Remarks to the Joint Oireachtas Committee on Social Protection and Rural and Community Development on the Pensions Commission Report

(check against delivery)

10 November 2021

Age Action is the leading advocacy organisation on ageing and older people in Ireland. We advocate for a society that enables all older people to participate and to live full, independent lives.

In addition to my brief remarks today, we have provided a written submission to the Committee, and we are happy to follow up on members' queries.

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A State Pension is one of the signature policies of a civilised society. It recognises that most older people do not have the means to provide an adequate income for themselves.

The current State Pension system is vital, but flawed. It fails to provide an adequate income for many people, especially women – such as those who worked rearing children or as carers, as well as those who are counted as "dependents" of their spouse, not as pension recipients in their own right.

The Pensions Commission makes useful suggestions to reduce the pension inequality experienced by carers in particular, although the Commission did not have the remit to look at all inequalities in the system.

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It is not a crisis that more of us are living into older age. It is a success story. Most people can look forward to many years of healthy older age. But like many successes, there is a price to be paid.

The question for policymakers is simple: Will you will fund an *adequate* State Pension for all of us when we age, or will you shrink the value of the State Pension by lowering the rate or raising the pension age?

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Age Action agrees with the Pensions Commission that the State Pension should be the "bedrock" for income in older age, and that it should continue to be funded annually from tax and social insurance.

People have paid their social insurance on the basis that the State Pension will provide a basic, but *adequate* income in older age.

Yet we know from those who have contacted Age Action that the lived experience of many older people is a weekly struggle to make ends meet.

And we know, from our budget analysis, that inflation has reduced the spending power of the State Pension by over ten euro since January 2019, and the five euro increase next year will only make up for half of that lost spending power, while inflation will continue to rise.

We can define adequacy using evidence like the Minimum Essential Standard of Living, supplemented by costs that are particular to people in older age – such as healthcare costs. We need a comprehensive cost of ageing study so that the State Pension becomes based on this evidence.

Age Action agrees with the Pensions Commission about benchmarking and indexation of the State Pension against prices and against earnings. This is done across Europe, and it is essential to prevent older people from falling behind as the economy develops.

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The Pensions Commission makes recommendations for raising social insurance over time, including self-employed and employers' PRSI which are among the lowest in Europe. More detailed analysis is needed of these proposals, not least an audit of the likely effects on equality of outcome for older people. For example, it would be unjust to force retirees – such as former semi-state employees – to pay PRSI on modest occupational pensions when they have no entitlement to the State Pension.

As expected, given their terms of reference and the Programme for Government objectives, the Commission re-introduces the proposal to raise the State Pension age, starting at 66 years and 3 months in 2028, culminating at 68 in 2039 (or potentially older in later years).

This proposal remains premature. How can we move the State Pension age when a large proportion of employment contracts have a mandatory retirement age of 65? How can we propose people work until 68 when people in their 50s and 60s find it so difficult to get job interviews due to ageism?

The Commission has also not made a compelling case that changing the State Pension age will save a great deal of money. The Department of Social Protection's analysis is that the payment of alternative forms of welfare will negate much of what savings might be achieved.

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The Commission rightly identifies the problem of mandatory retirement clauses forcing people out of work a year before they have any State Pension entitlement. At a minimum, these should never be lower than the State Pension age. But Age Action calls on the Government to go further, to ban mandatory retirement entirely. Allow people to keep their jobs for as long as they wish if they are fit to continue work. And do more to root out ageism in the labour market, which makes it so hard for older people to find new opportunities.

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Age Action has a vision of a fair and flexible State Pension system.

This should allow people to stop working once they have done a lifetime's work – which the Commission suggests is 40 years of contributions – and in older age everyone should have an adequate income to live in dignity. They should have the security of knowing their pension income is indexed to the cost of living and earnings, so that it will rise along with the rest of the economy.

Policymakers have a moral responsibility to ensure the State Pension is adequately funded, through fair and progressive increases in taxation and social insurance.

Everyone should have the choice to continue working for as long as they wish if they are fit to continue work. And some people need to, due to housing costs and other demands. No one should be forced to give up their jobs against their will. And no one should be forced to accept inferior terms and conditions at work because of their age.

The success story of healthy ageing and longer lifespans is a great achievement. It is now over to policymakers to take the necessary steps to fund an adequate State Pension, so that everyone can look forward to full participation and social inclusion in older age.