

# The Need to Prepare: Pension Policy and Adequate Income in Older Age



Corona Joyce, Age Action

# Age Action

- Founded in 1992 to provide a voice for older people
- Ireland's leading advocacy organisation on ageing issues
- Make Ireland the best country in the world in which to grow old

Find out more at [www.ageaction.ie](http://www.ageaction.ie)



# Failing to Prepare

- National Positive Ageing Strategy
  - Published 2013. No implementation plan
  - “By 2041 there will be an estimated 1.4 million people aged over 65...representing 20-25 per cent of the population”
- Citizen’s Assembly 2017 recommendations on how we best respond to the challenges and opportunities of an ageing population
  - 7/21 recommendations related to pensions, retirement



“This is not a demographic crisis,  
it is a policy crisis.”

-- Colm McCarthy



# Why do we have a State Pension?

- A fair State Pension enables older people to age with **dignity** and with **independence**, keeping them out of **poverty**.

“The hope behind this statute is to save men and women from the rigors of the poor house as well as the haunting fear that such a lot awaits them when journey’s end is near.”

-- Justice Benjamin Cardozo



# The Impact of the Recession

- Between 2009-2015 an older person on the State Pension and Household Benefits Package lost **€13.18 pw**
- Supports were cut or abolished while taxes and prices rose
- Only with Budget 2018 have we recovered the €13.18
- Changes to State Pension eligibility in 2012 (new proposals)
- At the same time, 200-500% increase in prescription charges, new taxes on water and property, rising energy and medicine costs



# The Impact of the Recession

- No changes to Property Tax
- No increase in Living Alone Allowance
- Bereavement Grant not restored
- Homecare still well short of what is needed



# Importance of State Pension

- Latest figures show largely unchanged 'at risk of poverty' and 'consistent poverty' rates for over 65s
- One in five over 65s living alone experiences deprivation
- Only 50 per cent of people have a private pension





# Importance of State Pension

- For those over 65, up to three-quarters of their income is made up of public transfers (2014 reference, OECD 2018).
- At Risk of Poverty Rate line is €12,358 (€237.35 pw)
- Full State Pension is €12,662 (€13,182 over 80)
- State Pension for those with an average of 39 or fewer contributions is below the at risk of poverty rate



# Voices of Older People

- Forced to choose which drugs to take this month
- Staying in bed most of the day to stay warm

*"I am absolutely terrified of what charge will be introduced next"*

*"I have to draw on savings every month to pay bills. When my savings run out, I can't begin to imagine what will happen."*



# Voices of Older People

*“We cannot have our home heating on as much as we would like”*

*“Each time we buy food the price seems to have gone up. Then we have to decide what we must do without.”*

*“Living on fixed income means depriving oneself of particular things. It means being permanently watching what you spend each day never being able to buy something on whim. One has to budget every day”*



# Voices of Older People

*"I find it a really anxious time not having an income each week and every time I hear of an increase in health insurance, utilities, I get frightened. I don't like the worry of getting old and not having enough to provide for emergencies"*

*"I am absolutely terrified of what charge will be introduced next"*

*"I wrap a rug around my legs when watching TV or I'd be too cold"*

*"We are just existing"*

**AgeAction**  
For all older people

# Future of the State Pension

- **Legislative benchmark for the State Pension**
  - “In order to maintain this aim of preventing poverty for older people” National Pensions Framework sets target of 35% of average earnings. **Currently at 33%.**
  - Avg. weekly earnings of €734.60, Q4 2017 = State Pension equivalent of €257.11
  - Facilitates proper planning, peace of mind for older workers, depoliticises the budget process



# Ensuring Sustainability

- PRSI Contributions
- Reducing outgoings
- Abolish mandatory retirement



# PRSI Contributions

- Measured as percentage of GDP or total taxation, Irish PRSI rates are among the lowest in the EU  
(Irish Tax Institute/OECD)
- “If Irish employers’ PRSI were increased to just the EU average, it would raise an additional €8 billion.” - Michael Taft



# Can We Cut Costs?

- If there are challenges to increasing the State Pension, can we look at cutting costs for older people to tackle rising poverty rates:
  - Prescription Charges
  - Property Tax
  - Private health insurance
  - Energy and medicine costs





# Abolish Mandatory Retirement

- Need a more flexible approach to retirement ages
- Many older workers would choose to continue working longer if they could
- February 2017: unanimous, cross-party, support for abolition of mandatory retirement
- December 2018: Minister for Public Expenditure Paschal Donohoe announcement of longer civil service working lives

