the excess on draw down.

Collins and Hughes[81] argue that the Irish system is so generous, that it might be better described as possessing an EEpT structure where pension funds are 'partially taxed' upon withdrawal. This reflects the fact that retirees can receive a tax-free lump sum of up to €200,000. An amount between €200,00 and €500,000 is taxable at the standard rate of tax (20%). Further, as Collins and Hughes note "subsequent withdrawal are taxable at a lower marginal rate because of the declining incomes associated with old age and the design of the Irish income taxation system which treats the income of older people in a more favourable way that that of those of working age."[82]

The impact of this on the exchequer is large. Table 17 shows the size of tax breaks for Private Pensions in 21 OECD states as a percentage of total tax revenue. As can be seen, for half of these states the tax lost from tax breaks on pension schemes is under 0.2%. Only for a third is the tax lost greater than 1%. For Ireland, the tax lost is estimated to be 3.23% of total tax revenue, the fourth highest in the OECD.

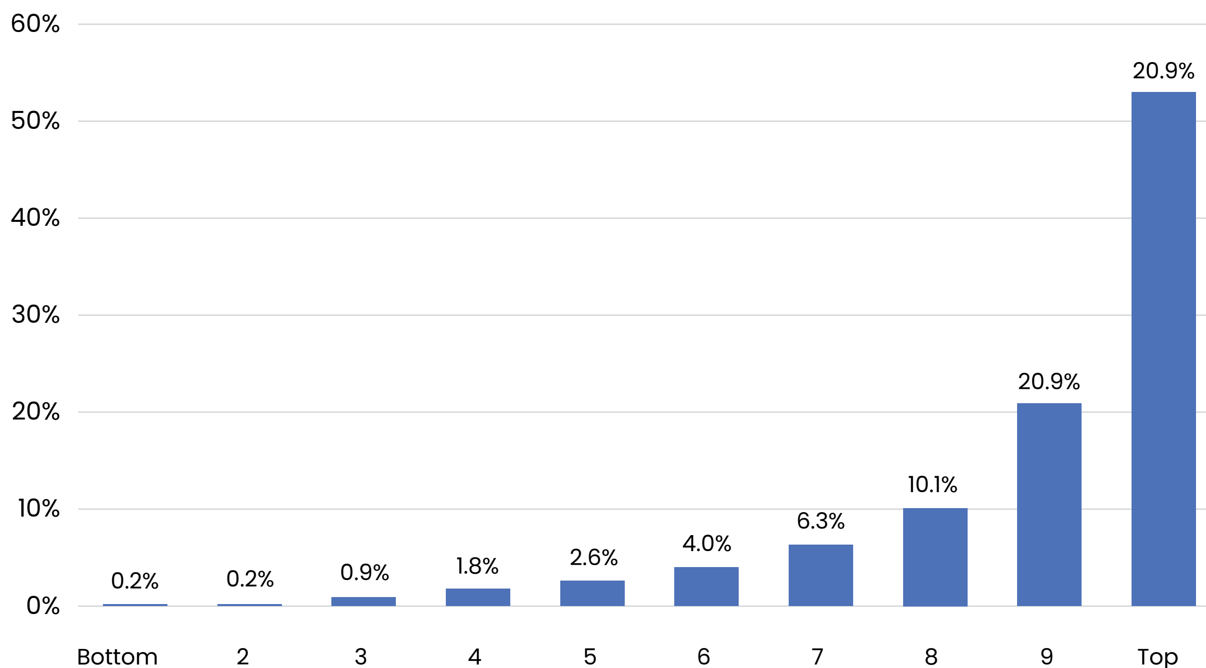
Table 17: Tax breaks for private pensions in OECD states, as a % of total tax revenue, 2013[83]

Country	% total tax revenue	Country	% total tax revenue
Canada	6.37%	Finland	0.12%
Australia	6.14%	Italy	0.08%
United Kingdom	3.71%	Portugal	0.05%
Ireland	3.23%	Austria	0.03%
Germany	3.07%	Czech Republic	0.00%
United States	3.03%	Iceland	0.00%
Mexico	1.57%	Japan	0.00%
Spain	0.63%	Luxembourg	0.00%
Norway	0.60%	Poland	0.00%
Belgium	0.36%	Slovak Republic	0.00%
France	0.18%	OECD average*	1.23%

As figure 3 shows these tax breaks primarily benefit the highest earners. The richest 10% receive 53% of the tax relief, while the poorest 40% receive less than 5% of the tax relief.

