



## Submission to the Oireachtas Committee on Social Protection, Community and Rural Development and the Islands on Budget 2024

*Age Action is Ireland's leading advocacy organisation on ageing and older people.  
Age Action advocates for a society that enables all older people to participate and to live  
full, independent lives*

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## Summary

### For Budget 2024, Age Action is calling for the government to...

➤ **Benchmark and index the State Pension, to provide older people with greater security.**

The full rate of the contributory State Pension should be benchmarked against 34% of average industrial earnings, as has been proposed since 1998. This minimum standard should not be diluted by changing the definition of average earnings as has been proposed by a sub-committee of the Commission on Pensions.

The non-contributory State Pension should also be benchmarked at 34% of average earnings.

Annual changes to the State Pension should be underpinned by legal certainty, so that rate changes to the State Pension are no longer a 'political football'.

➤ **Restore the spending power of the State Pension to fully counteract the effects of ongoing price inflation.**

The full rate of the contributory State Pension has lost €25/week in spending power relative to 2020. It requires a €30/week increase in the rate in 2024 to give the State Pension the same spending power it had in 2020. (€30 in 2024 has the same spending power as €25 had in 2020).

➤ **Target measures to decrease poverty and deprivation.**

The Living Alone increase should be increased from €22 to €30/week, to target poverty that is concentrated among older people living alone.

The Fuel Allowance rate should be increased from €33 to €40 to target energy poverty and to help reduce excess winter mortality.

Recipients of Qualified Adult Increase should receive the over-80s increase.

➤ **Conduct a cost of ageing study to inform policy to achieve income adequacy for older people.**

The current State Pension tends to assume home ownership or a social tenancy, whereas a growing number of recipients are and will be private renters. With longer life expectancy, older people have to meet more one-off costs such as home repairs and retrofitting, modification of their homes for accessibility, health and social care costs, replacing worn out furniture, a second-hand car and/or a boiler. A cost of ageing study would provide the evidence about the range of costs facing older persons, so that State Pension policy can be redesigned based on new realities.

## (1) Lived experience and poverty

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*“I really tried to use less oil and electricity to a point where it was not a very pleasant winter.”*

*“I am glad they helped us out a bit, but if they are talking about a ‘living wage’ what about a ‘living pension’? When you are young you can go anywhere to improve yourself. When you are old you have very few choices.”*

*“My savings keep going to nil after any emergencies. I try my hardest to save. My income means less and less each week.”*

*“I do worry because I’m dipping into my savings just to live and pay my bills, what will I do when my savings are gone? No way will I be able to meet the expense of a medical emergency or home repairs.”*

*“Inflation is the great fear of all who live on a fixed income.”*

—Respondents to Age Action survey on incomes, 2023

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Most older persons will turn to their own resources before seeking state support, but the reality is that many older people are running out of options. High inflation has eroded the spending power of private and occupational pensions, which often are not inflation-linked. Savings gain near-zero interest but their spending power has been eroded too.

Most older persons rely on the State Pension as the ‘bedrock’ of their income, and so it is essential that the core rate of the State Pension rises with inflation.

Successive governments have chosen to prioritise low taxation over social protection, which has meant greater prosperity for some but hardship and deprivation for others to an extent that does not occur in other wealthy EU countries.

- Severe material deprivation in Ireland affected 5.1% of the population in 2021, which ranked Ireland 14<sup>th</sup> out of 27 EU member states. Deprivation was as low as 1.1% in Finland, 1.4% in Sweden and 1.8% in Slovenia.<sup>1</sup>

Risk of poverty among older adults (65+) in Ireland is ranked 10<sup>th</sup> in the EU.

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<sup>1</sup> <https://ec.europa.eu/eurostat/databrowser/view/tespm030/default/table?lang=en>

- In 2020, 18.7% of older people in Ireland were at risk of poverty or social exclusion. The lowest rates were 7.3% in Luxembourg and 10.8% in France. The average rate across the EU was 19.4%.<sup>2</sup>

Note that the above figures were from *before* the cost-of-living crisis.

Poverty and deprivation are rising for older adults due to high price inflation, with risk of poverty having doubled and consistent poverty more than tripled since 2020.

