



Paper of

Mr. Justin Moran

Age Action Ireland

delivered to

The Citizens' Assembly

on

08 July 2017



Submission to the Citizens' Assembly on

How we best respond to the challenges and opportunities of an ageing population



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.

Summary and Recommendations

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

We want to make Ireland the best country in the world in which to grow old and we work with older people to build a society free of ageism where their rights are secured.

We welcome the opportunity to speak to the Citizens' Assembly to inform its work on how we best respond to the challenges and opportunities of an ageing population.

As requested, we are focusing our contribution on two main areas:

- An adequate income for older people;
- Mandatory retirement.

At the conclusion of the document we outline some recommendations we would encourage the Citizens' Assembly to consider and we look forward to discussing these ideas and your own proposals at the meeting on 8 and 9 July.

1. AN ADEQUATE INCOME FOR ALL OLDER PEOPLE

The State Pension is the main source of income for those aged over 65. Up to three-quarters of their income are public transfers of which the State Pension is the most important.¹

Ensuring that all of us who hope to grow old have enough to live with dignity cannot be left to retirement. Less than half of those aged between 15 and 64 have a private pension.²

During the recession our members repeatedly emphasised that new taxes and charges³, coupled with rising prices⁴ and a reduction in secondary income supports⁵ had a profound effect on their incomes.

A freeze in the weekly rate of the State Pension from 2009 to 2016 meant that many older people struggled to keep their homes warm and to pay food and medical bills.

“The State Pension is too low, especially since the extra charges were thrown at us. I find it hard to live on €233 a week and pay the property tax...along with the everyday expenses e.g. oil, phone, food and clothing and if one is lucky, like me, to own a car (it’s 10 years old) for getting the groceries that too can become a headache with rising costs of insurance and motor tax along with NCT bills and upkeep of the vehicle. It’s certainly hard. That’s my opinion” (Response to Age Action Budget 2017 Consultation).

Older people see health insurance as essential because they are more likely to need timely access to health and social care services. House insurance is also a necessary purchase as older people are more likely to be residing in owner-occupied accommodation.

“Having private health insurance is the most important thing for older people and it takes almost the complete occupational pension to pay for private health insurance for my wife and myself. As we are retired 30 years the occupational pension has lost a large amount of its value.” (Response to Age Action Budget 2017 Consultation).

In 2010 the Government published the National Pensions Framework⁶, which sets out its plan to reform the pension system. While some of its recommendations, including increasing the pension age, have been implemented one of the key measures has not.

¹ OECD (2016) *Pensions at a Glance 2015 – OECD and G20 Indicators*. Available at: http://www.keepeek.com/Digital-Asset-Management/oecd/social-issues-migration-health/pensions-at-a-glance-2015_pension_glance-2015-en#page3

² CSO (2016) *Quarterly National Household Survey (QNHS): Module on Pensions (Q4 2015)*. Available at: <http://www.cso.ie/en/releasesandpublications/er/q-pen/qnhsmoduleonpensionsq42015/>

³ 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.

⁴ 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.

⁵ For older people solely dependent on the State Pension and secondary supports such as the Household Benefits Package, the Telephone Allowance and the Fuel Allowance, their weekly income fell by over €13 per week between 2009 and 2016 due to cuts in the latter two benefits.

⁶ Department of Social Protection (2010) *National Pensions Framework* - available at http://www.welfare.ie/en/downloads/nationalpensionsframework_en.pdf

The framework states that the Government will set the State Pension at 35 per cent of average earnings “to maintain this aim of preventing poverty for older people.”⁷ This means the State Pension, currently €238.38 at the top rate, should be €248.36.⁸

According to the Department of Social Protection we may be one of only two EU countries with no formula for indexing the pension to some combination of prices, wages or GDP.⁹

It is imperative we introduce a legislative approach in Ireland where the State Pension would rise to 35 per cent of average weekly earnings and then be locked to that figure.

Gender and the State Pension

“I was so shocked, angry and annoyed when I first heard the amount I was to be awarded. It brought back the anger I felt in 1972 when I had to leave my job. I believe I am being penalised for caring for my children”
(Research participant in Age Action’s research *Towards a Fair State Pension for Women Pensioners*).

Many women were obliged to give up work upon marriage, either by law before the end of the marriage ban in 1973, or because it was expected of them. Their record of PRSI contributions can be broken and so they get a lower State Pension than they expected.

This is because the weekly pension rate is calculated on the average number of contributions made over a working life.