81 Collins, M. L and Hughes, G. (2017). *"Supporting pension contributions through the tax system: outcomes, costs and examining reform"*, p.496.
82 Ibid.
83 Collins, M.L. (2020). *"Private Pensions and the Gender Distribution of Fiscal Welfare"*, p.501.

Figure 3: Distribution of tax relief on pension contributions, Ireland, 2014[84]



If we consider the gender distribution of this tax relief, Collins considers the tax relief on non-state pensions. He estimates that it involves €1.1 billion in lost revenue, of which €783m goes to men, with only half as much, €392m, going to women. This is of course not surprising given the above findings that because of the larger life-time earnings, men invest more money in supplementary pensions than women.

Table 18: The value and gender distribution of tax relief on pension contributions, 2014[85]

	Overall	Males	Females	Difference
Value of tax relief				
Mean value €	€1,933	€2,295	€1,470	+36%
Median value €	€1,117	€1,336	€960	+28%
Distribution of tax relief				
Value €m	€1,175m	€783m	€392m	+€392m
Value %		67%	33%	+50%

84 Collins, M. L and Hughes, G. (2017). *"Supporting pension contributions through the tax system: outcomes, costs and examining reform".*

85 Collins, M.L. (2020). *"Private Pensions and the Gender Distribution of Fiscal Welfare"*, p.510.

C. Demographic changes and sustainability

The most common reason given for the need for pension reform are demographic changes, specifically two: increasing life expectancy and declining fertility.

The increase in life expectancy can sometimes be overstated. Currently men aged 65 are expected to live for a further 18 years while women are expected to live for further 22 years. By 2050-52, that is expected to increase by three years in both cases. Men who turn 65 in 2050 will be expected to live for a further 23 years, while women will be expected to live for a further 25 years.[86] Of perhaps greater importance is declining fertility. Fewer children are being born and they are being born later. The average age of first-time mothers has been steadily increasing over the past 40 years (from 24.9 years of age in 1979 to 31.3 years of age in 2019), while the fertility rate (the number of children born per woman) has significantly declined from 3.2 in 1979 to 1.7 in 2019.[87] This is the main reason for an older population distribution.

This will result in an increasing old-age dependency ratio, which is calculated as the population aged 65 and above divided by the population aged 20-64. Currently, this ratio stands at 0.268 by 2050. In other words, while there are currently four people aged 20-64 for every person aged 65 or over, this ratio is expected to shift to only two people aged 20-64 for every person aged 65 or over by 2050.[88]

As a greater and greater proportion of the population become pensioners, this will put a drain on the exchequer. It is projected that, "on current demographic trends, age-related expenditure is set to be somewhere in the region of €16 billion (in 2022 prices) higher by the mid-point of the century just to maintain existing levels of service".[89] Total age-related expenditure as a percentage of GNI* is expected to increase by 6 percentage points between 2022 and 2050. This includes a 4 percentage point increase due to higher spending on pensions and an additional 3 percentage points for health care and long-term care. Although the shifting population composition is anticipated to result in savings of 1 percentage point of GNI* due to reduced education spending, overall GNI* growth is expected to slow due to the declining proportion of the working-age population.[90]

D. Possible interactions of auto-enrolment with these problems

Auto-enrolment is not designed to address care and gender inequalities, the gender pension gap, or tax justice, or the question of the demographic change. However, that does not mean that the possible interactions between other problems and pension auto-enrolment should not be considered, and the gendered impact of auto-enrolment should be considered in how it interacts with and fails to address pre-existing gender inequalities.

This chapter has found that while women enrol in supplementary pension schemes at roughly the same rate as men and invest a similar proportion of their income in pensions as men, because their life-time earnings are less than men's, they invest less than men in supplementary pensions. Auto-enrolment is not designed to address this inequality, but as argued in the NWC's 2008 *What Women Want* report, and as noted in the introduction, because auto-enrolment ties the "pensions system as a whole more closely to the nexus of employment and earnings" it may increase the gender pension gap and may

86 Pensions Commission (2021). *Report of the Commission on Pensions,* p. 51.
87 Ibid., p.53.
88 Government of Ireland. (2024). *Stability Programme Update 2024*, p. 46-48.
89 Government of Ireland. (2024). *Summer Economic Statement 2024,* p. 13.
90 Ibid., p.10.

"exacerbate rather than mitigate gender inequalities."[91] It is also to be noted that the very act of tying pensions ever closer to paid employment has strong gender implications, due to the gendered nature of paid employment and its relationship to care work as discussed in this paper.

