

Submission to the Pensions Commission
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Summary of Recommendations

- Ensure that the changing nature of work and projections in relation to the future of work inform on the work of the Commission on Pensions and on the continued work in the Department of Social Protection in its work on pension reform
- Review the current taxation exemptions of private pensions towards achieving more equitable and sustainable pension funding
- Consider the various options for flexible and appropriate retirement as part of a broader shift away from a fixed retirement age
- Provide for further inclusivity in the Total Contributions Approach (TCA) through assessing pensions on the basis of 30 years of PRSI contributions
- Explore the options for progressing the Programme for Government commitment to provide a pension solution for carers, the majority of whom are women, particularly those of incapacitated children, in recognition of the enormous value of the work carried out by them.
- Investigate the possibility of a Universal Basic Pension, with eligibility determined by length of residency rather than contributions, as an alternative system for pensions provision.
- Assess the suitability of introducing a State-led defined contribution pension platform which could serve as a more inclusive and accessible option for all workers across the Irish economy.
- Explore the possibility of funding the State Pension on a standalone basis, separate to the Social Insurance Fund.

Introduction

The Green Party/Comhaontas Glas welcomes the opportunity to make a submission to the Commission on Pensions. Our submission outlines the current and well-known challenges to the sustainability of Ireland's pension system, and it highlights some avenues of reform which we invite the Commission on Pensions to further investigate within the scope of its work.

The provision of a steady and predictable income in later life is one of the central acts of social and intergenerational solidarity we make as a society in Ireland, and the State Pension is the bedrock of the Irish pensions system. In its most basic function, it plays a key role in preventing poverty among our older people while also underpinning the income needed to sustain a fulfilling and active participation in our economy and society in later life.

We recognise the challenges posed by demographic changes such as Ireland's aging population, the later entry of young people into the workforce and the projected changes to the ratio of working age people to pensioners. This is coupled with increased demand being placed on government spending in this and other areas across our economy and society. We in the Green Party/Comhaontas Glas would also point to the twin biodiversity and climate crises and the social and financial challenges that will be posed to all countries in their efforts to both mitigate the causes of these crises and adapt to their impacts whilst also working towards a Just Transition. We acknowledge the important role the Commission has in balancing these competing demands in order to make recommendations to government on the shape of future pension provision.

Our Social Protection System

Our system of Social Protection payments is composed of a hybrid of universal payments (such as the Child Allowance) as well as payments based either on the contributory principle or the solidarity principle. While this model is strongly redistributive in character, as evidenced by its impact on the Gini coefficient, its composite nature can serve to make the relationship between taxation and contributions versus entitlements somewhat opaque which can in turn have implications for the social sustainability of revenue-raising measures. The Programme for Government, Our Shared Future, states:

‘Consideration will be given to increasing all classes of PRSI over time to replenish the Social Insurance Fund to help pay for measures and changes agreed, including to the state pensions scheme.’

It is our belief that any proposed changes in PRSI contributions should be clearly communicated as part of a wider conversation around the interaction of the solidarity and contributory principles and the balance to be struck between these two. The work of the Commission in compiling evidence and clearly outlining sustainability challenges will help to initiate such a conversation, with its final report serving as a point of departure for broader public debate and government decisions. Furthermore, the commission should be mindful in its deliberations of the need to demonstrate intergenerational equity in planning our future pensions provision, particularly in light of the extraordinary intergenerational solidarity that has been demonstrated in our collective response to the current pandemic.

The Changing Nature of Work

Much of the traditional thinking on the structure of pensions was based on a ‘job for life’ understanding of the labour market. The changing nature of work means now that younger people can expect to have ‘a portfolio of careers’ over the course of their working lives. People are now often continuing longer in education and beginning both career and family later than heretofore. We can expect further moves in digitalisation, artificial intelligence and platform working to further disrupt traditional labour patterns.

We note that there is a risk in predicating future pension provision on the increased taxation of a much less predictable and potentially diminishing pool of labour. This trend and its implications should be thoroughly considered by both the Commission on Pensions and the Commission on Taxation and Welfare, with a view to assessing how pension and social insurance provision are expected to be met, including through other and alternative sources of revenue.

Automatic Enrolment

In addition to these issues, the risk that Irish workers’ (pre-Covid) rate of savings will be insufficient to provide them with a decent standard of living in retirement is growing. A whole of government approach is needed to tackle this issue, and much of the focus should be on reducing the cost of living – particularly in relation to housing, childcare and insurance. However, reform of the pensions system will also be needed, and we support the Minister for Social Protection in her efforts to undertake it.

The Programme for Government commits to moving towards a system of auto-enrolment to boost savings for retirement. The Commission should consider options for this reform, as well as the broader

consequences which might emerge from it, including analysis of the direct and indirect outcomes in other countries which have introduced auto-enrolment in recent years, for example the UK.¹

Our system for taxing private pensions seeks to avoid double taxation of income by following the exempt-exempt-taxed approach. Contributions to the scheme are exempt from tax, the accruing returns to the fund are not taxed, but the pension income is taxed at drawdown. A notable exception to this approach is the tax-free lump sum which introduces an element of an exempt-exempt-exempt model. We believe that this provision should be reviewed by the Commission in the context of the general move towards auto-enrolment, and the need to fund a pension system for an ageing population in an equitable way.

