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Institute for
Lifecourse and Society

PENSIONS IN IRELAND: THE PERSPECTIVES OF IRISH CITIZENS

AND IMPLICATIONS FOR
THE IRISH PENSION
SYSTEM AND REFORMS

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ABOUT FairTax

FairTax is a cross-disciplinary four-year research project, aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic stability of EU member states. How can sustainable taxation and social policy reforms promote economic equality and security, enhance coordination and harmonization of tax, enhance social inclusion, environmental sustainability, increase tax compliance, and expand the EU's own-source revenue bases?

Under the coordination of Umeå University (Sweden), policy fiscal experts from ten universities in six EU countries and two non-EU countries (Brazil and Norway) contribute to FairTax Research.

More information at: www.fair-tax.eu

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Executive Summary



Introduction and Aims of the Research

This report presents the findings from research undertaken as part of an EU Horizon 2020 funded project called *FairTax*, which is a cross-disciplinary research project, aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic sustainability of EU member states. Improving economic stability in EU member states is at the heart of plans for deeper integration of fiscal policies. A key premise of the FairTax project is emphasising that such policies should lead not only to improved economic stability, but should also play a critical role in promoting equality and social inclusion.

This research report is concerned with harmonising and coordinating EU tax and social policies, one of four key themes of the FairTax project. The study was undertaken against the backdrop of population ageing, which has been identified as a major societal challenge for all Western nations, driven by increasing life expectancies and reduced fertility, and occurring at different paces in countries across the EU and OECD (Foster, 2012; European Commission, 2012c). A key challenge arising from such profound changes for governments is in relation to the sustainability of current levels of pension provision. It is in this context that the research presented in this report uses pensions policies as a lens through which to examine and promote intergenerational fairness, equality and social inclusion.

The research report focuses on two broad aspects of pensions policy, namely, adequacy of state pensions and coverage of private pensions, and reports on the findings from interviews and focus groups conducted with a broad range of Irish citizens. The report considers three key policy areas from the perspective of citizens, i.e. extending working life, automatic enrolment and tax relief as a financial incentive for increasing private pension coverage. The gender dimension of pensions systems and pension reforms is also discussed as a cross-cutting issue. Drawing on interviews with key stakeholders across the Irish pensions landscape, this study also examines the extent to which the views of citizens coincide with those of key stakeholders, and addresses the implications which result

for designing and adopting pension policy reforms to the satisfaction of citizens and stakeholders alike.

To set the background and context to this study, the report introduces the concept of adequacy, a primary aim of pension systems, and briefly describes the Irish pension system and its three pillars. Successive Irish government reports issued over two decades have reflected on the difficulty of sustaining the costs of the public State pension for an ageing population. One policy solution implemented in 2012 has been to extend working lives though increasing the age from which the state pension is paid from 66 to 67 in 2021 and to 68 in 2028. Another policy proposal currently under consideration is to expand coverage of private pensions by requiring employers to automatically enrol employees into a pension from 2022. A less scrutinised way in which Governments seek to encourage savings in private pensions is through the taxation system, with the provision of tax relief for the purpose of incentivising private pension savings. All of these issues and approaches affect women and men differently, and the gender dimension to pensions is a key concern addressed here.

Recasting pensions is always a protracted and politically complex process, involving a range of relevant and influential social, economic and political actors at national and supranational level. However, the voice of the people who are directly affected by these reforms has been largely absent from the discussions and debates in the pensions reform process. This report seeks to address this gap by bringing the voices of ordinary citizens to the fore.

Methodology

A qualitative approach was adopted to understand pensions policy and proposed or potential reforms from the perspective of the citizen, and relevant stakeholders. Data was collected through the use of interviews and focus groups with a range of citizens. People were selected using purposive sampling to ensure a diverse and heterogeneous range of participants. The researchers' extensive network of civil society advocacy and community groups assisted in the recruitment of participants for the study and snowball sampling was also used where appropriate. Five focus groups involving 29 participants and 23



one-to-one interviews were conducted. The aim of both focus groups and interviews, in line with the EU's Citizens Dialogue (EC, 2012), was to hear citizens' voices, and the interviews were carried out using a life course approach in order to bring the personal and lived experiences of interviewees to the fore. In-depth interviews with seven key stakeholders representing government departments, the pensions regulator, the pensions industry, employers, and professional bodies were carried out. In order to situate the data collected from Irish citizens and stakeholders in the EU context, and to better address the EU-wide relevance of the ultimate policy recommendations being made here, a focus group was also held with academic researchers from across the EU who specialise in pensions research.

Key Findings

The study presents and discusses what citizens had to say about pension systems in the interviews and focus groups. With regard to the *adequacy* of state pensions, the participants believed that State pensions were insufficient to enable people to live a normal life after retirement, as in their view they did not allow people to engage in certain activities that they believed constitute a 'normal' life in retirement, such as going on a holiday, spending time with grandchildren or friends or the cost of paying for transport, particularly in rural areas. The participants drew attention to the impact that health problems have on income security in old age, especially for those depending on a State pension, thus highlighting the important role that pensions can play in tackling inequalities in older age, and participants stressed that early retirement was not an option for some people who could not afford to do so because of an inadequate pension / income.

Participants in this study were generally aware of *extended working life* (EWL) policies. However, attitudes of citizens towards EWL were mixed, with some accepting government policy to extend working life, and others highly critical of its introduction, believing that extending working life beyond 65 should be a choice. There were also differing views as to what would be the most appropriate cut-off age for the state retirement age. Participants pointed out that EWL is likely to be difficult for certain groups of people such as some women, people in physically demanding jobs, and workers in low income jobs and those in precarious employment. The views of participants tended to be influenced by a range of factors such as differing work experiences, type of job, type of employment, health, income adequacy in later life and age. Citizens were mostly in favour of a flexible retirement option, which takes account of personal choice, nature of employment, contract

type and health. Much concern was expressed however about the unequal way in which EWL policies affect different sectors of the population. Most citizens argued that because physically demanding and stressful jobs could cause work-related health problems, particular attention needs to be paid to the capacity of people in such jobs to work longer in policies concerned with EWL.

Coverage of private pensions remains lower than a long-established Irish government target of 70 per cent of the working population having private pensions to supplement State provision (Pensions Board, 1998). Secure employment and higher incomes emerged in the research as key factors influencing an employee's decision to contribute to a private pension. Citizens with higher incomes and / or permanent employment were fully aware of the benefits of contributing to and had taken steps to invest in a private pension. In comparison, people in insecure employment and/or with lower levels of income explained that earnings were insufficient to save into a private pension and had postponed any decision to commence a private pension plan until they had a more secure job with higher income.

Interestingly, most citizens were in favour of some form of *automatic enrolment* (AE) into a pension scheme as a means of increasing coverage of private pensions, but wanted government to play a supervisory role and act as a guarantor, effectively ensuring a certain return on their investment, by way of an adequate pension. Citizens were concerned about low paid workers who may not be eligible for AE.

There were differing levels of understanding among participants about pensions, and only a minority were knowledgeable about and understood how the tax system and pension system interacted. Some understood tax reliefs well as they apply to pensions. Among them were people who viewed tax incentives for pensions as an important way of reducing their tax liability, while others questioned the real savings based on the large levies charged by pension providers. The majority were not however aware that they could receive favourable tax treatment on any pension contributions they had made, and the reliefs were irrelevant for those whose income was below the tax exemption limit.

Not surprisingly, *gender* issues were raised by both women and men participating in the study across each of the themes and policy options discussed in this study, including the lack of entitlement to State Pension (Contributory) for women with insufficient social insurance/PRSI contributions, due to taking time out of work to care for children and other family

members. They thought their societal contribution through caregiving should be adequately acknowledged without it resulting in them suffering a loss in pension income. The gender differences with regard to private pension coverage was also a concern.

Interviews with relevant stakeholders in the Irish pensions landscape unveiled some important commonalities and differences between their views, and those of the citizens on key areas of pensions policy. Like the citizens, the stakeholders also highlighted the inequities of the EWL policy, noting the cumulative disadvantage experienced by people with lower education levels and lower income over the course of their working lives, and they wanted to see more flexibility regarding extended working life policies. With respect to the coverage of private pensions, whilst citizens tended to focus on the reasons why people might not take out a private pension, stakeholders focussed more on the potential costs of low coverage rate to the state, which they believed to be unsustainable. Whilst both were generally supportive of AE, stakeholders emphasised the need to ensure people were fully informed about AE and what they could expect from a supplementary pension under the AE system. Both sets of participants in the study agreed on the inequities arising from the tax provisions which apply to pensions, and that the tax relief on pension contributions has not resulted in increased coverage. Gender-based inequities were widely acknowledged and generally agreed upon by stakeholders and citizens alike.

Conclusions and Policy Implications

This report addresses how the research findings may be important, for pensions policy and pension reforms. Arising from the discussions of adequacy, there seems to be a preference by citizens and some stakeholders for focusing on the maintenance of living standards rather than income replacement rates, which is conventionally used. However, this raises questions of affordability, bringing into focus the question of how can states afford to provide pensioners with a decent income when the proportion of people of working age is declining as the population of older people rises? In relation to EWL, from the perspective of citizens, flexibility was imperative due to work / life experiences which varied markedly between different people as a result of variations in occupations, job demands, and work-related health problems. Additionally, irrespective of these occupational differences, most citizens disliked being forced to work full-time past the traditional state pension age and preferred to make their own choices. Whilst some scepticism was expressed about the role

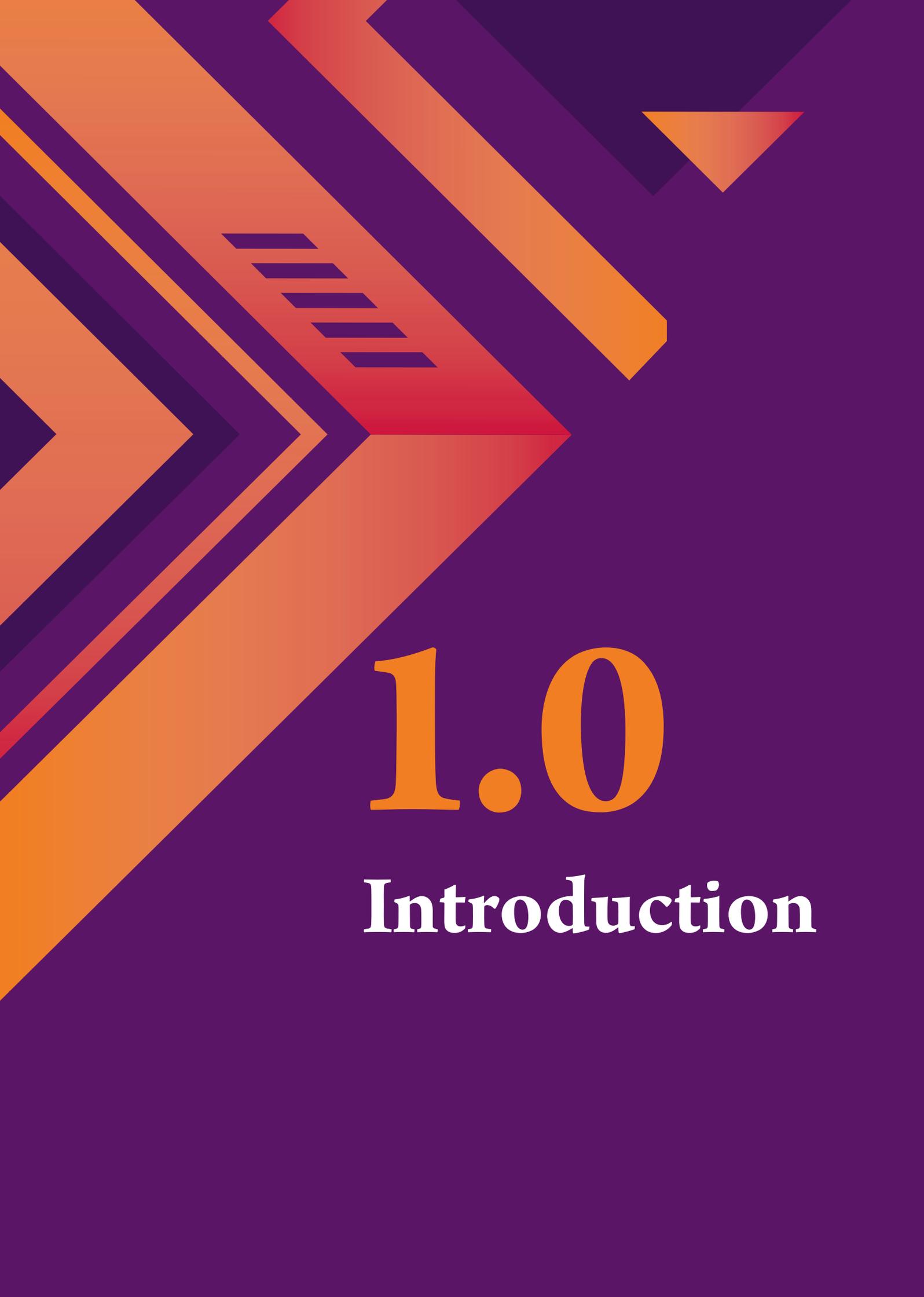
of financial intermediaries in the context of the operation of private pensions, citizens did understand why the government was encouraging them to save into private pensions as a means of supplementing their income in old age. However, in the interviews some people argued that they simply could not afford to save into a private pension, and this was particularly acute for people on low incomes with little prospect of good future earnings, and for those with financial demands such as a mortgage or costs of raising children.

