

Irish Association of Older People

The following comments are offered by a representative group of older people with experience of living on retirement income.

Social Welfare (First Pillar) Old Age and Retirement Pensions together with “Benefits in Kind” form the bedrock of income for the over sixty fives. In order to maintain purchasing power and benefit from economic growth, pension rates should be linked to average industrial wage rather than to rate of inflation.

Regardless of pension contribution history or pre-retirement earnings, gap between contributory and non contributory rates should, on an ongoing basis, continue to be minimised. In this way, State provision will ensure an income below which no citizen will fall.

Given the fact that increasing numbers of frail, vulnerable but not necessarily ill over eighties are growing old at home rather than in institutional care, Living Alone and Over Eighties Allowances require to be inflation-proofed and regularly reviewed.

The objective as expressed in the Green Paper of securing retirement income from all sources of at least 50% of pre-retirement earnings will require in future co-funding by PRSI, occupational and personal pension contributions at a level to ensure that together with a % of GNP investment, the Scheme or Schemes are self-funding. Consideration should be given in any proposed hybrid model of provision involving the combination of PRSI, occupational and personal contribution to the development of an integrated scheme within the current Social Welfare system and to extend the remit of the National Pensions Reserve Fund Commission and/or the National Treasury Management Agency to manage the fund. The section of the community in a position to make provision for retirement income over and above the Green Paper objective could continue to be catered for within the existing occupational and personal pension industry.

It appears that the Social Welfare Code was originally predicated on the notion of the one income family, with women withdrawing from the paid workforce on marriage. As a result, the vast majority of over sixty five women currently benefiting from the system do so as insured dependents. Changes in the social and economic role of women together with changes in family formation present complexities and anomalies the resolution of which requires an expertise unavailable to us as a group of gifted amateurs. However, insuring people simply as citizens in their own right appears to be the way forward; the State providing for those unable to contribute themselves. We would be particularly concerned about the welfare of our contemporaries who are single women with problematic records of PRSI contributions, unlikely to be house owners and with little in the way of family support. Within the constituency of over sixty fives, they appear to be the most disadvantaged.

It is worth noting that pensioners currently benefiting from defined contribution / defined benefit schemes (now the subject of concern regarding issues around underfunding and the distribution of investment risk) when entering employment forty years ago in difficult circumstances simply accepted as a sine qua non that a percentage of salary should be deducted as “deferred earnings” to provide for periods

when they retired from the paid workforce. In old age, this group appears to be the most economically secure and, indeed, the envy of less fortunate groups.

In a more affluent and financially secure (at least to date) era, there is little interest in provision for the rainy day. So, if the objective is to secure adequate pension cover for 70% of the population, in addition to designing schemes based on accurate and realistic forecasts, profound cultural change will be necessary, perhaps including the introduction of mandatory schemes.

A second objective of the Green Paper is to work towards the development of flexible responses to retirement. A first step might be to remove the statutory requirement to retire at sixty five and to adopt a more flexible approach in some circumstances to ensure that pension cover is adequate. It may also be necessary to offer incentives such as better work/life balance, opportunities for part-time working, etc. It might be useful to bear in mind also that those in physically demanding occupations are often pretty exhausted by the time they reach conventional retirement age and they are also the category most likely to journey into old age bereft of health or financial reserves. Many now in retirement are aware of the fact that ultimately it is the economy which dictates the age profile of the paid workforce. They readily recall the introduction in the 1950-1960s of an Age Limit Order compelling those in the Public Sector over the age of sixty five to retire so as to provide job opportunities for school leavers.

For the last forty years, prophets of doom have been talking about the unsustainable burden in terms of pension, health and social care provision which projected changes in the demographic profile pose. Ireland of course is atypical and is in the happy position of being able to learn from the mistakes of others in planning for the future. In the twenty years in which we in the Irish Association have been working on a daily basis with and for older people, it is clear that those fortunate to reach retirement in reasonable health and with an adequate income are well placed to continue into old age in some comfort. Anecdotal evidence would suggest also that this is the constituency least likely to make demands on Statutory Health and Social Care Providers and to reinvest their skills and life experience in reinforcing the social fabric of communities. They are the generation who, when gainfully employed, bore the burden of the highest dependency rates ever recorded and as emigrants with “invisible earnings” supported their families at home. Having also contributed to the development of our economy, in justice, they are now entitled to share equitably in its success.

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