THE NATIONAL ECONOMIC AND SOCIAL FORUM

Fóram Náisiúnta Eacnamaíoch agus Sóisialach

Pensions Policy Issues

Forum Opinion No. 6

October 1997

THE NATIONAL ECONOMIC AND SOCIAL FORUM

Fóram Náisiúnta Eacnamaíoch agus Sóisialach

Pensions Policy Issues

Forum Opinion No. 6

PUBLISHED BY THE NATIONAL ECONOMIC AND SOCIAL FORUM

Copies of this Report may be obtained from the:
GOVERNMENT PUBLICATIONS SALES OFFICE
Sun Alliance House, Molesworth Street, Dublin 2.

or

THE NATIONAL ECONOMIC AND SOCIAL FORUM
Centre Block, Government Buildings,
Upper Merrion Street, Dublin 2.

Price: £4.00

(PN 4472)

ISBN-1-899276-14-9

Contents

■ This symbol indicates where a recommendation is made in the Opinion.

Executive Summary

Executive Summary

1. This Opinion has been prepared on foot of an undertaking given in *Partnership 2000* and is submitted to Government to be taken into account in the consideration of the Report on the *National Pensions Policy Initiative (NPPI)* which is to be completed later this year.

2. **Section I** outlines the background and the principles which, in the Forum's view, should underpin the national pensions system and identifies six key themes for this Opinion. Current demographic trends and the extent of occupational coverage are examined and certain groups are identified for priority action, namely atypical workers, those working at the low-income end of the labour market, the unemployed, women and those working in small and medium-sized enterprises.

3. Income adequacy and risks of poverty for older people are also examined. The conclusion drawn is that resources provided by our unprecedentedly high levels of economic growth and favourable demographic situation should be equitably distributed to ensure that older people share in the benefits. At the same time, people should be encouraged, in a number of ways, to make supplementary pension provision for themselves.

4. **Section II** looks at options for reform. Adequacy and indexation of State pensions is a key priority. The future of Social Insurance and the implications of changing work practices are considered, particularly in relation to the position of atypical workers, together with developments at EU level. Alternative models for the promotion of occupational coverage and the portability of pensions are examined, along with the position of the unemployed and those working in the social economy. Equity and equality issues are also examined, together with a number of institutional issues.

5. **Section III** sets out the Forum's conclusions and recommendations, including a set of principles based on equity, access, adequacy, self-provision, equality, simplicity and efficiency. Its recommendations cover each of the four pillars of our pensions system, namely:

   - *First Pillar* (Social Welfare pensions) – adequacy of payments; developing labour market strategies so as to maximise the chances of obtaining a contributory pension, particularly for older long-term unemployed people; pension schemes for those on long-duration Government training and employment programmes; reviewing the operation of the

Pre-Retirement Allowance Scheme (PRETA) and the Pre-Retirement Credits Scheme (PRECS), including consideration of opening up access to Community Employment for people on these Schemes; and pension provision for those employed in the social economy;

- *Second Pillar* (occupational and personal pension coverage) – mandatory or voluntary negotiated systems; equality of treatment for part-time workers; differences in regulation and tax reliefs for the self-employed and contract workers; and a targeted Government campaign to boost coverage under this Pillar;

- *Third Pillar* (accumulated wealth or other assets) – rationalisation of means-testing for those on Unemployment Assistance payments to help avoid depletion of resources, targeted at the most disadvantaged; and

- *Fourth Pillar* (earned income post-retirement) – consideration of the need for facilitation and incentivisation of active retirement.

Divergent views were, however, expressed on two issues, namely a model to promote increased occupational coverage as well as the basis (prices or earnings) for indexing State pensions and it was not possible to reach a consensus on these.

6. The Forum also recommends that the current regulatory system should be reviewed by the Pensions Board to ensure independent arbitration is available in all areas of pensions administration. A follow-up review of the *NPPI* should also be carried out in due course.

7. Apart from commitments made under *Partnership 2000*, other recommendations set out in this Opinion are of a general policy direction only and cannot be costed at this stage. In making these recommendations, the Forum recognises the constraints on public expenditure and the need to underpin the economy's competitiveness.

8. Finally, the Forum wishes to thank the representatives of the OECD, the ESRI, the Pensions Board, the then Department of Social Welfare, the Council for Ageing and Older People, Age Action Ireland and Lifetime Assurance for their participation in the Forum's Plenary Session in April last, as well as all those who attended or submitted papers for discussion at this Plenary.

Section I

Policy Issues

Policy Issues

Background

1.1 The Forum's concern with the increasing risk of relative poverty among the elderly is reflected in the inclusion of this theme as a topic in its current Work Programme. Provision has also been made in *Partnership 2000* for this Opinion by the Forum to be taken into account in the determination of future pension policy, together with the Report and recommendations by the Pensions Board which is to be submitted to Government later this year.

1.2 Current demographic trends point to an ageing of the population in the next century. This means that the policy implications need to be planned for at an earlier rather than a later stage, to avoid the budgetary and economic problems that are now being experienced in some European countries. These problems have given rise to the much-reported phenomenon of *'the pensions time-bomb'.* Such a scenario does not arise in this country in the short to medium term, so there is now a good opportunity to prepare and plan ahead for the future. Furthermore, the opportunity also now exists to tackle poverty and exclusion among the older population, given the scale of resources coming available from the current economic boom. As Mr Peter Scherer, OECD, said at the Forum's Plenary on 29th April last:

"These factors[1], we think, provide an opportunity for Ireland to focus on central social security issues. These include basic issues of adequacy, including adequacy for the large numbers of people living in Ireland who were unemployed in their working lives and the relatively large number of single elderly people. They include inter-generational issues, including urban/rural and gender issues as well as inter-generational equity. They include both the benefits and problems of attempting to spread work and leisure more evenly over the course of life by encouraging more flexibility in the work-retirement transition."

At the outset, it should be emphasised that the Forum fully recognises, of course, that all policy measures must be capable of being sustained without impacting upon the competitive position of the economy in terms of output and employment growth.

1.3 This Section of the Opinion considers:

- the policy principles which, in the Forum's view, should underpin the development of our national pensions system;

1 Mr Scherer was speaking of demographic trends and of existing pensions design.

- the National Pensions Policy Initiative;
- the Forum's main focus and themes on pensions policy issues;
- current demographic trends;
- the extent of occupational coverage by existing pensions provision;
- State pensions and income adequacy; and
- resource opportunities for reform.

Section II considers a number of possible options for reform. **Section III** sets out the Forum's conclusions and recommendations.

Principles to underpin reform of our pension system

1.4 In the Forum's view, the following set of principles should be taken into account in the determination of national pensions policy:

- policy should have a *redistributive and equity* dimension, as part of a wider strategy to eliminate poverty;
- everybody should have a *guaranteed right* to a basic pension payment under the First Pillar of the pension system, either through Social Insurance contributions for a contributory Social Welfare pension or through the means-tested non-contributory pension for those with no other source of income[2];
- the level of pension provision under the First Pillar should be *adequate* to enable all people in society to live in a manner compatible with human dignity and to share in the benefits of increases in overall living standards;
- individuals should be *encouraged* to provide for their own future pension needs, over and above the level of cover provided by the State;
- pensions regulations should be *equitable* between all sectors and types of employment;
- pensions regulations should be *equality proofed*;
- the system should be *simple* in design and administration so that it is user-friendly and that bureaucracy is minimised; and
- the system should be *efficient* in operation in order to maximise coverage and encourage savings.

2 Guaranteed access to a State payment for all people in society is under consideration by the recently- established Working Group, under the provisions of *Partnership 2000*, to examine the CORI proposal on a Basic Income.

National Pensions Policy Initiative

1.5 The *National Pensions Policy Initiative*, which was jointly launched by the Pensions Board and the then Department of Social Welfare on 13th February last, provided an important reference point in the preparation of this Opinion. Of course, all of the interests represented on the Forum have been separately consulted on this *Initiative* and will also be responding in their own right to the policy issues raised.

1.6 This *Initiative* centres round the four *'Pillars'* of retirement income provision in this country. These are:

First Pillar – the two State pension schemes (contributory pension and means-tested non-contributory pension);

Second Pillar – occupational and private pension schemes (these are voluntary schemes, in the sense that there is no legal obligation for an employer to establish or maintain a scheme);

Third Pillar – accumulated wealth or assets; and

Fourth Pillar – those who have retired who continue to earn an income.

1.7 The key issues identified in the *Initiative* centre on:

- the overall objectives for national pensions policy;
- the encouragement of increased coverage;
- the role of the State;
- voluntary arrangements versus mandatory requirements; and
- the possible alternatives.

1.8 The Consultation Document launching the *Initiative* is mainly concerned with the *Second, Third* and *Fourth Pillars.* It does not cover social welfare schemes or public service arrangements in any great detail, although it appears that many of the submissions which have been made to the Pensions Board[3] have raised the *First Pillar* as a substantive issue. In the Forum's view, pensions policy issues cannot be considered without reference to the *First Pillar*, particularly in relation to adequacy of Social Welfare pensions. It is noted that an actuarial review of the long-term financial implications of State pensions has just been published by the Department of Social, Community and Family Affairs. It is

3 The importance of the *First Pillar* was referred to by many speakers at the National Pensions Conference last July.

further noted that a Commission on Public Service Pensions was set up in mid-1996 to examine the unfunded pensions arrangements for the public service. The latter is expected to issue an interim report in the near future with a final report due next year.

1.9 As part of the consultative process, a national Pensions Conference was held on 2nd July last to consider responses to the *Initiative*, as a further stage in the preparation of the report which the Pensions Board is due to present to the Minister for Social, Community and Family Affairs by the end of this year.

Forum's Policy Focus

1.10 Arising out of its hearings on this topic and its internal discussions, the Forum has identified the following six key themes which will be addressed in this Opinion:

(i) adequacy issues;

(ii) implications of changing work practices (including the position of atypical workers) for occupational and supplementary coverage, including self-provision;

(iii) the unemployed in terms of provision for retirement;

(iv) the position of those employed in the social economy;

(v) equity and equality issues; and

(vi) institutional issues.

The central and underlying concern of the Forum in the above is the very low level of occupational coverage for certain socio-economic groups and the implications of this in terms of adequacy for those reliant on State pensions.

