Pre-Budget Submission 2020

Department of Employment Affairs and Social Protection

The work of the Age Action policy team is supported by the Scheme to Support National Organisations, funded via the Department of Housing, Planning, Community and Local Government, and administered by Pobal.

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2. Increase the **income threshold** for all means tested benefits in line with increases to the State Pension and secondary benefits.
3. Commission research on the Cost of Ageing to inform Ireland's policy development to meet the needs of an ageing population.
4. Increase the cost of the **Living Alone Allowance** by €5 per week [Cost: €55 million]
5. Increase the **Fuel Allowance** rate by €2.35 and reintroduce a 32 week payment period [Cost: €62 million]

1. Executive Summary

Age Action supports and advocates for equality and human rights for all older people. Everything we do is based on a recognition of the diversity of identity and situation among older people and a concern for equality for all older people. In addressing ageing, our work includes a concern to influence perspectives on and responses to ageing. This pursuit of equality and human rights is underpinned by our work to promote ageing in place, life-long learning, and health and wellbeing for older people, empowering them to live as active citizens.

Our work is driven by an organisation that is professional in its operations and lives out its values of dignity, participation, diversity, social justice, and professionalism. Age Action is calling on the Government to plan sufficiently for an ageing population to ensure that people remain active, engaged, and valued in their communities for as long as feasible, with choice and control over their lives, regardless of their age. By implementing progressive policies across all Government departments, including social protection, health and housing, the State can improve quality of life for older people ageing in their community while providing value for money for the Exchequer.

Income Adequacy

While annual budgetary processes have seen welcome increases, in recent years, to the State pension and secondary supports questions remain about whether these supports are adequate to meet people's needs in the absence of a detailed analysis of the cost of ageing. Age Action urges the Government to commission research on the cost of ageing to ensure that there are sufficient resources available to meet the needs of an ageing population.

Many older people report on-going income adequacy concerns, exacerbated by income insecurity arising from variable annual pension changes. Ireland is unusual in setting the pension rate in the budget every year without using any particular formula.

We urge the Government to consider applying a safeguard for annual indexes in the form of a triple lock which guarantees that the basic State pension will rise by a minimum of either 2.5 per cent, the rate of inflation or average earnings growth, whichever is largest. Budget 2020 must continue to work towards this 35 per cent benchmark commitment by increasing the weekly rate of the State pension by €9.

While social welfare increases announced in recent Budgets are welcomed, they have seen many people subsequently pushed just over the threshold for secondary benefits by small increases, therefore losing their entitlement to some of these benefits. Therefore, **it is crucial that any social welfare increases are matched by**

corresponding threshold increases, and for the system to work cohesively to protect against poverty.

Secondary Benefits

In April 2016, 399,815 people indicated that they lived alone, of whom 39.2 per cent were aged 65 and over. Over half of all people with disabilities living alone were aged 65 and over. The 2019 MESL update notes that while the expenditure need of a single pensioner is approximately 80 per cent that of the pensioner couple household, their income from the State pension and secondary supports is between 51-64 per cent of that of a pensioner couple household.[1] The 2019 MESL update notes that while the expenditure need of a single pensioner is approximately 80 per cent that of the pensioner couple household, their income from the State pension and secondary supports is between 51-64 per cent of that of a pensioner couple household.[2] **An increase the cost of the Living Alone Allowance by €5 per week would support older people living alone to better meet the cost of living.**

Many older people report living in poor, older housing stock which is unsuitable for their needs, more difficult to heat, often in poor repair and costly to maintain. It can also have an acute impact on the health of older people. 1 in 10 people over the age of 55 had difficulties in keeping their homes adequately warm.[3] It is acknowledged that poorer households spend a greater share of their income on energy and therefore carbon taxes can impact on 'both energy affordability and income inequality', particularly on rural households.[4] However, a carbon tax system designed to protect lower income households, can in effect reduce income inequalities and result in a benefit for the environment and addressing poverty which is in the spirit of climate justice.

We urge the Government to increase the Fuel Allowance to €24.85 to achieve purchasing power parity with 2010 levels and reintroduce a 32 week payment

[1] VPSJ (2019) *Minimum Essential Standard of Living 2019 Update Report*. Available at www.budgeting.ie.
[2] Ibid.
[3] Gibney S. et al (2018) *Positive ageing in age friendly cities and counties: local indicators report. Dublin*. Department of Health.
[4] Tovar Reanos, M.A. and Lynch M. (2019) Carbon taxation in Ireland: Distributional effects of revenue recycling policies. *ESRI Special Article.* Available at www.esri.ie.

period. This will aid low income households in meeting their energy costs in the context of on-going energy increases across the market.