- The Survey of Income and Living Conditions (SILC) 2022 showed that the risk of poverty among people aged 65+ was 19% (up from 9.8% in 2020).
- Deprivation among older adults was 12.7% (up from 8.1% in 2020).
- Consistent poverty among older adults was 3.3% (up from 1% in 2020).<sup>3</sup>

At the launch of the SILC data, the CSO said that the overall rise in national poverty was driven by more older persons falling below the poverty threshold. In 2020, many older persons' incomes were just above the poverty line, but in 2022 they were below it.

While some of the rise in poverty may have been countered by the exceptional one-off lump sum payments, not everyone received those payments and they did not fully compensate for the loss of spending power. The one-off payments went some way to addressing the lost spending power of the State Pension, but they did not compensate for other losses in spending power not least from savings.

The level of poverty among older people living alone was already very high in 2020, the majority of whom are women.

- The Survey of Income and Living Conditions 2022 showed that the risk of poverty among people aged 65+ living alone was 33.6% (up from 20.5% in 2020).

There is gender inequality in the State Pension system, as women who have spent long periods as full-time carers are often disadvantaged and do not receive a full rate pension.

Only two-thirds of State Pension recipients are on the full rate, with many receiving a lower rate including one in five on a substantially lower rate. This means that poverty-proofing based on the full rate fails to account for those on lower rates.

## **(2) The State Pension will lose €25/week in spending power in 2024**

The key concept here is *spending power*. While a household might have the same or an increased nominal income, they can often afford fewer goods and services than they previously could.

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<sup>2</sup> <https://ec.europa.eu/eurostat/databrowser/view/TESPM090/default/table?!lang=en&category=es.tespm>

<sup>3</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2022/poverty/>

Cumulative inflation of 18.9% between 2020 and 2024 means that what €100 would have bought in 2020 now costs €118.90. Putting that the other way around, €100 in 2024 will only have the *spending power* that just over €84 had in 2020.

Some components of the cost of living will rise faster (e.g. energy, food), while some prices will rise at a lower rate or may even decline (e.g. clothes, communications). The lived experience for households is that their incomes need to stretch much more to purchase the same amount of goods and services.

Table 1. Spending power of €100 relative to 2020

Year	Annual average price index (2016=100)	Annual average Inflation (%) <sup>4</sup>	Cumulative annual average Inflation (%) <sup>5</sup>	Average spending power of €100 relative to 2020
2020	101.78	Baseline	Baseline	€100.00
2021	104.18	2.4%	2.4%	€97.66
2022	112.31	7.8%	10.4%	€90.58
2023	118.15	5.2% (p)	16.1% (p)	€86.13
2024	120.98	2.4% (p)	18.9% (p)	€84.10

(p) = projected

As shown below, the spending power of the full rate contributory State Pension has declined significantly, despite nominal increases of €5 in 2022 and €12 in 2023.

Table 2. Loss of Spending Power (Contributory State Pension) – figures in brackets are negative

Year	Average spending power of €100 relative to 2020	Maximum weekly rate Contributory State Pension	Spending power relative to 2020	Change in weekly spending power (€)	Change in weekly spending power (%)
2020	€100.00	€248.30	€248.30 baseline	€0 baseline	0% baseline
2021	€97.66	€248.30	€242.49	(€5.81)	(2.3%)
2022	€90.58	€253.30	€229.44	(€18.86)	(7.6%)
2023	€86.13 (p)	€265.30	€228.50	(€19.80)	(8.0%)
2024	€84.10 (p)	€265.30 [2023]	€223.12	(€25.18)	(10.1%)

(p) = projected

Based on the latest projections for inflation in 2023, the maximum rate of the contributory State Pension is currently €19.80/week (8%) lower in spending power than the same payment in 2020. By 2024, the same rate will have lost €25/week in spending power, which equates to a loss that year of over €1,300 (10%) unless the weekly rate is significantly increased to restore spending power.