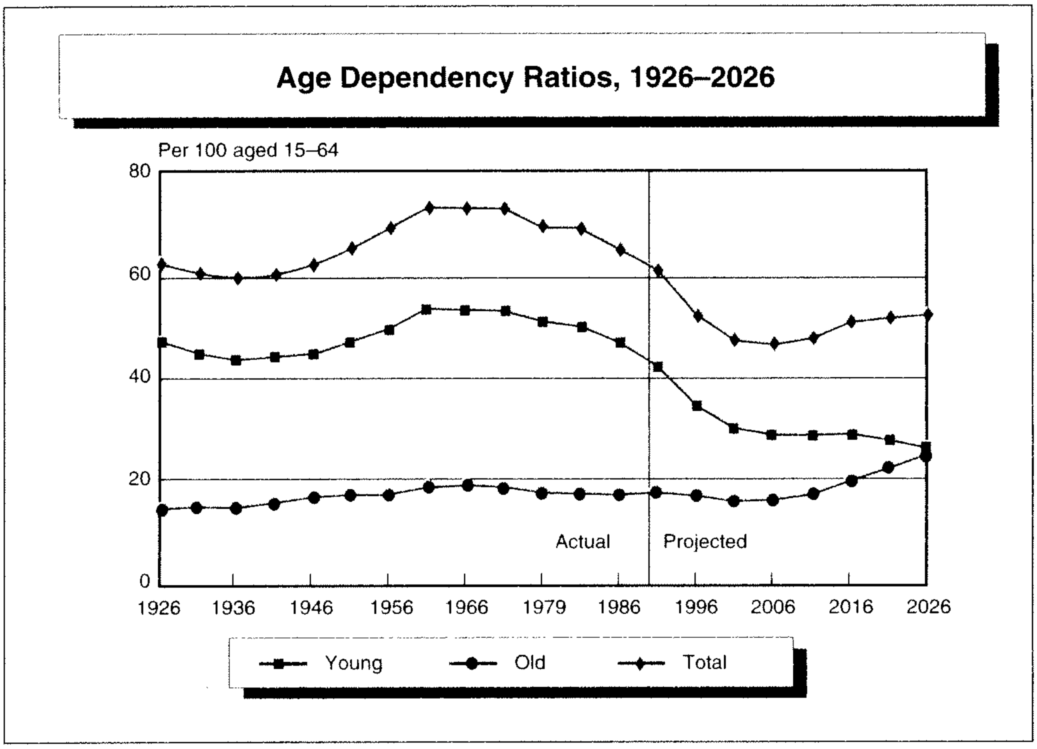
Demographic trends

1.11 The projected demographic trends for this country are much more favourable than for most other countries in Europe, as is indicated by the following summary of the presentation by Dr Tony Fahey, ESRI, to the Forum's Plenary Session.

Age Dependency

1.12 The number of those aged over 65 is projected to increase to 700,000 in 2026 from 400,000 now. The ageing of the population can already be seen in 1996 Census data[4], which shows a rise of around three years in the average age of the population, from 30.8 years to 33.6 years, over the period 1981 to 1996. However, age dependency occurs at both ends of the spectrum and while the number of older people will increase rapidly from 2010, the 0-14 age group will decline slightly in numbers and more rapidly as a percentage of the population. As a result, total age dependency (young and old together) will decrease until 2006 and then increase slightly (see Figure 1.1).

Figure 1.1



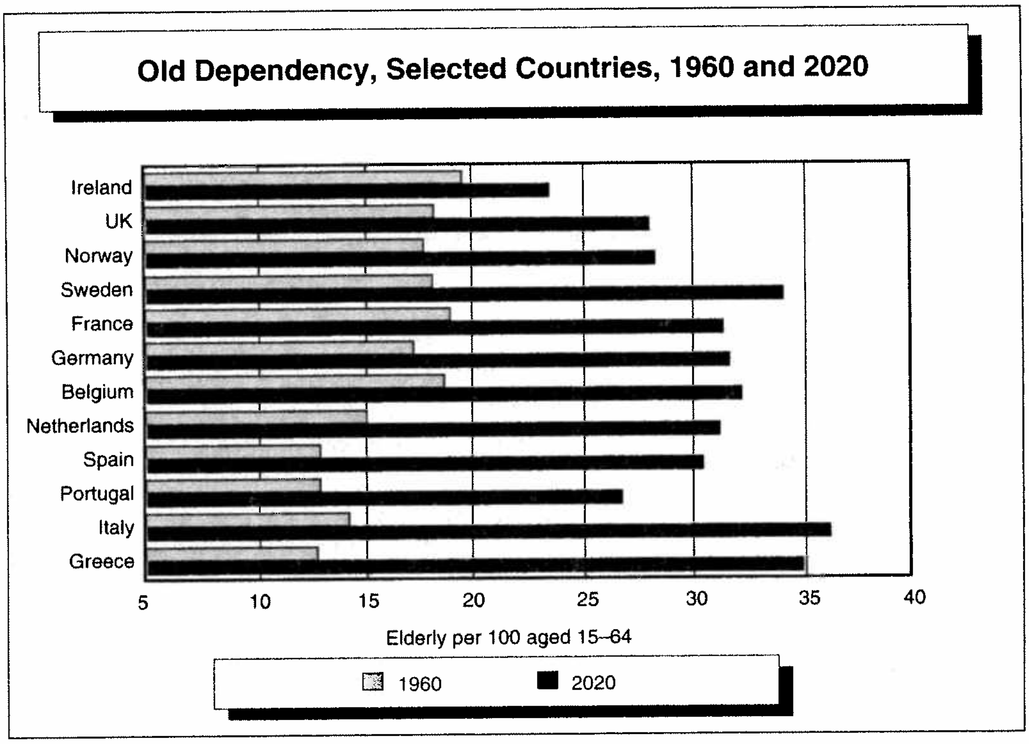
Source: *CSO Data diskettes (1995).*

1.13 A particularly significant development is that the number of people aged between 15-64 will increase faster than the other demographic groups, reflecting the combination of a number of factors such as growth in employment, declining birth rates and the fact that involuntary emigration has largely stopped. This '*middle-bulge*' is practically unique in this country's demographic history since the foundation of the State. If this trend is maintained, there will be a wider pool of people in the economically active age-groups to support the dependent population.

4 *Principal Demographic Results, Census 96*, Central Statistics Office.

1.14 Figure 1.2 illustrates the change in the number of elderly people per 100 of those aged 15-64 in a number of European countries. It will be noted that all countries show large increases but, significantly, this country goes from having the highest ratio in 1960 (19 per 100) to the lowest projected ratio in 2020 (23 per 100). In contrast, the Greek ratio, for example, goes from 13 in 1960 to a projected 35 in 2020. In short, such a favourable demographic scenario will mean that pensions reform in this country will be more manageable than in many other OECD countries.

Figure 1.2



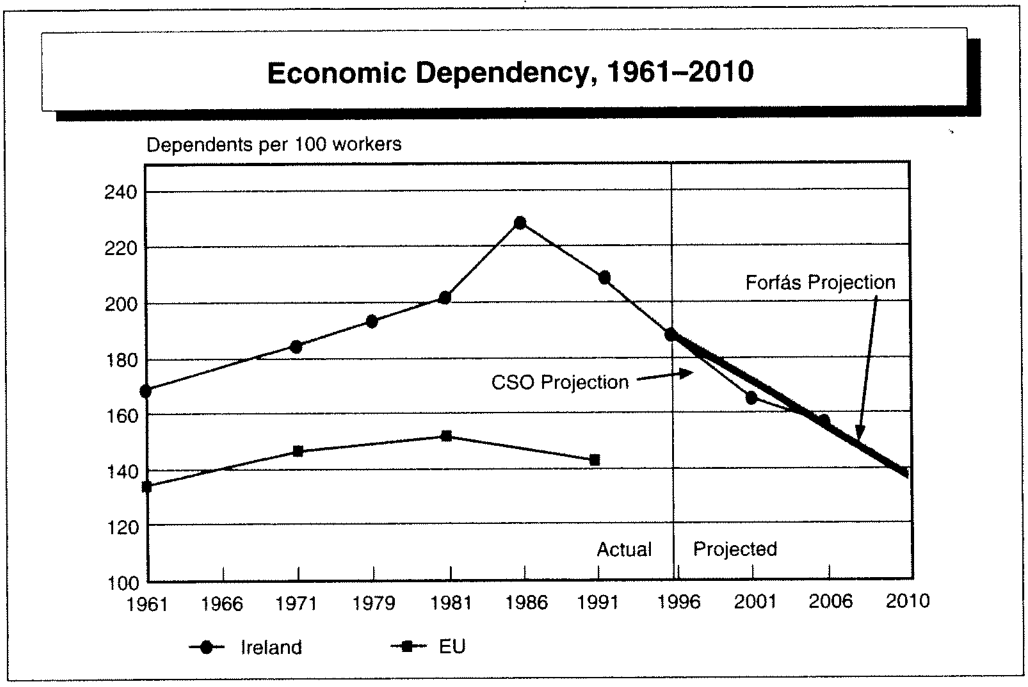
Source: *United Nations (1995).*

Economic Dependency

1.15 Economic dependency is defined as the ratio between those employed and the rest of the population or the number of dependents per hundred workers. While in some ways it is a simplistic measure[5], Figure 1.3 indicates that there are currently about 190 dependents per 100 workers in this country and this ratio is projected to fall to 130-140 by 2010. This compares to about 220 dependents per 100 workers in the late 1980s at a time when the EU average was around 150.

5 This ratio implies that non-workers are a burden and ignores work done by people past retirement age particularly in the community and voluntary sectors. There are also significant issues around women on home duties who are not classified as workers in this scenario but who obviously contribute, particularly in relation to care of the young and the elderly.

Figure 1.3



Source: *Welfare Implications of Demographic Trends,* Fahey and FitzGerald, ESRI (1997) in association with the Combat Poverty Agency.

1.16 It is clear from the above that the demographic pressure has lessened considerably in this country, in contrast with the situation in the 1980s when dependency ratios were very high and, as Dr Fahey noted at the Forum's Plenary Session, the position now is that *"..the opportunities for social reform over the next decade are unprecendented".*

Extent of Occupational and Personal Pension Coverage

1.17 The results of the 1995 ESRI survey[6], which are summarised in Box 1, show that 52 per cent of employees had occupational coverage. Only 46 per cent of those at work overall (including the self-employed), 3 per cent of the unemployed and 2 per cent respectively of those on *Home Duties* and *Others not Economically Active* had supplementary coverage. The survey also showed that within the figures for those at work there is a wide variation e.g. the level of coverage for those in the public sector is over 80 per cent while at the other end of the spectrum, only 19 per cent of those involved in the distribution sector have occupational coverage.

6 The Irish Association of Pension Funds, in its submission to the Pensions Board (May, 1997), has estimated, on the basis of a number of assumptions, that 80 per cent of employees and 76 per cent of those at work overall, including the self-employed, have occupational coverage. The disparity in results between these two surveys indicates the need to continue to develop survey methodologies to achieve reliable estimates of pension coverage.

Box 1
Extent of occupational and personal pension coverage based on 1995 ESRI Survey

	Total in category (000s)	With Pension Coverage (000s)	Pension Coverage (%)
At Work			
Employed	917	477	52
Self-employed	265	73	27#
Total	1,182	550	46
Not at Work			
Unemployed	218	7*	3
Retired	223	68*	31
Home Duties	638	15*	2
Others not economically active	411	9	2
Total	1,490	99	7

Includes the agricultural sector, where only 12 per cent have supplementary coverage. Ownership of assets may be a factor in low coverage in the self-employed sector.

*Those with a deferred pension or in receipt of a pension.

Source: *'Occupational and Personal Pension Coverage 1995', Hughes and Whelan, ESRI, (1996).*

1.18 The survey also indicated some significant variations in occupational coverage according to the age of the employee. Of the 52 per cent employed covered by occupational pension schemes, 77 per cent of men and 48 per cent of women over the age of 40 were covered, using the latest ESRI data.[7] In the 30-39 age-group, 67 per cent of men and 60 per cent of women were covered, while for those under 30, coverage was equal at 29 per cent for both sexes. The level of coverage for women in the 30-39 age group is encouraging and is, perhaps, an indication that the historic pattern of lower coverage for women is now being reversed. There does, however, appear to be a need for particular targeting of those under thirty to start thinking earlier about making adequate pension provision for themselves.