Likewise, auto-enrolment does not aim to reform pension tax relief. Indeed, the plans around pension auto-enrolment state that after the introduction of auto-enrolment the current system of pension tax relief will be left as it is. However, there are likely to be some interactions between pension auto-enrolment and existing pension tax reliefs. Firstly, the justification for existing reliefs is that they encourage people to join supplementary pension schemes. As described above, it is clear that, despite decades of this policy, and many billions of state tax supports, they have failed to achieve that goal. However, as pension auto-enrolment is implemented and assuming it succeeds in increasing enrolment, it is difficult to argue for the sustained retention of these regressive tax reliefs. They are an extremely costly policy that have proven to be very ineffective at achieving their aims. This will be even more striking after auto-enrolment has been introduced, a policy that is likely to actually succeed in achieving the same aims. It is possible that pressure to reform these regressive tax reliefs will increase.

A further issue to note here is that because contributions by the state to the auto-enrolment scheme will be made as a percentage of income, auto-enrolment will continue aspects of this regressive tradition of using the pension system to redistribute income to higher earners, who, as we have noted, are disproportionately men.

With regards to demographic change and the cost to the exchequer of increasing demands for pension, it is worth noting that, although auto-enrolment involves pre-funding pension commitments, it is clear that it will involve new and large expenditure by the state. Research needs to be conducted and published on the impact of these costs for the exchequer in the long run.

91 Murphy, M. and A. McCashin (2008). *Pensions: What Women Want. A Model of Pensions That Guarantees Independence*, p.3.

6. Care, gender and a universal state pension

It is tempting to see pension policy as a technical question, revolving simply around questions around investments and returns. But pension policy involves bigger questions. It requires the consideration of at least two issues. Firstly, there is a question of distributional justice. This involves not simply ensuring that older people receive an adequate income, but also involves the questions of how much is an adequate income and who provides this income. Secondly, there is the challenge of planning for the future.

These are not purely technical questions but require a consideration of values, especially when it comes to planning for the future: what do we reward, what is important to us, what do we value? Today, we are facing a future of climate and environmental disaster and our duty of care to future generations is not only to ensure that older people have pensions, but that everyone has an environmentally sustainable and just future.

A. Care, gender, work and pensions

It is worth taking a step back from questions of monetary income and asking how do we plan for the future and what type of future do we want? What is clear is that any vision of the future that understands society purely in the terms of the market misses a lot. Fundamental to any planning for the future must involve both care for the environment and care for each other.

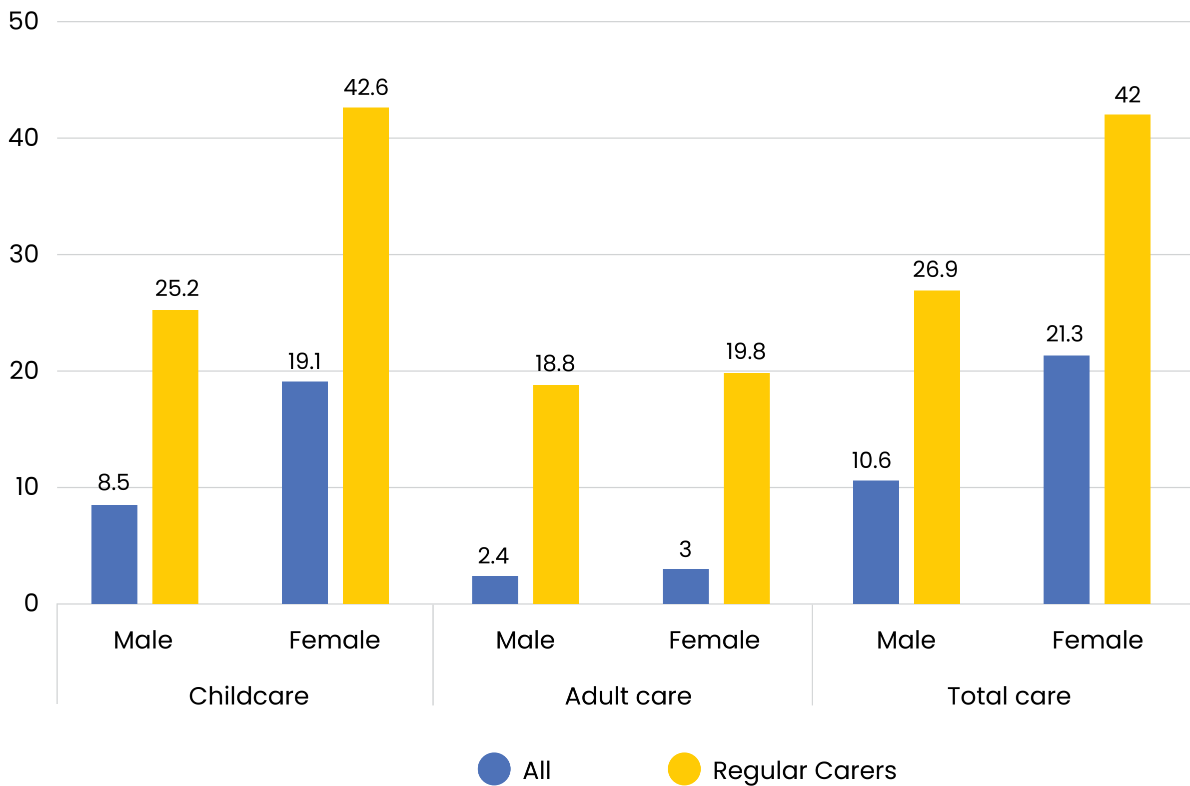
And it is important to state clearly that the work of caring for each other is work. Early childhood education and care; care and supports for disabled people, older people and people with illness to engage in all aspects of society with autonomy and dignity; and unpaid caring work undertaken in our homes and communities from cooking and housework to community supports – these are all forms of work that are vital to our society. However, they are frequently unpaid or poorly paid, and nearly always undervalued.

