



**Pre-Budget Submission 2016
Department of Social Protection**

***'I am on a survivor's pension. All it allows me
to do is to survive.'***

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List of Recommendations

1. Increase the weekly State Pension by €5 per week in order to address rising costs and the cumulative impact of the previous budgets in terms of loss of income and the introduction of new taxes and charges [cost of €117.5m].
2. Restore the full Telephone Allowance over the next two budgets. In Budget 2016 we recommend that the cut introduced in October 2013 is reversed with Budget 2017 reintroducing the full Telephone Allowance [cost of €48m].
3. Increase the Living Alone Allowance by €2.40 in order to restore real value to this payment [cost of €25m].
4. Restore the full Christmas Bonus in Budget 2016 to Contributory and Non-Contributory State Pension recipients [cost €106m].
5. Begin to reverse the six weeks cut from the Fuel Allowance by extending the scheme by three weeks in Budget 2016 [cost €22.5m].
6. Allow those in receipt of the Fuel Allowance to receive it in the form of two lump sum payments if they are using home heating oil.
7. Increase funding to the Free Travel Scheme to ensure that it continues to operate in a means that addresses passenger needs and covers the development of new routes. Change the operation of the scheme to that new routes are eligible, and indeed obliged, to join the scheme.

1. Introduction

Age Action was established in 1992 as the voice for older people and the leading advocacy organisation on ageing issues.

We act both as a network of organisations and individuals, including older people and carers of older people, and a service provider, assisting thousands of older people every year.

Our mission is to empower all older people to live full lives as actively engaged citizens and to secure their rights to comprehensive high quality services according to their changing needs.

2. Context

Since 2009, an older person dependent on the State Pension and the Household Benefits Package has seen their weekly income cut by €13.18 per week. With less money, they have struggled to meet the demands of new taxes, charges and rising energy prices.

In April, Minister for Finance Michael Noonan TD said in the Spring Statement that up to €1.5 billion would be available in Budget 2016 for a combination of tax cuts and public expenditure. The Government has decided to allocate this funding equally between tax cuts and spending.

Older people spent a lifetime building this country. They shouldered their share of the austerity burden. As the economy returns to growth, they have a legitimate expectation that the sacrifices they made will be acknowledged and that some of the cuts they endured will be reversed.

It is also important to appreciate, as the Minister for Social Protection has herself observed, that spending on income supports remains the single biggest economic stimulus to the economy delivered by the State. Increases in the State Pension and other income supports will have a positive knock-on effect on the domestic economy, helping to drive economic growth and to restore employment.

3. Development of Pre-Budget Submission 2016

Feedback from our members on the development of this submission.

“Because we are older does not mean we are less important.”

“What I see as missing is a long term strategy for dealing with an ageing population, as people are living longer it is important to introduce changes at governmental level to ensure that the senior citizens have a good quality of life, many over 60 and 65 years are well and healthy and contribute to society in various ways.”

“I have to draw on savings every month to pay bills. When savings run out, I can’t begin to imagine what will happen as I get older and less able to maintain the house and pay regular bills.”

Age Action’s policies and campaigns are driven by our members and supporters.

In preparing our pre-budget submission, we met with more than 150 older people in Cork, Dublin, Galway and Monaghan. As in previous years, a core concern is the reduction in income for older people.

Our members identified three key reasons why their weekly income has been reduced so much:

- The introduction of new taxes and charges;
- An increase in prices, particularly for medicine and fuel;
- And the cuts to secondary income supports like the Fuel Allowance and the Telephone Allowance.

One of our members spoke for many others when she said, ‘I am on a survivor’s pension. All it allows me to do is to survive’.

There is also a palpable frustration and anger among our members at the myth, pushed by some political and media voices, that older people were insulated from austerity. While the State Pension may not have been reduced, the cumulative impact of the cuts and restrictions to other income supports has put huge strain on older people.

A particular cause of anger among our members continues to be the abolition of the Telephone Allowance. We are currently collecting evidence which suggests that some older people have been forced to cancel their telephone service because of the abolition of this payment.

As well as addressing social isolation, particularly for older people living in rural parts of the country, the abolition of the allowance makes it much more difficult for older people to avail of phone-based security services.