7 Based on new tables prepared by the ESRI for the Pensions Board (June, 1997); these draw on data from its 1995 *Living in Ireland* survey which were unavailable at the time the original survey was done.

Gaps in Coverage

1.19 The most significant gaps in coverage, using the updated ESRI data, arise in the following areas:

- part-time staff and/or temporary staff in the private sector, where less than 10 per cent overall are covered (the majority of those working in such jobs (133,000) are under the age of 40, of which only around 7 per cent are covered);
- employees of firms with less than 50 employees in the private sector, where only 31 per cent are covered overall; only 15 per cent of those working in firms of up to four people (comprising 17 per cent of all firms) are covered; this compares with coverage of 51 per cent of those employed by larger firms (which account for 40 per cent of all firms); and
- female employees, whose coverage is 14 percentage points less than for male employees, partly as a result of the greater extent of atypical employment among women[8] and historically different attitudes to pensions (i.e. where a person's spouse already has an occupational pension, there may be limited interest in contributing to another).

Furthermore, earlier ESRI research[9] found that occupational coverage for the unskilled or semi-skilled was around 40 per cent, compared to around 90 per cent for managerial occupations.

1.20 In the light of changing patterns of work and increased participation by women, it is likely that there will be a continuing drop in overall occupational coverage, unless the norm for employers to only cover full-time permanent employees is addressed. The Forum recognises that part-time employment is a relatively new phenomenon and that steps are being taken on a number of fronts to tackle this issue. More data is, however, required to establish a targeted policy focus. For example, the ESRI survey found that over 60 per cent of firms which did not operate an occupational pensions scheme said that there was no demand from employees for such schemes. No similar data exists from an employee perspective.

1.21 On the basis of the information available, the Forum has targeted a number of areas and particular groups where action is required:

- atypical workers and those working at the low income end of the labour market;

8 Women accounted for 72 per cent of those in part-time jobs in 1995, according to the CSO Labour Force Survey.

9 *The Transition to Retirement*, ESRI (1988) as quoted in WRC Consultants' paper for the Forum's Plenary Session.

- the unemployed;
- women; and
- those working in small and medium-sized companies, given that much of the recent employment growth has been concentrated in such companies.

State Pensions and Income Adequacy

1.22 The Commission on Social Welfare (CSW) recommended in 1986 that all Social Welfare recipients should be entitled to a common basic payment, which it estimated should be in the range £50-60 per week for 1985. When uprated in line with the Consumer Price Index, this range amounts to £69.20–£83.03 per week in 1997. In 1996, the ESRI carried out a review[10] of the CSW's minimum adequate income on behalf of the then Department of Social Welfare and arrived at a range of £75–£96 which, allowing for inflation, is £76.58–£98.02 in 1997.

1.23 Table 1.1 compares the current Social Welfare pension rates with the original CSW rates uprated in line with the CPI for 1997 while Figure 1.4 shows the evolution over the period 1987–1997. Table 1.1 indicates that all but two payments (Non-contributory Pension and Widow's Non-contributory Pension) are now at a level with or above the original minimum CSW rates uprated in line with inflation although all are still below the maximum CSW rate. The Forum considers that, as a priority, the remaining two payments should now be brought up to at least the minimum rate recommended by the CSW, given that they are means-tested and that those dependent on them are most likely to be at risk of poverty.

10 This review applied the Commission's and alternative methods of estimating an adequate income, compared the results with current Social Welfare rates and the Commission's recommended rates updated in line with prices, assessed the impact of alternative rates on the effectiveness of Social Welfare payments and on incentives to work and considered the way in which payment rates are uprated.

Table 1.1
Current Social Welfare Pension payment levels compared to the CSW recommended rates*

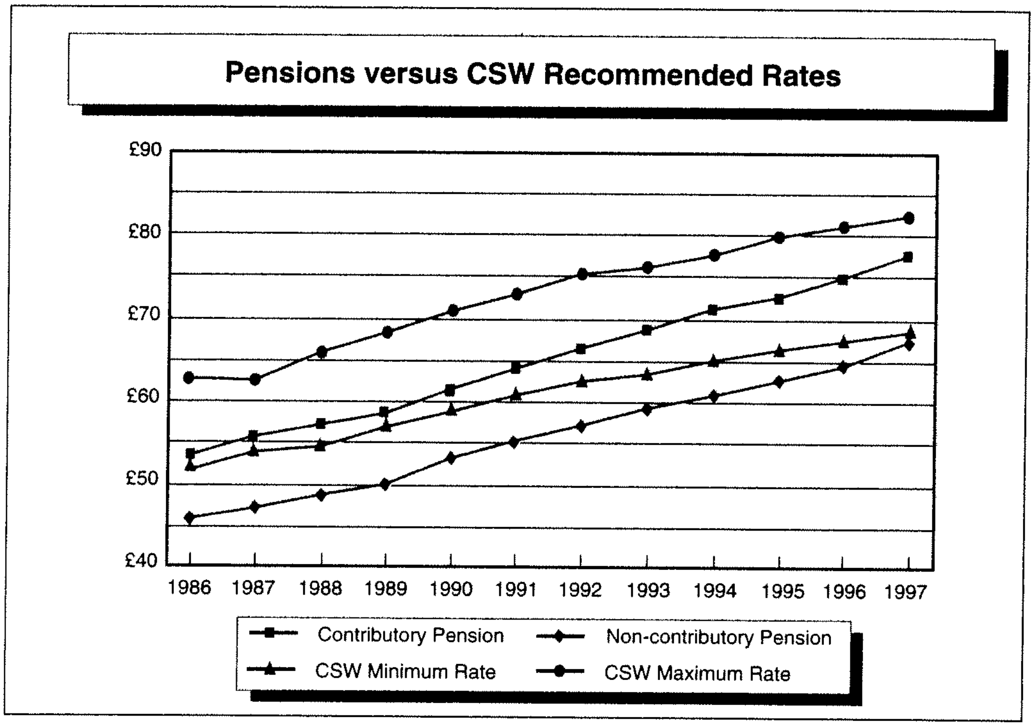
Pension Type	1997 Pension	Pension as a % of CSW minimum rate of £69.20 (CPI uprated)	Pension as a % of CSW maximum rate of £83.03 (CPI uprated)
Old Age Contributory Pension	£78.00	113%#	94%
Retirement Pension	£78.00	113%#	94%
Widow's Contributory Pension	£71.10	103%#	86%
Deserted Wives Pension	£71.10	103%	86%
Invalidity Pension	£69.20	100%	83%
Non-contributory Pension	£67.50	98%	81%
Widow's Non-contributory Pension	£67.50	98%	81%

*All the pensions listed in the tables have age-related increases. The figures given above are the lowest rate that is paid for each pension.

The CSW recommended that the differential between insurance and assistance payments should be 10 per cent. In effect, this means that the contributory pension is actually only 3 per cent above that recommended by the CSW while that for the Widow's Contributory Pension is 7 per cent below it.

Source: *Forum Secretariat.*

Figure 1.4



Source: *Forum Secretariat.*

1.24 Table 1.2 compares the CSW rates as recalculated by the ESRI in 1996, uprated for prices in 1997.

Table 1.2
Current Social Welfare Pension payment levels compared to the CSW recommended rates as recalculated by the ESRI in 1996

Pension Type	1997 Pension	Pension as a % of minimum rate of £75 (CPI uprated)	Pension as a % of maximum rate of £96 (CPI uprated)
Old Age Contributory Pension	£78.00	104%	81%
Retirement Pension	£78.00	104%	81%
Widow's Contributory Pension	£71.10	95%	74%
Deserted Wives Pension	£71.10	95%	74%
Invalidity Pension	£69.20	92%	72%
Non-contributory Pension	£67.50	90%	70%
Widow's Non-contributory Pension	£67.50	90%	70%

Source: *Forum Secretariat.*

1.25 In addition to prices, the ESRI also updated the CSW's original range in line with net earnings in industry to give a much higher range of £84–£100 in 1996, reflecting the growth in real take-home pay since 1986. It can be seen from the above tables that the current level of pensions payments, particularly the assistance payments, fall substantially below the minimum of that range. The views of the ESRI in relation to linking State pensions to earnings are dealt with later on in this Section.

1.26 The Forum notes that *Partnership 2000* provides that '*.. the minimum rates recommended by the Commission on Social Welfare will be implemented before the end of this Partnership*'. (There is also a commitment to review the income tax allowance and exemption limits for those over 65 years with a view to further assisting their position). In addition, the National Anti-Poverty Strategy states that '*all social welfare payments will be increased to the minimum of the lower range recommended by the Commission on Social Welfare, in line with the commitment set out in Partnership 2000*'.

1.27 It is further noted that the current Government's programme, *An Action Programme for the Millennium,* includes as a priority the need for substantial social welfare increases, including an increase in the Old Age Pension to £100 per week over a five year period. All of the above commitments represent an important acknowledgement of the need to tackle income adequacy for our older citizens in a meaningful and timely manner.

Risks of Poverty

1.28 The 1995 ESRI *Living in Ireland* survey found that more than 78 per cent of the aggregate income of older people comes from pensions, whether from the State (55 per cent, up almost 4 per cent in comparison to 1977) or from a previous employer (23.1 per cent, up almost 11 per cent in comparison to 1977). Over the last decade, there has been a significant increase in the number of older people receiving the contributory pension while the number receiving the non-contributory pension has fallen.

1.29 The risk of poverty among the elderly has increased over the period 1987-1994 as shown in Table 1.3. Although poverty rates have fallen substantially since 1973, these increased at the 50 per cent and 60 per cent lines between 1987 and 1994. The largest increase occurred at the 60 per cent line to the extent that households headed by an elderly person are now at almost the same risk as they were in 1973. The reduction in relative poverty using the 50 per cent and 60 per cent lines over the period 1980-1987, at a time when general living standards were falling, has thus proved temporary.