Generally, citizens were quite pragmatic about the introduction of AE and could see its advantages, notwithstanding affordability and its consequent inequities in terms of pensions being a key issue for many people. However when discussing AE in particular, it was clear there is a high level of distrust in the financial sector broadly and in government (albeit to a lesser extent). This is a real concern and much work is needed in this area to build trust, to ensure a successful introduction of AE. The tax provisions which apply to pensions proved contentious with the widespread view expressed that this policy approach was more to do with tax breaks for those on higher incomes than pension planning. It simply does not seem to be an effective tax policy, gives rise to clear inequalities across different income groups, and with so much concern raised in this study about the cumulative effect of these inequalities right through the pension and taxation systems, these tax provisions need to be reformed. Although gender equality is a fundamental principle in the EU Treaties, it is clear from what citizens participating in this study had to say that gender inequalities exist in the labour market, across the life course and within the pension system in Ireland, and have major financial implications for women in old age. Men and women alike highlighted the need for pensions reforms to reward not just participation in the paid labour market, but recognise the wider social contributions (caring in particular) that people make to society.

Pension reform is an increasingly relevant policy area in the management of public finances in countries across the EU. The conclusions and recommendations in this report have a wider application beyond Irish pension policy to these countries, where similar pension policy challenges, and reforms are being examined, amidst much public and political debate.

Finally, this report concludes with a set of recommendations urging policymakers to take specific action with regard to pensions policy and reform. Emphasis is placed here on the importance of taking a life course approach to pensions policy reform and the need to implement policies which prevent compounding socio-economic inequalities into your old age.



The background features a complex arrangement of overlapping geometric shapes. On the left, there are several parallel, nested arrow-like shapes pointing right, rendered in shades of orange and red. A large, dark purple arrow shape points downwards from the top right. The overall color palette is dominated by purple, orange, and red tones.

1.0

Introduction

This report presents the findings from research undertaken as part of an EU Horizon 2020 funded project called FairTax, which is a cross-disciplinary research project, aiming to produce recommendations on how fair and sustainable taxation and social policy reforms can increase the economic sustainability of EU member states.

Improving economic stability in EU member states is at the heart of plans for deeper integration of fiscal policies. A key premise of the FairTax project is emphasising that such policies should lead not only to improved economic stability, but should also play a critical role in promoting equality and social inclusion.

The FairTax project is structured around four overarching themes: (1) EU governance capacities; (2) harmonising and coordinating EU tax and social policies; (3) coordinating and harmonising tax administration and compliance; and (4) securing sustainable sources of budgetary revenues for the EU. This research report is concerned with the second of these themes. It is set against the backdrop that population ageing has been identified as a major societal challenge for all Western nations, driven by increasing life expectancies and reduced fertility, and occurring at different paces in countries across the EU and OECD (Foster, 2012). A key challenge arising from such profound changes for governments is in relation to the sustainability of current levels of pension provision. The research presented in this report uses pensions policies as a lens through which we examine and promote intergenerational fairness, equality and social inclusion in the context of ageing populations, focussing on Ireland and the Irish pensions policy in the first instance. It also addresses whether similar issues and challenges arise in other European pension systems, thereby drawing important inferences for pensions policy across the EU.

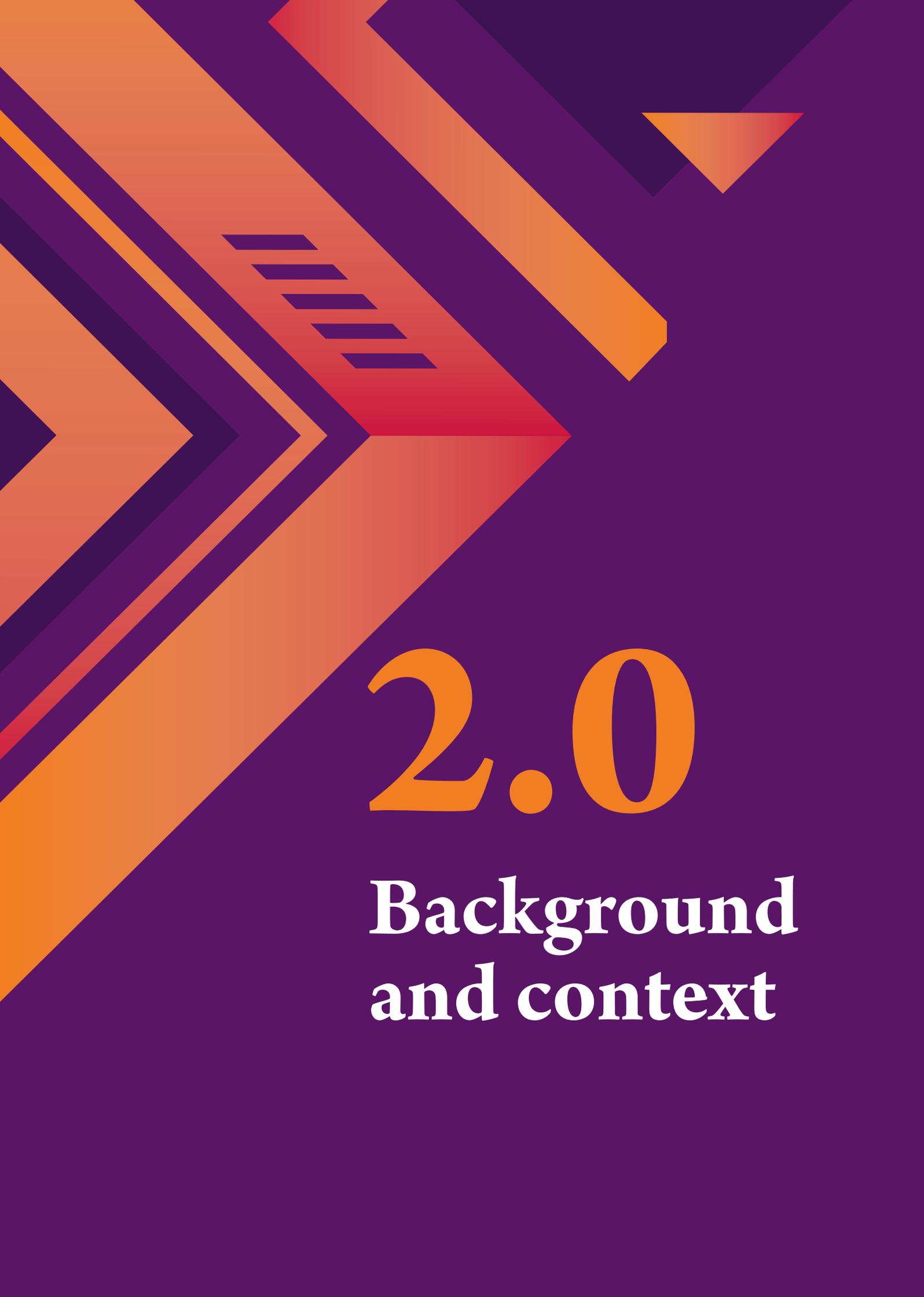
The research report focuses on two broad aspects of pensions policy, namely, adequacy of state pensions and coverage of private pensions. In an attempt to understand these two aspects of policy from the perspectives of citizens, this study reports on the findings from interviews and focus groups conducted with a broad range of Irish citizens. The report then considers key policy options that governments can adopt or have adopted with a view to making pensions systems more sustainable and fairer into the future. While there is a broad range of policy options from which government can choose to reform pension systems, three key reforms are considered in this report. These are extending working life, automatic enrolment (also known as auto-enrolment) and tax relief as a financial incentive for increasing

private pension coverage. These policy options are examined from the perspective of citizens. The gender dimension of pensions systems and pension reforms, as highlighted by the citizens, is discussed as a cross-cutting issue. Drawing on interviews with key stakeholders across the Irish pensions landscape, this study also examines the extent to which the views of citizens coincide with those of key stakeholders, and addresses the implications which result for designing and adopting pension policy reforms to the satisfaction of citizens and stakeholders alike. Based on a focus group conducted with researchers on pensions across the EU, combined with secondary data on such research and public reports, this study also highlights the potential EU-wide relevance of its findings and recommendations.

A key strength of this research is that it reflects the voices of ordinary Irish citizens, presenting their views on an extremely important public policy area. This is very much aligned with the ambitions of the EU to take the concerns and voices of European citizens seriously and have them participate in a meaningful way in the development of European policies. Although much of the empirical research for this report was conducted with Irish citizens, the approach used and the emerging findings may have much relevance and application to other EU countries.

The findings from this study are discussed and have been used to inform the identification of policy recommendations, which are presented in the final section of this report. These policy recommendations have relevance for the cross-national consolidation of policy approaches to pension provision and extended working life that avoid tax inequalities and secure individuals' financial and governments' fiscal sustainability into the future.



The background features a complex, abstract geometric design. It consists of several overlapping, angular shapes in shades of orange, red, and purple. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the background while others come forward. The overall effect is a vibrant, modern, and dynamic visual composition.

2.0

**Background
and context**

The foremost purpose of developing pension systems is to provide people with an income in older age. Pension systems aim to achieve the objective of adequacy of income, which refers to keeping pension incomes at a level that allows people to enjoy a decent or acceptable standard of living. The adequacy of pension incomes has been to the forefront of policy discussions for many years in many countries. At EU level, Ireland is among those countries where policymakers have been and continue to be concerned about adequacy of pensions. However, what constitutes a decent or acceptable standard of living differs from one country to another (Timonen, 2008). Even within a country this can be defined differently. Achieving sustainability, which can also be referred to as affordability, is a second objective of pension systems. A tension exists between these two objectives. On the one hand, a pension system can be relatively generous and adequate enough to allow people have a good standard of living, but it may place fiscal pressures on the state. On the other hand, a pensions system that provides a relatively low income may be more easily affordable by states, but can result in pensioners living in poverty (Timonen, 2008).

The design of pension systems varies across Europe. The pension system in Ireland has three pillars: State pensions, occupational pensions, and private pensions. With respect to the first of these pillars, the State pension, Ireland is somewhat unusual among EU countries, in that the State provides a flat-rate payment only, with no earnings-related component.¹ A stated objective of the Irish State with regard to old age pensions is to ensure that the pension paid to recipients is sufficient, as a minimum, to protect them from the effects of poverty (Government of Ireland, 2018a). Two types of State old age pensions exist in Ireland, the State Pension (contributory) and State Pension (non-contributory). An individual's entitlement to a State Pension (Contributory) is built up over their working life through the payment of social insurance contributions, referred to in Ireland as Pay-Related Social Insurance (PRSI contributions). Recent pension reforms in Ireland have increased the number of contributions required for workers to qualify for the state pension (contributory), linking state pensions more closely to formal labour market participation (Duvvury et al., 2012). The State Pension (non-contributory) is a means-tested payment and the full rate is capped at a slightly lower rate than the State contributory pension. According to Barrett and Nikavoski (2012),² State Pensions (Contributory or Non-contributory) are the most important source of income among older people in Ireland, making up about two-thirds of gross income for those aged 65 and over (O'Sullivan and Layte,

2011), and they are particularly important for lower income groups.

The changing age profile of populations in developed countries has been identified as a significant challenge for both adequacy and sustainability of unfunded pension systems. Unfunded pensions are those where the cost of current pensioners is met largely from the contributions of current contributors, with subventions from the State as required. This is commonly referred to as pay-as-you-go funding, or PAYG. The number of older people is set to grow substantially, which will involve increased outlays in public expenditure on State pensions and other demographically sensitive areas of social policy such as health care and long-term care. At the same time, relative to the number of pensioners, the number of people of working age is set to fall, which has implications for labour market supply. The impact of these changes in population age profiles is measured by the old-age dependency ratio which expresses the size of the population aged 65 and above against the working age population. The old-age dependency ratio for the EU-28 was 29.9% on 1 January 2017 meaning there were just over three persons of working age for every person aged 65 or over (Eurostat, 2019). Ireland sits at the younger end of the scale with an old-age dependency ratio of 20.7% reflecting the fact that it has the youngest population age profile in the EU. In comparison, Germany has an old-age dependency ratio of 32.4% resulting from its population being amongst the oldest in Europe (ibid.). When projected forward to 2080, Eurostat calculate that the old-age dependency ratio will double to 52.3% (ibid.).