2. Income Adequacy

"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"

Age Action Pre-Budget Survey Respondent

Recommendations

- Commission research on the cost of ageing to ensure that there are sufficient resources available to meet the needs of an ageing population
- Increase the **income threshold** for all means tested benefits in line with increases to the State Pension and secondary benefits
- Increase the weekly **State Pension** by €9 per week to build towards achieving the Government's commitment in the National Pensions Framework of a State Pension set at 35 per cent of average weekly earnings.

While annual budgetary processes have seen welcome increases, in recent years, to the State pension and secondary supports questions remain about whether these supports are adequate to meet people's needs in the absence of a detailed analysis of the cost of ageing. Age Action urges the Government to commission research on the cost of ageing to ensure that there are sufficient resources available to meet the needs of an ageing population.

Age Action conducted a survey of older people in preparation for this submission. Many older people tell us that they have income adequacy concerns, which are exacerbated by the uncertainty surrounding the annual review of social protection rates arising from the annual pension changes in the politicised Budgetary process.

Older people are fearful of any reductions in their pension, increasing charges across a range of sectors, and their ability to pay their bills. This is evidenced by how – in real terms - for those totally reliant on the contributory State Pension and in receipt of all secondary supports, their income has only marginally improved by €7.89 per week since 2009.

While the State Pension remained largely unchanged during the recession, vital secondary income supports for older people were devastated. Between 2009-2015 an older person on the State Pension and Household Benefits Package lost €13.18 per week. Cuts include the abolition of the Telephone Allowance as part of the Household Benefit Package, the introduction of new taxes and charges, and an increase in the cost of essential items such as insurance, medicine and fuel.

The last two budgets saw the partial restoration of older people's incomes.

- There has been a €5 increase (paid on a pro-rata basis) in 2017-2019. These were introduced 10 weeks into the year.
- The Christmas Bonus was restored in Budget 2019 with all social welfare recipients receiving an additional payment 100 per cent of their weekly rate last December.
- An increase from 27 weeks to 28 weeks in the Fuel Allowance (€22.50) in Budget 2019 was welcome.

Table 1 below provides a comparison between the cuts introduced during the Recession and the restoration of the income of older people. The table also shows the reality: **in real terms, for those totally reliant on the contributory State Pension, their income has only marginally improved by €13.10 per week since 2009.**

Table 1: Older People are Better Off by €13.10 in last 10 years

Income	Jan-09	Jan-16	Mar-17	Mar-18	Mar-19
State Pension (Contributory)	€230.30	€233.30	€238.30	€243.30	€248.30
Christmas Bonus (weekly equivalent)	€4.42	€3.36	€3.89	€3.97	€4.78
Total A	**€234.72**	**€236.66**	**€242.19**	**€247.27**	**€253.08**
Secondary Income Supports					
Telephone Allowance	€6.00	€0.00	€0.00	€0.00	€2.50*
TV Licence	€3.08	€3.08	€3.08	€3.08	€3.08
Electricity/Gas	€9.63	€8.07	€8.07	€8.07	€8.07
Fuel Allowance	€12.31	€11.25	€11.25	€11.68	€12.11
(Means tested payment)					
Total B	**€31.02**	**€22.40**	**€22.40**	**€22.83**	**€25.76**
Total A+B	**€265.74**	**€259.06**	**€264.59**	**€270.10**	**€278.84**
Difference from Jan 2009		*-€6.68*	*-€1.15*	*€4.36*	*€13.10*[5]

*This is available only to those who live alone and get the Fuel Allowance

While social welfare increases announced in recent Budgets are welcomed, they have seen **many people subsequently pushed just over the threshold for secondary benefits by small increases and losing their entitlement to some of these benefits**. Many of the calls received by Age Action's Information Line following the application of Budget increases in 2018/2019 have been from people pushed just over certain thresholds (e.g. for the medical card) by the extra €5 pension increase.