That care work is undervalued is intertwined with the fact that care work is also gendered, as a very disproportionate amount of care work is conducted by women.

The evidence that women perform far more care work than men is striking. Russell et al.'s 2019 study *Caring and Unpaid Work in Ireland*[92] shows that women on average do 21.3 hours per week of care work, more than twice as much as men, who on average do 10.6 hours per week. The bulk of this is accounted for by childcare, with women doing on average 19.1 hours per week in comparison to men's 8.5 hours. This disparity is not driven simply by a large number or men who engage in no care work. If we exclude people who are not regularly involved in childcare and only look at regular carers, the gender disparity is even larger, with regular female carers engaging in 42.6 hours of care work per week, compared to 25.2 hours for men.

92 Russell, H., Grotti, R., McGinnity, F., and Privalko, I. (2019). *Caring and unpaid work in Ireland*. ESRI and The Irish Human Rights and Equality Commission (IHREC).

Figure 4: Average time spent on care work, for whole population and regular carers, Ireland (2007, 2011, 2016, pooled), hours per week[93]



As described already in this report, this unequal burden of care has large financial consequences for women, with women earning less over a lifetime due to both lower hourly earnings and fewer hours in employment.

The consequences of these lower lifetime earnings don't end at retirement. Because men on average earn more over their working-age employment, they invest more in pensions, and they earn significantly larger supplementary pensions than women, resulting in significantly higher average income in retirement than women.

Women are thereby doubly impacted for the unpaid caring work that they do. Not only do they earn less during working-age due to engaging in unpaid care work, but they also receive significantly lower incomes in retirement. Further, paid care work, predominantly undertaken by women, is often precarious and low paid with poor benefits.

Of course, it would be possible to have a different approach to care work. It would be possible to have an approach where care work is valued, and where there's no significant gender income gap either during working-age or in retirement.

B. Towards a new model of care and employment

In the 2008 NWC report *What Women Want - a model of pensions that guarantees independence*[94], the authors Mary Murphy and Anthony McCashin present what they call the "carer-worker model".[95]

93 Ibid., p.36.
94 Murphy, M. and A. McCashin (2008). *Pensions: What Women Want. A Model of Pensions That Guarantees Independence.*
95 Ibid., pp.40-47.

They highlight the socially constructed nature of, on the one hand, employment and waged work and, on the other care, and unpaid work. Unpaid care work falls unequally on women, with this unequal distribution of work taking a naturalised appearance through the operation of gender roles.