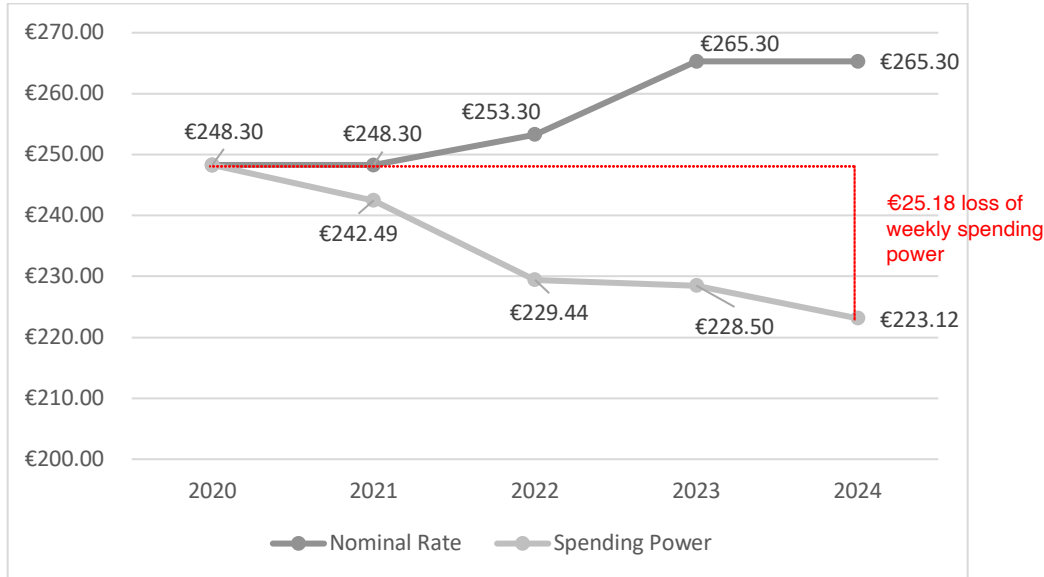
<sup>4</sup> Inflation forecast for 2023: <https://assets.gov.ie/248921/06485a37-fbda-4612-8015-a746dd3a4cfc.pdf>

Inflation forecast for 2024: <https://assets.gov.ie/236336/20d6e7e9-dc17-4875-9965-7aa2d1719923.pdf>

<sup>5</sup> Inflation over four years is the product not the sum;  $1.024 * 1.078 * 1.052 * 1.024 = 1.189$

The failure to index welfare rates against the cost of living means that austerity has been imposed on the 1.5 million recipients of a weekly social protection payment and the other members of their households who are beneficiaries of that income.

Figure 1. Maximum Rate Contributory State Pension (nominal rate versus spending power relative to 2020)



For the maximum rate contributory State Pension, the nominal rate of €265.30 will have the *spending power* of €223.12 in 2024, more than €25 below the *spending power* of the State Pension in December 2020, which was €248.30.

**Budget 2024 needs to raise the maximum rate of the contributory State Pension by €30/week (in 2024 euro) if its spending power is to be restored to what it was in 2020.<sup>6</sup>**

### (3) One-off payments have not compensated and will not compensate for this ongoing loss

The value of the one-off cost of living payments does not offset the ongoing cumulative loss of spending power since 2020 for a single person on the full rate contributory State Pension.

<sup>6</sup> €29.94 in 2024 has the same spending power as €25.18 in 2020 (which is the extent of lost spending power).

Figure 2. The value of one-off payments versus lost spending power (all figures in 2020 spending power)