A recent paper by Social Justice Ireland highlighted the role that social welfare plays in lifting over 65s out of poverty.[6] EU SILC data reported that in 2009 (the last year

[5] This figure originally published on 14 June was corrected on 7 October 2019.
[6] Social Justice Ireland (2019) *Indexation of Social Welfare Rates Review and further proposals by Social Justice Ireland. Available at* https://www.socialjustice.ie/sites/default/files/attach/publication/5752/2019-03-26-indexationandsocialwelfarerateswithcover.pdf?cs=true.

measured), poverty among those aged 65 plus fell from 88 per cent to 9.6 per cent once social welfare payments were included.[7]

It is crucial that any social welfare increases are matched by corresponding threshold increases, and for the system to work cohesively to protect against poverty.

In addition, the ending of the State (transitional) pension in early 2014 has seen older people forced to retire early discriminated against and receiving up to €60.30 lower per week. With increases in State pension retirement ages due to take place in 2021 and 2027, this gap is likely to increase. Previously, those retiring prior to the contributory State Pension age were eligible for a Transition Pension. This was set at the same rate as the pension and was payable for the year prior to the State Pension age (65-66 years). This Transition Pension was replaced by access to Jobseeker's benefit which is based upon the final year's salary. This is of particular concern for older people who may have worked reduced hours prior to their retirement and thus then then qualify for lower than anticipated rates for this interim period before they reach State pension age.

An increasing number of older people are experiencing fear about retirement due to worries about income adequacy, particularly in the context of rising costs. Recent CSO figures show that almost 45 per cent of workers aged 20-69 had no supplementary pension coverage.[8]

For average earnings of €38,000, the Department of Employment Affairs and Social Protection estimates a replacement figure of 60 per cent of earnings to achieve income adequacy in retirement. Taking current pension rates, a 26 per cent gap in replacement earnings currently exists for those on the State pension alone.[9]

[7] These were not updated in subsequent CSO publications.
[8] This includes occupational pension coverage from current or previous employments, and personal pension coverage including those where payments have been deferred for a period of time or are currently being drawn down by the pension holder. CSO (2019) *Pension Coverage Q3 2018*. Available at www.cso.ie.
[9] Based on average earnings of €38,000, with the state pension replacing approximately 34 per cent of earnings.

The impact of rising taxes

A 200-300 per cent increase in prescription charges, new taxes on property, rising energy and medicine costs in recent years have **eroded the capacity of many older people to develop resilience to economic shocks, even small ones such as any slight changes to utility costs.**

These new taxes, charges and rising prices can have a greater impact on older people generally living on a fixed income, with limited opportunities to return to the labour market or increase income.

Census data shows older people are more likely to be living in owner-occupied housing than other tenures. The vast majority of older people in Ireland own their own home (88 per cent), either without a mortgage or other loan (81 per cent) or with a mortgage or home loan (5.4 per cent). Just over 9 per cent of people over 65 years rent, with the majority renting from local authorities (5.7 per cent) or a voluntary body (0.9 per cent).[10] **For those reliant on a State Pension, their income is simply inadequate to meet the market rent for private accommodation or in cases to pay any remaining mortgage** (22,674 of over 65 households in Census 2016.)

As property prices continue to rise, particularly in Dublin and other urban centres, increases in the property tax are inevitable and we believe this poses a risk of serious hardship to older people who may own property but be reliant entirely, or mostly, on the State Pension. The LPT is currently based on the value of a property rather than income. While the review of the LPT published in March 2019 brought some welcome recommendations around setting income thresholds above the State pension rate, many questions still arise around the methodology and appropriateness of the valuation for those who may be on lower incomes and living in properties in poor conditions.[11] This valuation hits many older people who invested in buying a good house - to pass on to children - when they were working but now are faced with tax when they are no longer working.

[10] CSO (2017) *Census 2016 Profile 1 - Housing in Ireland*. Available at www.cso.ie.
[11] Department of Finance (March 2018) *Review of Local Property Tax, The report of the Interdepartmental Group–March 2019.* Available at www.finance.gov.ie.

Callers to Age Action's Helpline often express worry over LPT valuations of their private home based on current market value. They struggle to pay this tax from their fixed income. They are worried about any potential increase as many struggle to pay for necessary and often large-scale repairs to their home.

Increase in Insurance

The increase in the price of insurance has been masked by a comparatively minor rise in overall inflation. The overall change in the Consumer Price Index (CPI) for the past year (April 2018 to April 2019) has been 1.7 per cent.[12]

Older people often see health insurance as a necessary outlay because they are more likely to need timely access to health and social care services. As evidenced above, house insurance is also a necessary purchase for many as older people are more likely to be residing in owner-occupied accommodation.