Table 1.3
Percentage Risks of Relative Poverty for Households headed by an older person 1973-1994

Relative poverty line	1973	1980	1987	1994
40% line	12.9	7.1	3.6	3.2
50% line	30.9	24.4	7.2	9.8
60% line	44.0	46.6	20.9	41.5

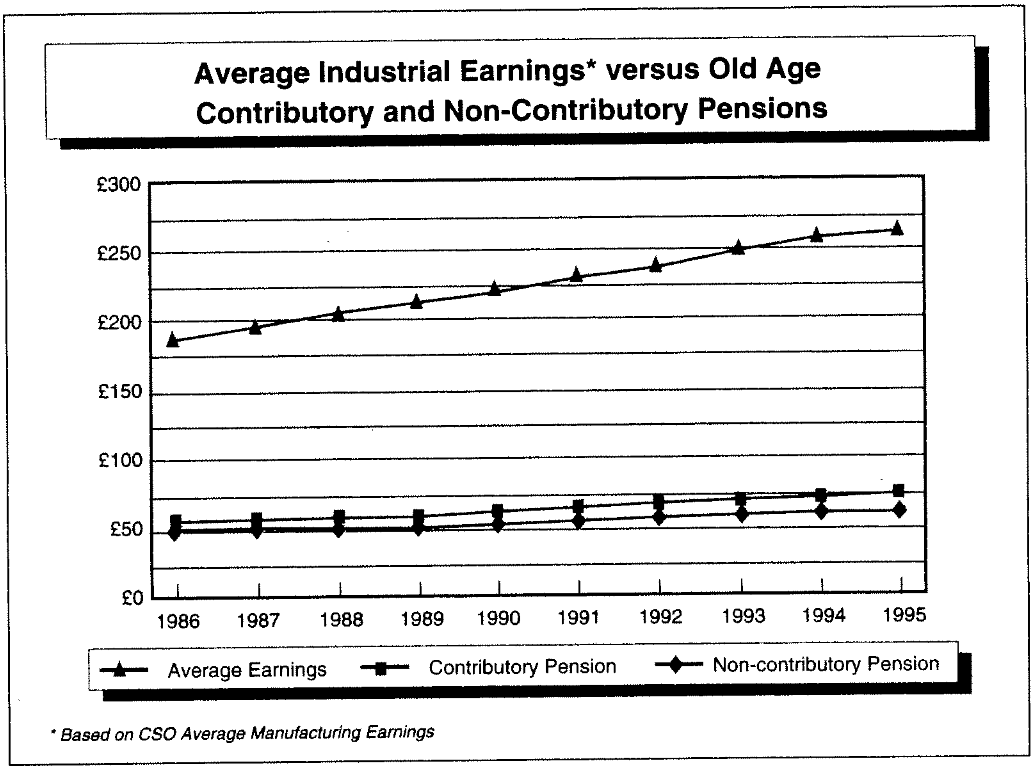
Source: *Poverty in the 1990s: Evidence from the 1994 Living in Ireland Survey, ESRI (1996).*

1.30 The reason for the rise in the 1987-1994 period can be attributed to the indexing of Social Welfare pension rates to the CPI, rather than to average earnings increases, and to the priority given since 1987 to raising the lowest social welfare rates for Unemployment Assistance and Supplementary Welfare Allowance which increased a good deal more rapidly than average incomes. As a result, by 1994 many of those relying on old age or widow's pensions were on incomes at or about the 50 per cent line and below the 60 per cent one, whereas in 1987 they had been comfortably above half average income. More than half of the households headed by someone in '*home duties*' and below the

60 per cent line had an elderly woman as head (most of these being an elderly woman living alone) and almost two-thirds were in receipt of Social Welfare old age or widow's pensions.

1.31 While the methodology used by the ESRI to calculate average earnings is survey-based, Figure 1.5, which is based on average industrial earnings, also serves to illustrate the widening gap between Social Welfare pensions and wages over the period 1986-1995 in absolute terms. In terms of percentage changes, average industrial earnings rose by 43.2 per cent, while the Old Age Contributory Pension rose by 36.2 per cent and the Old Age Non-Contributory pension rose by 36.6 per cent over the period.

Figure 1.5



Source: *Forum Secretariat.*

1.32 Poverty in the older population is particularly high in households that rely on the Old-Age Non-contributory Pension or on either of the widow's pensions as shown in Table 1.4. The increase for those falling below the 60 per cent line is significant, with over 85 per cent of households relying on the Old-Age Non-contributory Pension below the 60 per cent line in 1994, compared to 46.4 per cent of such households in 1987. The increase for those falling below the 50 per cent line went from 18.6 per cent to 30.4 per cent over the same period. The rate for those below the 60 per cent line relying on the Widow's Contributory

Pension went from 31 per cent to 75 per cent of households (4.6 per cent to 16.5 per cent for those below the 50 per cent line) while that for households relying on the Widow's Non-contributory Pension increased from 86.2 per cent of households to 91 per cent of households (23.7 per cent to 57.2 per cent for those below the 50 per cent line).

Table 1.4
Percentage of Households relying on Social Welfare pensions below relative income poverty lines, 1987 and 1994

Social Welfare Scheme	50% line		60% line	
	1987	1994	1987	1994
Old Age Contributory Pension	1.3	1.6	15.1	45.4
Old Age Non-contributory Pension	18.6	30.4	46.4	85.2
Widow's Contributory Pension	4.6	16.5	31.0	75.0
Widow's Non-contributory Pension	23.7	57.2	86.2	91.0

Source: *A Review of the Commission on Social Welfare's Minimum Adequate Income, ESRI (1996).*

1.33 The ESRI survey also took account of the *depth* to which people fell below the poverty lines as well as the actual numbers that were below these lines. This exercise shows a consistent fall in aggregate poverty between 1987 and 1994 (also true when measured over the period 1973-1994). Although the number below the 60 per cent line was 3-4 percentage points higher in 1994 than in 1987, the extent to which their incomes fell below the relative income lines (40/50/60 per cent average income) indicated a fall in all the lines. In short, although the numbers under the poverty lines had risen, the depth of their income poverty was lower on average.

International Comparisons

1.34 Comparisons of State pension payments in relation to average earnings across countries are difficult to draw because of differences in salaries, taxation and benefit structures and are therefore highly qualified. Subject to these qualifications, a very rough calculation derived from 1994 data collated by Sedgwick Noble Lowndes[11] indicates that countries with earnings-related schemes had State pensions in excess of 50 per cent of earnings.[12] Flat-rate systems exist in the UK, Denmark, and the Netherlands. In this country, the flat-rate State Old Age Non-contributory Pension for a single person amounted to 29.7 per cent of Average Net Industrial Earnings in 1995, down from 32.7 per

11 *The 1994 Guide to Pensions and Labour Law in Europe,* Sedgwick Noble Lowndes.

12 State pensions in France and Germany were around 50 per cent of earnings, in Spain, 60 to 100 per cent, and in Belgium, Greece, Italy and Portugal, between 60 to 80 per cent.

cent in 1987, while the position for a couple (Old Age Pension plus Adult Dependent Allowance) amounted to 43.4 per cent of Average Net Industrial Earnings, up from 42.9 per cent in 1987.[13]

1.35 These data are not directly comparable, however, without a further breakdown of the level of contribution required by employers and employees, the type of benefits provided, the retirement age and the overall levels of taxation generally. No such comparative data readily exist on these components relative to average industrial earnings.

1.36 A recent comparative European survey was, however, carried out by Sedgwick Noble Lowndes[14] which estimated net pensions as a percentage of net earnings, based on including both mandatory and voluntary pension schemes. The results indicated that employees' net pensions in this country amount to around 84 per cent of average net earnings, ranking 7th (along with Denmark) out of the fifteen countries surveyed.[15] The survey also found that employees earning twice or four times net national average earnings in this country could expect net pension to earnings percentages of 82 or 80 per cent respectively, while the percentages for a number of other European countries were somewhat lower. According to the survey, this is mainly due to the reliance on State pensions in these countries, which tend to be capped. It is notable that many countries with earnings-related schemes are facing sustainability problems in the light of a rapidly ageing population, as in the case, for example, of France and Italy.

Resource Opportunities for Reform

1.37 The significant level of resources now coming available from our unprecedented levels of economic growth and favourable demographic projections provide a unique opportunity to address poverty in the older population. Moreover, and with higher earnings, there is also an opportunity to encourage those at work to protect their living standards after retirement particularly with regard to the promotion and extension of supplementary schemes, including the promotion of Additional Voluntary Contributions (AVCs) and personal pension schemes.

1.38 The need for a greater equity dimension in pensions policy is necessary, in the Forum's view, to tackle the serious issues of poverty and adequacy of pension payments in the older population which have been highlighted above. The needs of the long-term unemployed and the educationally disadvantaged

13 *Identifying Directions in Social Welfare Pensions, Policy Development and Future Issues;* Paper presented by Ms A. Vaughan, Department of Social Welfare, to UCD seminar (April, 1997).

14 *Guide to Employee Benefits and Labour Law in Europe,* Sedgwick Noble Lowndes (August, 1997).

15 A number of assumptions were made in arriving at these results and there is no comparison of the extent of pension coverage at these levels.

should also be addressed in tandem to help prevent the slide into poverty in the first place. Future returns to the State for such investment can be reaped in terms of a more productive work-force, an improved fiscal position and higher savings and private pension coverage.

1.39 In addition to adequacy issues pertaining to the *First Pillar* and coverage issues in relation to the *Second Pillar*, the important contribution that the active elderly make to the economy under the *Fourth Pillar* (work post-retirement) should be more fully encouraged, particularly in the light of rising longevity.[16] The contribution of older people is also valuable to the social economy in terms of their voluntary activity. As Mr Robin Webster of Age Action Ireland stated at the Forum's Plenary Session:

'...often, the chronological age is the least important point when we're looking at marginalised groups. Its about trans-generational poverty. Its about gender, its about race in other countries and so on. Its about class, its about resources...'.

This comment neatly sums up the arguments made in both this and other Forum publications on the nature of poverty and the measures required to tackle it.

1.40 The Forum recognises, of course, that pensions policy is but one of the many competing demands on Government expenditure and that other priorities for social reforms will arise such as planning for housing, health and care infrastructure for an ageing population. For example, the costs of caring for an elderly dependent has been estimated at two and a half times that of a young dependent.[17] The need for competitiveness in order to underpin economic growth, sustain employment and reduce unemployment is also recognised, together with the requirements for economic and monetary union and the need to maintain flexibility in the case of any unanticipated developments or changes in demographic trends.

ESRI Forecasts

1.41 In its *Medium Term Review: 1997-2003* the ESRI considered that the opportunity now exists to link support levels for groups such as the elderly, for whom work incentive effects are not relevant, to average incomes to ensure that they do not become detached from ordinary living standards over the forecast period. This is a key issue if their standard of living is not to fall further behind prevailing living standards in our society. This would, however, require substantial additional increases in Exchequer expenditure. For example, the commitment in the Government's programme to increase State pensions to £100 per week

16 There are an estimated 100,000 informal carers in this country, around 25 per cent of whom are over 65, according to Mr Robin Webster, *Age Action Ireland Ltd.*, at the Forum's Plenary Session.

17 Source: Ms Anne Maher, CEO, Pensions Board, at the Forum's Plenary Session.

over the next five years is estimated to cost in the region of £500m.[18] It i: important, however, to emphasise that the ESRI did qualify their forecasts in ; number of key respects by pointing to the dangers to growth posed by ; possible excessive rise in expectations, inadequate investment in physica infrastructure and developments on EMU and in the EU generally.

Wage and Price Indexation of State Pensions

1.42 The cost of moving from indexing State pensions to wages instead of prices i shown in Table 1.5. This falls from 3.6 per cent of GDP in 1996 to 2.8 per cen in 2030 for prices while it rises from 3.6 per cent in 1996 to 4.2 per cent of GD] in 2030 for wages. The *Actuarial Review of Social Welfare Pensions,*[19] which has jus been published, outlines the likely costs and implications involved in movin from prices to earnings indexation over a longer time-frame. A number c divergent views were expressed in the Forum on the subject of indexation an these are set out in Section II.

Table 1.5
First Pillar and Public Sector Pension Benefits as % of GDP

	1996 (%)	2000 (%)	2010 (%)	2020 (%)	2030 (%)
CPI Indexation	3.6	2.9	2.6	2.7	2.8
Wage Indexation	3.6	2.9	3	3.7	4.2

Source: *OECD, as quoted in National Pensions Policy Initiative Consultation Document.*

1.43 In summary, the Forum considers that favourable demographic trends, tł growth in employment, rising incomes and the strongly buoyant fiscal positic present unique opportunities to address a range of social and economic issu such as tax burdens and pensions needs. In relation to the latter, the key issu which arise relate to the adequacy of State pensions and the encouragement supplementary pension provision. At the same time, the Forum recognises th pensions policy does not operate in a vacuum and has to take into accou other Government policy priorities and public expenditure constraints. Final the combined effects of individual ageing (increasing longevity), populatic ageing and active ageing should influence the overall direction of pensio reform and the resources available for this purpose.