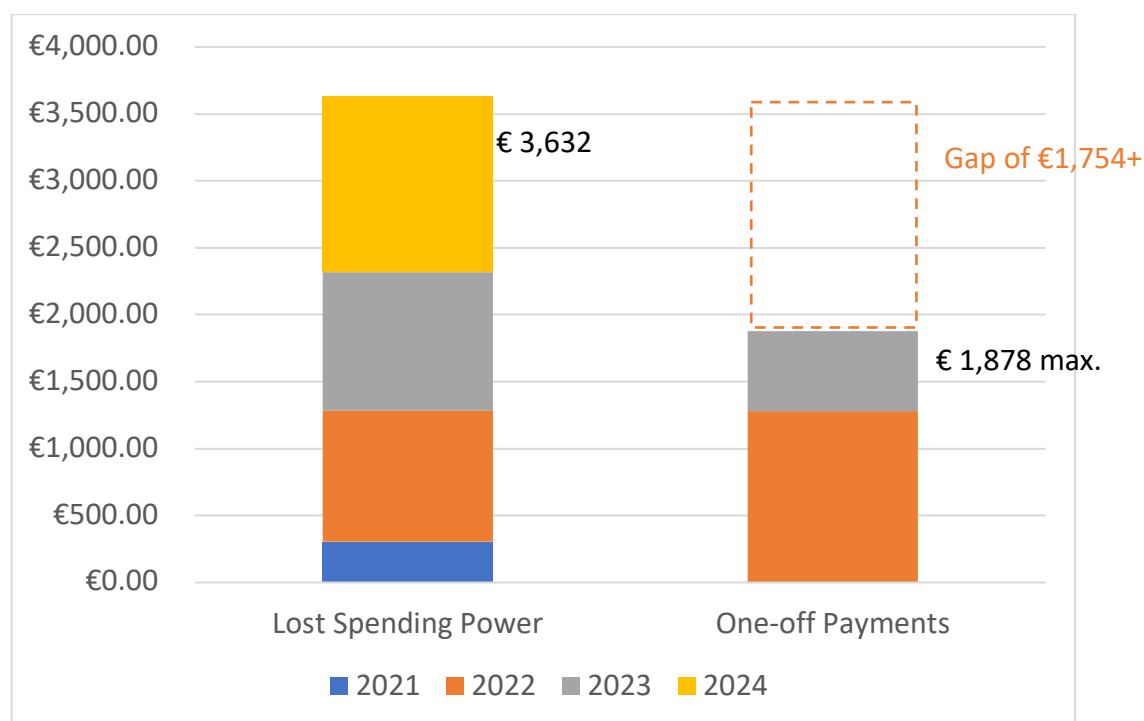


Table 3. State Pension Annual Loss of Spending Power versus Emergency Payments – figures in brackets are negative

Year	Change in weekly spending power (€)	Annual loss of spending power (€) <sup>7</sup>	Cumulative annual loss of spending power (€)	Value of lump sum payments – best case scenario (€)	Difference (€)
2020	€0 baseline	€0 baseline	€0 baseline	€0 baseline	€0 baseline
2021	(€5.81)	(€302.95)	(€302.95)	€0	(€303)
2022	(€18.86)	(€983.42)	(€1,286.37)	€1,278 *	(€8)
2023	(€19.80)	(€1,032.43)	(€2,015.85)	€600 **	(€1,416)
2024	(€25.18)	(€1,312.96)	(€2,345.39)	-	(€2,345)

*Best case scenario*

\* 2022 measures: €225 Fuel Allowance plus €200 electricity credit (Budget 2022), plus additional €200 credit, double welfare payment €253.30 and €400 Fuel Allowance allocated in 2022 by Budget 2023.

\*\* 2023 measures: €400 electricity credit (Budget 2023) and €200 welfare lump sum (February 2023).

<sup>7</sup> Weekly rates are multiplied by 52.143 to reflect a full calendar year.



As the table shows, a person on the full rate contributory State Pension will have lost a cumulative €1,416 in spending power by the end of 2023, despite the €5 and €12 rate increases, and despite receiving €1,878 in one-off payments.

The situation of couples is worse, as they experience a larger loss of spending power but often share the same one-off payments (such as the energy credits or one-off fuel allowance payments).

The problem is that prices are still going up (albeit at a lower level), so social protection rates need to rise to fully compensate people for higher food and energy costs that will be the 'new normal'. Also, one-off payments only offset the higher cost of living in one year, whereas the new higher costs will occur every year from now on. Every year where one-off payments are used instead of raising the core rate, the spending power of the State Pension (and other welfare payments) falls further behind.

#### **(4) Targeted income supplements remain an important adjunct to the State Pension**

The primary means of achieving income adequacy in older age should be through raising the rate of the State Pension, sufficient to allow older people to live independently and to be socially included.

However, only two-thirds of State Pension recipients get the full rate and a fifth receive a significantly lower rate. The State Pension was also designed based on some implicit assumptions, such as homeownership or a social housing tenancy, whereas there is a growing number of older persons living in the private rented sector, who will be unable to afford market rents on just a State Pension.<sup>8</sup>

From age 80, most older persons are widows or widowers, and many of them are living alone. The financial cost of running a home is not halved when a person is bereaved, but often their income is severely reduced. The Living Alone Increase to the State Pension is an extremely important supplement that is instrumental in reducing poverty, as poverty among older persons is concentrated among those living alone.

In 2022, the risk of poverty for a couple aged 65+ was 14.1% but it was 33.6% for a single adult aged 65+. The deprivation rate was 9% for older couples but 16.8% for older adults living alone. And the consistent poverty rate was 1.6% for older couples but 8.1% for older adults living alone.<sup>9</sup>

Qualified Adult Increases to the State Pension are below the rate of the contributory or non-contributory pension, which many older persons (mostly women) feel discriminates against them, especially those who left work due to the marriage bar or lack of childcare, and the many who worked as unpaid carers.