It is also important that any new system of auto-enrolment limits the fees that can be charged by providers to ensure value for money for the public.

Pension Age

The consideration of the age at which a person becomes eligible for the state pension is one important component of the work of the commission and will undoubtedly be given due consideration. However, beyond this specific issue, our understanding of retirement and the retirement age should be developed to encompass the understanding that retirement should be flexible, voluntary and appropriate. Many people now reach their traditional retirement age in good health and would be interested in continuing their working life. Others, and particularly those working in sectors requiring physically demanding manual labour, might prefer to consider earlier retirement options. In both and all working circumstances, due consideration should also be given to phased retirement or reduced working hours over time, rather than a binary scenario of 'fully in work' or 'fully retired from work'.

The commission should consider how a flexible, voluntary and appropriate retirement can be provided for within our pensions system. In particular, the commission should consider the following:

- How we address the issue of contracts stipulating a retirement age of 65
- How we address the payment gap between 65 (for those retiring either by contract or by choice) and the receipt of the state pension
- How we facilitate those who choose to defer retirement and work on in later life. Consideration here should include the level of taxation that should be payable, the potential to continue to make PSRI contributions to count towards eventual pension entitlement and whether an actuarial increase of the person's eventual pension entitlement should be considered taking account of years worked beyond pensionable age.
- How people both approaching the standard retirement age or choosing to work beyond that age are supported to continue working safely, for example through appropriate and regular medical check-ups, flexible working hours, time-share or part-time options.

The Total Contributions Approach

We welcome the commitment in the Programme for Government to introduce a Total Contributions Approach for pensions calculation, aligning a person's contributory pension more closely with the

¹ Recent research conducted by University College Dublin has found that the introduction of auto-enrolment in the UK had a positive impact on closing the mental health gap in pension participation, particularly in the private sector: [The Impact of Automatic Enrolment on the Mental Health Gap in Pension Participation: Evidence from the UK \(repec.org\)](#)

contributions they make. In order that people of pension age not be disadvantaged, we would ask that the commission consider maintaining the current model alongside any new model introduced for a defined period to provide choice and certainty for those availing of the payment.

One key question to be addressed in designing the TCA model will be the number of contributions which will be required in order to qualify for the full pension. In keeping with the above discussion regarding the changing nature of work, we feel that it may be unrealistic to expect workers to have accrued 40 years of PRSI contributions, and that pension contributions should instead be assessed on the basis of 30 years of contributions. This is in line with what was set out in the framework for comprehensive reform of the pensions system by the then government in 2010.

The other key question to be addressed is the issue of how we value work that takes place in the caring economy in terms of pension contribution. The Programme for Government states that the adoption of the TCA 'will include a provision for credited contributions, ensuring that people who take time off work to care for loved ones are not disadvantaged.' In the Green Party's 2020 Manifesto, we argued that in supporting the move to a Total Contributions Approach for calculating eligibility for the State contributory pension that we must value the work of carers. We believe provision should be made that the allowance for home caring should amount to 20 years' worth of care over the recipient's lifetime. We welcome the Programme for Government commitment to 'examine options for a pension solution for carers, the majority of whom are women, particularly those of incapacitated children, in recognition of the enormous value of the work carried out by them.', and we highlight that the work of the Commission could identify and assess options that will better provide for carers in the longer term.

Universal Basic Pension

The Green Party acknowledges that the State pension faces acute funding challenges and that the longer we wait to make changes, the more severe the impacts will be on future generations. In consideration of longer-term reform towards greater sustainability, we recommend that the Commission investigate the possibility of a Universal Basic Pension as an alternative system for pensions provision.

Such a system would demonstrate a move away from the traditional system of pensions calculated on the basis of PRSI contributions towards a more universal system based on the length of permanent residency in Ireland. The principle thinking behind this approach is centred around ensuring that people are fully protected throughout their retirement without the concern that they haven't accrued enough years of PRSI contributions. A universal approach would also provide a pension to carers, individuals who have engaged in unpaid work and those who are absent from the workforce for periods of time without the need for a complex credited contributions system. Such a payment could be bench-marked to the most recent data on poverty rates and minimum disposable incomes with an ongoing review process that resets rates at regular intervals. It could also facilitate flexibility in retirement age whereby the level of UBP payment awarded to an individual could increase with age, as determined by an actuarial review, to ensure that the pension system is equitable and sustainable.

Private Pension Savings

Pensions reform can also be realised through the introduction of an additional pension savings option facilitated by the State. The establishment of a State-led defined contribution pension platform would provide a low cost, easily accessible and unified investment platform for individuals where they can access a range of pension products. Access to this platform could be made open to all pension providers in the State who meet defined transparency, fee level and regulatory criteria. It could also provide a default option for auto-enrolment of people who do not have an occupational or private pension. We recommend that the Commission assess the suitability of introducing a State-led pension platform which could serve as a more inclusive and accessible option for all workers across the Irish economy.

ENDS

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