

# Income for Older People in Ireland: Evidence and Future Challenges

The Citizen's Assembly  
8<sup>th</sup> July 2017  
Malahide, Co. Dublin



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# Outline

- 1. The Income and Living Standards of Older People**
- 2. The State Pension: Importance and Adequacy**
- 3. Some Future Challenges**

# 1. The Income and Living Standards of Older People

- Income
- Poverty & Deprivation
- Wealth

**Table 1. Average composition of pensioner income in Ireland, 2014**

<b>Income Category</b>	<b>Average %</b>	<b>Average Amount €</b>
Employee income	1.9%	359.67
Self-employment income	4.9%	941.41
Private pension income	4.4%	847.75
Occupational pension	27.9%	5,373.82
State old-age related payments	53.1%	10,222.32
Rent income	1.8%	355.71
Investment income	2.0%	385.67
Other direct income	0.0%	1.72
Housing allowances	2.3%	445.89
Other social transfers	1.7%	323.02
<b>Gross income</b>	<b>100.0%</b>	<b>19,256.97</b>

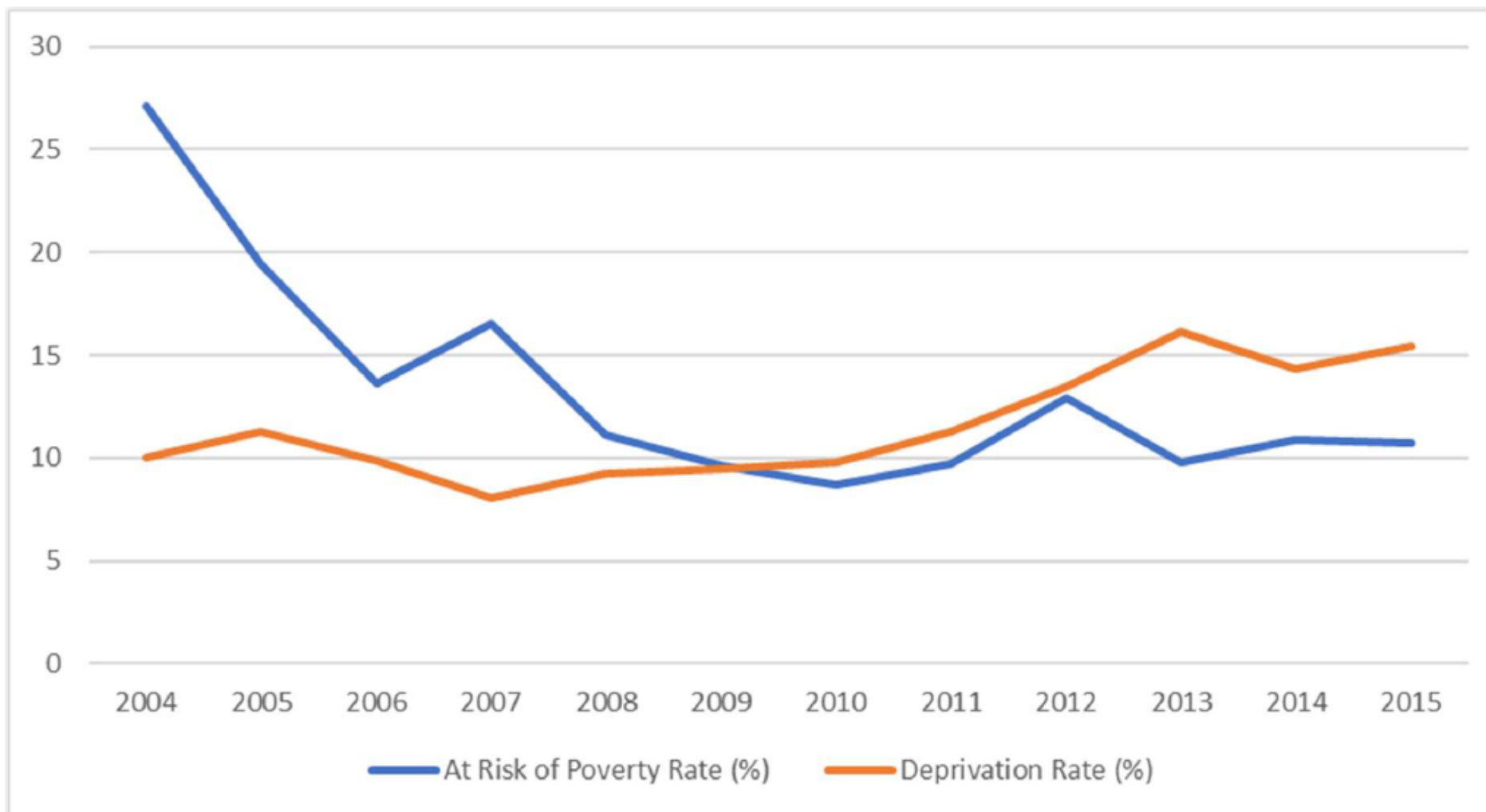
**Source:** Collins and Hughes (2017)

**Note:** Pensioners are defined as those aged 66 years and over. State old-age related payments are the state social welfare pension.