Many older persons may be homeowners but they do not have the income to substantial upgrade or renovate their home, meaning that they have poor thermal

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<sup>8</sup> See, for example, [https://www.nesc.ie/app/uploads/2023/02/159\\_private\\_rental.pdf](https://www.nesc.ie/app/uploads/2023/02/159_private_rental.pdf)

<sup>9</sup> <https://www.cso.ie/en/releasesandpublications/ep/p-silc/surveyonincomeandlivingconditionssilc2022/poverty/>

insulation and high energy costs. That is why Age Action is calling for an Energy Guarantee for Older Persons.<sup>10</sup> The expansion of Fuel Allowance to move people over the age of 70 from January was a welcome development, and it is expected that more older persons will avail of this scheme in the coming winter as awareness of the opportunity grows.

Nonetheless, unlike some other European countries, Ireland has high excess winter mortality, meaning increased deaths during the winter months above the mean mortality rate of the non-winter months. One study found excess winter mortality of 18-28% in Ireland, the UK and southern European countries, while no such differential was found in the Nordic countries or other northern European countries where a greater level of home thermal insulation is the norm. Another study found 19.7% excess winter deaths in Ireland in the period 1980-2013, the highest rate of all northern European countries and more than twice the rate in Finland or Iceland.<sup>11</sup> The implication of these studies is that thousands of people in Ireland die prematurely every year due to poorly insulated housing stock and/or inability to afford an adequate level of home heating. For reasons like this, there needs to be continued focus on the cost of energy and the provision of income supplements to ensure that people can stay warm in their homes.

To target the high concentration of poverty among older persons living alone, Age Action is calling for the Living Alone Increase to rise from €22 to €30/week, to target poverty that is concentrated among older people living alone. The Fuel Allowance rate should be increased from €33 to €40 to target energy poverty and to help reduce excess winter mortality. Recipients of Qualified Adult Increase should receive the over-80s increase.

## **(5) Private and occupational pensions have lost spending power too, often with no increase**

Those older persons who have a private or occupational pension are likely to experience a further loss of spending power. Some pension schemes may increase their weekly payment, but few of them are likely to match the level of inflation seen in 2021 and 2022. Many private and occupational pensions will not offer any increase, meaning that retirees will experience the full extent of lost spending power from their other pension incomes in addition to the State Pension's lost spending power.

Some public pension schemes—whose recipients are ineligible for the State Pension due to the class of PRSI they paid at the time—haven't had an increase since 2008. Their spending power is falling with no compensation.

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<sup>10</sup> [https://www.ageaction.ie/sites/default/files/age\\_action\\_energy\\_guarantee\\_for\\_older\\_persons.pdf](https://www.ageaction.ie/sites/default/files/age_action_energy_guarantee_for_older_persons.pdf)

<sup>11</sup> [https://www.friendsoftheearth.ie/assets/files/pdf/still\\_left\\_out\\_in\\_the\\_cold\\_-\\_full\\_report.pdf](https://www.friendsoftheearth.ie/assets/files/pdf/still_left_out_in_the_cold_-_full_report.pdf)

## (6) Savings have lost spending power

Savings are also eroded by inflation. Some older persons rely on cash savings to supplement a low income in older age, although most older persons have little or no cash savings. Half of older persons have cash savings of €12,300 or less.<sup>12</sup>

Bank interest rates for savings are close to zero,<sup>13</sup> which means that inflation is not offset by deposit interest. And government bonds offer low levels of interest (e.g. 0.59% AER for a five-year bond).<sup>14</sup> The loss of savings' spending power is particularly acute for people with a modest level of savings who do not have the capacity to make more complex investments to protect the value of their savings.

By 2024, many savers will have lost nearly 16% of the spending power of their savings.

Table 4. Loss of Spending Power of Cash Savings 2020-2024 – figures in brackets are negative

Year	Nominal cash savings (example)	Spending power of €100 relative to Dec. 2020	Spending power of €10,000 in cash savings (relative to Dec. 2020)	Cumulative loss of spending power from €10,000 cash savings	Cumulative loss of spending power from €10,000 cash savings (%)
2020	€10,000	€100.00	€10,000	€0	0%
2021	€10,000	€97.66	€9,766	(€234)	(2.3%)
2022	€10,000	€90.58	€9,058	(€942)	(9.4%)
2023	€10,000	€86.13	€8,613	(€1,387)	(13.9%)
2024	€10,000	€84.10	€8,410	(€1,590)	(15.9%)

The loss of savings' spending power is likely to leave a scarring effect on the financial resilience of many older persons. It will reduce people's ability to cope with one-off costs and it will lead to greater insecurity about the future.

