Opening Remarks to the Oireachtas Select Committee on Budgetary Oversight on Chapters 9-12 of the Taxation and Welfare Commission Report

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

Thank you for the opportunity to address the Taxation and Welfare Commission Report.

Today's session is limited to four chapters but we would also welcome the opportunity to address other recommendations on another occasion.

Age Action endorses the report's top-level recommendation on the need for tax and social insurance revenue to rise significantly to meet the challenges Ireland faces in the years ahead, including sustaining the State Pension as the bedrock of income in older age, and to ensure public services are sufficient to meet everyone's needs.

Regarding **Chapter 9**, tens of thousands of people past traditional retirement age are business owners and the tax system should be used to encourage and support older persons to invest in businesses and to use their capital to support new enterprises.

Regarding **Chapter 10**, there are 80,000 or more people in employment who are aged 66 or older. That's an increase of 50% in five years. Nearly one in five people in employment is now aged 55 or older, up from one in ten in 1998. Older workers are a large and increasingly important part of the labour market – and they can require unique supports.

A growing number of older persons who rent could not afford their housing costs if they stopped working. Some older persons stay in work because their pension income is insufficient. These are issues of immediate and urgent concern.

Recommendations 10.4 and 10.5, about extending PRSI to people aged over 66, concern many older persons.

Pensions in Ireland replaced 39% of an income in 2021 compared to an EU average of 58%. Ireland was the fifth lowest in the EU and the lowest in north or western Europe, and there is a high dependency on the State Pension. Any increase of PRSI on pensions risks pushing older persons into poverty more than it would in other European countries.

Many older persons are on low incomes, especially those living alone. For example, 44% of adults aged 65+ living alone are at risk of poverty.

Age Action has repeatedly called for a national cost of ageing study. Any proposal to change the tax treatment of older persons must be based on detailed evidence of the costs older persons face.

Another problem is that people working beyond the age of 65 can no longer pay PRSI to improve their State Pension. Likewise, they are not eligible for social protection payments like Illness Benefit, despite the fact that many employers will deduct this amount from their wages on the assumption that it will be paid.

But the Commission Report is calling for a “solidarity” rate of PRSI that would not convey these benefits, and this makes no sense to older workers.

Exempting some forms of income like welfare from PRSI would be unfair, as opposed to setting a minimum income threshold. For example, former state enterprise workers did not have the opportunity to pay PRSI that would give them entitlement to a State Pension. But they would pay PRSI on their entire income under these proposals, despite their incomes in some cases being less than the State Pension rate.

Regarding **Chapter 11**, we need to consider the pension reforms that were announced after the Report was published, such as incentivizing people to defer access to the State Pension up to age 70.

The decision to defer will be impacted by individuals' health status and by their tax status before and after retirement. Interactions between the tax and welfare systems like this lead to unintended consequences. The deferred pension proposals will likely make the State Pension significantly more expensive for the State, but without achieving any reduction in poverty among older persons.

Age Action supports Recommendation 11.1 that secondary benefits should be developed on a cross-departmental basis to avoid anomalies, but it should be extended to apply to older persons. For example, a small increase in the State Pension causes some people to lose the over-70s Medical Card, which is worth far more to them.

Recommendations 11.7 and 11.9 (on the Public Employment Service) should explicitly include advice and services for accessing employment to older persons, including those over the State Pension age.

Recommendation 11.6 (on individualisation of taxation) should not be applied to the current generation of older persons or to those near State Pension age, as individualisation of income taxation would be grossly unfair to those households where women were forced by the State to give up employment, or where women worked in the home as parents and carers.

On **Chapter 12**, the aim of greater gender equality underpinning Recommendation 12.6 (on individualisation) is important as the current State Pension system reinforces gender inequality, with women often receiving lower incomes than men as 'qualified adults' rather than recipients in their own right.

Recommendation 12.1 (on benchmarking) should apply to the State Pension, and a cost of ageing study is needed to provide the evidence for any benchmarking exercise.

Recommendation 12.5 (on introducing a second tier of Child Benefit to lower income households) is important, not only in terms of social solidarity but to those older persons who currently subsidise the household income of their children and grandchildren.

We would be happy to answer the committee's questions on any of these points.