Male-breadwinner model

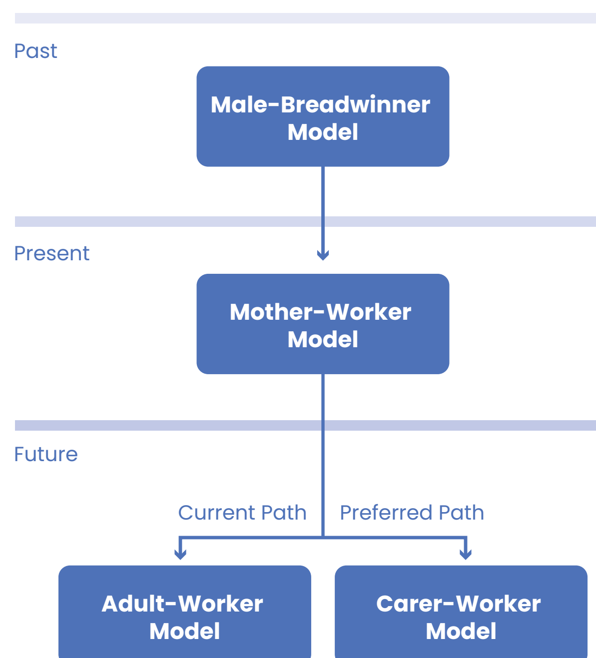
They present a number of possible "models" or "typologies" through which this issue can be approached. There is the familiar "male-breadwinner model". This provides the historical form of the patriarchal family for wage workers[96]. Under the male-breadwinner model, focused on a heteronormative two-parent nuclear family structure, men earn money-income from paid employment, primarily outside of the home, and women do unpaid care work, primarily in the home. There is also a "modernised" form of the male-breadwinner model, where men earn the bulk of the household income while women supplement this with limited paid work, which they perform on top of their unpaid domestic work.

Mother-worker model

Over time, the male-breadwinner model has been to a large degree replaced by what Murphy and McCashin call the "mother-worker model". They consider this to be the dominant present model. Under this, both women and men engage in paid work, but women "continue to have interrupted paid employment patterns to accommodate child and elder care."[97] Under this model women are expected to both compete with men as equals in the labour market and do an unequal amount of unpaid care work, in particular childcare and domestic work. However, the reality is that women continue to do the majority of care work and are faced with an unequal burden of work. This has been well examined in the academic literature,[98] and its implications for lifetime earnings and pensions have been examined in this report.

Nevertheless, under this model, the lower lifetime earning of women is ideologically presented as arising not from the socially organised gendered division of labour, but rather as arising from the personal choices of women. This model suggests that women could simply personally choose to not do unpaid care work and choose instead to focus on exclusively paid employment. It is argued if they did that the gender income gap would resolve itself. This of course ignores the question of what would happen to society if women en masse simply refused to do any unpaid care work while men continued to perform low levels of care work – society would be thrown into crisis.

Figure 5: Models of care and employment



96 The historical roots of this are actually shallower than many think. See Seccombe, W. (1992). *A Millennium of Family Change: Feudalism to Capitalism in Northwestern Europe*. Verso. See also, Coontz, S. (2016). *The way we never were: American families and the nostalgia trap*. Hachette UK.

97 Murphy, M. and A. McCashin (2008). *Pensions: What Women Want. A Model of Pensions That Guarantees Independence*, p.44.

98 See for example, Hochschild, Arlie. (2012). *The Second Shift: Working Families and The Revolution at Home*. Penguin Books. In relation to Ireland, see Russell, H., Grotti, R., McGinnity, F., and Privalko, I. (2019). *Caring and unpaid work in Ireland*.

Adult-worker model

Murphy and McCashin also consider the possible future models for the distribution of care and labour. They argue we are currently on a trajectory towards what they call the "adult-worker model". The current auto-enrolment proposals can be seen as part of this trajectory. Under the adult-worker model, the focus is exclusively on facilitating engagement in paid work, and policies are aimed at increasing women's employment. Care work is here seen as a completely separate issue, and the approach is often to address care work through its commodification – with the care of children and older people addressed through the market. There are a number of obvious and large problems with this approach. Firstly, it doesn't address who does the now commodified care work.

This work still needs to be done. It is possible to imagine that the care work would be done by poorly paid care workers, the majority of whom are women. But it is then hard to imagine who does the necessary care work in the lives of these poorly paid care workers. Who supports their older relatives? Who looks after their children? This model where families are required to have two adults in full time employment and care work is commodified, privately provided and personally paid for may offer a solution to high income families. But it does not appear to offer a solution across society.

Aside from this distributional problem, there are simple questions about its desirability. It is not hard to see that employers might want more time in employment. And myopic governments that value economic growth over human welfare might prefer it. It is almost certain that moving to the adult-worker model would increase growth. But it is not clear if it would improve human welfare.

There is increasing wide-spread interest in considering human welfare by looking at other dimensions aside from economic growth. We see this in some recent feminist literature that points towards a need for an eco-social feminism that moves beyond growth-based economics.[99] But we also see this growing tendency to look at the economy and society "beyond GDP".[100] One of the outcomes of this is the OECD headline report *How's Life*,[101] which tries to look at a range of dimensions of human welfare along with GDP. Along with indicators of income and wealth, it looks at eight other dimensions: work and job quality; housing; health; knowledge and skills; environmental quality; subjective well-being; safety; work-life balance; social connections; and civic engagement.