Statistics such as these naturally focus attention on unfunded pensions and various policy options have been advocated or enacted by governments in an attempt to mitigate the impact of population ageing on public expenditure for pensions. For example, in its 2006 report, *Live Longer, Work Longer*, the OECD argued that mobilising all available labour market reserves would help to alleviate the negative consequences of ageing for pension systems. It identified older people who are currently inactive as a significant source of additional labour (OECD, 2006:10), and recommended reducing work disincentives and increasing the flexibility people have in work-retirement decisions (OECD, 2006: 11). The OECD further encourage countries to diversify the sources of retirement income and to strengthen the degree of funding in the overall pension mix through a combination of PAYG and funded, public and private pensions (OECD, 2018).

¹The term 'flat rate' here means the pension amount does not take the level of earnings into account. However the amount of the actual contributory pension received can vary (up to a maximum of €243.30) according to the annual number of social insurance contributions paid.

²The Irish Longitudinal Study on Ageing (TILDA) is a large-scale, nationally representative, longitudinal study on ageing in Ireland. It is a study of over 8 500 people aged 50 and over and living in Ireland.



Box 1: Roadmap for Pensions Reform 2018-2023

A major reform of Ireland's State, private and public service pension provision was announced (Wednesday 28th February 2018) at Government buildings by An Taoiseach Leo Varadkar T.D., the Minister for Finance and Public Expenditure and Reform Paschal Donohoe T.D. and the Minister for Employment Affairs and Social Protection Regina Doherty T.D. In launching the five year "Roadmap for Pensions Reform", the Taoiseach confirmed Government's key goals are to "create a fairer and simpler contributory pension system where a person's pension outcome reflects their social insurance contributions, and, in parallel, create a new and necessary culture of personal retirement saving in Ireland". The measures in the "Roadmap for Pensions Reform 2018-2023" reflect the broad intent of the Programme for a Partnership Government which highlighted the importance of long term-thinking to address long-term pension policy challenges.

Within the EU, the requirements and constant assessment of public finances under the requirements of the 1997 Stability and Growth Pact focused attention on pensions. As a large component of social protection spending, pension expenditure was identified as a source of future budgetary pressure. The 2008 financial crisis sharpened this focus. Against this backdrop, the European Commission sought to shape the pension reform debate among member states. It instigated a Europe-wide consultation on the future of Europe's pension systems by issuing a Green Paper *Towards Adequate, Sustainable and Safe European Pension Systems* (European Commission, 2010). The Green Paper accorded funded private pensions a central role in resolving demographic challenges to public finances. The responses to the Green Paper informed the subsequent 2012 White paper *An Agenda for Adequate, Safe and Sustainable Pensions* (European Commission, 2012). It sets out EU support for raising retirement ages, strengthening incentives to work longer, and an enhanced role for private retirement savings through occupational and personal pensions to safeguard the adequacy of income in old age. These themes are further articulated through the European Semester's annual growth surveys, and the annual country specific requirements issued by the European Commission.

The need to raise state retirement age and extend working life has proved popular and is frequently promoted by politicians and international organisations such as the OECD as a means to address concerns about the affordability of state pensions and offset the costs of state pensions arising from population ageing. Governments in EU member states have been encouraged to introduce policies designed to extend working life to later ages. During the financial crisis, In Ireland

the immediate purpose of raising the pensionable age was to improve the sustainability of public pensions. However, longer-term this policy has sought to extend working lives. This outcome has led some countries to increase pension age by linking it to national gains in life expectancy (for example reforms in Finland and the Netherlands). However, such policy approaches (Ní Léime and Street, 2016) have been introduced in the broader context of increased privatisation and individualisation of pensions (OECD, 2006, 2015) and are usually promoted as the inevitable or only solution to population ageing. This 'work longer, accept smaller, riskier pensions' approach has been associated with the uncritical adoption of an active ageing policy agenda in the EU (Ní Léime and Street, 2016).

While state pensions are an important source of income for people in old age, occupational and privately funded pensions (also known as personal private pensions) also play an important role in the pensions systems in many countries. Privately funded occupational and personal pensions make up the remaining two pillars of the Irish pension system and serve to supplement State pensions. They are voluntary; in other words employers are not obliged to establish a pension for their employees, or contribute to an employee's personal pension. Private occupational and personal pensions operate by facilitating workers to defer income by accumulating assets in a pension fund. At retirement the pension fund can be converted into a lifetime annuity or drawn down periodically (depending on the rules of the particular pension scheme) as a means of replacing, at least in part, income from work. While occupational pensions schemes are common in public sector employment in Ireland, they are also a feature of private sector employment. Personal pensions are most

commonly used by people who are self-employed, or those working for employers who do not provide an occupational pension. However, there is recognition of the growing difference in the pension benefits accruing to different groups of labour market participants (OECD, 2006). For example, while the pensions of public sector employees continue to be defined by their service and salary (defined benefit pensions), the trend for private sector employees is for employer and employee contributions to be invested in an account for each individual employee, with the accumulated proceeds providing income in retirement (defined contribution pensions).

Given the demographic projections and policy prescriptions of international organisations such as the EU and the OECD, it is unsurprising that the role of private pensions within a country's overall pension system is expected to expand. Many countries now place a greater emphasis on private pensions as a source of income for older people (Mosca & Nivakoski, 2016). This focus on private pensions brings coverage of occupational and private pensions to the forefront of pension policy debates. In Ireland, a target of 70 per cent coverage was first established in 1998 by the National Pensions Policy Initiative, when 46 per cent of people in employment had pension coverage, defined as an occupational pension, a personal pension, or both (Pensions Board, 1998:45). Since then, there has been little change in the coverage³ of occupational and private pensions. Coverage currently stands at 47 per cent suggesting that initiatives and incentives aimed at encouraging people to take out a private pension on a voluntary basis, such as the introduction of Personal Retirement Savings Accounts in 2003 and tax incentives, have not had significant impact on coverage (Wijeratne, *et al*, 2018).

The situation is even more marked for those in private sector employment, where two-thirds of private sector employees in Ireland have no workplace related pension and are not saving for their retirement, leading to concerns about old age poverty.

One way of seeking to address the low coverage of private pensions is for governments to introduce a mandatory or quasi-mandatory retirement savings system, referred to as auto-enrolment. In 2018, the Irish Government published its plan to introduce a national auto-enrolment addition to the pension system by 2022. Moving away from a purely voluntary approach to retirement saving to the

proposed system of auto-enrolment in Ireland will lead to increased coverage, with people using the income from their contributions to a privately funded pension to supplement their State pension (Government of Ireland, 2018a). The key advantage of increasing private pensions savings is that it will immediately reduce the proportion of the current working age cohort who will have insufficient resources in old age. The disadvantages include the elimination of individual choice and perhaps political difficulties in operationalising the system (Foster *et al*, 2018), and the immediate strengthening of the link between pensions and paid employment (which does little to improve the pension position of those working in precarious employment or performing unpaid work in the home). It appears there is widespread support for the introduction of auto-enrolment in Ireland, as reflected in the conclusions reached by the Citizens' Assembly; 87% of members of the Citizens' Assembly recommended the introduction of some form of mandatory pension scheme to supplement the State pension (Government of Ireland, 2018b). However, they did not specify whether this should be funded or PAYG, nor whether it should be managed by private pension companies or by the State. These and other details are currently under consideration by the government.

The Assembly referred to above was a body comprising the Chairperson and 99 citizens, randomly selected to be broadly representative of the Irish electorate, established to consider some of the most important issues facing Ireland's future, including *How we best respond to the challenges and opportunities of an ageing population*. The Assembly Members deliberated on the topics and their conclusions on each topic formed the basis of individual reports and recommendations that were submitted to the Houses of the Oireachtas for further debate by our elected representatives.

(<https://www.citizensassembly.ie/en/About-the-Citizens-Assembly>). The widespread support for auto-enrolment among the participants in our research is perhaps attributable to the fact that many people would like to begin saving for retirement. However, in its current deliberations, the government acknowledge that people are often hampered from saving for a pension due to the complexities of the system, a lack of confidence in their knowledge of pensions or difficulties making a decision as a result of being presented with so many choices (Government of Ireland, 2018a).

Arguably, a less critiqued way in which Governments seek to address the low coverage of private pensions is through the taxation system, with the provision of tax relief for the

³Coverage is the ratio of work force that has some sort of pension provision upon retirement from their occupational or private pensions.

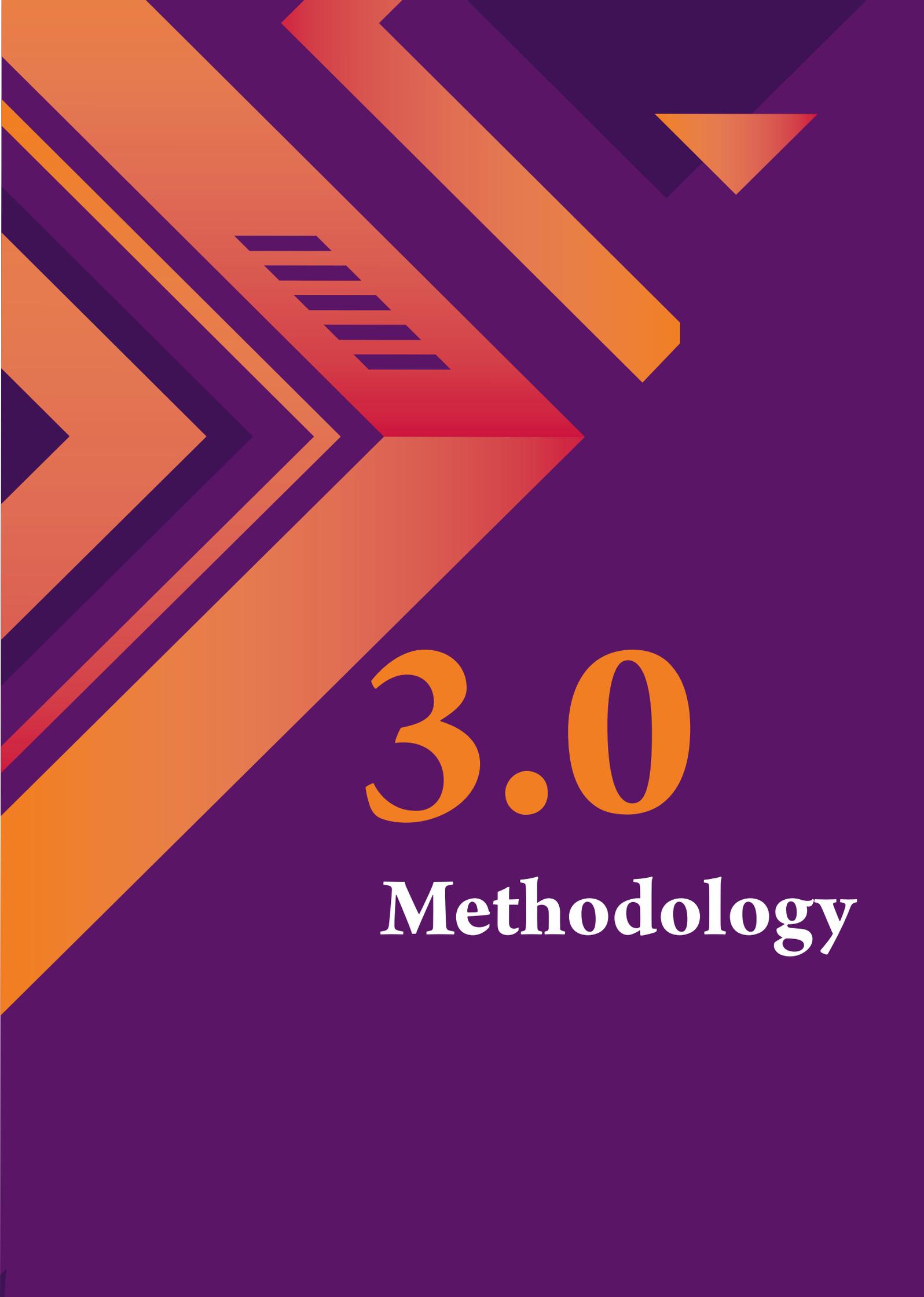
purpose of incentivising private pension savings. Most countries provide tax advantages and financial incentives to advance a policy goal of promoting savings in private pensions as a means to improve the overall adequacy of the incomes of older people. In Ireland the taxation system has long been employed to incentivise supplementary private pension provision in its long-established public-private pension mix. Ireland provides generous tax exemptions by international standards. In its regime, the gross build-up of private pension funds and contributions are tax exempt, and pensions in payment are taxed as income, although at the time of writing individuals can take up to a limit of €200,000 of their personal pension fund as a tax-free lump sum at retirement.⁴ This has the effect of reducing the residual taxable pension. The tax foregone in the majority of cases as a result of the tax relief granted on pension savings raises questions of fairness and efficiency in relation to tax expenditure on private pensions.