The latest CPI shows an overall increase in health (0.6 per cent) and decrease in car insurance premiums (-6.5 per cent) over the past 12 months. However, this often does not reflect the reality of costs for older people who often must pay higher premiums simply based on age. Home insurance increased by 0.6 per cent from April 2018 to April 2019.

The reality is that the CPI is not an effective guide to the purchasing habits of older people: it is simply not reflective of the specific purchasing habits of older people or those on lower incomes. [13]

The rising cost of car insurance for older drivers is an issue that continues to be raised with Age Action's Information Line by many older people. In particular, we frequently hear from concerned older people whose insurers simply refuse to provide a quote once they reach 70 years.[14] There is a perception held by insurance companies that

[12] CSO (2019) *Consumer Price April 2019.* Available at www.cso.ie.
[13] See also VPSJ (2013) Changes in the cost of a MESL in Comparison to CPI Inflation – available at www.budgeting.ie and Social Justice Ireland (2019) Indexation of Social Welfare Rates Review and further proposals by Social Justice Ireland March, 2019. Available at www.socialjustice.ie.
14 See Age Action (2018). *Submission to the Joint Committee on Finance, Public Expenditure and Reform, and Taoiseach. Available* at www.ageaction.ie.

older people are more likely to be involved in accidents and should therefore pay a higher premium. This is not supported by the evidence.

Data from the Central Statistics Office indicates that 72 per cent of people over the age of 65 are car owners.[15] However, the costs of insurance are making it prohibitive for many older people to continue driving despite the evidence showing that older drivers are generally safer drivers.

Data from the Vincentian Partnership for Social Justice (VPSJ) annual Minimum Essential Standard of Living (MESL) research for 2019[16] shows that a car is required to meet the transport needs of a rural pensioner. Car related costs such as fuel, maintenance and insurance, etc. add an estimated additional €59 per week to the MESL budget for pensioners living alone in a rural area. Some of the premiums quoted to our members come to twice the weekly pension and many older drivers are struggling to keep their cars on the road.

For many older drivers, running a car is an absolute necessity and may mean the difference between living in the community or being forced into residential care.

Poverty Rates

The latest official poverty statistics from the CSO indicate that 8.6 per cent of people aged 65 years and over were 'at risk' of poverty in 2017.[17]

This means that just under one in ten older people were living on less than 60 per cent of the national median income of €20,869 (€12,521 or €240.78 per week.[18]) Many older people survive on incomes only just above the poverty line with

[15] Central Statistics Office (2017) *Census 2016 Profile 8.* Available at www.cso.ie.
[16] The Vincentian Partnership for Social Justice (VPSJ) MESL provides useful quantifiable data on the costs of living alone versus a pensioner couple. The research sets out the cost of fourteen core budget components. The core costs include food, clothing, personal care, health, household goods, household services, communications, social inclusion and participation, education, transport, household energy, personal costs, insurance and savings and contingencies. See www.budgeting.ie.
[17] CSO (2018) *Survey on Income and Living Conditions 2017.* Available at http://www.cso.ie
[18] Equivalised disposable income per individual.

the full contributory State Pension standing at €12,911 or €248.28 per week (€13,431.60 for those over 80).

A State Pension for those with a yearly average of 39 or fewer annual social insurance contributions over the course of their working life is below the at risk of poverty rate, as is the top rate of the non-Contributory State Pension at €12,324.

Many of those in retirement are without adequate coverage for their cost of living and rely solely or mainly on State pension supports. For those over 65 more than three-quarters of their income is made up of public transfers. To this end, the State Pension has provided a critical, and often sole, source of income for many older people.

The aspiration should be for a State Pension that is above poverty line, that lifts them away from social exclusion and that enables older people to grow old with dignity.

Latest CSO SILC figures (for 2017) show a welcome decrease in both the 'at risk of poverty' and 'consistent poverty' rates for the over 65s. In 2017, 9.7 per cent of those aged over 65 years experienced deprivation. This means that approximately 61,840 people were unable to afford basic goods and services. **Approximately 10,800 of those over 65 were living in consistent poverty during 2017**: living below 60 per cent of median income (see above) and who are deprived of two or more goods or services considered essential for a basic standard of living.

As Table 2 illustrates, while the at risk of poverty rate, deprivation rate and consistent poverty rate for those over 65 years have all decreased year on year, the largely unchanged consistent poverty rate remains worrying.