- Poverty

- single pensioner: less than €12,000 per annum (disposable income)
- pensioner couple: less than €19,920 per annum (disposable income)
  
- 10.7% of pensioners live on an income below the poverty line
  
- 16.9% of the population live on an income below the poverty line
- 19.5% of children live on an income below the poverty line

### Chart 1: Poverty and Deprivation Rates for Older People, 2004-2015



- Wealth

- CSO Household Finance and Consumption Survey, 2013

**Table 2: Net Wealth of Households in Ireland in 2013, by age group of reference person**

	Median Net Wealth, €000s	Mean Net Wealth, €000s	Share of Net Wealth
<b>State</b>	102.6	218.9	100.0%
<b>Age Group of Households Reference Person</b>			
<b>Under 35 yrs</b>	4.0	38.0	3.5%
<b>35-44 yrs</b>	31.5	122.5	13.3%
<b>45-54 yrs</b>	157.1	283.4	25.1%
<b>55-64 yrs</b>	195.5	344.1	25.7%
<b>65 yrs +</b>	202.3	348.2	32.5%

Source: CSO Household Finance and Consumption Survey, 2013.

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## 2. The State Pension: Importance and Adequacy

- State pension:
  - = bedrock of pension system
  - = bedrock of the income of most older people

*...it is only among pensioners living in the top 30% of Irish households that the state old-age pension becomes the source of less than half of their annual income*

- Important not to lose sight of this
- Not likely to change dramatically over time...

- Adequacy?
  - Does a relatively good job
- Vincentian Partnership for Social Justice examinations of Minimum Essential Standards of Living
  - establish the cost of a basic, yet decent, standard of living
  - compare incomes to this
  - focus here on those pensioners with only state pension income:

**Table 4: Assessing the Adequacy of Pensioner Social Welfare Income, 2017**

Pension type	Single Pensioner	Single Pensioner	Pensioner Couple	Pensioner Couple
	Non-contributory	Contributory	Non-contributory	Contributory & Qualified Adult
<b>URBAN IRELAND</b>				
Weekly Expenditure	246.98	248.68	309.98	311.69
Weekly Income	247.25	258.55	465.25	408.35
<i>Income Adequacy</i>	<b>+0.27</b>	<b>+9.87</b>	<b>+155.27</b>	<b>+96.66</b>
<b>RURAL IRELAND</b>				
Weekly Expenditure	304.90	305.40	372.25	371.25
Weekly Income	247.25	258.55	465.25	408.35
<i>Income Adequacy</i>	<b>-57.65</b>	<b>-46.85</b>	<b>+93.00</b>	<b>+37.10</b>

**Source:** VSPJ, 2017

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## 3. Some Future Challenges

### 1. *Private Pension Provision and the State Pension*

- The Old Age Pension does a very good job
- State supports for private pensions are very expensive
- Questionable effectiveness...plans to spend more...
- Maybe an enhanced old age pension is the better and cheaper solution
- State can provide this and no more...
- Leave future pensioners and their employers (if any) alone to save beyond this

## ***2. Ensuring the Old Age Pension does not fall behind***

- Danger, in economic recovery, that welfare stays static and all others move on
- Earnings rise, income taxes fall...
- Those dependent on welfare can fall behind
- Happened in late 1990s and early 2000s
- Pensioner Poverty Rates
  - 1994 = 5.3%
  - 2001 = 49.0%



### **3. *Housing Wealth***

- For those older people (now and in future) who are home owners
- Merit in opening up methods of tapping into this
- State scheme (non-profit and over long time horizon)
- Claw back from estate...like fair deal
- Would reduce inheritances for some (so what...) but increase living standards for many older people

#### **4. *Care Infrastructure***

- Need to begin to plan its development...

#### **5. *Understanding the Personal Costs of Retirement***

- How much do you need in retirement?
- Assumed answer is often an exaggerated one:
  - Pensioner couple need €16,174 for a minimum acceptable standard of living
  - So double this: €32,500
  - Really need more than this?
  - Should policy be overly concerned beyond this....

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