Accessing health and social care are also key concerns for our members. Many spoke about the loss of the medical card and the impact that this has on their ability to access timely health and social care.

The reduction in funding to other health budgets has meant that there is an increased financial burden in meeting health costs. One simple illustration of this is the reduction in availability of transport to hospital appointments. Many older people must now pay for taxis or subsidised transport which can eat into already reduced incomes. We will be making a separate submission to the Department of Health on these issues.

4. Restoring Older People's Incomes

Quotes from our members from our booklet, *Growing Older In Ireland*

“We saved for our security.”

“Every month I have to draw out of my savings.”

“Increases in costs and the introduction of new charges are doing away with our freedoms more and more.”

Our members have consistently told us that the introduction of new taxes and charges in the recent austerity budgets has had a profound impact on their incomes.

The substantial increase in price of many goods and services purchased by older people has been masked by a comparatively minor rise in overall inflation.

Poverty Rates

The latest official poverty statistics from the CSO indicate that 9.2% of people aged 65 years and over were ‘at risk’ of poverty in 2013¹. This means that almost one in ten older people were living on less than 60% of the median income.

While this represents a fall when compared to the 2012 figures, the same cannot be said for the deprivation rate. In 2013, 16.1% of those aged over 65 years experienced deprivation. This means that 91,500 older people were simply unable to afford basic goods and services in 2013. In 2009, the last year in which the State Pension was increased, the deprivation rate was much lower at 9.5%.

As Table 1 illustrates, consistent poverty fell from 2012 to 2013 from 2.6% to 1.9%. Older people living in consistent poverty are those that must survive on lower than 60% of the median income and who also experience deprivation.

¹ CSO (2014) *Survey on Income and Living Conditions 2013* – available at <http://www.cso.ie>

Table 1 Poverty rates for those aged 65 years and over 2009-2013

| | 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 |

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

Increases in prices

The increasing inability of older people to afford basic goods and services is an issue we hear often when we engage with our members.

Table 2 Changes to Income Supports (Budgets 2009-2015)

- Reduction in the value of the Household Benefits Package
- Abolition of the Telephone Allowance
- Cut of six weeks to the Fuel Allowance in Budget 2012, which is an annual reduction of €120
- Privatisation of waste management services leading to loss of the bin waiver
- Cuts to the Housing Adaptation Grant and new eligibility restrictions
- Changes to the number of contributions needed to receive the State Pension greatly reduced the value of the State Pension for some individuals
- Abolition of the Bereavement Grant
- Abolition of the Christmas Bonus followed by partial restoration in 2015

The last increase in the State Pension was in January 2009. Since then, the overall change in CPI from January 2009 to May 2015 was 2.2%. However, as illustrated in Table 3 below, the price of many goods and services purchased by older people have risen far greater than that during this time. In particular the rising cost of fuel, coupled with a reduction in the means-tested Fuel Allowance, has had a double impact on many of the most disadvantaged older people.

The cost of health insurance has become particularly unaffordable with an 83% increase over the last number of years, forcing many older people to rely on the public system which itself has faced reduced funding. The increase in both travel and car insurance has been substantial during this time. Calls from older people to our information line indicate that actual increases in these costs can often be much higher due to age-related loadings.

Table 3 Increases in the Consumer Price Index January 2009 and May 2014 (Base = 100 Jan 2009)

| | | | |
|---|-------|-----------------------------|-------|
| Overall CPI | | 102.2 | |
| Home Heating | | Travel | |
| Liquid Fuel | 143.5 | Taxi | 104.1 |
| Gas | 106.5 | Petrol | 149.2 |
| Natural Gas | 104.6 | Diesel | 138.5 |
| Electricity | 113.1 | Motor Tax | 121.8 |
| Solid Fuel | 110.8 | | |
| | | Insurance | |
| Health | | Car Insurance | 132.7 |
| GP Fees | 97.8 | Health Insurance | 183.1 |
| Dental Fees | 111.8 | Dwelling Insurance | 117.4 |
| Therapeutic Aids and Appliances | 105.8 | Travel Insurance | 115.5 |
| Hospital Services | 113.6 | | 106.7 |
| | | General | |
| | | Newspapers / Periodicals | |
| Source: CSO (various years) CPI Sub-indices - available at http://www.cso.ie/ | | | |

To further emphasise the impact of rising costs, research undertaken by the Vincentian Partnership for Social Justice in 2013² noted that while overall CPI fell by 0.15% 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% and 7.34% respectively.