Table 2: Poverty rates for those aged 65 years and over, 2009-2017

	At risk of poverty %	*Deprivation rate %*	*Consistent poverty %*
2009	9.6	9.5	1.1
2010	8.7	9.8	0.9
2011	9.7	11.3	1.9
2012	12.1	13.5	2.6
2013	9.2	16.1	1.9
2014	10.3	14.3	2.1
2015	10.7	15.4	2.7
2016	9.8	13.1	1.8
2017	8.6	9.7	1.7

Source: CSO (various years) *Survey on Income and Living Conditions.* Available at http://www.cso.ie/en/silc/releasesandpublications/

Ireland is unusual in setting the pension rate in the budget every year without using any particular formula.

Indexing of current and future pension rates facilitates proper planning, it provides peace of mind for older workers and crucially it depoliticises the budget process. Age Action welcomes the commitment in the 'A Roadmap for Pensions Reform 2018 – 2023' to benchmark and index the State pension.[19] This will bring Ireland into step with most other countries in the EU that apply a formula for indexing the State Pension to some combination of prices, wages or GDP.[20]

The National Pensions Framework contains a commitment to "sustain the value of the State Pension at 35 per cent of average weekly earnings" and clearly states that this is to prevent poverty among older people.[21]

Budget 2020 must continue to work towards this 35 per cent benchmark commitment by increasing the weekly rate of the State pension.

Preliminary CSO figures for Q4 2018 indicate that average weekly earnings amongst current workers were €761.65 and using the 35 per cent benchmark would result in a State pension of €266.58: or an additional €18.28 per week on current pension rates.

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[19] The Roadmap contains a commitment to benchmark the State pension to 34 per cent of average earnings for the State pension, with future increases to depend on the Consumer Price Index (CPI) or average wages.

[20] *Department of Social Protection presentation to the Joint Oireachtas Committee on Social Protection* (15 December 2016).

[21] Government of Ireland (2010) *National Pensions Framework.* Available at http://www.welfare.ie/en/downloads/nationalpensionsframework_en.pdf

Benchmarking the State pension to 35 per cent of the current average weekly earnings would provide older people with an additional €950 per year.[22]

We urge the Government to consider applying a safeguard for annual indexes in the form of a triple lock which guarantees that the basic State pension will rise by a minimum of either 2.5 per cent, the rate of inflation or average earnings growth, whichever is largest.

3. Secondary Benefits

"Well, it is just impossible to live on the state retirement pension. It's not possible to survive on it let alone have any quality of life. I have to be assisted by donations from relatives. I spent my whole life paying the state for a retirement pension and expected it to be sufficient to live on but sadly it's not"

"I am completing this form for an Older Client, who after paying rent, fuel, electric & feeds her dog, bin, medical card cost for meds etc. This lady has no income left at all."

"With any increase in the cost of living the amount of disposable income decreases"

Age Action Pre-Budget Survey Respondents

Recommendations

- Increase the cost of the **Living Alone Allowance** by €5 per week [Cost: €55 million]
- Increase the **Fuel Allowance** rate by €2.35 and reintroduce a 32 week payment period [Cost: €62 million]

[22] CSO (2019) *Earnings and Labour Costs Quarterly Q3 2018 (Final) Q4 2018 (Preliminary Estimates).* Available at www.cso.ie.

3.1 Living Alone

The latest OECD Pensions at a Glance (2017) report states that the incomes of older people are on average lower than those of the population, even when differences in household size are taken into account.

Ireland is slightly above the OECD average with the income of those over 65 years reaching 89.2 per cent of the total population income. It found that three-quarters of older people's income is from public transfers.[23] To this end, the State Pension has provided a critical, and often sole, source of income for many older people.

Since 2009, Age Action supporters have repeatedly emphasised that the introduction of new taxes and charges[24], coupled with rising prices on relevant items[25] and a reduction in secondary income supports, such as the Fuel Allowance, has had a profound effect on their incomes. Earnings from employment account for just under 15 per cent of household income with over 75 per cent coming from public transfers.[26]

The Household Benefits Package continues to provide an important supplementary support, particularly for those solely reliant on the State Pension. Some of the cuts to secondary income supports have been partially restored. Those in receipt of all of the secondary supports as outlined in Table 1 saw a yearly increase of 11 per cent.