18 Source: Department of Social, Community and Family Affairs.
19 Source: Department of Social, Community and Family Affairs.

Section II

Options for Reform

Options for Reform

Introduction

2.1 Although this country does not have the same demographic difficulties of other OECD countries, pension reform has a long lead-in time and implications must be considered now. As Peter Scherer of the OECD stated at the Forum's Plenary Session:

"Fundamental changes in behaviour and the organisation of work and social organisations will be needed. Unless people save more (or more efficiently) or work longer (or more efficiently), average living standards may grow only slowly or even decline in those countries in which a shrinking active population supports a growing dependent one".[20]

Options for reform according to the *National Pensions Policy Initiative*

2.2 The *National Pensions Policy Initiative* identified the following principal options for pensions policy reform. Each of these would have different direct and indirect consequences; some could also be adapted or combined with other initiatives or with elements of them:

- improvements to Second Pillar (occupational and private pension coverage);
- improvements to First Pillar (State pensions);
- State Earnings-related Pensions Schemes (SERPS);
- mandatory occupational pensions;
- industry-wide schemes; and
- Personal Retirement Accounts.

Forum's views

2.3 The Forum's consideration of the priorities and alternatives for pensions reform is based on the six key themes set out in Section I. These are set out beneath in the following sequence and take into account the principles set out in Section 1 viz. equity, access, adequacy, self-provision, equality, simplicity and efficiency:

20 *The OECD Work on the Policy Effects of Ageing*, Mr. P. Scherer (paper for the Forum's Plenary Session), (April, 1997).

(i) adequacy;
(ii) extension of occupational coverage;
(iii) the position of the unemployed;
(iv) those working in the social economy;
(v) equity and equality issues; and
(vi) institutional issues.

(i) Adequacy issues

Coverage by State Pensions

2.4 The present levels of social welfare pension payments were discussed in Section I. Currently, State pensions have a direct coverage rate of 78 per cent and taking account of the derived entitlements of adult dependants of pension age, this rises to over 90 per cent. This level of coverage is projected to increase further over time. A change in the composition of pensions payments has also occurred with a shift from assistance to insurance payments (from 47 per cent in 1986 to 57 per cent in 1996).[21] The Forum notes these positive developments.

2.5 The Forum acknowledges the significant policy changes in Social Insurance coverage in recent years by the inclusion of the self-employed and by the introduction, in 1994, of Homemaker Disregards. The introduction of a range of pro-rata contributory old age pensions from November of this year should also increase coverage.[22] The commitment in the current Government programme, *An Action Programme for the Millennium,* to allow women who take time out for family reasons to continue contributions for pension purposes is also noted.

Future of Social Insurance

2.6 In 1996, the then Department of Social Welfare launched a discussion document on the future of Social Insurance[23], and commissioned an actuarial study on Social Welfare pensions. The Forum considers that the results of this study, which have just been published, should be situated in the context of overall tax and social welfare policies, particularly in relation to strategies to combat poverty, work incentives and in the context of public finance constraints.

2.7 In this respect the ESRI has queried the appropriateness of an actuarial approach to social welfare pension provision, given that these pensions are not

21 Op. cit..
22 The Department of Social, Community and Family Affairs estimate that around 8,500 people will benefit from these changes this year, with around 1,300 people benefiting every year thereafter.
23 *Social Insurance in Ireland,* Department of Social Welfare (October, 1996).

part of a closed system (as private pensions are) but are rather part of a much larger system of social security and, indeed, of public expenditure generally.[24]

2.8 On a related note, there is the issue of whether Social Insurance should be regarded as a tax or as an insurance payment designed to secure certain benefits. The Tax and Social Welfare Integration (Nevin) Group[25] noted the views of the Commission on Taxation (1982) that "*compulsory social insurance contributions are more appropriately regarded as a tax*" (with one member dissenting). This was on the basis that there was no longer a close relationship between contributions and benefits. The Group also noted that the Commission on Social Welfare (1986) did *"not fully agree"* with these views, while a study by McDowell (1991)[26] found that a majority of the individuals surveyed (based on a representative sample of the population) considered PRSI contributions to be a form of tax.

2.9 While the Nevin Group was unanimous, in the context of tax and social welfare integration, on the need to maintain the principle of solidarity in the Social Insurance system, it was divided on the issue of employee contributions. Some members of that Group recommended that these should be maintained while the remainder argued that the system should be based on employer contributions only, with the balance currently raised from employees being met from the Exchequer.

2.10 Expenditure on State pensions has also to take into account the costs involved in providing pensions for public servants. Such costs are substantial amounting to around 4 per cent of total Government expenditure, or the equivalent of about 5 per cent of tax revenues. It has been estimated that, over the next thirty years and in *constant* terms, spending on public service pension schemes will increase in the overall by about 160 per cent, peaking at £1.4 billion in 2025 and projected to then decline after 2030.[27] As already mentioned, a Commission on Public Service Pensions has been established to consider the whole question of financing of such schemes and to make recommendations to Government next year on the most appropriate mechanisms for meeting the emerging costs of these schemes. The Commission is expected to issue an interim report in the near future. In this context, it is noted that the IMF, in a recent review of this country's economy, have commented on the urgent need to control rising public sector pay and expenditure levels.

24 *Welfare Implications of Demographic Change*, ESRI for Combat Poverty Agency (1997).
25 Report of the Expert Working Group on the *Integration of the Tax and Social Welfare Systems* (June, 1996).
26 *Public Preferences for the Level and Structure of Government Expenditure and Taxation; Survey Results and Analysis*, Mr. M. McDowell (1991), Foundation for Fiscal Studies, Research Paper No. 3.
27 Paper on *The Public Service and a Dynamic Irish Economy*, presented by Mr John Hurley, Secretary, Public Service Management and Development, Department of Finance, to the Annual Conference of Foundation for Fiscal Studies (October, 1996).

2.11 The Forum may revisit these wider issues in its later work and concludes for now by reiterating that any reform of the social welfare pension system should set adequacy of payment levels as its first priority and that this should be guided by the goals, principles, aims and objectives of the National Anti-Poverty Strategy.

Indexation of State Pensions

2.12 The most controversial issue in the consideration of adequacy of State pensions is the appropriate measure of indexation to be used viz. earnings or prices. Differing views were expressed in the Forum on this, with some Members strongly in favour of indexation based on percentage changes in average earnings in order to maintain the living standards of pensioners in line with those of the population as a whole.

2.13 As against this, other Members argued, however, that the substantial Exchequer expenditure costs involved in linking State pensions to earnings had to be seen in the context of affordability and sustainability. Moreover, the expected substantial rise in public service pensions within the next two decades, as noted above, will have major Exchequer implications. These Members considered that public expenditure should not be increased above current levels, otherwise there would be adverse affects on taxation and competitiveness.

2.14 These fundamental differences of views reflect the wider debate on adequacy of State pensions which will need to be resolved in other fora over a longer time-frame in the context of the National Pensions Policy Initiative. The Forum was unanimously agreed, however, on the need to bring all Social Welfare pension payments up to at least the minimum levels recommended by the Commission on Social Welfare at the earliest opportunity, as provided for in *Partnership 2000.*

(ii) Implications of Changing Work Practices for Occupational Coverage

Growth in Atypical Working

2.15 Between 1988 and 1995,[28] the number of full-time jobs increased by around 9 per cent (from 1.024 million to 1.120 million) while at the same time the number of part-time jobs increased by 76 per cent (from 87,000 to 153,000). Included in the latter are occasional jobs, which rose by 71 per cent over the period (from 21,000 to 36,000). In addition, the number of jobs held by women increased by just over 31 per cent (from 365,000 to 479,000) whereas the number of jobs held by men only increased by around 6 per cent (from 747,000 to 794,000). Of those in part-time jobs in 1995, 72 per cent were women.

28 Source: Annual CSO Labour Force Surveys.

2.16 While there has been a large increase in atypical working in recent years, it still forms a fairly small proportion of total employment – around 12 per cent of all jobs in 1995 were part-time (up from nearly 9 per cent in 1988), while just over 3 per cent were occasional jobs (up 2 per cent on 1988). In general, part-time employees are not eligible to join most occupational pension schemes, regardless of sector, although the percentage of schemes that allow only full-time employees to join has fallen from 90 per cent in 1985 to about 75 per cent in 1995.[29]

2.17 The implications of these changes in working patterns and gender balance is that the level of occupational coverage, which has fallen from 54.4 per cent in 1985 to 52 per cent in 1995 according to the ESRI survey, could continue to decline unless these issues are more fully addressed.[30] While the concept of a job for life is nowadays less prevalent in the current labour market, pension law is not keeping up with these changes (for maximum pension, a person needs to have ten years service with the same firm while for a maximum tax free lump-sum twenty years service is required) and mobile inter-company pension schemes have yet to be fully realised. The Forum notes and welcomes that some steps have been taken by the pensions industry to recognise issues surrounding the increased participation of women in the labour force and the nature of their employment patterns.[31]

Taxation and Legal Issues

2.18 As Dr Mary Redmond noted recently[32], atypical work cannot thrive in the long term unless it is attractive to workers as a form of work. She also emphasised that positive links have been identified between company prosperity and pro-rata treatment for part-timers. For contract workers, Dr Redmond pointed out that the maximum tax relief on a premium paid into a personal pension in any year is 15 per cent of net relevant earnings (20 per cent for those over age 55). There is no PRSI relief on such premiums. The amount of PRSI paid in this regard can amount to 19.75 per cent[33] where both employer and employee Social Insurance has been paid on earnings. In the case of occupational schemes, however, PRSI is calculated on net salary after pension deductions.

2.19 Furthermore, while tax relief is limited to 15 per cent for employee contributions, companies have the option to pay up to three times salary or more for a director or (more rarely) an employee, depending on the age at

29 Source: Paper presented by Ms Anne Maher, CEO, Pensions Board, to the Forum's Plenary Session.
30 *Op. cit.*. While the 1985 survey was more limited in nature than the 1995 survey, the information in relation to the coverage rate above is comparable.
31 *Were Pensions ever designed for Women?*, Bank of Ireland (1997).
32 Paper entitled *Access to Pension Schemes – the National and European Perspective for Atypical Workers*, presented by Dr M. Redmond to the Society of Actuaries in Ireland (February, 1997).
33 Based on Class A1 PRSI rate for 1996/97.

which the pension is taken out. For example, a company could pay up to 310 per cent salary for a person aged 55 retiring at age 60, on the basis of a fixed monetary premium over the lifetime of the policy (1995 data).[34] This is particularly advantageous for late starters in companies where such schemes operate. The Revenue Commissioners ceiling on the payout from such a fund is two-thirds of final salary.

2.20 While there is no Revenue limit on the amount that can be paid into a personal pension fund or on the payout from such a fund, the limitation of tax relief to just 15 per cent should be reviewed. An improvement in tax relief in these areas (tied in with an upper income limit) could make a valuable contribution to the take-up of supplementary coverage by the self-employed or those in atypical employment, particularly for those who are starting late.