While Ireland has the second highest per capita GDP in the OECD,[102] by other measures Ireland does not perform as well. Table 19 shows Ireland's GDP and selected other OECD welfare indicators that relate to the issues of work-life balance and social connections. Unfortunately, unlike with GDP there isn't consistent annual data for many of the indicators used in the *How's Life* study. However, while GDP is a measure designed to identify annual changes in economic activity, the other welfare indicators are unlikely to show such large annual variation. Here we look at the most recent observations for countries that provide any data for these indicators. If we look at Ireland in terms of work-life balance, it has the second lowest level of time off work per day of the 22 countries that have data observations for between 2005 and 2022. It has the third longest unpaid working hours of the fifteen countries where there is data. And it has the eleventh lowest

99 Barry, U. (2024). https://www.nwci.ie/images/uploads/A-Feminist-Vision-of-Care-and-Economic-Equality.pdf. Action Aid & National Women's Council.
100 Stiglitz, J., J. Fitoussi and M. Durand (2018), https://doi.org/10.1787/9789264307292-en. Paris: OECD Publishing.
101 OECD (2024a). How's Life? 2024: Well-being and Resilience in Times of Crisis. https://doi.org/10.1787/90ba854a-en.
102 OECD (2024b). Nominal gross domestic product (GDP).

reported satisfaction level around time-use of the thirteen countries that have data. If we look at the question of social connection, Ireland has the third highest percentage of the population aged 15 and over that reports a lack of social support and the fourteenth lowest number of hours per week spent in social interaction, of the 24 countries where there is data.

Table 19: OECD GDP and selected "How's Life" indicators, 2005-2023

Measure	Unit of measure	Date range for most recent observation	Date of Observation for Ireland	Value	Ranking
Nominal gross domestic product (GDP)	US $ per capita	2022	2022	135,774	2/38
Time off	Hours per day	2005-2022	2005	14.5	21/22
Long unpaid working hours	Percentage of population aged 15-64 years	2005-2023	2005	16.7	3/15
Satisfaction with time-use	0-10 scale	2018-2022	2022	6.9	19/30
Lack of social support	Percentage of population aged 15 years or over	2019-2022	2021	15.0	3/38
Time spent in social interactions	Hours per week	2005-2022	2005	5.8	14/24

There is growing awareness of the importance of other non-monetary indicators of well-being, and these should enter into public policy consideration. This brings us back to consider the "adult-worker model", where the priority is on increasing levels of paid employment and essentially no value is placed on care work outside of the cost of paying someone outside the family to do it. But many people do not simply want to shift the care of their children or parents onto the market, they want to be able to do that care work themselves because they see a good in doing that work and believe in the importance of care in a broader approach to their community, their cultural and social life.

Carer-worker model

An alternative approach is one that does not prioritise increasing levels of paid employment, and considers the value of unpaid care work. This alternative approach, which Murphy and McCashin advocate, is what they call the "carer-worker model". This is very different from the adult-worker model, which only promotes paid employment. Instead, the carer-worker model recognises not only the importance of paid employment, but also the importance of unpaid care work. Their idea is to support care work that takes place outside of market relations. This can be done without advocating the return to the male-breadwinner model, where care work is assigned to women who do not engage in paid employment. Instead, valuing care work should not be seen as being in conflict with the aim of increasing gender equality. Both valuing care work and promoting gender equality are mutually supporting ambitions that can and should be pursued together. This can be achieved by building on the success that the feminist movement has had in pursuing equality during employment, through things like equality legislation and equal pay for equal work. It extends this to ensuring that unpaid and domestic work is more equally divided.

A new carer-worker model of care and labour can extend this equality agenda to ensuring that unpaid and domestic work is more equally divided, and that care work is socially valued. This can be achieved not only by promoting cultural change around the gender distribution of care responsibilities, but also by improving employee rights enabling employees to advocate for flexibility around employment so that both men and women can take on caring responsibilities without needing to leave employment; through implementation of government policies around parental leave; through the development of a universal public early childhood education and care scheme; and through developing a pensions policy that does not punish people for engaging in unpaid care work.

As was stated in the introduction to this report, Murphy and McCashin warned that the introduction of auto-enrolment "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." In pursuing a carer-worker model, rather than an adult-worker model, the aim would be to ensure that there is adequate pension provision for men and women, carers and non-carers, regardless of previous levels of employment and earnings. Murphy and McCashin therefore advocate strengthening the first pillar[103] of the pensions system – the state pension – through the introduction of a pension that would provide a comprehensive pension guarantee scheme. This would replace the current state pensions.