New taxes and charges

As with many others, older people have struggled to meet the demands placed on them by new charges and taxes introduced in recent years. Our members have repeatedly identified the property tax, particularly the lack of a waiver system for those on low incomes, as having a very damaging impact on their finances.

Rising property prices, particularly in Dublin, make increases in the property tax inevitable and we believe this will pose a risk of serious hardship to older people who may own property but be reliant entirely, or mostly, on the State Pension.

² VPSJ (2013) Changes in the cost of a MESL in Comparison to CPI Inflation – available at <http://budgeting.ie>

Table 4 Introduction of new taxes and charges

- Introduction of household charge (€100 on all households) and the subsequent introduction of a property tax with no waiver scheme for those on low incomes
- Introduction of the Universal Social Charge
- Introduction and increases in carbon tax (€15 per tonne in 2011 to €20 per tonne in 2012; introduced on solid fuels at €10 per tonne in 2013, with a doubling of the latter coming into effect in May 2014)
- Increases in VAT (increased at the maximum level from 21% to 23% in Budget 2012)
- Increases in motor tax
- Increases in capital gains and capital acquisition tax (increased from 25% in 2011 to 30% in 2012 and 33% in 2013)
- Introduction of water charges with no waiver for those on low incomes

5. Income Supports from the Department of Social Protection

Reactions from our members to Budget 2015

“Budget 2015 represents an utter dismissal of the older person. It’s like we don’t exist and the present government treats us with pure cruelty and disdain.”

“Older Citizens were hardly mentioned. Things that were taken from pensioners were not restored. Giving back just 25% of the Christmas bonus was arrogant, and insulting.”

“The small increases in allowances have been wiped out by property and water taxes.”

In 2012 the CSO confirmed the importance of state transfers as a key protection from poverty for older people³. The report states that public transfers⁴ comprise 63.4% of the household’s disposable income for those aged 65 years and over.

As would be expected for older households, earnings from employment account for just under 13% of household income with 6% coming from private pensions, investment income and property income, and 17% from occupational pensions.

To this end, the State Pension has provided a critical and often sole source of income for many older people during the recession.

³ CSO (2012) *Survey on Income and Living Conditions – Thematic Report on the Elderly 2004, 2009 & 2010* – available at <http://www.cso.ie/>

⁴ Refers to all types of cash benefits paid to older people such as the State Pensions and the Household Benefits Package.

The Household Benefits Package provides an important supplementary support, particularly for those solely reliant on the State Pension. It is targeted at those aged 70 years and over, as well those on low incomes between 60 and 70 years.

As outlined in Table 5, previous budgets have seen significant changes to elements of the Household Benefits Package. The Christmas Bonus was removed for those in receipt of the State Pension, though we do acknowledge it was partially restored in Budget 2015.

As the table illustrates, the weekly fall in income for a pensioner, dependent on both the State Pension and the Household Benefits Package is €13.18 since January 2009.

The actual sums of money might, at first, seem small but their cumulative impact is substantial. Put simply, older people have lost almost 5 per cent of their income since 2009, while simultaneously trying to cope with rising prices and new taxes.

While the monetary decrease in income provides older people with difficulties in making ends meet, the removal of some supports has had a wider impact. For example, the cut to the Telephone Allowance in Budget 2013 followed by its abolition in Budget 2014 has led many older people to cancel their telephone contracts.

Having a telephone is essential for older people to stay in contact with family and friends (addressing isolation) and as a connection to the pendant alarm system (addressing security concerns).

| Table 5 Income supports comparison 2009 versus 2015 | | |
|--|---------------------|---------------------|
| Income | January 2009 | January 2015 |
| State Pension | €230.30 | €230.30 |
| Christmas Bonus (weekly equivalent) ⁵ | €4.42 | €1.11 |
| Household Benefits Package | | |
| Telephone Allowance | €6.00 | €0.00 |
| TV Licence | €3.08 | €3.08 |
| Electricity | €9.63 | €8.07 |
| Fuel Allowance | €12.31 | €10.00 |
| Total | €35.44 | €22.26 |
| Difference | | €13.18 |

⁵ The Christmas Bonus was removed in the April 2009 supplementary Budget.