We welcome the introduction of a new Telephone Support Allowance from June 2018 at a weekly rate of €2.50, however it is currently narrowly confined to those getting the Living Alone Allowance who are also eligible for the Fuel Allowance. While the stated objective of the Telephone Support Allowance is to 'allow the most vulnerable people at risk of isolation, including the elderly and those with disabilities, access to personal

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[23] OECD (2018) *Pensions at a Glance 2017.* Available at www.oecd.org.

[24] The introduction of taxes such as the Local Property Tax and the carbon tax, particularly its introduction on solid fuels, had a particularly negative effect on older people during the Recession.

[25] To emphasise the impact of rising individual costs, research undertaken by the Vincentian Partnership for Social Justice in 2013 noted that while overall CPI fell by 0.15 per cent in the period 2008 to 2013, the cost of a Minimum Essential Standard of Living for a lone pensioner and a pensioner couple rose by 5.03 per cent and 7.34 per cent respectively. See VPSJ (2013) *Changes in the cost of a MESL in Comparison to CPI Inflation*. Available at www.budgeting.ie .

[26] OECD (2017) *Pensions at a Glance 2017.* Available at www.oecd.org

alarms of phones for security',[27] it is clear that due to earlier cuts such as the abolishment of the Telephone Allowance and the Household Benefits Package, many older people had to give up their land line and so lose their personal alarms.

The latest Census statistics show that over half a million or 577,171 over those aged over 65 years lived in private households, while those in nursing homes increased by 1,960 to 22,762.[28] In April 2016, 399,815 people indicated that they lived alone, of whom 39.2 per cent were aged 65 and over. Over half of all people with disabilities living alone were aged 65 and over.[29]

The additional costs of living alone versus that of a pensioner couple are often raised by older people. Many older people experience the loss of a partner through bereavement which can have devastating emotional and financial effects. They highlight how the loss of partner often means the loss of an additional income, yet the costs of heating their home, insurance or the LPT for example, remains the same.

The Vincentian Partnership for Social Justice (VPSJ) Minimum Essential Budget Standards (MESL) provides useful quantifiable data on the costs of living alone versus a pensioner couple. The research sets out the cost of fourteen core budget components.[30] Table 3 provides an analysis of the 14 core MESL budget components by highlighting the actual weekly costs for a lone pensioner versus a pensioner couple in both urban and rural areas.

The 2019 MESL update notes that while the expenditure need of a single pensioner is approximately 80 per cent that of the pensioner couple household, their income from the State pension and secondary supports is between 51-64 per cent of that of a pensioner couple household.[31]

[27] Parliamentary Question (19 February 2019). 'Telephone Support Allowance'. Available at www.kildarestreet.ie.
[28] CSO (2018) *Ireland – Facts and Figures 2017*. Available at www.cso.ie.
[29] http://www.cso.ie/en/csolatestnews/pressreleases/2017pressreleases/pressstatementcensus2016resultsprofile9-healthdisabilityandcarers
[30] The core costs include food, clothing, personal care, health, household goods, household services, communications, social inclusion and participation, education, transport, household energy, personal costs, insurance and savings and contingencies. See www.budgeting.ie.
[31] VPSJ (2019) *Minimum Essential Standard of Living 2019 Update Report*. Available at www.budgeting.ie.

Table 3: Comparison of MESL 2019 Cost Lone Pensioner vs Pensioner Couple, Urban and Rural

Budget Components	*€ LP Urban*	*€ PC Urban*	*LP cost % to PC Urban**	*€ LP Rural*	*€ PC Rural*	*LP Cost % to PC Rural**
Food	63.73	75.85	84%	62.78	82.55	76%
Clothing	8.69	14.49	60%	10.11	16.94	60%
Personal Care	8.53	12.38	69%	8.84	12.32	72%
Health	12.58	25.10	50%	12.36	24.57	50%
Household Goods	14.34	15.48	93%	15.41	17.27	89%
Household Services	7.09	7.09	100%	10.07	10.07	100%
Communications	12.82	12.63	102%	13.16	12.97	101%
Social Inclusion and Participation	39.18	52.22	75%	39.22	52.27	75%
Education	0	0	0%	0	0	0%
Transport	0	0	0%	52.11	52.21	100%
Household Energy	53.85	55.83	96%	52.46	54.35	97%
Personal Costs	6.27	6.43	98%	7.02	7.19	98%
Insurance	11.45	20.60	56%	19.01	27.54	69%
Savings and Contingencies	11.52	17.28	67%	11.47	17.20	67%
All Expenditure	250.05	315.38	79%	314.02	387.46	81%

**Note: All percentages are rounded up.*

Data for 2019 shows that pensioners living alone in a rural area continue to experience deep income inadequacy: income from the non-contributory pension meets 83 per cent of MESL expenditure and 87 per cent of the contributory pension:

- Lone pensioners dependent on the **contributory State pension** living in a rural area have an inadequate income with a weekly shortfall of **€40.92** in meeting the MESL costs per week.
- Lone pensioners dependent on the **non-contributory State pension** living in a rural area have a weekly shortfall of **€51.39** in meeting the MESL costs each week.