Gender equality is a fundamental principle in the EU Treaties. However, as Timonen (2008: 80) points out, ‘pension systems, often maintain, reflect and even enlarge social structured gender inequalities in the labour market and over the life course’. Therefore, it is important to consider gender in the context of the EU’s strategic aim for gender equality aimed at reducing the pensions gap between men and women (European Commission, 2018a). Gender issues arise across both adequacy and coverage of State, occupational and private pensions, and pension reforms such as extended working lives, auto-enrolment and taxation.

Socio-demographic factors such as population ageing may provide a catalyst for the reform of pensions, but recasting pensions is always a protracted and politically complex process, involving a range of relevant and influential social, economic and political actors at national and supranational level. Pension policy suffers too from the misalignment of the long-term horizon of pension policy reform outcomes and the shorter electoral cycle time frame of politicians. Largely absent, however, from the discussions and debates in the pensions reform process is the voice of the people who are directly affected by these reforms. This report seeks to address this gap by bringing the voices of ordinary citizens to the fore. In doing so, it aims to enhance research-generated knowledge on critical issues related to pensions and allow the opinion of the people who experience policy outcomes to be heard as an input to the policy reform conversation. The next section outlines the approach adopted in order to capture the voices of citizens.

⁴ See Citizens Information for details of tax relief on contributions - http://www.citizensinformation.ie/en/money_and_tax/personal_finance/pensions/personal_pensions.html [Last accessed 21.02.2019].





3.0

Methodology

A qualitative research approach was adopted in this study to understand pensions policy and proposed or potential reforms from the perspective of citizens, and relevant stakeholders.

With respect to the citizens, qualitative data was collected through the use of interviews and focus groups. People were selected using purposive sampling to ensure a diverse and heterogeneous range of participants. The researchers' extensive network of civil society advocacy and community groups assisted in the recruitment of participants for the study and snowball sampling was also used where appropriate. Five focus groups involving 29 participants and 23 one-to-one interviews were conducted (see Diagram 1). Interview and focus group guides were used to direct the engagement with citizens and both guides were piloted before being finalised.

Diagram 1: Citizens and stakeholders participating in the study



Citizens participating in the interviews were all residents of Ireland and included a balance of women and men and people of different ages. Participants included people with various forms of employment contracts from the public, not-for profit and various private sectors, the self-employed, and the economically inactive, in recognition of the growing difference in the pensions benefits accruing to each of the main groups in the labour market (OECD, 2012). Pensioners also participated.

While the aim of both focus groups and interviews, in line with the EU's Citizens Dialogue (European Commission, 2012b)⁵, was to hear citizens' voices, the interviews which were carried out using a life-course approach were also intended to bring the personal and lived experiences of interviewees to the fore. This life-course approach is concerned with the activities and events at different life stages across a person's life and is now widely used for understanding the life-course trajectories of people (Mayer, 2003; Alwin, 2012). It provided participants in this study with an opportunity to express in detail their individual experiences, stories and interpretations regarding their working life and pensions, and provide us with a rich understanding of their motivations, beliefs and attitudes towards pensions.

Interviewees started by giving a brief summary of their work-life history since leaving primary /secondary education and their reasons for membership or non-membership of a pension scheme. Following this, they answered a series of questions, tailored according to their work-life history and pension scheme membership. These questions covered a broad range of areas, including pension knowledge, retirement options, trust in different pension schemes, risk-taking behavior and responsibility, pensions information and awareness, social contract and intergenerational solidarity, equality (e.g. by gender or employment security), relationship status and future predictions and desires using life-course trajectories. There was a certain amount of flexibility regarding the order in which the questions were addressed.

At the outset of this study, some preliminary interviews with a variety of stakeholders were conducted to assist in identifying regulatory and other challenges, and market forces in pensions policies in Ireland. These stakeholders included public policy experts, independent academics, older volunteers and voluntary service providers, private and public pensions fund representatives, gender studies experts and other influential relevant government representatives. Much later on, following the interviews and focus groups with citizens, in-depth interviews with seven key stakeholders representing government departments, the pensions regulator, the pensions industry, employers, and professional bodies were carried out. (see Diagram 1). Crucially, the subject matter of these interviews was driven largely by the findings from the interviews and focus groups conducted with the citizens. This is in keeping with a citizens-driven approach, which is concerned with determining what is important about pensions for a diverse range of people, and using the findings to help inform the future development of pension policy and pension reforms. Section 5 of this report considers the extent to which the perspectives of citizens overlaps with those of stakeholders with respect to pensions, and the associated implications.

Finally, in order to help situate the data collected from Irish citizens and stakeholders in the EU context, and to better address the EU-wide relevance of the ultimate policy recommendations being made here, a focus group was held with academic researchers from across the EU who specialise in pensions research. The findings from this focus group are presented in Section 6, also draws attention to the EU-wide relevance of the findings from this study.

This study is limited in that it is not possible to generalise the findings to the whole population. However, a major advantage of the study is that it explores in a deep and meaningful way, the issues that are identified by and matter most to citizens with regard to the Irish pension system, and considers their views *via-à-vis* those of key stakeholders. By using this approach, it is possible to draw a well-rounded and 'real world' perspective of the reality of a multi-pillar pension system in action and the various policy options proposed to reform it.

⁵ The Citizens' Dialogue was launched by the Commission in 2012 to engage with citizens locally, where they live, in a discussion about their concerns and suggestions for a better Europe.



The background features a complex, abstract geometric design. It consists of several overlapping, angular shapes in shades of orange, red, and purple. The shapes are arranged in a way that creates a sense of depth and movement, with some elements appearing to recede into the distance. The overall color palette is warm and vibrant, with a strong contrast between the bright orange and red tones and the deep purple background.

4.0

Key Findings

This section of the report presents and discusses what citizens had to say about pension systems in the interviews and focus groups. It first outlines their concerns and perspectives in relation to the adequacy of state pensions, which is followed by their views on extended working life, one policy response used by governments to address the issue of adequate incomes in old age. It next examines citizens' experiences and views on the coverage of occupational and private (or personal) pensions, followed by an exploration of their views on two key policy options used by the Irish government to increase coverage of private pensions, i.e. auto-enrolment and taxation. Not surprisingly, gender issues were raised by both women and men participating in the study across each of the themes and policy options discussed in this section. Accordingly, the last part of this section turns to gender as a cross-cutting issue in pensions, as identified by participants.

4.1 Adequacy of state pensions



In many countries across Europe and beyond, policymakers have long been and continue to be concerned about the adequacy of pensions. Ireland is among these countries. It is a key objective of Irish pensions policy to ensure that people have an adequate income in old age. It is clear from the interviews and focus groups with people in this study that the adequacy of State pensions, one of three pillars of the Irish pensions system, is a key concern of Irish citizens.

As mentioned earlier, Ireland is somewhat unusual among EU and OECD countries, in that non-contributory State pensions are flat-rate and are not linked to earnings. State pensions are the most important source of income among older people in Ireland (Collins, 2017; O'Sullivan and Layte, 2011), and they are particularly important for lower income groups. In 2014, 53.4% of the average pensioner income in Ireland was from state age-related payments. Private pensions contributed just 4.4%. Unsurprisingly, given the magnitude of the state pension in old age income, the role that State Pensions (Contributory and Non-contributory) pensions

play in the maintenance of living standards was emphasised by the citizens participating in interviews and focus groups.⁶ The participants believed that State pensions were insufficient to enable people to live a normal life after retirement, notwithstanding the fact that a 'normal', or 'decent', or 'acceptable' standard of living is of course defined differently by different people. The view that Irish state pensions are insufficient is interesting in the context of a recent report which shows that across the EU the replacement ratio of pensions is lowest in Ireland⁷, having decreased by about 10 percentage points between 2008 and 2016 and is now less than 40% (Collins, 2017). The names of those who participated in interviews and are quoted below have been changed to protect the identity of participants.

The reasons given by people in this study for why state pensions were deemed inadequate is that a State pension is not sufficient for people to engage in certain activities that they believed constitute a 'normal' life in retirement, such as going on a holiday, spending time with grandchildren or friends or the cost of paying for transport, particularly in rural areas, where public transport is unreliable and infrequent with access also an issue for older people with a disability.

'One that would adequately provide for my husband and I in retirement; and it's not to take ten holidays a year, it's just to live comfortably, without having to watch how much milk we drink or how much tea we buy or how much bread we use. Or turning off all the lights at night, you know, just something to live comfortably.'

(Bridget, 40, married no children, public sector, and permanent employee)

⁶It has been calculated that an individual living in Ireland currently requires an income of on average of at least €16,175 per person per annum and €32,500 for a couple per annum to be above the poverty line and needs much more than that to live a comfortable life in their old age (Collins, 2017).

⁷The replacement rate is the percentage of an employee's pre-retirement monthly income that he or she receives each month after retiring. The rate is a common measure used to determine the effectiveness of a pension system. Based on Collins and Hughes (2017), taking the example of the median contribution, an annual total pension contribution of €3,300 for 40 years will provide a pillar 2 (occupational) /pillar 3 (private) pension income of approximately €5,200 per annum. Combined with the pillar 1 (state) pension, this gives a replacement rate of 37.5

This finding echoes the conclusion drawn by the Economic and Social Research Institute (ESRI)⁸, based on findings from a recent study analysing data from TILDA, that ‘it might make sense to set policy on income in retirement in a framework that emphasises the maintenance of living standard as opposed to income levels’ (Nivakoski and Barrett, 2017: 16-17). It has been shown that quality of life of older people in Ireland increases consistently across all quality of life domains (control, autonomy, self-realisation and pleasure) as household income increases. Surprisingly though, retirees have been found to be less likely to report financial difficulties than people who were still working, and that health problems were more likely to place greater restrictions on their lives (Mosca and Nivakoski, 2016).

In Ireland, property is usually the main asset of older people, particularly those who are home owners (and typically don’t have any other property). Property can be a potential source of income in old age, either in the form of a lump-sum payment from the sale of a property or a regular stream of income from rental income. There is high home ownership in Ireland with approximately 85% of older people living in owner occupied housing and approximately 26% with mortgage debt. In addition, approximately 11% of older people own property other than their current place of residence (Hudson, Nosca and O’Sullivan, 2014). In this study, the role of a person’s home or other property in providing an adequate income on retirement was raised by people participating in interviews and focus groups. A distinction was made by participants between those who are forced to sell their home out of necessity in order to achieve an acceptable standard of living, a group who may be regarded as being ‘asset rich’ but ‘income poor’, and those who choose to use property as a means of boosting their retirement income, thereby enhancing their standard of living after retirement.

‘I am starting to think that I should start planning for retirement, which is not going to happen for a while. So until now the plan was to make sure that I qualify for state pension, for contributing state pension as a minimum requirement. And the second thought is to start investing in property and probably maybe to sell these properties for retirement.

(Mary, 39, married with two children and precarious worker)

In Ireland, older adults tend to have lower rates of poverty than other social risk groups such as lone parent families and families with an adult with a disability (Grotti et al., 2017). Social transfers associated with state pensions are seen as an effective means of preventing poverty in older age. However, for people aged 65 and over in Ireland, the at risk of poverty rate, although reduced since 2008, was 17.4% in 2016 and there are marked differences among older people, with income inequality among this group widening between 2008 and 2016 (European Commission, 2018b). Higher income is linked to better health and those with lower incomes are more likely than those who are well-off to have chronic health conditions, disability and mental health difficulties. The participants in this study drew attention to the impact that health problems have on income security in old age, especially for those depending on a State pension, thus highlighting the important role that pensions can play in tackling inequalities in older age. Furthermore, disadvantage accumulates over the life course for individuals who have poor health and lower incomes throughout their lives, and it is likely that their situation will worsen in old age, especially if they have serious and costly health issues (Hudson, 2016). The current pension system does not have a levelling effect with regard to cumulative disadvantage. Therefore, tackling health and income inequalities across the life course is critical for preventing this cumulative effect.

‘My brother has not got a medical card or anything like that and he is really struggling. And he worked hard all his life and reared five kids, so never got to save anything because when you’re working on the building sector all the machines and stuff plus kids you know and never saved up for his old age.’

(Anne, widow, 80 - reared 7 children)

Participants also stressed that early retirement was not an option for some people who could not afford to do so because of an inadequate pension / income. Their views are consistent with findings from an ESRI study, which used QNHS data to examine early retirement patterns. It

⁸The ESRI produces independent, high-quality research with the objective of informing policies that support a healthy economy and promote social progress.

found that for people aged 40-65 years in Ireland, the early retirement rate has risen from 1.7 per cent in 2006 to 1.9 per cent in 2015, but that people with medium and higher levels of education were more likely to retire early, possibly because people with higher levels of education had accumulated higher levels of wealth and were in a more favourable financial position to retire (Kelly et al., 2017). It is likely therefore that early retirement is less likely to be an option for people with lower levels of education. This issue of early retirement is related to extended working life, which is next explored in section 4.2.