Currently, the contributory state pension constitutes the bulk of expenditure in the state pension system. While the contributory state pension is tied in a rather complicated way to social insurance contributions made during employment, it does have provision to recognise the importance of care work by taking into account time spent outside of employment due to caring responsibilities. The non-contributory state pension on the other hand is a means tested payment.

In contrast the aim of a comprehensive pension guarantee scheme would be to provide an adequate pension for all over 66 regardless of employment history. They propose that it be available to anyone resident in Ireland for a minimum of ten years with a value of 1/40th pension for each year of residency. And they point out that a universal pension would be administratively "the simplest structure with the lowest transaction costs for the public pillar. It avoids the disincentive to work and save inherent in means-tested plans. Its universal coverage helps to ensure that the poverty reduction objectives are met."[104] A universal state pension would provide a flat full rate pension for everyone who has spent their life in Ireland with an adequate pension regardless of their previous employment history and without a means test.

Murphy and McCashin point to how a universal state pension would provide pension recipients with economic autonomy. It would address issues of retrospective justice, such as the pension implications of the marriage bar. They point out that "it is neutral regarding care and does not punish those who have spent significant periods caring."[105] A key issue would be to ensure that it is adequate, and they therefore advocate benchmarking it to average earnings. This would ensure that the pension income standard would increase in line with average living standards and earnings, and would not drop in real terms if a government decided

103 They also proposed changing the second pillar be reformed to provide a "mandatory state earnings-related social insurance system", but as auto-enrolment introduces a mandatory private earnings-related defined-contribution system, the possibility for this kind of reform has perhaps reduced.

104 Murphy, M. and A. McCashin (2008). *Pensions: What Women Want. A Model of Pensions That Guarantees Independence*, p.50.

105 Ibid.

to save money by not increasing the pension in line with inflation and living costs. As discussed in chapter two, the National Pensions Framework recommended that the government set the state pension at 35% of average weekly earnings. In recent years, the state pension has fallen well below this level. It could and should be set at this benchmark as soon as possible. This would remove a large amount of risk of the state pension falling to below poverty rates, and it would provide government with the freedom to further increase pensions by changing the benchmark if they so wished.[106]

They propose that much of the cost arising from the additional entitlements arising from a comprehensive pension guarantee scheme could be covered through reforming the pension tax relief scheme described in section 5.b. They say that "Redistribution of the cost of tax incentives for private pensions (presently €2.9 billion per annum) will help fund a more progressive and adequate universal first tier state pension."[107]

Wider support for a universal state pension

Murphy and McCashin are not the only authors to advocate for a universal state pension. Rather advocacy for a universal state pension is a common theme running through various proposals for pension reform that have emerged from civil society organisations.[108]

TASC and the Pension Policy Review Group have long advocated strengthening both the first and second pier of the Irish pensions system.[109] Their research has consistently found that the most effective means to do so, in terms of improved coverage, adequate income in retirement and at the lowest cost, is likely to consist of a basic universal pension (first pillar) with a contributory supplementary pension organised through the social welfare system and based on a pay as-you-go method of funding (second pillar).[110]

A universal pension is also advocated by Social Justice Ireland (SJI) in their report *A Universal State Social Welfare Pension: Recognising the Contribution of all our Senior Citizens*,[111] which in many ways mirrors the NWC *What Women Want* proposals. SJI propose that a universal pension would be paid at the maximum state contributory pension rate dependent on length of residency. They estimate that the additional cost of introducing the Universal Pension in 2019 would be €727m. They propose funding this through reducing tax relief on the private pension to the standard rate of 20%, reducing the earnings contribution cap, and increasing the rate of Employer PRSI to 11.35%. Altogether this would raise approximately €949m in a full year in 2019, more than enough to cover the €727m for a universal pension. SJI also conducted a consultation with a range of stakeholders regarding their proposal and found overwhelming support for their proposal.

106 Murphy and McCashin propose benchmarking the pension to net (i.e. after tax) wages rather than gross (i.e. before tax) wage. They suggest that a benchmark of "50% Net Average Industrial Earnings would ensure quality of life". Murphy, M. and A. McCashin (2008). *Pensions: What Women Want. A Model of Pensions That Guarantees Independence*, p.51.

107 Ibid., p.58-59.

108 It is worth noting that not every civil society organisation has advocated a universal pension. The trade union movement has been much more moderate in what it has advocated with regards to pensions. See ICTU (2005), *Irish Pensions: Problems & Solutions* and ICTU (2022), *Auto-Enrolment Retirement Savings Scheme - Submission to the Joint Oireachtas Committee on Social Protection*.