For example, if you worked for a few months in 1968 and then left the workforce to raise a family (during which time you didn’t make contributions) before going back to work in 2000, your total number of pension contributions is divided by 48 (the number of years between 1968 and 2016) to find the average.

The lower your average number of contributions, the smaller your pension. In effect, the way the system is structured, your pension would be much higher if you had not worked in 1968.

The Homemakers’ Scheme partly addresses this. It provides a disregard of up 20 years for those who leave the workforce to care full-time. However, it only applies to before 1994 meaning tens of thousands of individuals are still punished in retirement for caring for their loved ones.

In 2012, women were further punished by changes to the qualifying criteria for the Contributory State Pension.¹⁰

Research published by Age Action¹¹ identified 36,000 people who lost out from these changes between September 2012 and June 2016 – one-third of new pensioners – and that number is still

⁷ Op.Cit.

⁸ Based on preliminary seasonally adjusted CSO figures for average earnings for Q4 2016 – available at <http://www.cso.ie/en/releasesandpublications/er/elcq/earningsandlabourcostsq32016finalq42016preliminaryestimates/>

⁹ Presentation to the Joint Oireachtas Committee on Social Protection on 15 December 2016.

¹⁰ For a succinct account of these changes see Age Action (2017) *Reversing the 2012 State Pension Cuts*. Available at https://www.ageaction.ie/sites/default/files/attachments/briefing_paper_3_-_reverse_the_2012_state_pension_cuts.pdf

¹¹ Bassett, M. (2017) *Towards a Fair State Pension for Women Pensioners* Dublin: Age Action.

rising. Of these, 62 per cent were women. Those worst affected lost €30 per week or more than €1,500 per year.

The National Pensions Framework¹² proposes that the link between the number of PRSI contributions and the level of payment received is strengthened.

Such an approach, referred to as a Total Contributions Approach (TCA), is currently being developed by the Department of Social Protection as part of a programme of pension reform. It is critical that these changes address the unfairness in our State Pension system.

2. MANDATORY RETIREMENT

“The frustration of losing my job for no other reason than because I had turned 65 years of age was exacerbated by the financial hardship this policy of mandatory retirement inflicted on me. I was trying to pay a mortgage to the bank and a loan to the credit union at the same time. It was very difficult to keep going. I had to cut right back” (Angela Gallagher, Age Action member)¹³.

Every year in Ireland older workers are forced out of their job for no other reason than they turn 65. This is possible because Irish law permits employers to impose mandatory retirement ages in their employees’ contracts, in effect, creating a set of second-class employment rights for older workers.

How is this legal?

The EU Framework Employment Directive is central to EU labour law. It prevents discrimination against workers on a variety of grounds, including age, and it became law in Ireland in 2005 – but there is a loophole.

Article Six of the directive says that workers can be treated differently because of their age if that is: *“objectively and reasonably justified by a legitimate aim, including legitimate employment policy, labour market and vocational training objectives, and if the means of achieving that aim are appropriate and necessary”*.¹⁴

Irish and EU legal judgements have since defined ‘legitimate aim’ to include facilitating promotion prospects or job opportunities for younger workers.

How does it affect older workers?

There are more people at the age of 65 claiming Jobseeker’s Benefit than at any other age according to figures from the Department of Social Protection.

¹² Department of Social Protection (2010) *National Pensions Framework*. Available at http://www.welfare.ie/en/downloads/nationalpensionsframework_en.pdf

¹³ A full account of Angela’s experience is available on Age Action’s website - <https://www.ageaction.ie/blog/2016/03/03/mandatory-retirement-ireland-age-action-angela-gallagher>

¹⁴ *Council Directive (EC) 2000/78/EC of 27 November 2000 on establishing a general framework for equal treatment in employment and occupation*, available: <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:32000L0078:en:HTML> [accessed 28 June 2017].

This is because workers forced out of their jobs at the age of 65 cannot claim the State Pension until they are 67 – and this problem will worsen when the pension age rises to 68 in 2021.

The workers who have contacted Age Action do not want to work forever, but they want to enjoy a secure retirement. Many have loans to repay, children in further education or other substantial outgoings. Being able to work for a few more years would allow them to know they will not have to worry in retirement.

As well as losing out on their salaries and suffering financially, older people who have been the victims of mandatory retirement have told us about its emotional impact on them.