Older people living alone

Pensioners living alone have been hit hardest. The costs of heating, light and fuel are the same for these households as those with more than one adult or income. While there was a welcome increase to the Living Alone Allowance in Budget 2015, the weekly rate still fails to allow lone pensioners to make ends meet.

Research from the Vincentian Partnership for Social Justice has consistently shown that lone pensioners do not have an adequate income for a Minimum Essential Standard of Living.

Their latest research⁶, which takes account of last year's increase, says that pensioners living alone face a shortfall against the minimum standard of €16.07 for those on a non-contributory pension, and €6.47 for those on a contributory pension.

It is imperative, now that the economy moves further into recovery that Budget 2016 and those budgets that follow it, continue to restore older people's incomes.

Recommendations:

1. Increase the weekly State Pension by €5 per week in order to address rising costs and the cumulative impact of the previous budgets in terms of loss of income and the introduction of new taxes and charges [cost of €117.5m].
2. Restore the full Telephone Allowance over the next two budgets. In Budget 2016 we recommend that the cut introduced in October 2013 is reversed with Budget 2017 reintroducing the full Telephone Allowance [cost of €48m].
3. Increase the Living Alone Allowance by €2.40 in order to restore real value to this payment [cost of €25m].
4. Restore the full Christmas Bonus in Budget 2016 to Contributory and No-Contributory State Pension recipients [cost €106m].

⁶ Vincentian Partnership for Social Justice (2015) *Minimum Essential Standard of Living 2015* – available at <http://budgeting.ie/>

6. Addressing Energy Poverty

The experience of energy poverty amongst older people is particularly acute for a variety of reasons.

These include:

- 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;
- A higher level of disability and chronic ill-health are reported amongst this age group (CSO, 2007).

In addition to this, consumer behaviour among older people means they are less likely to switch providers due to brand loyalty. Lower rates of access to the internet, along with an aversion to falling into arrears,⁷ can mean many older people do not benefit from increased competition in the energy market.

A longer-term strategy is to tackle energy poverty through increasing the energy efficiency of people's homes. The Better Energy: Warmer Homes Scheme administered by the Sustainable Energy Authority of Ireland (SEAI) is integral to achieving this and is a buffer against energy poverty for older people. The introduction of smart metering will also encourage people to be more energy efficient.

It is imperative that home energy efficiency programmes continue to be funded and that they are targeted towards those on low-incomes and those living in energy poverty.

Furthermore, 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. As it stands this tax is deeply regressive and it is imperative that low income households and those at risk of energy poverty are not affected by future increases in the carbon tax.

⁷ 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.

Recommendations:

5. Begin to reverse the six weeks cut from the Fuel Allowance by extending the scheme by three weeks in Budget 2016 [cost €22.5m].
6. Allow those in receipt of the Fuel Allowance to receive it in the form of two lump sum payments if they are using home heating oil.

7. Transport

Free Travel Scheme - Survey of Age Action Members (2014)

"I would be totally isolated without my bus pass."

"It keeps me in touch with family and friends which I could not afford to meet up as often."

"People who use the free travel scheme are also a welcome source of income to the local economy and business owners in the places they visit."

"The scheme enables older people to engage in social activities, take short breaks, and remain active and combat isolation. While some people own cars, with age, they become nervous, are scared to drive on busy roads and are totally dependent on public transport."

The first goal of the National Positive Ageing Strategy is 'to remove barriers to participation and provide more opportunities for the continued involvement of people as they age in all aspects of cultural, economic and social life in their communities according to their needs, preferences and capabilities'⁸.

The provision of an accessible and affordable transport system is identified as an objective in delivering this goal. The Strategy states that people should be enabled 'as they age to get out and about through the provision of accessible, affordable, and flexible transport systems in both rural and urban areas'⁹.

The Free Travel Scheme and the Rural Transport Initiative are essential to achieving this objective.