## (7) Spending on old age social protection is too low

The state needs to step in to safeguard the incomes and standard of living of older persons, but total public spending in Ireland is much lower than the EU average.

- In 2021, measured as a percentage of GDP, Irish public spending was the lowest in the EU at 24.8%.
- When the figure of GNI\* is used instead to remove distortions caused by multinational activity,<sup>15</sup> Ireland's public spending was 45.5% of GNI\*, the lowest

<sup>12</sup> CSO, 2018, <https://data.cso.ie/table/HFC2011>

<sup>13</sup> See, for example, <https://personalbanking.bankofireland.com/app/uploads/2021/03/03/Personal-Banking-Customer-Rate-Sheet-16th-March-2021.pdf>

<sup>14</sup> <https://www.statesavings.ie/our-products>

<sup>15</sup> GNI\* in 2021 was €230.7 billion, which represented 54.5% of GDP of €423.5 billion.

level of public spending in western Europe (excluding Luxembourg, whose GDP figures are similarly distorted) and ranked 18<sup>th</sup> out of the 27 EU member states.

- The level of public spending across the EU was 51.4%, and the highest level of public spending was in France, at 59% of GDP.

Irish public spending on social protection is the lowest in western Europe.

- Irish public spending on social protection (as a percentage of GNI\*) is ranked 17<sup>th</sup> in the EU at 16%. As a percentage of GDP it is the lowest at 8.7%.
- The average across the EU was 20.5%.
- The highest level of spending was 24.8% in France.

Irish public spending on old age social protection is joint second lowest in the EU.

- In 2021, Irish public spending on old age social protection was 3.5% of GDP or 6.4% of GNI\*, with Cyprus lowest on 6.3% and Lithuania on 6.4%.
- The average across the EU was 10.8% and the highest was Italy at 14.3%.<sup>16</sup>

The low level of spending on social protection can be partially explained by Ireland's relatively young population, low unemployment and the structure of our welfare system, but the bigger picture is that the welfare 'safety net' in Ireland is simply smaller than in many other EU countries, especially the wealthier countries of north-western Europe.

Measured in terms of GDP per capita, Ireland is one of the wealthiest countries in the world, but much of that theoretical wealth is held by multinational corporations and is not reflected in the living standards of most people in Ireland.

In the period 2020-2022, tax and social insurance revenue increased from €67.6 billion to €97.2 billion. While some of this revenue may not be sustainable in the long-term, Ireland could still afford to spend much more on social protection.

As the percentage of GNI\* figures show, Ireland also has significant capacity to raise funds through tax and social insurance to provide a stronger welfare safety net. The idea that increasing social protection is too expensive or unaffordable is clearly false when Ireland is compared to other European countries. Likewise, the idea that the ageing of the population makes the state pension unaffordable is equally false, given how far below other countries Ireland's spending on old age social protection is currently.

## **(8) The structure of the Irish State Pension is atypical, and provides far less income replacement than those in other EU countries**

It is sometimes said that the rate of the Irish state pension is higher than in most other EU countries, but this is a deceptive claim.

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<sup>16</sup> [https://ec.europa.eu/eurostat/databrowser/view/GOV\\_10A\\_EXP\\_custom\\_6245743/default/table?lang=en](https://ec.europa.eu/eurostat/databrowser/view/GOV_10A_EXP_custom_6245743/default/table?lang=en)

In Ireland, there is only one tier of state pension providing a basic (contributory) rate for all, with not everyone getting the full rate. In all other EU countries there is also a second-tier, top-up state pension.

In Austria, Belgium, Czechia, Finland, Greece, Hungary, Luxembourg, Portugal, Slovenia and Spain the second tier provides a defined benefit pension in addition to the basic rate. Other countries offer a hybrid, points-based or defined contribution additional pension income above the basic rate.<sup>17</sup> The lack of a second-tier state pension – and the lack of private or occupational pension coverage to fill the gap – largely explains why the income replacement rate of pensions in Ireland is so low.