It makes them feel worthless, undervalued, as if they are ‘over the hill’. Many lose touch with the friends they had in their jobs because of embarrassment over how they were forced to leave, creating a danger of social isolation.

Does it benefit younger workers?

The evidence, from a wide range of sources, indicates that forcing older people out of work does not create jobs for young people.¹⁵

From a 2014 IZA World of Labour report:

“There is no trade-off in the employment of young and old workers: Higher employment for older workers coincides with higher employment for younger workers...Reducing the employment of older persons does not provide more job opportunities for younger persons.”¹⁶

A 2008 IMF report looking at the impact of early retirement on youth unemployment in Belgium:

“We could not observe any positive link between early retirement and youth employment. On the contrary we observe a negative link indicating that the activity rates of both young and elderly workers are sensitive to business cycles.”¹⁷

And the OECD argues that the relationship between older and younger workers is a positive one. Put simply, the more older workers, the better for the economy, the faster our economies grow and the more job opportunities for young people.¹⁸

Iceland, New Zealand, Sweden and Norway are among the top ten countries in the world for youth employment and simultaneously for the employment of older people.¹⁹

¹⁵ OECD Labour Market Statistics, [online] *Employment Rate by Age* available at <https://data.oecd.org/emp/employment-rate-by-age-group.htm>

¹⁶ Böheim, R. (2014) *The effect of early retirement schemes on youth employment*. IZA World of Labour – available: <https://wol.iza.org/uploads/articles/70/pdfs/effect-of-early-retirement-schemes-on-youth-employment.pdf>

¹⁷ Jousten, A. et al (2008) ‘The Effects of Early Retirement on Youth Unemployment’, *IMF Working Paper*, WP/08/30, available: <https://www.imf.org/external/pubs/ft/wp/2008/wp0830.pdf>. p. 29

¹⁸ OECD (2011) *Paying for the Past, Providing for the Future: Intergenerational; Solidarity*. <http://www.oecd.org/els/publicpensions/47712019.pdf>. p.13.

¹⁹ OECD Labour Market Statistics, [online] *Employment Rate by Age* available at <https://data.oecd.org/emp/employment-rate-by-age-group.htm>

Mandatory retirement contradicts Government policy

In April 2013 the Government published the National Positive Ageing Strategy. It outlines Ireland's vision for ageing and for older people and sets out a roadmap of goals and objectives to make growing old in Ireland a positive, fulfilling, experience.

With regard to employment the strategy states:

“There is evidence that longer working lives have beneficial effects on individuals’ physical and psychological wellbeing. Some evidence also shows that workers’ productivity does not necessarily decline with age - any decline in physical capacity is easily compensated by qualities and skills acquired through experience.”²⁰

The removal of “any barriers (legislative, attitudinal, custom and practice) to continued employment and training opportunities for people as they age” is the first objective under National Goal 1 of the strategy.²¹ Mandatory retirement ages are the kind of barrier the strategy is supposed to remove.

Popular and political support

Public opinion also supports the abolition of mandatory retirement ages. A 2012 Eurobarometer survey on ageing issues found that across the EU 61 per cent of respondents felt that people should be allowed to continue working past the official retirement age. The average rises to 65 per cent in EU15 states and was higher again in Ireland at 73 per cent.²²

There is also substantial political support for this proposal. Legislation to abolish mandatory retirement clauses received all-party support in the Oireachtas earlier this year but has since been stalled with no sign of movement.

3. RECOMMENDATIONS TO THE CITIZENS’ ASSEMBLY

- The Government should identify a formula for deciding increases in the State Pension, such as linking it to 35 per cent of average earnings, and put this formula into legislation.
- The Government should reverse the changes to the State Pension criteria introduced in 2012 which have cut the incomes of tens of thousands of pensioners.
- The Government should backdate the Homemaker’s Scheme to 1973, the year the Marriage Bar was lifted, to ensure fairness for those pensioners, men and women, who cared for their families.
- The Government should support the Employment Equality (Abolition of Mandatory Retirement) Bill 2016 currently before the Oireachtas, amending it if necessary, to ensure it becomes law as quickly as possible.

ENDS

²⁰ Department of Health (2013) *National Positive Ageing Strategy* available: http://health.gov.ie/wp-content/uploads/2014/03/National_Positive_Ageing_Strategy_English.pdf. p.24

²¹ Ibid. p. 20.

²² Active Ageing. Special Eurobarometer 378. http://ec.europa.eu/public_opinion/archives/ebs/ebs_378_en.pdf . Pages 71-72.