As a means of addressing adequacy of pensions, as well as equality and sustainability, the Irish government plans to introduce auto-enrolment. Auto-enrolment as a means of addressing adequacy from the perspective of citizens is addressed in Section 4.4.

4.2 Extended working life



Extended Working Life (EWL) policies have been introduced into Ireland relatively recently with the state pension age increased to 66 in 2014, and set to increase further to 67 in 2021 and 68 in 2028 for all workers (Ní Léime and Street 2016). Participants in this study were generally aware of policies to extend working life. However, attitudes of citizens towards EWL were mixed. Some accepted government policy to extend working life, and saw it as an inevitable consequence of population ageing and increased life expectancy.

'I think that was probably inevitable because people are living longer.'

(Cathal, married with two children, 50 a part-time worker)

Some were critical of its introduction, and felt strongly that extending working life beyond 65 should be a choice.

'There are those people that would have worked all their lives and would like to retire at 65 and now they can't, because the retiring age has gone up to 68, I think the retirement age should be left at 65, but those who want to work beyond that, should be allowed to do so.'

(Paul, married with children – Precarious job – 40)

Some reluctantly accepted government policy to extend working life, considering it to be an indication that the state is more interested in revenue than the welfare of older people, and had an interesting perspective in terms of the EU's influence in this regard. This certainly raises the question of trust in government, querying its motives.

'Well I think its fine, but I think in France they can retire at sixty. And here we are supposed to be, you know, our government takes what they like from Europe and implement it as law once it means that they are collecting taxes or more money from us, but they don't implement any of the good stuff. I would love to work half time after retirement but we are not allowed'.

(Belinda, 58, part-time state employee)

As can be seen from the above, while some of the participants expressed a willingness to work past the conventional / traditional state retirement age of 65, others were less welcoming of this. There were differing views too as to what would be the most appropriate cut-off age for the state retirement age. While in Ireland this for many years was set at 65 years, some participants felt that 68 years was acceptable, in line with the government's proposed cut-off age for 2028. At the same time, these participants recognised the potential inequities that may accrue to particular groups, and believed that while there should be a standard cut-off age for retirement on a state pension, flexibility and choice should be central to policies aimed at extending working life.

Policies to extend working life primarily adopt a 'one-size-fits-all' approach, and are based on the assumptions that employment is easily available for people who want to work and that they are sufficiently healthy to engage in employment, while disregarding the fact that people working longer may not earn sufficient income to save for their pension (Ní Léime and Street, 2016). However, an extended working life is likely to be difficult for certain groups of people such as people in physically demanding jobs, and workers in low income jobs and those in precarious employment. The variation between participants with regard to their views on EWL was generally related to a range of factors such as differing work experiences, type of job, type of employment, health, income adequacy in later life and age.

'This should be sector dependent because if I was a fisherman or had a labour intensive job then I would like to retire early. It is better if you take into consideration the demands of that specific job because it is always going to vary for lot of people. Also, even if it wasn't physicality people just get tired of the doing the same job.'

(Ray, Single, 35 – Short-term contract in Public sector)

Many of the citizens participating in this study felt that working past the age of 65 should only be by choice.

'If I'm fit enough to be working longer, I would like it but if I had a nine to five job, that would be different, but since I am self-employed, I would like to work longer.'

(Carmel, a mother of two, 60 and self-employed)

It was also acknowledged that some people work in stressful jobs. However, irrespective of occupation, most of the older citizens in this study believed that people should be able to look forward to some quality time in old age following retirement and expressed concern that the onset of age-related disabilities would start to affect their ability to do all the things that they had been looking forward to in later life. They expressed a preference for enabling people to leave the workforce before age-related disabilities affect their ability to lead a healthy life after retirement.

'I know there is arguments about that it's good for your mind for working longer but I don't think you have the same level of energy for a job at that age. And when is a person going to have an opportunity to do the things that they never had an opportunity to do while working like travel or take up different interests?'

(Sinead, Married with children, 66 –Self-employed)

Using a life course framework, this study has shown that there is much variation in the work-life trajectories across employment and family formation for most citizens. Findings from the interviews suggest that citizens are mostly in favour of a flexible retirement option, which takes account of personal choice, nature of employment, contract type and health. Citizens expressed most concern when they considered the unequal way in which such policies affect different sectors of the population. Most citizens argued that because physically demanding and stressful jobs could cause work-related health problems, particular attention needs to be paid to the capacity of people in such jobs to work longer in policies concerned with extending working life.

On first glance, it may seem that EWL would be generally more acceptable and appropriate for public sector, full-time and permanent workers in less physically demanding jobs. But regardless of these occupational differences, most citizens disliked being forced to work full-time past the traditional state pension age and preferred to make their own choices.

4.3 Coverage of private pensions



With pension coverage currently at the forefront of pension policy debates, unsurprisingly this matter was discussed in both the interviews and focus groups carried out for this study. The findings may be useful in helping to explain the current unevenness of private pension coverage.

In this study, among those who are participating in the labour market, security of employment and level of income were key factors influencing an employee's decision to contribute to a private pension. Citizens with higher incomes and / or permanent employment were fully aware of the benefits of contributing to and had taken steps to invest in a private pension:

'I fundamentally am aware about the individual pensions. To be honest I have started to invest in my pensions as soon as my son was born when I was 30 and have always availed of the full tax benefit.'

(John, 60, married with kids, private sector full-time permanent employee)

People in insecure employment and / or lower levels of income, some of whom were in the public sector, explained that earnings were insufficient to save into a private pension and had postponed any decision to commence a private pension plan until they had a more secure job with higher income:

'It is something I do think about a little bit but I have deferred until I get a more permanent job. Ideally waiting until I will be more able to put money above what I contribute to the public scheme.'

(Ray, single, 35, public sector worker on a short-term contract)

Some people participating in the labour market had decided not to contribute to a private pension. Lack of trust and lack of confidence in private pension systems were key factors influencing their decisions:

'But there is no guarantee from a private pension that I am going to get more by contributing more.'

(Cathal married with two kids, 50 a part-time worker)

Unfortunately, negative experiences with other financial products such as life assurance played a part in discouraging people from saving into a private pension.

Some people in precarious jobs had insufficient means to meet their everyday expenses and therefore were not in a position to contribute to a private pension:

'I know ... my brother works in a factory, and the pay is so bad in that sector you barely get by on that and he wouldn't ever consider pension schemes, or additional schemes.'

(Bridget, 40, married no children, public sector, and permanent employee)

Others, particularly those in middle age, were mostly concerned about more immediate financial such as obtaining a mortgage:

'The reasons why I haven't been very much more proactive in building a pension kit is because I have been very concerned in trying to save money for getting a mortgage. So, yeah, if I am not able to get a mortgage and repay within my working life it's a problem because how would I be able to afford rent when I retire? If I don't have a house the current state pension wouldn't pay my rent'

(Sylvia, 40 and a mother working on a short-term contract)

Low levels of economic literacy were seen to place some workers at a disadvantage and act as a barrier to private pensions:

'You need to be very financially astute. And everybody isn't and it's unfair. It's unfair that things are such that people must be financially and mathematically astute and economically aware, because that is what you have to be if you want to prepare.'

(Belinda, mother, 57 and public sector part-time worker)

For some, the convergence of a number of factors such as low income with little prospect of good future earnings, lack of an occupational pension and low levels of economic literacy explained why people did not contribute to a private pension, as illustrated by the following quote from a woman speaking about her husband, a cleaner:

'There's no information available from his employer regarding pension schemes. I know some [people] don't even have email addresses and don't use the Internet. So, they're not going to go online and look for information on pensions. And the pay is so bad in cleaning, that there's no income there anyway to put in towards a private pension scheme. You barely get by on that.'

(Bridget, 40, married, public sector worker)

The idea of contributing to a private pension has not occurred to some older women who had left the labour market after getting married:

'I never thought of it, really. I was only working part-time before marriage. When my first husband died and then I was put on the pension, the widow's pension, and then I got married again and then that pension was gone so I had nothing again only depending on the second husband. And then when he died, I was back on the widow's pension again and since.'

(Anne, widow, 80 - reared 7 children)

The particular issues faced by women are addressed in Section 4.6. In an attempt to increase coverage of private pensions, the Irish government proposes to introduce a new national system of auto-enrolment. The responses of citizens to this proposal are presented in Section 4.4 that follows. Following this, citizens perspectives on the Irish taxation system, and its use to incentivise people to save for retirement and the tax reliefs is covered in Section 4.5.

4.4 Auto-enrolment



Interestingly, most citizens were in favour of some form of automatic enrolment (AE) into a pension scheme. They stressed, however, that the government must play an important supervisory role and they even suggested the need for government to be a guarantor, effectively ensuring a certain return on their investment, by way of an adequate pension.

'I think it's a great idea. I wish it was there when I was starting out in the workforce, because it would have made me think that I need to be putting something aside for future. That's only if that pension was going to be guaranteed to me at the end of my working life.'

(Bridget, 40, married no children, public sector, and permanent employee)

One of the benefits of AE, as identified by participants, was that it helped people to start saving for a pension at an earlier age, which they believed many people would like to do, but that this is often overlooked because of competing demands at that point in their lives.

'I think in your 20s and your 30s, even into your 40s people get very busy with relationships and families and everything that young people don't think about pension plans until at least 20 years into their work so I think it would be a really good thing.'

(Rachel, Single, 59, School Teacher)

Some people, although in favour of AE, stressed that they would like to have the possibility to opt-out at any time, if the need arises.

'Yes, AE is good, as long as there is an option to opt out when they need to'

(Ray, Single, 35 - Short-term contract in Public sector)

One of the characteristics of the proposed AE scheme for Ireland is the inclusion of an option to opt-out after a minimum membership period of, for example, nine months, which is typical of AE schemes in other countries (Government of Ireland, 2018b). Workers who are automatically enrolled will be allowed to opt out after the minimum period, and any contributions made during the minimum period will be refunded (Government of Ireland, 2018b). However, as the Roadmap for Pension Reform states (see Box 1), 'evidence suggests that once enrolled, inertia reduces the likelihood of many members making a decision to opt-out of retirement saving' (Government of Ireland, 2018a: 17).

Citizens showed their concern for low paid workers who may not be eligible for AE. For example, Ben (60), a full-time public sector employee said,

'We need to be mindful of people who get lesser wages and obviously some of the jobs are low paid and people would be stuck for their pension contribution so I think that's part of the low pay issue and we need to watch this because not everyone will benefit from AE.'

4.5 Taxation as a financial incentive



The Irish tax system, as outlined earlier, is used in Ireland to incentivise people to save for retirement and the tax reliefs available are generous by international standards. Participants in this study were asked questions to assess their knowledge, understanding and perspectives on the tax system as it relates to incentivising people to save for retirement. The interviews were also used to garner some insights from the perspective of citizens as to why the policy of providing tax incentives for pensions has not achieved its intended outcome, that is, greater levels of private pensions coverage.

The in-depth interviews revealed that there were differing levels of understanding among participants, and only a minority were knowledgeable about and understood how the tax system and pension system interacted. Of those who understood tax reliefs well as they apply to pensions, two distinct views were identified. First, were those who saw tax incentives for pensions as an important way of reducing their tax liability. This view was exemplified by a male participant in receipt of a high income. Tax relief on pension contributions offered at the marginal rate of tax was being used primarily as a tax efficient way of accumulating wealth, and the fact that it arose due to pension contributions was inconsequential. Referring to tax reliefs as they apply to pensions, he stated:

'It's an ideal method of tax reduction ... I've maxed it out, every year of my life, since I was 30, so I get the max.'

(John, 60, married with kids, private sector full-time permanent employee)

Another participant who also saw investment in a pension as a means of reducing their tax liability rather than as an incentive to save for retirement, stated the following:

'I receive a bonus annually and I put half of that bonus into my pension and the reason I do that is because it kills me how much I have to give back in tax ...'

(Andrew, 30 full time not for profit sector executive employee)

One participant explained that she had diverted savings from non-pension accounts into pensions and, while this meant that it would not be possible to access the funds until retirement, she had assessed this as being the best option after comparing the tax savings from this with the interest earned from depositing the funds in a savings account with a financial institution: 'I get the 40% tax relief and it's much better with no DIRT⁹.'

Second, were those participants who questioned the notion that there were savings to be made from tax reliefs on pensions and argued that the amount saved was largely cancelled out by the charges levied by private pension providers. One participant stated:

'There is also this notion that pensions are really sold to us currently as a way of saving tax, which is kind of crazy ... I think is totally wrong because what that means is we see it as a way of saving tax as opposed to a way of saving for your future.'

(Cathal, 50, married with two kids, part-time worker)

This person went on to provide details of the way in which contributions are allocated in private pensions¹⁰. This participant pointed out that, as a consequence of the ongoing administration and investment management fees levied, the tax relief was in effect consumed by the pensions industry, leaving the contributor in a position that was equivalent to having contributed from net salary. This view was also held by another participant who stated that 'when I look into that tax relief, they give it to you with one hand but they take it back with the other'.