- In 2021, in Ireland, pensions from all sources received by people aged 65-74 replace 39% of the earnings from work of people aged 50-59. The EU average was 58% and the highest rates were 81% in Luxembourg and 79% in Spain.<sup>18</sup>

To address this issue, the state developed an auto-enrolment pension saving scheme, which is meant to commence in 2024 (although this is not certain). This will be a defined contribution pension, which is a weaker form of second-tier pension. It remains to be seen what level of additional income replacement it will provide.

There are some advantages to the structure of the Irish (first tier) state pension. The high basic rate is more effective at taking people out of poverty than an earnings-based approach. Nonetheless, it has inherent inequities and anomalies, and greater public spending on old age social protection is needed to eliminate poverty and inequalities among older people, especially with our ageing population.

## **(9) Recent pension reforms show some promise, but more is needed to ensure fair and flexible pensions for all**

Successive governments have upheld a commitment to ensure the full rate contributory state pension is at least equal to 34% of average earnings. This pledge is developed in *The Roadmap for Pensions Reform 2018-2023*<sup>19</sup> and *The Roadmap for Social Inclusion 2020-2025*<sup>20</sup>, and a technical analysis of the benchmark is conducted as part of the *Report of the Commission on Pensions*.<sup>21</sup>

However, this pledge has not been met and technical sub-committee 4 of the Commission on Pensions proposes a definition of average earnings that substantially weakens the original intent. Age Action rejects any attempt to dilute the original commitment.

The potential of deferring the State Pension until up to age 70, or receiving a State Pension before 66 for those with long PRSI records who are unable to continue in

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<sup>17</sup> <https://www.oecd-ilibrary.org/sites/ca401ebd-en/1/3/3/1/index.html?itemId=/content/publication/ca401ebd-en&csp=9d37797bd84847326841f27f588be463&itemIGO=oecd&itemContentType=book#tablegrp-d1e152>

<sup>18</sup> <https://ec.europa.eu/eurostat/databrowser/view/TESPM100/default/table?lang=en&category=es.tespm>

<sup>19</sup> <https://www.gov.ie/en/publication/abdb6f-a-roadmap-for-pensions-reform-2018-2023/>

<sup>20</sup> <https://assets.gov.ie/46557/bf7011904ede4562b925f98b15c4f1b5.pdf>

<sup>21</sup> See, in particular, *Technical Working Paper 4: Benchmarking and Indexation* <https://www.gov.ie/en/publication/6cb6d-report-of-the-commission-on-pensions/>

arduous work are both welcome developments, but the detail of these proposals is yet to be seen. Likewise, more information is needed on the government's welcome commitment to improving the pension provision of long-term carers.

Pensions reform has yet to meaningfully address some major concerns, such as how the Qualified Adult Increase (QAI) to the contributory State Pension leads to inequalities. It is means-tested, despite the State Pension being based on PRSI contributions. QAI is paid to spouses (typically women) as a direct payment rather than to their spouse, but it is at a lower rate than either State Pension and does not get all associated benefits (such as the €10 increase at age 80, or the recent one-off €200 payment). Where couples set up joint accounts to manage their affairs later in life, this can lead to a spouse losing their weekly QAI income entirely.

## **(10) Raising the State Pension is affordable and sustainable**

It is false to claim that keeping the State Pension age at 66 has made or will make the overall pension system much less affordable.

The Report of the Commission on Pensions calculated the effect of raising the pension age to 68 versus keeping it at 66. They found that the cost of the State Pension by 2070 would be 12.3% of GNI\* if the pension age was 66 or else 11.5% if the pension age went up to 68. Given the starting point was 7.4% of GNI\* in 2019, the cost by 2070 increases by 4.1% of GNI\* for the larger proportion of older persons in the population and by just 0.8% of GNI\* for retaining the pension age at 66.<sup>22</sup>

Most of the extra cost (84%) is due to our ageing population not keeping the pension age at 66, which accounts for just 16% of the extra cost. Therefore the Commission calls for substantial PRSI increases to cover the cost of the state pension, and raising PRSI significantly would still have had to occur even if the pension age was 68. As shown earlier, Ireland's spending on old age social protection is among the lowest in the EU, so there is a lot of scope to increase that spending without going beyond typically European levels.

Inflation has boosted some parts of tax revenue (e.g. VAT), and some of this increase is likely to be a structural part of the economy. While many analysts warn that corporation tax receipts (and other taxation associated with multinationals) may be unsustainable, or at least unpredictable, there has been nonetheless a steady and substantial increase in tax and PRSI receipts.