2.21 Differences in pension regulations for those in occupational schemes, those who are self-employed and for contract workers should also be addressed. At present, those in occupational schemes have provision for early retirement at age fifty with reduced benefits while the self-employed and contract workers must, in general, continue on to age sixty. Partial access to pension funds for atypical workers in certain defined circumstances on grounds of hardship is another issue for consideration, along with the position of those made redundant or who leave employment for family reasons.

Developments at EU Level

2.22 Given that atypical workers provide the flexibility needed by companies to meet customers needs competitively, it is important that the needs of such workers are addressed. This is already the case in the Netherlands and the United States. Ms Anne Maher, CEO, Pensions Board, noted at the Forum's Plenary Session that the EU is likely to move sooner or later to a definitive initiative on rights of all sorts, including pension rights for part-timers and atypical workers.

2.23 It is noted that employer and employee organisations at EU level have now concluded an Agreement on Part-time Work[35] as a follow up to the Employment Declaration of the Dublin European Council (December, 1996). The purpose of this Agreement between the Social Partners is to provide for the removal of discrimination against part-time workers, to improve the quality of part-time work and also to facilitate the development of part-time work on a voluntary basis in a manner which takes into account the needs of employers and workers. The EU Commission has recently proposed that this now be implemented by way of a European Council Directive.

34 Source: Revenue Commissioners.
35 *European Framework Agreement on Part-time Work,* European Social Partners (ETUC, UNICE, CEEP), (June, 1997).

2.24 In addition, a Green Paper on *Supplementary Pensions in the Single Market* (June, 1997) has now been issued by the EU Commission. The main themes of this Paper, which is broadly welcomed by the Forum, include:

- possible initiatives to harness the growth in retirement funds by the EU capital market for the benefit of both pensioners, future pensioners and EU industry and infrastructure (within the constraints of prudent fund management);
- tackling the obstacles which supplementary pension arrangements can pose to the free mobility of workers in the EU; and
- consideration of initiatives in relation to obstacles caused by taxation and other incentives in the area of pensions.

The Green Paper does not deal with consumer protection issues, other than in the context of prudential regulation. This is an important matter and the Forum hopes that it will be addressed by the EU at some point in the future.

Alternative Models to promote Occupational Coverage

2.25 As mentioned in Section I, the Forum's main focus is on those groups of men and women working at the lower end of the income scale and who are unlikely to have resources under the *Third Pillar* (accumulated wealth or other assets). They will thus be dependent in the main on a State pension unless an expansion in occupational coverage can be achieved. The following options were outlined in the Consultation Document published as part of the *National Pensions Policy Initiative*:

- a mandatory model; while this could boost coverage considerably, issues arising include the impact on those to be covered, employers' costs, the informal economy, the level of additional voluntary coverage and enforcement;
- a State Earnings Related Pension Scheme (SERPS) model; funding is a key concern and sustainability problems have arisen in other countries;
- a voluntary, negotiated industry-wide scheme model which would offer opportunities for economies of scale and savings in administration costs; this could enable the development of standards for pension provision in sectors which were previously poorly covered such as the hotel and catering trade and small manufacturing; there are, however, some potential dangers associated with this model in terms of benefits pitched at lowest common denominator levels; and

- a personal retirement account model; these would cater for smaller, more irregular contributions involving tax relief on these up to a certain cash amount each year or a percentage of earnings if greater; they could be made by anyone, whether working or not; this kind of scheme could have significant Exchequer implications.

2.26 Again, a number of divergent views were expressed in the Forum on the most appropriate alternatives for pensions policy development. Some Members favoured the introduction of a mandatory national minimum pension system, pointing out that a number of countries now have mandatory agreements at sectoral level (e.g. France, Greece, the Netherlands). They considered that the Construction Industry Federation (CIF) scheme could provide a useful model of how such a proposal could be developed. The CIF scheme has two components:

- a voluntary executive scheme, established in 1971, covering a wide range of grades and occupations in the industry and providing total flexibility and portability; and
- a mandatory scheme for operatives, established in 1969, on the basis of a negotiated Registered Employment Agreement lodged with the Labour Court; this scheme covers around 67 per cent of those workers affected by the Agreement (identification difficulties exist in relation to the remainder); the rationale behind the Agreement was to tackle the insecurity for workers caused by the cyclical nature of the business and to eliminate any competitive advantage for employers not operating the scheme; again, this scheme allows for maximum flexibility and portability within the sector.

Membership of one or other scheme is not exclusive and it is possible to be a member of both. Affiliated firms in the industry, such as quantity surveyors, can also be included, giving broad access across the construction sector to the CIF scheme.

2.27 Forum Members in favour of this model considered that a phased-in approach along the CIF lines could be targeted at sectors with a tradition of low wages and low occupational coverage e.g. the non-traded services sector which is not vulnerable to international competition and includes areas such as catering and garages. This would involve a process of voluntary negotiation to develop a Registered Employment Agreement; if this failed, then intervention by the State would become necessary to give people a legal right to be offered membership of an occupational pension scheme, with the objective of yielding two thirds of pre-retirement earnings through a combination of the State Contributory Pension scheme and the occupational scheme.

2.28 Other Forum Members, however, expressed serious concern on the impact of such a proposal on employers' costs and competitiveness. In their view, pensions policy should move in the direction of an expanded *Second Pillar,* supported by an adequate *First Pillar,* through the encouragement of personal responsibility for supplementary coverage to maintain living standards post-retirement and through '*umbrella*' type schemes run by national organisations which could yield economies of scale and help cut administration costs.

2.29 These Members also considered that pensions reform must be considered in the context of all four *Pillars* of the pensions system, including savings and investments and other forms of income. In this regard, they noted that a certain degree of correlation exists between the extent of national savings and the degree of *Second Pillar* pension coverage, with Germany, Spain, Belgium, Italy and Ireland having high savings rates along with average occupational pensions coverage. The lack of information on the ownership of assets as a form of investment for retirement in addition to that on occupational and personal pension coverage was highlighted. These Members also referred to the already-mentioned problems arising from the expected substantial increase in public service pensions in coming years, requiring the containment and prudent management of public expenditure now in order to meet these costs.

2.30 In the circumstances, these Members supported only a voluntary, negotiated pensions model. In this regard, it was noted that IBEC is at present considering the establishment of an '*umbrella*' scheme to manage member companies pension funds. Such a scheme would have all the advantages of industry organised schemes in terms of economies of scale and the removal of the burden of administration from individual firms. It would leave employers and employees free to dictate the precise form their scheme should take and the size of contributions and the eventual benefits. IBEC is currently engaged in exploratory talks with the pensions industry on the feasibility of such a scheme which may call for changes in taxation and existing Revenue Commissioners' requirements. It is understood that ICTU and the Small Firms Association are also considering the feasibility of introducing such schemes for their members.

2.31 Given these wide differences, it was not possible to achieve consensus on the issue of a mandatory pension scheme. It is apparent that this will require a longer time-frame for discussion and negotiation between the relevant bodies in the partnership process and it will, no doubt, form a major issue for resolution when the Pensions Board Report is submitted to Government at the end of this year.

Wider Measures of Provision for Retirement

2.32 The Forum recognises that 100 per cent supplementary coverage is not necessary as people may have other assets or choose to save in other ways. In this context, the Forum supports the recent call by the Combat Poverty Agency for the establishment of an Expert Working Group to gather more data than currently available on indicators of general living standards such as earnings and household incomes and their distribution.[36] Such a study could be very useful in the context of targeting groups and individuals where there is a need to either provide or increase supplementary coverage.

(iii) The unemployed in terms of provision for retirement

2.33 This particular theme was discussed by the Forum on foot of a paper submitted by Mr Tom Ronayne, WRC Consultants[37], which looks at the position of the older unemployed worker in the labour force. The Forum is concerned by the conclusions drawn in that paper that the implications of persistent unemployment over time indicate the likelihood of widening disparities in incomes among the retired population. This is due to the numbers who will be dependent on the State pension system without means of access to occupational or personal pensions, or the ability to make provision for the future in terms of savings or other wealth. Ronayne considers that, while recent Government employment schemes targeted at the older unemployed (e.g. the Part-time Jobs Option and the Jobs Initiative (Whole-time Jobs Option)) are welcome, they do not provide for access to the *Second Pillar* or make a significant contribution in terms of access to the *Third Pillar.*

2.34 This paper also highlights the very marked adjustments in the labour market since the 1970s with changes in technology and the growth in services impacting particularly on older males in manual or low-skill occupations. Trends in unemployment from 1971 to 1990 indicate that rising unemployment rates over that period were accompanied by decreases in the labour force participation rate of older working age men and increases in the labour force participation rate of women aged between 45 and 54. Ronayne also notes the implications of this latter increase on overall occupational coverage given the lower level of coverage for women compared to men.

2.35 These trends were accompanied by changes in the employment rate of men in the 45-64 year old age group between 1979 and 1987, which fell from just over 80 per cent to around 70 per cent and which has persisted at that level since then.

36 Paper presented by Ms H. Johnston, CPA, at the National Pensions Conference (July, 1997).

37 *The Impact of Labour Market Change on Provision for Retirement: the Case of the Older Unemployed,* Mr Tom Ronayne, WRC Consultants (April 1997).

2.36 Policy mechanisms to cope with rising unemployment led to a rapid rise in numbers under the Pre-Retirement Allowance Scheme (PRETA) and the Pre-Retirement Credits Scheme (PRECS) from 3,516 in April 1990 to 18,262 in April, 1996 (the age requirements were reduced twice over the period).[38] In addition, the growth in self-employment has been influenced by the operation of the Area Enterprise Allowance Scheme (AEAS) and the Back-to-Work Allowance Scheme (BTWAS) in recent years; the number of self-employed under these Schemes rose from around 2,000 in 1994 to 8,000 in 1996. As a result of these policy interventions, there are now an estimated 70,000 to 75,000 older workers (mainly men) who are unemployed, participating in an employment programme or in receipt of a pre-retirement allowance/credit.

2.37 In terms of incomes under the employment schemes, Ronayne found that the overall pattern is that these are low and, in almost all cases, below the average industrial wage. This issue is addressed further in the Forum's recently published Report on *Self-Employment, Enterprise and Social Inclusion.*

2.38 Ronayne notes the findings by Walsh and Whelan of the ESRI in 1988 that the vast bulk of those experiencing poverty in retirement had retired through ill-health or redundancy (involuntary retirement being more common from manual than managerial and professional occupations). He further cites the 1994 ESRI survey (op. cit.), which found that the unemployed have the highest poverty risk of all groups, with households headed by an unemployed person in the 35-44 age group most at risk. Table 2.1, drawn from Ronayne's paper, shows that the risk of poverty is not influenced solely by the current employment status of the head of household but also positively associated with increases in the experience of unemployment during the past year and over their previous working life. Only 6.1 per cent of households where the head of the household was employed and had never been unemployed were below the 60 per cent average income poverty line in 1994. Only 2.3 per cent were below the 50 per cent line. By contrast, almost 71 per cent of those unemployed for a year with at least two years unemployment previously were below the 60 per cent line, with almost 54 per cent below the 50 per cent line.

38 These schemes allow an unemployed person on the Live Register to voluntarily opt for early retirement from the labour market. The rate of payment under the PRETA scheme is essentially the same as that for a long-term unemployed person.