⁹DIRT refers to Deposit Interest retention Tax, and represents 37% of all interest earned in savings accounts with financial service providers (Citizens Information 2018) http://www.citizensinformation.ie/en/money_and_tax/tax/tax_on_savings_and_investments/deposit_interest_retention_tax.html

¹⁰The reference is to the practice by some pension products and funds to allocate less than 100% of the contribution, the difference being a charge accruing to the financial company.

Both views expressed above represent those of a minority of participants. The majority were not aware that they could receive favourable tax treatment on any pension contributions they had made. This supports findings from a 2016 survey commissioned by pension providers Standard Life to gauge levels of understanding of tax incentives for pensions. This survey found that over half of the 1,000 respondents did not know what the tax relief was (Standard Life, 2016). In the course of this current study, some participants, having been informed about the standard tax relief for pensions by a researcher, indicated that tax subsidised retirement savings made little difference, as they did not have the capacity to either save or increase their savings for retirement. One participant expressed a commonly held view:

'You just look at your payslip at the end of the month, and it's just, sometimes it's heart breaking really because I suppose I don't see where that money is going ... there is so many deductions. There is PAYE, there's PRSI, there's USC, you know, and then if you are contributing to a pension, there is that as well.'

(Keren, 28, Single, Part-time precarious worker)

The majority of participants did recognise that tax relief could incentivise people to save. In one focus group, the participants discussed the distributional aspect of tax expenditure, and made the following observation:

'I think the problem here with this ... the person on the 20% tax bracket is earning less than the person on the 40% tax bracket, and yet they are both contributing the same but because the person on the 20% earns less, it's a bigger onerous thing for them to pay €1,000 into the pension and they're only getting €200 back versus the €400 back ... it's wrongly weighted from that point of view.'

(Alice, 50, Married, Financial Advisor, (Focus group member))

The participants in another focus group also grappled with inequitable distribution. It was recognised that it made sense for the government to grant tax relief as a reward to people for making pension contributions:

'I think it's fair, they do deserve it, if they were going to put that kind of money towards it, I think they should be entitled to some kind of allowance for making the effort.'

(Aaron, 58, Married no children, Public sector full-time employee)

At the same time, people seemed troubled by wealthy people receiving a subsidy they probably did not need. As Aaron stated 'Them guys would be earning six figures a year ... yeah, I suppose the incentive is really the wrong way, isn't it?'

The irrelevance of the tax incentive for those outside the tax net was also noted. One participant Mary (39, married with two children and precarious worker) who didn't pay income tax was consequently 'not really interested in what tax relief I get'. Belinda (58, part-time state employee) questioned the use of the tax system to incentivise pension savings, and suggested that it 'should just be easier for the ordinary person to save and they should get credit for saving ... there should be some other policy other than tax'.

Some participants had a very clear idea on how the interface between taxation and pensions could be better organised. They identified the Special Savings Investment Accounts Scheme (SSIA) as a model that worked in that it was easy to understand and seemed equitable to them (See Box 2 for details of how this scheme worked). For example, one participant noted that

'the SSIA system that came in there for a while, I think that was a big encouragement to save. It gave a very good return ... you got a very good tax break.'

(Eva, 55, full-time student, married with children)

This current study has confirmed that citizens are familiar with the SSIA model and, indeed, there is broad support for it among citizens. However, this scheme was still only available to those who could afford to make the contributions.

Box 2: Special Savings Investment Accounts Scheme, 2001

SSIAs, a five-year savings scheme, that was launched in May 2001 and closed in April 2002. Accounts matured over a twelve-month period commencing 1st May 2006. Contributions were capped at €254 per month. On maturity, a 23% exit tax on any gains was deducted. To provide an incentive, an exchequer contribution of 25% was added by way of a tax credit, extended to all savers regardless of whether they had an income tax liability or not. The limit on the amount that could be saved and the standard rate of tax credit meant that the SSIAs particularly satisfied the principle of horizontal equity.

Over 1 million SSIA accounts were opened (Department of Finance, 2006) and were widely recognised as “a runaway success” (Westin, 2016). The implicit rate of return was so high savings levels continued to increase as the scheme progressed. This increased the tax expenditure associated with the scheme, leading the OECD to refer to it as “a blunt, expensive and untargeted way of trying to boost household savings” (OECD, 2006: 31). The full pay-out to SSIA account holders was €14.6 billion, at a cost to the exchequer net of exit tax of €2,620 million (Department of Finance 2009, p. 404). The public familiarity with SSIAs led the 2009 Tax Commission to recommending a long-term retirement savings product, broadly modelled on the SSIA (Department of Finance 2009: 406-407).

While many of the citizens participating in this study were aware that tax reliefs were an efficient way of investing in a private pension, in-depth knowledge of how the pensions and taxation systems interacted was limited. Some people were availing of tax relief on pensions saving, but tax reliefs were irrelevant for many, especially those on low incomes and in precarious jobs. The issue of coverage of pensions as they affect women is returned to in the next section, which looks more broadly at the points raised by citizens regarding gender and pensions.

4.6 Gender and pensions



Many women participating in this study spoke about the role that women have in the family and the time that many women

take out of the labour market to care for children and other family members. One woman pointed out that a key factor

influencing decisions by women to take time out of the labour market to care for children was the high costs of childcare in Ireland, and suggested that it did not make sense for women to continue working when their income could barely cover the costs of childcare. The participants highlighted the gendered nature of their work-life trajectories and spoke about the financial implications for women of interrupting employment for caregiving and how it affected not only their earnings during their working life, but also the impact that it had on their income in later life. They highlighted that taking time out of work for caregiving led to a gap in their social insurance contributions, which could affect their entitlement to the State Pension (Contributory).¹¹

Female participants were concerned about women who may have to depend on their spouse's pension for an income in later life, and argued that every person should be entitled to a pension in his/her own right rather than having to depend on a spouse's pension.¹²

¹¹Note, in some recognition of care, there is a Homemakers Scheme in Ireland which was introduced in 1994 whereby years spent as a homemaker are disregarded when working out the average yearly contributions for a state pension (contributory).

¹²Note that women would be entitled to apply for the means tested non-contributory state pension in their own right.

'I have seen women, like a neighbour of ours, she would have taken care of her husband's mother, taken care of the children and she would have no contributions to a pension so she didn't exist on the system. So, she wouldn't be entitled to anything in her own right. And I think, I think that's so wrong.'

(Eva, 55, full-time student, married with children)

As a consequence of taking time out of the labour market to care for children and other family members, women tended to have lower or no earnings and were not in a position to contribute to a private pension. They found this to be unfair.

'I have seen how, and many women relations of my own who had to step outside of work to rear children and straight away they are cut off, you know, from maybe their earning power and contributing then towards their pension, because they are stepped outside of work. That is unfair.'

(Rita, 80, a widow reared 8 children (affected by marriage bar))

They believed that women were being penalised for fulfilling the role of carer for children and other family members, and argued that this unpaid work represented a cost saving to the state.

'She's giving up her future income so since she's thinking about her current household, but down the road, she's going to be penalized for this. Also, she's saving the government because she's giving a free service.'

(Eva, 55, full-time student, married with children)

They thought their societal contribution through caregiving should be adequately acknowledged without having to suffer a loss in pension income due to their unpaid care work and childcare responsibilities during their working life¹³. Men participating in the study were also acutely aware of and highlighted the gendered nature of caring and working, and wanted the contributions that women make recognised, with the removal of the negative implications that caregiving had for women and for their incomes from pensions in later life. They were in favour of measures which would compensate women for taking time out of the labour market to care, acknowledge their valuable contribution to society, and ensure that women are not financially disadvantaged in later life in comparison to men.

'We have to see what they are giving here and that automatically adds a value to society so there should be a system to recompense for that. If that means contributions should be made to their contributory pension on behalf of them, then why not?'

(Cathal, 50, married with two kids a part-time worker)

Another also noted that women take up caring responsibilities without considering the income adequacy issues they may face in their current as well as later life.

Among the women participating in this study were those who had been forced to leave the labour market upon marriage, under the marriage bar which remained in place in Ireland until 1972. The implications of this for women who are now older had been well documented (Duvvury et al, 2012; Ní Léime and Street, 2016; Ní Léime and Duvvury, 2017). It restricted them from availing of the homemaker scheme leading to gender inequality which led to pay inequality and thereby pensions inequality.

'I had to leave work to get married at that stage because there was a marriage bar on in the hotel I was working at that time, so I didn't work after that for many years but I reared a family with eight children and I only went back to work after my husband died and all the children were reared so I am on the widow's pension.'

(Rita, 80, a widow reared 8 children)

¹³ Note that those in receipt of carer's benefit do get contributions for up to 2 years. However, this may not be sufficient. Carer's Allowance is a payment to people on low incomes who are looking after a person who needs support because of age, disability or illness (including mental illness).

Mary believed that the government needs to invest more on education, as a means of increasing their earnings potential and therefore their ability to make pension contributions.

'Well the only thing maybe to increase women's participation in the labour force is to increase quality of education which could be a better way of investing into the future than forcing people to work longer and reducing their quality of life.'

(Mary, 39, married with two children and precarious worker)

Women in Ireland in low paid jobs are unlikely to be able to afford any substantial level of contributions to build a satisfactory fund for a personal pension to supplement their state pensions in retirement. Moreover, the current incentive structure of the Irish tax system does not incentivise regular pension savings from persons on low pay, or with uneven work patterns, where the value of the reliefs offered can be zero or negligible over periods. This is a major factor contributing to the gender gap in pensions,¹⁴ which currently is 37 percent (EIGE, 2015). It is critically important that the proposed AE scheme does not further exacerbate the gender pension gap.

A common concern among the women interviewees was the lack of sufficient pension contributions due to interruptions over their working lives, which could lead to insufficient income in old age at retirement.

'I think that would be terrible if they had very little income to live on after retiring. Especially if they had to keep the families together all their lives and work. It is good and well if someone has a good job to put money aside but it shouldn't fall on these poor people who cannot afford to do it.'

(Anne, widow, 80, mother of 7 children)

¹⁴The gender pension gap is defined as the percentage difference between the average female individual pension benefits and the average male individual pension benefits.





5.0

**Commonalities /
differences with
stakeholders**

This report focuses on citizens and their perspectives on the Irish pension systems and proposed reforms. So far, this report has presented the voices of ordinary citizens and their views on the Irish pensions system and reforms, which is not only an extremely important public policy area in Ireland but right across the EU. It has reflected citizens' perspectives on the adequacy of State pensions and extended working life as a policy response. It has also documented their views on the coverage of private pensions, and auto-enrolment and taxation as policy tools for increasing coverage. Gender issues were found to cut across all of these areas. Reflecting the voices of citizens is very much aligned with the EU's ambition to take the concerns and voices of European citizens seriously and have them participate in a meaningful way in the development of European policies.

However, citizens are only one type of actor amid a range of stakeholders involved in the process of recasting pensions at both national and supranational level. As part of this study, a range of stakeholders (see Diagram 1) were asked to give their perspective on the issues highlighted by citizens. It is beyond the scope of this report to provide a detailed and comprehensive report of the perspectives of these stakeholders. However, we have selected out some key points raised by stakeholders about pension reforms as a means of briefly illustrating the commonalities and differences between the perspectives of citizens and those of stakeholders.

Stakeholders commented on extended working life, a policy approach that has been adopted by the Irish government. Some stakeholders strongly agreed with the points raised by citizens in relation to the EWL policy, referring to recent increases in the state retirement age as a rather 'glib' approach. Like the citizens, stakeholders highlighted the inequities of this approach to pension reform, pointing to the differences in life expectancy between different socio-economic groups, with wealthier people living longer and potentially benefitting more from such a pension reform. They too expressed concerns about the unfairness of EWL in light of the cumulative disadvantage experienced by people with lower education levels and lower income over the course of their working lives. The views of a representative from the Revenue Commissioners were also consistent with citizens in that working in old age does not come without its difficulties for many people, not only those in manual jobs, but also those who have had long working life and feeling burnout. Like citizens, these stakeholders wanted to see more flexibility regarding extended working life policies.

With respect to the coverage of private pensions, citizens tended to focus on the challenges facing ordinary people and the reasons why people might not take out a private pension. They also highlighted the complexities of people's lives, the many differences between them and the varying trajectories that people's lives take, and the implications of this for taking out a private pension. In contrast, stakeholders, including the Pensions Authority expressed great concern about low coverage of private pensions, and unlike citizens focussed more on the potential costs of this to the state, as in their eyes low coverage equated to high dependence on state pensions, which they believed to be unsustainable.