In relation to the former, in 2014 Age Action carried out a survey of our members to explore the importance of this support. We received 514 responses and from this the following findings provide an insight into the value of this support for older people:

- 78% stated that they used their Pass at least once a week with 30% stating they used it on a daily basis;

⁸ Department of Health (2013) *National Positive Ageing Strategy* – p. 13 – available at <http://health.gov.ie>

⁹ Op.Cit.

- Respondents took an average of six journeys in the week preceding their completion of the survey;
- Respondents undertook a mixture of economic and social activities with their pass - 76% used it when going shopping; 72% when attending health / medical appointments; 71% when visiting family and friends and 70% when attending social or cultural events.

In a second survey, conducted in 2014, we asked our members what the most important supports were to them. Forty-three per cent of respondents indicated that the Travel Pass was one of their most important supports.

It is particularly vital for those who may no longer be able to drive due to health reasons. Data from the CSO indicates that a lower proportion of older people compared to younger age cohorts have a current drivers licence along with having lower car ownership rates¹⁰.

Table 6 Expenditure and Number of Travel Pass Recipients

| | €'000 | Number of recipients |
|---|--------|----------------------|
| 2009 | 73,489 | 678,477 |
| 2010 | 74,094 | 699,164 |
| 2011 | 75,597 | 726,412 |
| 2012 | 75,518 | 754,731 |
| 2013 | 75,477 | 782,529 |
| Source: Department of Social Protection, Statistical Information on Social Services (various years) – available at http://www.welfare.ie | | |

Under the Programme for National Recovery 2011 to 2014¹¹, funding for the Free Travel Scheme has been frozen at 2010 levels. This is illustrated in Table 6 along with a corresponding growth in the number of recipients. Ultimately this has led to a situation whereby more people are using this support without a corresponding increase in funding. For instance, in 2009, the per-person funding was €108 whereas this had fallen to €96 in 2013.

While the follow-on statement on the Programme for Government published in July 2014, the Statement for Government Priorities, makes a commitment to the full protection of the Free Travel

¹⁰ The proportion holding a drivers license falls off with age - 67% of those aged 70 to 79 years and 36% of those aged 80 years and older had drivers license compared to for example 81% amongst those aged 40 to 49 years. See <http://www.cso.ie/en/populationandmigrationestimatesapril2013> and <http://www.cso.ie/en/transportomnibus2013>. Car ownership is also lower amongst households aged 65 years and older (72%) than those younger households (for instance 89% amongst those aged 45 to 49 years) – Census 2011.

¹¹ Department of Finance (2010) *The National Recovery Plan* <http://www.budget.gov.ie/The%20National%20Recovery%20Plan%202011-2014.pdf>

Scheme¹² a commitment must be made to increasing funding for the scheme in order to ensure it remains viable.

As noted in our submission to Budget 2015¹³, we are aware that a working group comprised of representatives from the National Transport Authority and the departments of Social Protection, Transport and Public Expenditure Reform is currently reviewing the scheme. We would urge the department to publish its findings.

Finally the privatisation of many bus routes has raised much concern with older people who are in contact with Age Action. Since 1 January 2011 there have been 91 new bus licences issued to private operators which are not permitted to join the Free Travel Scheme. The National Transport Authority has also made clear to Age Action that even if policy was to be changed to allow private operators to join the scheme for new routes, there is no obligation on them to do so.

In effect, the number of routes on which the Free Travel Pass does not operate is increasing as private operators are licensed to provide a service on new routes. This poses a long-term threat to the operation of the Free Travel Scheme.

Recommendation:

7. Increase funding to the Free Travel Scheme to ensure that it continues to operate in a means that addresses passenger needs and covers the development of new routes. Change the operation of the scheme to that new routes are eligible, and indeed obliged, to join the scheme.

8. Conclusion

We look forward to discussing our recommendations at the Minister's Pre-Budget Forum on 3 July. If you require any further information please do not hesitate to contact us at the details below.

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¹² <http://www.taoiseach.gov.ie/Statement-of-Government-Priorities-2014-2016>

¹³ Age Action (2014) *Pre-Budget Submission 2015* – available at <http://www.ageaction.ie/>

