

Department of Employment Affairs and Social Protection

Consultation on the Automatic Enrolment Retirement Savings Policy in Ireland, planned to be launched in 2022

As researchers working on an EU H2020 funded project¹, part of which includes studying pensions systems across Europe, we are interested in the proposed Automatic Enrolment policy, which the Irish government is planning to implement with a view to resolving adequacy, sustainability & equality issues.

Our study draws on the Irish pension system and illustrates problems typically being addressed in pension reform across Ireland and Europe. In our research we have conducted interviews and focus groups with a cross section of Irish citizens, and we took into account the need for gender and age balance, private and public sector employees, pre-retirees and Old Age Pensioners (OAPs), not-for profit sector, employees across a range of sectors, across various types of employment contracts and the self-employed (pre and post retired). This data collection methodology very much speaks to the 'voice of citizens' under the EU's citizens dialog initiative introduced in 2012. The data identified important regulatory mismatches and some significant opportunities and challenges for Ireland with respect to pensions.

Based on our findings which clearly reflects the voices of Irish citizens, we would like you to consider the points below when deliberating further on the introduction of AE in Ireland²:

Pensions awareness

The low level of pensions awareness among citizens is an issue and it is significantly lower among younger citizens. Therefore we suggest that the opting-out conditions

¹ 'FairTax - Revisioning the 'Fiscal EU': Fair, Sustainable, and Coordinated Tax and Social Policies' - 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. <http://www.org.umu.se/fairtax/english/about/>

² Note: our research addressed many other aspects of pensions and also involved interviews with various stakeholders but we are restricting our comments here to the perspective of citizens in the context of AE.

be flexible and prolonged to accommodate this issue. We would also suggest revisiting 12 choices (4 providers* 3 options), which could be too many and could confuse citizens who are already struggling to understand the system, and these issues could, over time, lead to higher opt out rates. It would be important to present citizens with simple but well-defined terms of their automatic enrolment contract.

Trust

Our research found 'lack of trust' to be a significant issue as citizens shared their lived experiences of how, in the context of pensions, they did not trust the government or the private pension providers – they could not rely on them. Citizens expressed their confusion and lack of trust also around the large number of pension schemes available in the market. Given the general consensus; again the opt-out rates could surge due to lack of trust and we therefore highlight the importance of a well-defined and simple contract, and the need to carefully build trust in the system.

Automatic Enrolment

One of the main questions we probed was citizen's preference about an automatically enrolled pensions system. Most citizens were in favour of some form of AE, provided the government plays a supervisory role and guaranteed and assured the necessary return on their investment at retirement. Notwithstanding their lack of trust expressed in government, they still trusted government more than pension providers. Citizens also preferred an automatic enrolment system that allowed, early retirement, flexible retirement and semi-retirement options.³

Women

Most women interviewed had interruptions to their pension contributions at some stage of their life course. The need for a pensions system to recognize this contribution to society was emphasized by many. Most women also didn't have a private pension and were dependent on the state welfare pension. Given that the

³ Notably some employer representatives we spoke with were in favour of AE as long as there would be no compulsory employer contribution.

gender-pensions gap in Ireland is 37%, if not carefully planned, the proposed automatic enrolment system might further exacerbate gender pensions gap. Gender-sensitive analysis and consideration needs to be given when further developing the AE proposal.

People in Precarious work, working with health issues and disability

Under saving towards pensions and related issues among these groups were also strongly highlighted with concerns over increasing old age poverty rates. Another aspect to consider is, if earning levels of these citizens fail to meet the 6% contribution, which would result in higher opt-out rates, most of them would still remain to depend on the state welfare pension.

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