It is in this context that Age Action supports an increase of €5[32] in the Living Alone Allowance to begin to address the income inequality and inadequacy experienced by older people living alone.

3.2 Energy Poverty

> *"I have to save from every pension payment, for bills in winter. I am finding heating to be my highest and most stressful bill to afford."*
>
> Age Action Pre-Budget Survey Responder

Rising energy costs consistently remains one of the main issues of concern for older people contacting Age Action. Callers to Age Action's Helpline often raise concerns about anticipated increases in home heating, particularly around carbon taxes.

During 2018 Ireland had the highest increase in gas prices, and the fifth highest increase in electricity prices in the EU.[33] Electricity prices in Ireland increased by 7.8 per cent in the second half of 2018 versus the similar timeframe in 2017. Looking at Q3-Q4 2017 and Q3-Q4 2018, Ireland saw the largest household gas prices increase at 17.3 per cent.

Increases in energy costs disproportionately affect those on the lowest incomes. It is acknowledged that **poorer households spend a greater share of their income on energy** and therefore carbon taxes can impact on 'both energy affordability and income inequality', particularly on rural households.[34] The latest Consumer Price Index (CPI) showed a continuing increase in the cost of Electricity, Gas & Other Fuels at an overall year on year increase of 5.8 per cent in the twelve months to April 2019.[35]

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[32] Social Justice Ireland (June 2019) *Budget Choices* available at *https://www.socialjustice.ie/sites/default/files/attach/publication/5860/budgetchoices2020.pdf?cs=true*
[33] Eurostat (May 2019). *Energy prices in 2018 Household energy prices in the EU increased compared with 2017*. Available at www.ec.europa.eu.
[34] Tovar Reanos, M.A. and Lynch M. (2019) Carbon taxation in Ireland: Distributional effects of revenue recycling policies. *ESRI Special Article.* Available at www.esri.ie.
[35] CSO (2019). *Consumer Price Index April 2019*. Available at www.cso.ie.

The cold can and does kill each winter. The majority of its victims do not die of hypothermia, but from cold-related conditions such as respiratory and cardiovascular illness. In practice, many older people may live in older inefficient homes which are likely to be impractical or uneconomical to heat to comfortable temperatures for much of the year.[36]

Many older people report living in poor, older housing stock which is unsuitable for their needs, more difficult to heat, often in poor repair and costly to maintain. It can also have an acute impact on the health of older people. Overall, 1 in 5 people aged 55 and over have reported problems with the facilities in their house (e.g. older heating systems) and 1 in 10 people reported problems with the conditions of their house.[37] Looking at ages, 16 per cent of those aged 55-69 had difficulties in undertaking routine maintenance on their homes; this rose to 28 per cent of those aged over 70.[38]

Overall, 1 in 10 people over the age of 55 had difficulties in keeping their homes adequately warm.[39]

In general, it is acknowledged that fuel poverty is associated with poor health and excess winter deaths.[40] The issue of energy poverty is particularly acute for older people for a variety of reasons, such as:

- A greater risk of cardiovascular and respiratory illness from cold and damp houses
- More time spent in the home
- A greater dependency on dirtier fuels for heating
- A reliance on small, fixed, incomes, therefore any increase in fuel prices has a disproportionate impact
- A tendency to live in older, less energy efficient, homes

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[36] SEAI (2018). *Energy in the Residential Sector 2018 Report.* Available at www.seai.ie.

[37] Gibney S. et al (2018) *Positive ageing in age friendly cities and counties: local indicators report. Dublin*. Department of Health.

[38] Healthy and Positive Ageing Initiative national indicator data cited in Government of Ireland (2019) *Housing for our Ageing Population*. Available at www.health.gov.ie.

[39] Gibney S. et al (2018) *Positive ageing in age friendly cities and counties: local indicators report. Dublin*. Department of Health.