Auto-enrolment is one way of seeking to address the low coverage of private pensions and the introduction of a national system of AE is currently being considered by the Irish Government. As has been seen, citizens were generally in favour of AE. Stakeholders too were generally supportive of this policy response. However, some such as the Pensions Authority stressed the importance of keeping State pensions as a flat rate payment, and offering people choice to supplement their pension by enrolling into an AE system, but that this would need to be on a voluntary and flexible basis. Importantly, they stressed the importance of ensuring that people were fully informed about AE and what they could expect from a supplementary pension under the AE system.

The use of the taxation system and tax reliefs to incentivise people to save for retirement with a view to increasing coverage of private pensions was hotly debated by citizens. Stakeholders also deliberated this. One public sector stakeholder involved in the administration of tax provisions relating to pensions argued strongly that using the taxation system to increase the coverage of pensions simply does not work. This individual argued that tax provisions have not resulted in increased coverage and went as far as to say that these provisions were an 'expensive failure'. Other stakeholders, particularly those working within the taxation system, held similar views to those citizens who understood and were in a position to avail of the tax relief, with one stakeholder articulating the problem in an almost identical way to that of citizens:

'The problem is that people understand the tax industry not as, "how do you plan for your future" but as "this is the way to minimise your tax bill'

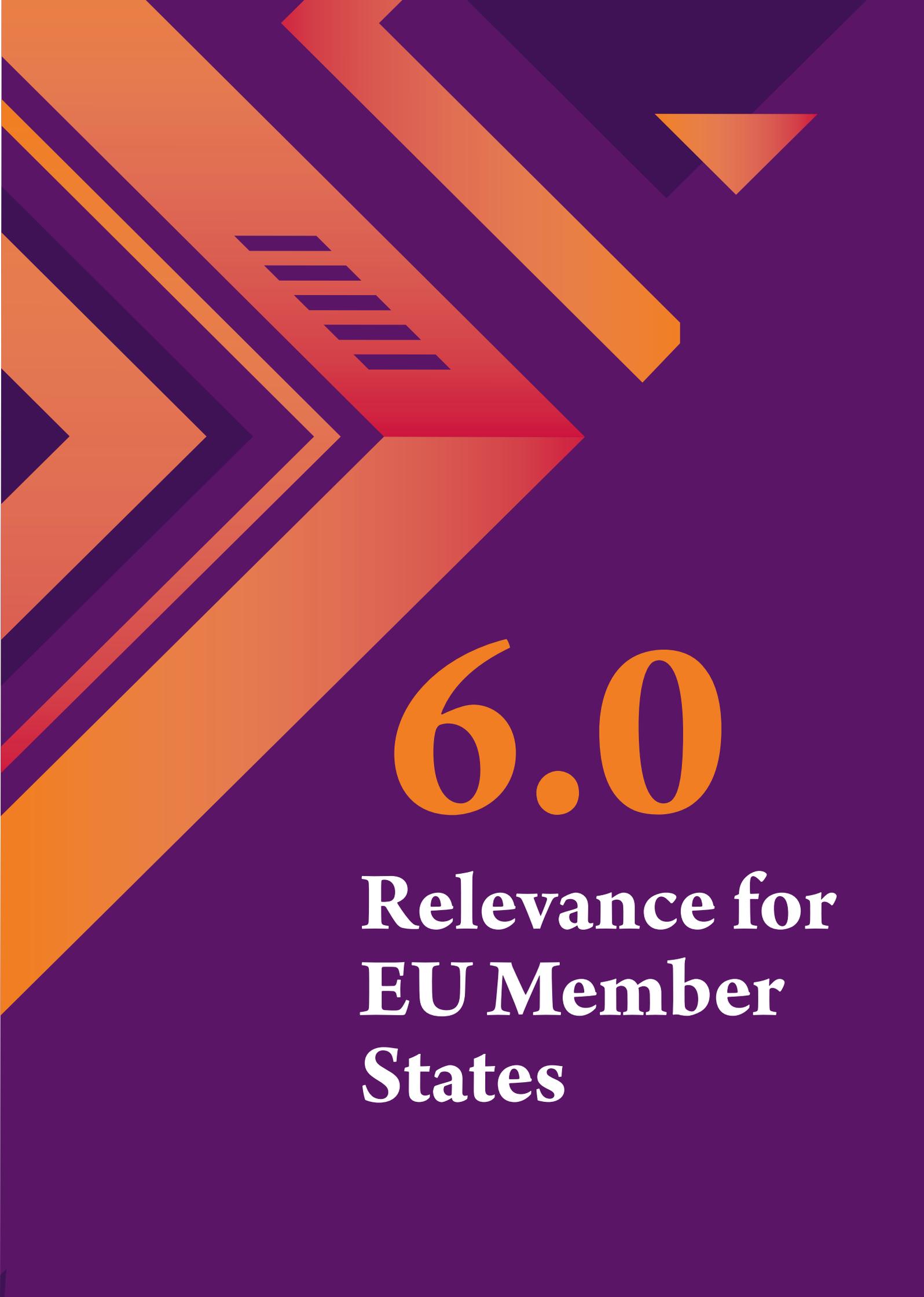
(Revenue)



This individual also went on to say that the marginal tax rate relief meant that it was wealthier people who were benefitting from tax provisions pertaining to pensions, highlighting that the current system was extending the inequities that exist between people during earlier stages of the life course into old age, and indeed was even exacerbating inequalities. Civil servants also agreed with the assessment that the policy of incentivising citizens to take out a private pension through the use of taxation was not working and was unfair. A concern was also expressed about the continuation of providing tax reliefs for pensions after the introduction of AE. In particular, there was a concern that people would compare AE with tax reliefs, and judge the rewards from AE to be much less favourable than rewards from tax reliefs, and because of this, people may be less inclined to opt-in to AE, thus highlighting the needs for developing solutions that involve all relevant government departments and agencies as well as other stakeholders.

In the interviews with citizens, the degree to which gender issues were raised and cut across all issues discussed was striking. Gender-based inequities were widely acknowledged by stakeholders. There was general agreement that gender-based inequities exist and need to be addressed. Some stakeholders believed that when addressing the inequalities between women and men in pensions, it was important to not only focus on pension inequalities but extend back to a focus on income inequalities between men and women during their working life. This demonstrates that some stakeholders see the value of using a life course approach when formulating pensions policy and reforms. However, views expressed by some stakeholders were concerning. Were not much exercised by the inequalities experienced by women and argued erroneously that women are actually at an advantage because they have longer life expectancy and therefore are in receipt of a pension for longer.





6.0

**Relevance for
EU Member
States**

While the new data collected in this study is Irish based, its findings have relevance across the European Union. To understand the transferability of our findings we held a focus group in September 2018 with academic pension experts from Belgium, Germany, Portugal, Poland, and the UK. The countries that were represented in our focus group are culturally and institutionally different from each other, ranging as they do from the established multi-pillar system found in the UK to the large social insurance pension system in Germany. In addition, these countries cover each of four clusters common in welfare state comparative studies (corporatist, central and eastern Europe, conservative, and liberal), ensuring diversity in our analysis (Natali, 2008).

Experts from countries across the EU participating in the focus groups held diverse views on EWL. Differing state retirement ages and labour market exit ages were of most concern to the Belgian and German representatives. Poland has reversed earlier reforms by reintroducing lower pensionable ages for men and women (65 and 60 years, respectively). This is despite projections of demographic ageing there. In addition to raising the pensionable age, reforms in Belgium and the UK have sought to extend the time spent in work by increasing the career-length requirements for a full state pension. EWL can also be a result of reducing opportunities for early retirement. The Irish pension system does not allow for early retirement. Instead, unemployment or disability pensions may be payable to those who do not work up to the state retirement age. In contrast, early retirement has been a feature of many EU pension systems and a trend towards reducing early retirement noted. As part of the bailout agreement with Portugal early retirement was suspended, but this has now been partially lifted.

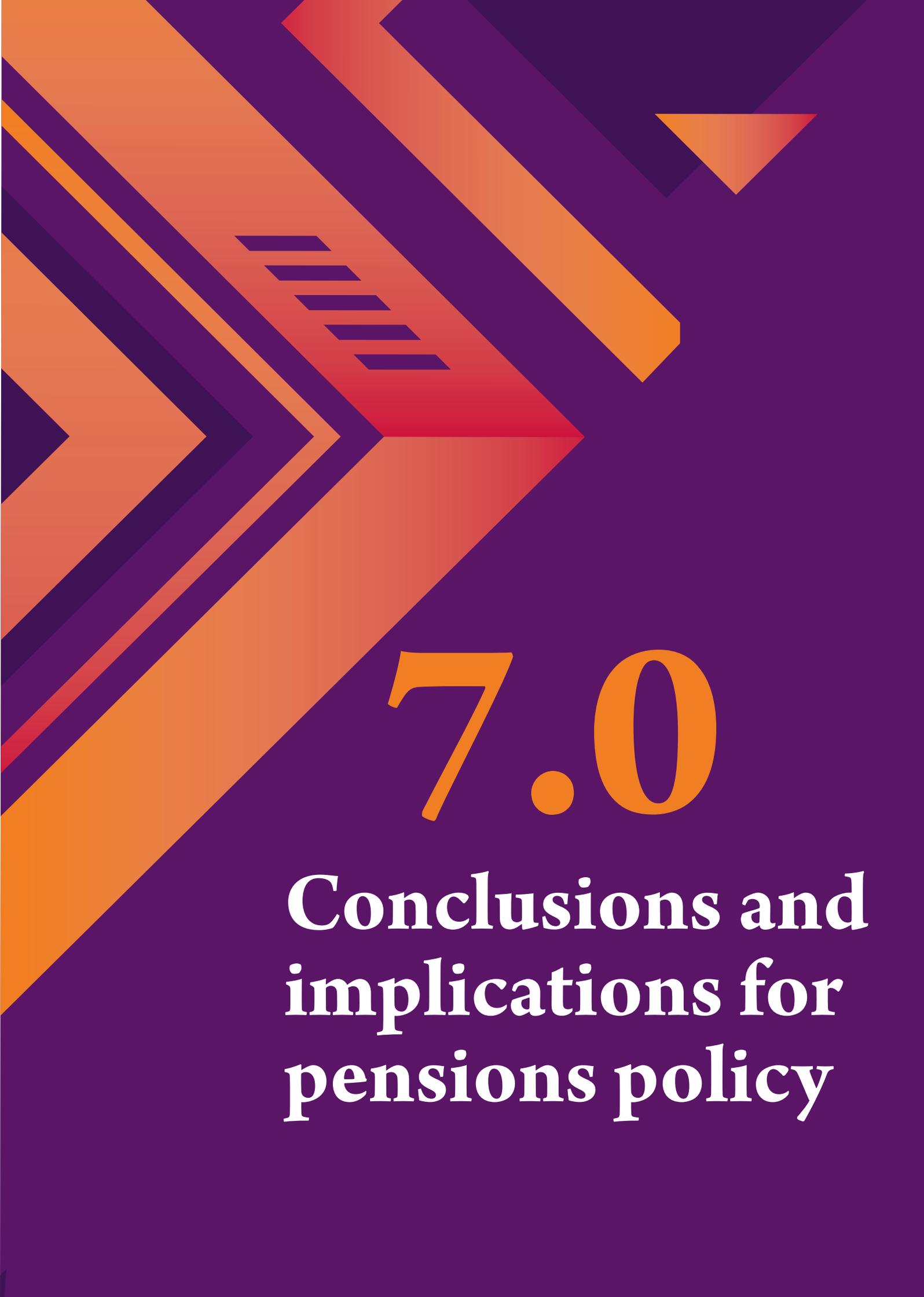
None of the countries experts were familiar with precise research into the understanding by citizens of the tax treatment of private pensions and as far as we are aware, little or no such research has been undertaken in these countries on this matter. Only the UK and to a lesser extent Belgium had extensive private pensions. The Belgian representative was familiar with how citizens have engaged positively with the revenue authority's efforts to harness mobile phone technology regarding tax efficient retirement planning, indicating a role for technology in communicating pension reform outcomes to citizens.

All country experts reported that pension reform is an increasingly relevant policy area in the management of public finances. Mandatory automatic enrolment is a feature of both

the UK (2012) and the Polish (2019) pension systems. Auto-enrolment was also introduced into the German system, but, in comparison to the UK and Poland, on a voluntary as opposed to mandatory basis. Its introduction formed part of wider reforms to the pensions system, which for the first time allow pensions to be provided without a financial guarantee. However, such pension plans can only be established through collective bargaining arrangements in Germany. No collective agreements have yet been concluded which would see German employees automatically enrolled into a privately managed pension plan.

The core findings of our study resonated very much with this group of experts, vis-a-vis the pension policy challenges, and reforms being examined in their respective countries, amidst much public and political debate. The conclusions and implications presented below therefore may have a wider relevance beyond Irish pension policy to Europe's pension systems more broadly.



The background features a complex geometric design with overlapping shapes in shades of orange, red, and purple. The shapes include large triangles, rectangles, and lines, creating a sense of depth and movement. The colors transition from dark purple at the top to bright orange at the bottom.