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<sup>22</sup> See Table 11.4 for the source data, <https://assets.gov.ie/200480/564ea175-28b2-417d-aa9b-3f1750225310.pdf>



Table 5. Tax and PRSI Receipts 2020 to 2023 (projected)<sup>23</sup>

Year	Tax revenue (excluding corporation tax) (€bn)	Corporation tax revenue (€bn)	Total tax revenue (€bn) <sup>24</sup>	PRSI receipts (€bn) <sup>25</sup>	Total tax and PRSI receipts (€bn)
2020	45.3	11.8	57.2	10.4	67.6
2021	53.1	15.3	68.4	11.1	79.5
2022	60.1	22.6	83.1	14.1	97.2
2023 (projected)	66.8	21.1	87.9	15.1	103.0

As shown in Table 5, receipts from tax and PRSI in 2023 are projected to be €35.4 billion higher in 2023 than in 2020, an increase of over 52%. However, spending on social protection in 2023 is projected to be €23.9 billion, down 4% on 2022,<sup>26</sup> and only up 15% on social protection spending of €20.8 billion in 2019 (before COVID) despite inflation.

When both revenue and spending on social protection are adjusted for inflation, the increase in tax and PRSI in 2023 relative to 2020 is €30.5 billion, whereas the allocation to social protection is €20.5 billion, lower in real terms than in 2019.<sup>27</sup>

In its *Budget 2023 Economic & Fiscal Outlook*, the government projects further substantial increases of tax revenue in 2024 and 2025, based on VAT, excise and income tax as well as corporation tax.<sup>28</sup> More recent reports are that projected tax receipts will be even higher, with a surplus of up to €65 billion over three years.<sup>29</sup> Not all of this money is ‘one-off’ and the windfall aspect of the taxes hides the fact that Ireland’s tax base is still relatively narrow compared to other European countries. There is both scope and need to increase PRSI to strengthen the social protection safety net.

A further €10 increase to all basic social protection payment maximum rates – and pro rata increases to partial rates, qualified adult increases and qualified child increases – would have cost €781 million in Budget 2023.<sup>30</sup> Given the scale of increased tax and PRSI revenue, increasing welfare in line with inflation would have been and remains

<sup>23</sup> <http://databank.finance.gov.ie/FinDataBank.aspx?rep=TaxYrTrend>

<sup>24</sup> 2023 forecasts from the *Estimate of Receipts and Expenditure 2023*: <https://assets.gov.ie/235462/f1c115c7-c61c-4c14-8606-f201ae21408e.pdf>

<sup>25</sup> PRSI receipts for 2020 and 2021 from *Further Revised Estimates 2021* <https://assets.gov.ie/134267/96a8af61-53f4-4fe1-baa6-4fa84aee14f6.pdf> ; PRSI receipts for 2022 and 2023 from *Revised Estimates 2023*

<https://assets.gov.ie/244538/26edc78f-49db-454f-817f-b27a40d030bc.pdf>

<sup>26</sup> <https://assets.gov.ie/244538/26edc78f-49db-454f-817f-b27a40d030bc.pdf>

<sup>27</sup> €35.4 billion multiplied by 0.8613 to reflect cumulative inflation in the period 2020-2023 and €23.9 billion multiplied by 0.8562 to reflect cumulative inflation in the period 2019-2023.

<sup>28</sup> <https://assets.gov.ie/236336/20d6e7e9-dc17-4875-9965-7aa2d1719923.pdf>

<sup>29</sup> <https://www.irishtimes.com/politics/2023/05/09/cabinet-to-be-briefed-on-proposals-for-using-large-budget-surpluses/>

<sup>30</sup> [https://public.tableau.com/views/TaxandWelfareExchequerTool220722/ExchequerDB?%3Alanguage=en-US&publish=yes&publish=yes&%3Adisplay\\_count=n&%3Aorigin=viz\\_share\\_link&%3AshowVizHome=no](https://public.tableau.com/views/TaxandWelfareExchequerTool220722/ExchequerDB?%3Alanguage=en-US&publish=yes&publish=yes&%3Adisplay_count=n&%3Aorigin=viz_share_link&%3AshowVizHome=no)

easily affordable and safely prudent in terms of public spending. It would also be better targeted than electricity credits to all households.

Most social insurance payments are taxable, so net spending on social protection is significantly lower than gross spending, which should also be considered when judging the affordability and distributional impact of welfare rate increases.