[40] Watson, D. (2015). Is Fuel Poverty in Ireland a Distinct Type of Deprivation? *The Economic and Social Review*, Vol. 46, No. 2, Summer, 2015, pp. 267–291. Available at www.esr.ie.

- A higher level of disability and chronic ill-health are reported amongst this age group[41]

The Better Homes Warmer Homes Scheme programme – operated by the Sustainable Energy Authority of Ireland (SEAI) - continues in operation as part of the new strategy and aims to improve energy efficiency and warmth of homes owned by those living in or at risk of energy poverty. The expansion of the Scheme in 2018 to include the upgrading of additional property types e.g. properties with solid walls, is welcome. **However, the year-on-year decrease in the number of homes upgraded under the Scheme remains concerning.**

There are some good pilot initiatives such as the SEAI 'Warmth and Wellbeing' Scheme which aims to improve the living conditions of vulnerable people living with chronic respiratory conditions. The 2019 '*Housing Options for Our Ageing Population Policy Statement'* commits to evaluate the Scheme with a view to expanding and also to include energy efficient homes as standard in new builds.

Table 4: Administration of Warmer Homes Scheme 2017-2018

	2017	2018	Yearly Change
Number of homes upgraded under the Scheme	6,555	5,255	-19.8%
Total Cost (€m)	22,621	35,512	56.9%

Source: Parliamentary Question (5 February 2019) Available at www.kildarestreet.ie.

Consumer behaviour among older people can also greatly impact their energy security. Ireland has one of the lowest rates of digital skills and internet usage by older people in Europe, a gap that is increasing yearly. In 2018, 55 per cent of those aged between 65-74 in Ireland had never used the internet.[42] Lower rates of access to the internet prevents older people from availing of discounts only available from service providers if they agree to online billing and in many cases a provider's terms and

[41] CSO (2007). *Ageing in Ireland* Dublin. Available at www.cso.ie.
[42] Eurostat.

conditions are only available online. An aversion to falling into arrears[43] means many will not pay their bills by direct debit.

As a result, many older people do not benefit significantly from increased competition in the energy market or savings only available online.

Data from the CSO also indicates that half of older people have oil-fired central heating. For those dependent on small and fixed incomes it can be difficult to pay for a fill of oil, and we welcome the availability of the fuel allowance payment in lump sums.

Looking at the cost of specific types of fuel, the CPI shows increases right across the energy sector in the 12 months to April 2019[44]:

- *Electricity: 5.1 per cent*
- *Natural gas: 11.9 per cent*
- *Bottled gas: 0.5 per cent*
- *Home heating oil: 5.0 per cent*
- *Solid fuels: 2.2. per cent*

The Fuel Allowance is €22.50 or €630 annually. **We urge the Government to increase the Fuel Allowance to €24.85 to achieve purchasing power parity with 2010 levels and reintroduce a 32 week payment period.** This will aid low income households in meeting their energy costs in the context of on-going energy increases across the market.

It is important that the original objective of the carbon tax as revenue-neutral is achieved by using the revenue to address the issue of energy poverty, for example through the extension of the number of weeks during which the Fuel Allowance is paid. Carbon tax, without putting in measures to ensure that low-income households and those at risk of energy poverty are not disproportionately affected by future increases is regressive. However, a carbon tax system designed to protect

[43] Cotter, N. et al (2012). Coping with the cold- exploring relationships between cold housing, health and social wellbeing in a sample of older people in Ireland. *Quality in Ageing and Older People* 12(1):8-47.
[44] CSO (2019) *Consumer Price Index April 2019*. Available at www.cso.ie.

lower income households, can in effect reduce income inequalities and result in a benefit for the environment and addressing poverty which is in the spirit of climate justice.

A recent ESRI report shows findings to support this view and recommends a **progressive, targeted mechanism towards less affluent households to be administered through the tax and welfare system**. Using data from the 2015-2016 Household Budget Survey, the paper noted that while a standard ‘carbon cheque’ for each household would lead to small changes in income inequality (0.5 per cent and 1 per cent for a tax increase of €30 and €80 per tonne respectively), a measure to direct more of the carbon tax revenues towards poorer households would actually reduce income inequality (by 1.2% and 2.8% respectively).[45]

4. Conclusion

We look forward to discussing our recommendations at the Minister’s Pre-Budget Forum on 5 July 2019.

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[45] Tovar Reanos, M.A. and Lynch M. (2019) Carbon taxation in Ireland: Distributional effects of revenue recycling policies. *ESRI Special Article.* Available at www.esri.ie.