Table 2.1
Percentage Risk of Poverty in Households by Employment Status of Head of Household and their Previous Experience of Unemployment

	% below 50 Per Cent Poverty Line	% below 60 Per Cent Poverty Line	% of Total Employed/ Unemployed
Employed, no unemployment during career	2.3	6.1	68.1
Employed, no unemployment during past year but at least two years unemployment during career	5.5	16.9	3.8
Employed, unemployed for at least 26 weeks during past year and previous unemployment of at least two years during career	16.7	38.5	0.8
Unemployed, less than 26 weeks during past year and less than two years of unemployment previously	28.1	42.4	13.1
Unemployed during all of previous year but less than two years of unemployment previously	37.9	54.9	22.9
Unemployed during all of previous year and at least two years of unemployment previously	53.6	70.9	43.6

Source: derived by WRC from *Poverty and Time: Perspectives on the Dynamics of Poverty*, ESRI (December, 1994).

2.39 In summary, while the Forum welcomes the dramatic fall in the rate of unemployment in recent years from a high of 15.6 per cent in 1994 to 11.9 per cent in 1996[39], unemployment still remains unacceptably high. The latest Department of Finance forecast of an increase in total employment by a further 50,000 this year[40] is therefore very welcome, along with the ESRI forecast (op. cit.) for a continuing fall in the unemployment rate to 8.4 per cent in 2003. Clearly, adequacy of welfare payments is a key issue for unemployed people, particularly the long-term unemployed, and targeted measures to assist them back into the labour force must be a top priority. The likelihood, however, for many older unemployed people is that many will be dependent on the State for a pension at age 65 and this group is the focal point of the discussions beneath.

39 Source: 1996 Labour Force Survey, ILO Standardised Unemployment Rate basis (U1, according to Forum classification of unemployment rates as set out in its Report No. 13, *Unemployment Statistics* (May, 1997)).
40 *Economic Review and Outlook*, Department of Finance (1997).

2.40 As a general rule, the Forum agrees that policy in relation to tackling unemployment should continue to focus on initiatives to assist people back into the labour market. In terms of pensions issues, policy priorities for the unemployed should concentrate on:

(i) adequacy of the State pension for those dependent on it as their only source of income;

(ii) developing labour market strategies which will maximise the chances of people obtaining a contributory pension, with particular attention given to the problems of the older long-term unemployed with a history of intermittent contributions; the recent introduction of Class A PRSI for those on Community Employment Schemes was a welcome development in this regard; and

(iii) reviewing long-duration Government training and employment schemes so that the on-going contract nature of schemes such as the Whole-time Jobs Option and Part-time Jobs Option is taken into account; independent research should be commissioned regarding the demand for and feasibility of providing access to personal portable pensions (under the *Second Pillar*) within the relevant sector (e.g. the local authority sector or the development of such schemes where none exist such as the community/sports sector), having due regard to any implications for public service pensions.

2.41 The Forum further considers that, given the important effect of a person's occupation immediately prior to retirement on living standards after retirement, a policy which supports and encourages successful labour market participation for the older unemployed is preferable to one which encourages labour market withdrawal. While recognising that many people on the PRETA and PRECS schemes are genuinely retired from the labour market, it is also likely that there are many who took this option due to the absence of any possibility of work. The operation of such schemes should, therefore, be reviewed in the context of the current dramatic increase in employment opportunities. Particular consideration should be given to opening up access to Community Employment Part-time Jobs Option and Whole-time Jobs Initiative from PRETA/PRECS, as is the case with the CORI pilot Part-time Jobs Option scheme.

2.42 Finally, the Department of Social, Community and Family Affairs should consider rationalising the various means-tests which now exist in order to avoid the depletion of any resources which had been built up before unemployment, targeted particularly at the most disadvantaged. At present, people on Unemployment Assistance are means-tested on any savings they have, while those on other means-tested payments are allowed to have up to £2,000 in income disregards before savings are assessed. The Forum has already called for rationalisation and simplification of means testing arrangements in its Report No. 5, *Income Maintenance Strategies* (July, 1994) and its Opinion on the *Post-PCW Negotiations – A New Deal?* (August, 1996).

2.43 The Forum understands that the above Department intends to rationalise all means-tests, other than that for UA payments, in line with the One Parent Family Allowance and the Disability Allowance from October of this year. It is further understood that the position in relation to rationalising the UA means-test is under active review within that Department, with the associated administrative and expenditure implications yet to be established. The Forum will return to this issue in its future work.

(iv) The position of those working in the social economy

2.44 There has been a significant growth in the community and voluntary sector in recent years. Some estimates put the numbers currently employed at around 60,000[41] although it is possible that this is an underestimate. There is an overall lack of information on pension coverage but anecdotal evidence indicates that the majority of those employed in the sector are women, predominately on a part-time or atypical basis. In the light of the information in Section I on pension coverage by gender and nature of employment, this points to very low levels of occupational or personal pension coverage in this sector and possible dependence on the State for retirement income.

2.45 A Green Paper on the Community and Voluntary Sector[42] was published earlier this year by the then Department of Social Welfare. While the area of human resource management or pensions in the Sector is not part of the general terms of reference of the Green Paper, the role of the National Social Services Board (NSSB) is referred to, including, inter alia, a reference to the NSSB's recent introduction of a Group Pension Scheme for those employed in the voluntary sector. This scheme is based on a defined contribution basis and provides retirement benefits, life assurance cover and disability benefits. The Northern Ireland Council for Voluntary Agencies (NICVA) also provides an occupational scheme (through the Pensions Trust) which is centralised, non-profit-making and portable. Membership is in the region of 34,000.

41 Source: Paper submitted to the Forum's Plenary Session by the Disability Federation of Ireland.

42 *Supporting Voluntary Activity*, A Green Paper on the Community and Voluntary Sector and its relationship with the State, Department of Social Welfare (1997).

2.46 A number of issues relating to the Community and Voluntary sector, including the low levels of funding available, need to be further researched. There is a variety of funding mechanisms under the Health Acts to assist voluntary groups to provide services, with the main source of funding coming under Section 65 of the 1953 Health Act. Grants are discretionary, agreed criteria do not exist and the issue of pensions is not covered. The operation of Section 26 of the Health Act, 1970, however, provides that a health board '*may include a provision for superannuation*'.[43]

2.47 In summary, pensions policy reform should take on board the growth of the Community and Voluntary sector in recent decades. For this purpose, the NSSB and the Pensions Board should consider commissioning independent research with a view to determining an optimum pension strategy for this sector.

(v) Equity and Equality Issues

(a) Tax concessions on private pensions

2.48 The Forum briefly considered the issue of tax concessions and associated opportunity costs. It is noted that the ESRI has taken the view that the effectiveness of tax reliefs in encouraging the growth of retirement savings plans, the broad-based participation in such plans and increasing net saving should be periodically evaluated.[44] The Forum supports this viewpoint.

2.49 It is estimated that the approximate cost of allowances and reliefs on occupational pensions was about £200m to £250m in 1993 while the estimate for the Exchequer contribution to the State Contributory Old Age and Retirement Pension Scheme was £133m. On a per contributor basis, these figures suggest that the Exchequer subsidy for occupational pension schemes was £685 to £856 per contributor, whereas for State schemes the Exchequer contribution was £122 per contributor, or five to seven times less than the subsidy for occupational schemes.[45]

2.50 While the issue of providing pensions on a household rather than an individual basis as at present was discussed, this was rejected on the grounds of double taxation (tax relief for each individual would no longer apply), equity impact (private pension provision might be seen as the main earner's responsibility; the implications for women would be likely to be disproportionate) and impact on private pension provision (possible discouragement and fall-off in coverage under the *Second Pillar*).

43 Source: Paper submitted to the Forum's Plenary Session by the Disability Federation of Ireland.

44 *Private Pensions in OECD Countries, Ireland*, Mr G. Hughes, ESRI, for OECD, Social Policy Studies No. 13 (1994).

45 CPA, op. cit..

(b) Recognition of Women's Unpaid Work

2.51 Provision is made in *Partnership 2000* for the development of statistical methods to evaluate the full extent of the contribution of unpaid work, mainly done by women, to the national economy. As the first stage in this process, provision was made for a pilot study to be carried out this year by the CSO on a time-use survey basis. Data collection for this survey has now been carried out and analysis of the results is underway.

2.52 In the Forum's view, this study should help shape the strategic direction of valuing women's work and the outcome is awaited, in advance of drawing conclusions or making recommendations in this area.

(c) Inter-generational Issues

2.53 Some research work has been done on the nature of the Welfare State and inter-generational transfers arising (i.e. where working generations fund the consumption of the retired in the expectation that the next generation will do the same for them e.g. public pensions funded on a pay-as-you-go system). Generational balance is said to hold if the present value of net tax payments is the same for future generations as it is for current newborns. Using OECD research, Dr T. McCarthy[46] found that there was no evidence of alarming imbalance in the Irish tax transfer system, when viewed either from:

- a generation-specific context (particularly in relation to certain other European countries, such as Italy and Sweden); or
- an inter-generational context; the findings of the research indicated that Ireland was the only country displaying near generational balance, while the results for the U.S., Italy and Norway indicated that there would be an increase of between 80 and 100 per cent in the burden on future generations if current pensions policy persists.

While the above research is very sensitive to assumptions about the future growth in productivity, the rate of decline in the fertility rate and the discount rate used, the results support the indications from current demographic trends set out in Section I that a window of opportunity currently exists in this country to tackle poverty and disadvantage and to encourage adequate self-provision.

(d) Impact of Divorce

2.54 Prior to the pension provisions in the Family Law Act, 1995 and the Family Law (Divorce) Act, 1996 there was no mechanism available for the adjusting of pension rights in a financial settlement following a marriage breakdown. Some separation agreements did seek to adjust pension rights but these adjustments

46 *Ageing Populations and Pension Systems: Time Bomb or False Alarm*, Dr. T. McCarthy, Maynooth College (October, 1995).

were not enforceable against the trustees of the pension scheme. The above Acts address these issues and the trustees of a scheme can now be directed to pay benefits in accordance with a Court order. There are now two broad approaches available to the Court in recognising the value of pension benefits. The Court can serve a pension adjustment order on the trustees of the pension scheme of which either spouse is a member, requiring that scheme to pay a portion of the pension benefits to the other spouse or for the benefit of a dependent member of the family. Alternatively the Court can take account of the pension benefits and compensate for them by ordering an adjustment to the allocation of other matrimonial property.

2.55 The Forum welcomes these positive developments to provide equally for each partner in a marriage breakdown. It notes, however, that divorce cases are only now coming before the Courts and it may be some time before it is known how the above arrangements will work in practice.

(vi) Institutional Issues

2.56 It is provided for in *Partnership 2000* that the Forum's Opinion on pensions will be taken into account in the context of policy development in this area. It is also provided that the Pensions Board will separately examine, in addition to the *National Pensions Policy Initiative* already underway, the abolition of front-end loading commissions, the indexation of pensions, a choice of a fixed pension or a lower indexed pension to all annuity and defined-contribution scheme recipients and provision of Certificates of Reasonable Expectation.

2.57 The Forum welcomes the framework which *Partnership 2000* provides for moving forward the debate on pensions. It also notes that the Appendix to the Partnership Agreement provides, inter alia, that negotiations on the cost and other implications of pension schemes shall be governed by the capacity of the enterprise to absorb the cost involved.