7.0

**Conclusions and
implications for
pensions policy**

Introduction

This section of the report draws together the conclusions from the research findings and suggests the implications, i.e. how the findings may be important, for pensions policy and pension reforms. It focuses particularly on the implications for pensions policy and reform in the Irish context, but many of the implications may also have relevance for policymakers at EU level and across EU countries.

Adequacy

A key aim of pension systems is to provide people with an income in old age. At the forefront of policy debates has been the issue of the adequacy of pension incomes, and there has been much deliberation about providing a pension at a level that will not only keep people out of poverty, but will allow them to enjoy a decent or acceptable standard of living (DSFA, 2010). In the interviews for this study, citizens stressed the importance of having an adequate income that would facilitate them to maintain and live a 'normal' life in old age. Many, particularly those on low incomes, were highly concerned that relying on a state pension would not provide them with an adequate income in old age, particularly if they were to be faced with high healthcare costs. Other costs were also highlighted such as transport costs for people living in rural communities. Faced with the possibility of having a less than adequate pension, citizens reflected on the use of assets in the form of property to supplement their income in old age, which is not surprising given the high level of home ownership in Ireland. People were against the idea of being forced to sell their own home to do so. The participants drew attention to the impact that health problems have on income security in old age, especially for those depending on a state pension, thus highlighting the important role that pensions can play in tackling inequalities in older age. Some of the stakeholders echoed the concerns about inequalities that has been raised by citizens and the cumulative disadvantage that accrues for some groups such as those with low levels of education, in low income and insecure jobs and/or in poor health.

Arising from the discussions of adequacy, there seems to be a preference by citizens and some stakeholders for focusing on the maintenance of living standards rather than income replacement rates, which is conventionally used. However, this raises questions of affordability, which is closely aligned to the issue of adequacy, and has become a predominant issue with population ageing. This brings into focus the question of how can states afford to provide pensioners with a decent

income when the proportion of people of working age is declining as the population of older people rises?

Extended Working Life

Citizens were well acquainted with the idea of population ageing and its implications for the provision of pensions now and into the future, and in this context there was general support for using EWL as a policy response to address the issues of adequacy and affordability of pensions. Some, however, were critical of this policy response, and felt strongly that working life beyond 65 should be a matter of choice for individuals. In addition, citizens questioned the application of this approach for everyone, i.e. using a one size fits all approach, based on the argument that even for people who may be willing to work longer and interested in doing so, it is clearly was not an option for everyone even if they were willing and interested in working longer.

Using a life course framework, this study has shown that citizens follow work-life trajectories of employment and family formation that vary widely. From the perspective of citizens, flexibility and choice were key to policies aimed at extending working life. According to the citizens, flexibility was imperative due to work / life experiences which varied markedly between different people as a result of occupations variations, job demands, and work-related health problems. It was argued that the capacity of people in physically demanding and stressful jobs to work longer was compromised. Many believed that people should be given a greater choice to work flexible or part-time in older age, and given the option of retiring early especially from physically demanding and stressful jobs. Concern was expressed that EWL would affect quality of life in old age, with many citizens citing declines in health and abilities and the potential negative psychological impact of working beyond the conventional retirement age of 65 years as factors. Older participants wanted to retire from work before old-age disabilities affect their healthy life in old age. At first glance it may seem that EWL is best suited to workers in the public sector, full time workers and permanent workers who were not in physically demanding jobs. However, irrespective of these occupational differences, most citizens disliked been forced to work full-time past the traditional state pension age and preferred to make their own choices.

Auto Enrolment

Citizens were accustomed to but not always welcoming of the greater emphasis that is being placed by the Irish government on private pensions as a source of income for older people. Not everyone participating in interviews understood private pensions well, with some confusing private pensions with life assurance and other financial products. In addition, there was often a negative perception of a wider financial industry, to which private pension providers were seen to belong, and distrust of companies and intermediaries in the financial sector was regularly raised. Citizens, however, understood that governments were encouraging people to save into private pensions as a means of supplementing their income in old age. Irrespective of the degree to which they support this policy response, and the level of trust in private pension providers, it became very clear through the interviews that some people could simply not afford to save into a private pension, and this was particularly acute for people on low incomes with little prospect of good future earnings, and for those with financial demands such as a mortgage or costs of raising children. This was central to discussions that took place on the need for governments to better inform and educate people about private pensions. There was a strong sense that people already knew that there were many options available to them if they wanted to take out a private pension. Although low levels of economic literacy explained why some people were not contributing to a private pension, it was felt that providing greater access to information was irrelevant for people who would not be able to afford to make contributions to a private pension scheme.

Auto-enrolment is one way for government to seek to address the low coverage of private pensions and a national system of auto-enrolment is currently being considered by the Irish government. Generally, people were quite pragmatic about the introduction of AE and could see the advantages of being automatically enrolled into such a scheme. The rationale behind AE was by and large accepted by citizens. However, there was much concern among participants regarding a future return on investment. They wanted guarantees around this, and considered government bodies to be best placed to oversee this and although trust in government was not high, it was higher than that for financial intermediaries. The distrust in government and financial sector broadly is a real concern and much work is needed in this area to build trust. The acceptance and success of an AE scheme is contingent on building trust.

In discussions about private pensions, it was clear that there were groups of people, particularly those on low incomes and in precarious jobs, who could not afford to pay into a private pension scheme. This issue is not resolved by AE, and there was much concern among citizens about people who may not be in a position financially to afford the AE contribution, which was not fully addressed by an option to opt-out, which would mean that certain groups of people would be left outside of the scheme. In old age, it would mean that this group would still be left without a supplementary pension. Of great concern to us in the pensions context is the direction of job security has been taking in the labour market since the recession, and particularly the rise of precarious work arrangements. This needs to be investigated. Among participants, concern was also raised that AE might further exacerbate gender gap rather than reduce it, a concern that we also share.

Pensions and Taxation

We turn now to the use of the tax system by governments to address the low coverage of private pensions through the provision of tax relief for the purpose of incentivising private pension savings. As has already been noted, most countries provide tax advantages and financial incentives to advance a policy goal of promoting savings in private pensions, but by international standards, such tax reliefs and exemptions in Ireland are very generous. Again, participants were familiar with the government's use of the tax system for this purpose, but detailed knowledge was limited as was the uptake by participants. The latter was largely linked to issues of affordability. Indeed, there was a widespread view that this policy approach was more to do with tax breaks for those on higher incomes and little to do with pension planning. Concerns were expressed over the fees paid to financial institutions, which were perceived to outweigh the benefits of tax relief. This relates back again to issues of trust or lack of trust in the financial intermediaries.

Perhaps most importantly, the general consensus among participants was that tax reliefs on pensions were not achieving the goal for which they had initially being introduced, i.e. greater coverage of private pensions. Moreover, issues of inequity at several levels were highlighted as critically important, and given as reasons for why reform was needed. Examples include citizens who don't earn enough to save into an occupational/personal pension to avail of tax credits; the inequities between people availing of the marginal tax rate of 20% as distinct from those availing of the marginal tax rate of 40%; the disadvantages faced by women



who are less able to avail of tax relief. With so many inequities in the system, it was not surprising that so much concern was raised about the cumulative effect on these inequalities right through the pension and taxation system.

Collins & Hughes (2017) have called for a serious investigation of the true cost to the taxpayer of the overly generous provisions in the tax system for pensions, and an investigation of how this affects women and men differently. However, tax reliefs for private pensions have become an integral part of the tax system and abolishing it will not be an easy task for government. The kind of tax relief scheme that citizens were disposed to was along the lines of the SSIA because they were simple and easy to understand. While it does have its drawbacks, for example, not easily accessible to people on lower incomes, this scheme may offer a good example of a financial planning scheme that is acceptable to citizens, and may be worth revisiting to see what lessons can be learned from it for the development of future financial planning schemes.

Gender Equality

Although gender equality is a fundamental principle in the EU Treaties, it is clear from what citizens participating in this study had to say that gender inequalities exist in the labour market, across the life course and within the pension system in Ireland, and have major financial implications for women in old age. Citizens highlighted the disadvantages facing women in relation to the adequacy of State pensions and the coverage of occupational and private pensions. They referred to the cumulative effect for women of working in low paid jobs, taking time out of work, reduced income during working age, lower coverage than men in occupational and private pensions, leading to the gender pensions gap and lower incomes for women in old age and higher dependence on State contributory and non-contributory pensions. Hence, the importance of bringing a gender lens to any reforms of pension including on extended working lives, auto-enrolment and taxation was unquestionable.

A range of gender related issues were raised. These included the disadvantaged position of women due to historical policies such as the marriage bar that restricts older women from availing of homemaker scheme, leading to gender inequality, pay inequality and pensions inequality. They included the time that women take out of the labour market to carry out unpaid care work, leading to reductions or loss of income, making it difficult or impossible for these women to contribute to a private pension, and for women to be

more likely to be excluded from occupational pensions. The high costs of childcare in Ireland, in comparison to other EU members states, was a factor in women's decisions to withdraw from the labour market or reduce their working hours. Citizens wanted women (and men taking time out of the labour market) to be made aware and informed of the implications of taking time out of work for individual pension. Nevertheless, citizens placed a high value on the care work that women (and men) do and there was a sense that citizens felt that women who have or are providing invaluable care work are being let down by the State when they reach old age. Citizens believed that the unpaid care work, mostly carried out by women, should be acknowledged and valued, and recognised with contributions made on their behalf to a pension scheme to enable them to have a pension in their own right in old age. In other words, citizens appeared to be of the view that our pensions system needs to reward not just participation in the paid labour market, but recognise the wider social contributions that people make to society.

Conclusions

There is no doubt that in Ireland and across the EU fiscal planning for old age is a challenging and complex issue that requires multi-faceted solutions. The design and development of any policy responses or reforms, needs to include the voices of citizens, as this study sought to do.

It is clear from this study that 'one size fits all' approaches will not work because of the various work patterns, work contracts, personal circumstances and preferences of citizens. Therefore, giving people choice and tailoring to address individual needs within pension systems is highly desirable. This could mean the development of an overarching standardized policy response underpinned by agreed principles such as equality, choice, adequacy, whether at national or EU level, within which warranted tailoring of responses can be facilitated.

The pension system in Ireland, as it currently stands, compounds and exacerbates many socio-economic inequalities, that simply continue into your old age.

The level of trust in governments is low, and even lower for financial intermediaries, which was seen when fees associated with private pensions were being discussed. This cannot be ignored and serious work is needed to build trust between citizens and governments and financial institutions, if any new pension reforms to be adopted, such as AE, are to succeed. Such responses will not succeed without

government backing and oversight. With respect to AE, a lot of trust building is needed to convince citizens that it is a safe and secure means of planning for and investing in a pension.

Gender is an issue that clearly cut across every aspect of the pensions system in Ireland. However, it is now up to the government to take measures to address the gender inequalities that occur in the labour market, throughout the life course and in the pensions system.

The final section below, drawing on the rich data collected in this study which reflects the voices of Irish citizens, provides recommendations for the attention of Irish and to some extent EU-wide policymakers.



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8.0

Recommendations

Based on the findings from this study, we set out below a number of recommendations below is a set of recommendations urging policymakers to take specific action with regard to pensions policy and reform.

- We recommend that policymakers in Ireland and across the EU members states adopt a life-course approach to developing and reforming pensions policy.
 - There needs to be a greater focus on preventing cumulative disadvantage in old age by addressing inequalities across a broad range of domains including education, work, income and health at all stages of the life course.
 - The capacity of people in physically demanding jobs to work longer needs to be considered in policies concerned with extending working life.
 - Flexibility needs to be built into pensions reforms such as extended working life policy, to take account of, reflect and cater for the diverse work/life experiences and trajectories in the lives of women and men. This requires EWL policies to be customized, with more flexible working and retirement options available from which people can choose. As such, citizens, employers and policymakers will need to work together to develop responses that can be tailored to individuals and their circumstances.
 - Better regulation of private pension schemes is needed and that needs to happen alongside work aimed at building trust between citizens and government, pension fund managers, and financial intermediaries. This needs to happen before any new schemes, e.g. AE, are introduced.
 - In light of the findings from this study, it is recommended that the proposed new system of AE should revisit the eligibility criteria and certainly the opt in and opt out rules.
 - In the context of concerns that AE could worsen the pensions outcomes for women, it is recommended, in line with the NWCI, that a gender impact assessment of AE is undertaken, and indeed of pensions reforms more generally.
 - AE needs to be made attractive and affordable for low earners and people in precarious jobs.
 - Calls for a serious investigation of the true cost to the taxpayer of the arguably overly generous provisions in the tax system for pensions deserves a response. Any investigation should cover the differential effects by gender and the relevance for those on low incomes and consideration should be given to abolishing generous tax reliefs for private pensions.
 - A scheme along the lines of the SSIA should be revisited to see what lessons can be learned with a view to informing the future development of private pension schemes.
 - There is an onus on the government to develop and reform pensions policy that is gender-sensitive.
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