109 See Hughes G. and J. Stewart (eds.) (2005). *For Richer, For Poorer: An Investigation of the Irish Pension System.* Dublin: Tasc at New Island. See also Hughes G. and J. Stewart (eds.) 2007. *Choosing Your Future: How to Reform Ireland's Pension System.* Dublin: New Island.

110 Stewart, J. (2015). *TASC Submission on Universal Retirement Savings Scheme*.

111 Social Justice Ireland (2018). *A Universal State Social Welfare Pension: Recognising the Contribution of all our Senior Citizens*.

A universal pension is also advocated by Eamon Murphy in his extensive study *Pension policy in Ireland: An Evaluation – How we might better achieve its stated aims*[112], published by the Nevin Economic Research Institute. This also mirrors the NWC What Women Want proposals.

Given the wide support for the introduction of a universal state pension, this should be given serious government consideration.

112 Murphy, Eamon (2014), *Pension policy in Ireland: An Evaluation*. Nevin Economic Research Institute.

7. Conclusion & Recommendations

Pension auto-enrolment is perhaps the largest reform to Ireland's pension system since the 1960s. Its aim is relatively simple: to increase occupational pension coverage and thereby increase the pension adequacy for future retirees. It is likely to achieve this aim, and on this basis, it is worthy of some praise.

However, there are wider questions about the operation of Ireland's pension system that still need to be addressed. In particular, there are questions about how the pension system relates to care and gender.

This report has described how because of how care is undervalued in our society, and because of the unequal share of unpaid care work done by women, women earn less over their lifetime, and therefore, on average, invest less in supplementary pensions than men. The result of this is a large income gap between men and women in retirement arising from a large gender pension gap.

Auto-enrolment is not designed to address this problem. It is a wider societal problem. But how auto-enrolment interacts with the gender pay gap may result in it exacerbating the gender pension gap.

This report recommends that the government conduct and publish a study on the gender and care impact of the auto-enrolment scheme including the gender pension gap, coverage and adequacy.

The planned auto-enrolment scheme can be understood as part of the trajectory towards an adult-worker model, which, as described above focuses exclusively on facilitating engagement in paid employment and undervalues the importance of care work. Due to the gendered distribution of care work, this model compounds gender inequality. Through auto-enrolment's interaction with these existing gender inequalities, it may further exacerbate gender inequalities.

In order to ensure that care work is valued and to address the gender pay gap, gender pension gap, and gender inequality more broadly, *this report advocates moving towards an eco-feminist carer-worker model.*

This could involve transforming the distribution of care work between men and women through cultural change - but also by improving employee rights enabling employees to advocate for flexibility around employment so that both men and women can take on caring responsibilities without needing to leave employment; through implementation of government policies around parental leave; and through the development of a universal public early

childhood education and care scheme. And it could involve the strengthening of the bedrock of the pension system – the state pension.

Currently, the contributory state pension constitutes the bulk of expenditure in the state pension system. While the contributory state pension is tied to social insurance contributions made during employment, by taking into account time spent outside of employment due to caring responsibilities it does recognise the importance of care work. The non-contributory state pension on the other hand is a means tested payment. *What Women Want* recommended that the state pension should be converted into a universal pension by abolishing the means test, providing all pension recipients with a flat full rate pension set at a percentage of average earnings. This could largely be financed by abolishing the higher rate of tax relief on private occupational pensions, which only benefits high earners and has failed in its stated aim of increasing private sector pension enrolment.

This report advocates moving towards a universal state pension benchmarked at a percentage of average earnings determined to ensure an adequate income for all.

As initial steps towards that goal this report recommends that firstly, the government conducts a study on the long run fiscal costs of auto-enrolment, the fiscal costs of pension tax reliefs, the feasibility of introducing a universal state pension and to what degree the reform of pension tax reliefs might be used to finance a universal state pension. Secondly, this report recommends that the full rate of the contributory state pension be set at 35% of average annual earnings.

Appendix: Summary of Recommendations

This report:

- Recommends that the government conduct and publish a study on the gender and care impact of the auto-enrolment scheme including the gender pension gap, coverage and adequacy.
- Advocates moving towards an eco-feminist carer-worker model.
- Advocates moving towards a universal state pension benchmarked at a percentage of average earnings determined to ensure an adequate income for all.
    - As initial steps towards that goal, this report recommends that:
        I. the government conduct a study on the long run fiscal costs of auto-enrolment, the fiscal costs of pension tax reliefs, the feasibility of introducing a universal state pension and to what degree the reform of pension tax reliefs might be used to finance a universal state pension.

        II. the full rate of the contributory state pension be set at 35% of average annual earnings.

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