2.58 With reference to the regulation of the pensions industry, the Pensions Board has quite wide-ranging powers in relation to the regulation and administration of occupational pensions. Its remit does not, however, include the area of personal pensions. The provision of such pensions is regulated under legislation administered by the Department of Enterprise, Trade and Employment. Given the growth in part-time and atypical workers in recent years, the appropriateness and adequacy of this model of regulation for personal pensions should now be reviewed.[47]

47 The Final Report of the National Pensions Board (1993) referred to the problems of atypical workers.

2.59 It is understood that the Insurance Ombudsman refers a number of cases in this area each year to the Pensions Board but that the latter, in many cases, is unable to investigate complaints because of its terms of reference. In the Forum's view, the need for a rationalisation of roles in this area is required, perhaps through the establishment of a Pensions Ombudsman's Office or through an extension of the Pensions Board's powers to give it the ability to investigate grievances and provide redress. The situation of the self-employed, who are not represented on the Pensions Board, is another issue for consideration.

2.60 The need for a set of ethics regarding investments by pension fund managers was also discussed by the Forum and the view was taken that this could possibly be explored in the context of the current debate on pensions.

2.61 In summary, the existing model of regulation of the pensions industry should be reviewed by the Pensions Board in the light of changing labour market conditions, particularly in relation to the adjudication and settlement of complaints regarding personal pensions. Furthermore, in order to evaluate progress under the current *National Pensions Policy Initiative*, the Board should make arrangements for a follow-up national debate on this process in due course.

Section III

Conclusions and Recommendations

Conclusions and Recommendations

Aims and Objectives of Pension Policy

3.1 The National Pensions Board has stated that, ideally, a fully-developed national pensions system is one which enables all residents in the State to acquire an income to maintain their established standards of living on reaching retirement.[48] More recently, the National Anti-Poverty Strategy (NAPS) states that policies in relation to income support, whether these policies relate to tax, social welfare, occupational pensions or otherwise, should aim to provide sufficient income for all those concerned to move out of poverty and to live in a manner compatible with human dignity.[49]

3.2 It is the Forum's view that the above NAPS definition should be set as the primary aim of pensions policy reform together with the need to encourage people to make supplementary provision as far as possible for their own pensions. Although the *National Pensions Policy Initiative* does not go into any great detail on the *First Pillar* (Social Welfare pensions) in its Consultation Document, the Forum considers that adequacy of payments under this Pillar is of central importance and should be taken on board in the debate. This is necessary to tackle the increasing risk of poverty in the older population, particularly for those who are entirely dependent on the State for an income in retirement. The resources arising from strong economic and employment growth, rising incomes and favourable demographic trends now provide an unprecedented opportunity to do so. At the same time, greater efforts should be made to encourage people to make provision themselves for their own retirement.

3.3 The role of the State, therefore, should be to use these benefits to apply the principles set out by the Forum in Section I of this Opinion to the development and reform of national pensions policy. These principles centre on equity, access, adequacy, self-provision, equality, simplicity and efficiency.

Prioritised Options for Reform

3.4 The Forum's conclusions and recommendations in this Opinion are summarised under the headings of each of the four *Pillars* of the pension system as follows:

48 *Developing the National Pension System,* Final Report of the National Pensions Board (1993).

49 *Sharing in Progress,* National Anti-Poverty Strategy (1997).

(i) First Pillar (Social Welfare Pensions)

- adequacy of payments under this *Pillar* should be addressed to ensure a standard of living which will move people out of poverty and allow them to share in the benefits of increases in overall living standards; while there was no agreement on the basis for indexing State pensions viz. earnings or prices, there was consensus that all such pensions should at least be increased to the minimum rates recommended by the Commission on Social Welfare, as provided for in *Partnership 2000*;

- the Department of Enterprise, Trade and Employment, in conjunction with the Department of Social, Community and Family Affairs, should review current labour market strategies in order to maximise the chances of people obtaining a contributory pension, with particular regard to the position of the older long-term unemployed with irregular contribution patterns;

- the Department of Enterprise, Trade and Employment should consider commissioning independent research on the demand for and feasibility of providing access to personal portable pension schemes for those on long-duration Government training and employment programmes, having due regard to the wider implications for public service pensions generally; and

- the above two Departments should jointly review the operation of the PRETA/PRECS[50] Schemes in the context of the current increase in employment opportunities; consideration should also be given to opening up access to Community Employment for people on these schemes;

- the National Social Services Board and the Pensions Board should consider commissioning independent research to determine an optimum pension strategy for those working in the social economy.

(ii) Second Pillar (Occupational or Personal Pension Coverage)

- ongoing discussion and negotiation should continue between the relevant bodies in the partnership process to resolve differences on the options for pensions reform under the *Second Pillar* (supplementary pension coverage);

- options to promote portability could be addressed through '*umbrella*' type schemes now being mooted by bodies such as IBEC, ICTU and the Small Firms Association;

50 *Pre-retirement Allowance Scheme* and *Pre-retirement Credits Scheme.*

- equal treatment under pensions regulations of permanent full-time employees and part-time workers on a pro-rata basis should be considered; differences in pension regulations and tax reliefs governing occupational schemes, the self-employed and personal pensions schemes should also be reviewed with a view to addressing the particular needs of workers with irregular patterns of earnings and those who wish to maintain payments to a fund while outside the world of work for a certain period.

  A roll-over period over a longer time-frame for contributions to pensions funds is one possible option, subject to a certain limit on the amount which can be invested overall; the development of flexible and portable occupational schemes which would allow those made redundant or leaving work for a certain period to keep up contributions by transferring their scheme fund into a personal pension fund should also be considered; in addition, partial access to pension funds for atypical workers in defined circumstances on grounds of hardship should also be examined; and

- an extensive Government-led awareness campaign should be undertaken; this should be carried out in conjunction with employer and trade union bodies and community and voluntary sector organisations to promote awareness of the need to make provision for retirement income to protect living standards; the campaign should also aim to provide information and support regarding the various pensions options available, with funding provided in part by the pensions industry; such a campaign should be carried out in the near future and conducted on a regular basis thereafter, prioritising and targeting particular groups (self-employed, atypical workers and young people) or sectors with low coverage such as the hotel and catering industry, the distribution sector and small and medium-sized enterprises.

  Appropriate targets on timescales for the extent and quality of coverage required should be identified at the outset; the proposed establishment of an Expert Working Group to gather more data on income distribution should be considered by the Pensions Board.

(iii) Third Pillar (Accumulated Wealth or Assets)

- consideration should be given to extending the rationalisation of means-testing, which is currently underway in the Department of Social, Community and Family Affairs, to those in receipt of Unemployment Assistance (UA) payments at the earliest opportunity, in order to help avoid depletion of resources; it is recognised that this should be targeted at the most disadvantaged older people on UA because of the substantial public expenditure implications, which have yet to be quantified;

(iv) Fourth Pillar (income from working post-retirement)

- the contribution which the active elderly can make to the economy should be recognised and facilitated; this could possibly be done through incentivising active retirement and savings through tax breaks; the Forum understands that this has already been done in Germany and Australia.

3.5 In short, the Forum's immediate priorities are for an improvement in adequacy levels of Social Welfare pension payments to enable pensioners to share in economic growth and the early undertaking of a public awareness campaign to promote occupational coverage for particular groups and sectors.

Other Issues

3.6 In this Opinion, the Forum addresses adequacy, equity and equality issues which would impact in different ways on the four *Pillars*. One key area is that of the need for regular periodic analysis of tax breaks for pensions provision in relation to their redistributive effects and their impact on occupational coverage and national savings. The valuing of women's unpaid work is another important topic that the Forum will revisit later in its work programme when the CSO time-use survey becomes available.

3.7 Current arrangements for the regulation of the pensions industry were also considered by the Forum and the view was taken that these should be reviewed by the Pensions Board to ensure independent arbitration in all areas of pensions administration.

3.8 Finally, a follow-up review to the current *National Pensions Policy Initiative* should also be carried out in due course.

Costs

3.9 The costs of bringing the remaining two Social Welfare pension payments up to the minimum rates recommended by the Commission on Social Welfare, which is one of the commitments in *Partnership 2000*, would be in the region of £11.2 million.[51] Other recommendations made in this Opinion relate to policy direction in general and as such cannot be costed at this stage. In making these recommendations, the Forum recognises the constraints on public expenditure, as set out in *Partnership 2000*, and the need to underpin competitiveness as a basis for sustained growth, increased employment and higher living standards for all.

51 Source: Department of Finance.

Terms of Reference and Constitution of the Forum

1. The Terms of Reference of the National Economic and Social Forum are to develop economic and social policy initiatives, particularly initiatives to combat unemployment, and to contribute to the formation of a national consensus on social and economic matters.

   The Forum will:

   (i) Have a specific focus on:-
   - job creation and obstacles to employment growth;
   - long-term unemployment;
   - disadvantage;
   - equality and social justice in Irish society; and
   - policies and proposals in relation to these issues;

   (ii) Make practical proposals on measures to meet these challenges;

   (iii) Examine and make recommendations on other economic and social issues;

   (iv) Review and monitor the implementation of the Forum's proposals and if necessary make further recommendations; and

   (v) Examine and make recommendations on matters referred to it by Government.

2. The Forum may consider matters on its own initiative or at the request of Government.

3. The Forum will work in two year cycles and will inform Government of its programme of work within three months of the beginning of each cycle.

4. In drawing up its work programme, the Forum will take account of the role and functions of other bodies in the social and economic area such as NESC to avoid duplication.

5. The Forum may invite Ministers, Public Officials, Members of the Forum, and outside experts to make presentations and to assist the Forum in its work.

6. The Forum will publish and submit all its reports to Government, to the Houses of the Oireachtas and to other Government Departments and bodies as may be appropriate.

7. The Forum will be drawn from three broad strands. The first will represent the Government and the Oireachtas. The second will represent the traditional Social Partners. The third strand will be representative of groups traditionally outside the consultative process including women, the unemployed, the disadvantaged, people with a disability, youth, older people and environmental interests.

8. The Forum will have an independent Chairperson appointed by Government.

9. The term of office of members will be two years during which term members may nominate alternates. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. The size of the membership may be varied by the Government.

10. The Forum is under the aegis of the Department of the Taoiseach and is funded through a Grant-in-Aid.

Forum Publications

(i) Forum Reports

Report No.	Title	Date
1.	*Negotiations on a Successor Agreement to the PESP*	November 1993
2.	*National Development Plan 1994-1999 – the proposed Local Development Programme*	November 1993
3.	*Commission on Social Welfare – Outstanding Recommendations*	January 1994
4.	*Ending Long-term Unemployment*	June 1994
5.	*Income Maintenance Strategies*	July 1994
6.	*Quality Delivery of Social Services*	February 1995
7.	*Jobs Potential of the Services Sector*	April 1995
8.	*First Periodic Report on the Work of the Forum*	May 1995
9.	*Jobs Potential of Work Sharing*	January 1996
10.	*Equality Proofing Issues*	February 1996
11.	*Early School Leavers and Youth Unemployment*	January 1997
12.	*Rural Renewal – Combating Social Exclusion*	March 1997
13.	*Unemployment Statistics*	May 1997
14.	*Self-Employment, Enterprise and Social Inclusion*	October 1997

(ii) Forum Opinions

Opinion No.	Title	Date
1	*Interim Report of the Task Force on Long-term Unemployment*	March 1995
2	*National Anti-Poverty Strategy*	January 1996
3	*Long-term Unemployment Initiatives*	May 1996
4	*Post-PCW Negotiations – A New Deal?*	August 1996
5	*Employment Equality Bill*	December 1996