



Remarks to the Oireachtas Joint Committee on Social Protection, Community and Rural Development, and the Islands, on the Impact of Means Testing on the State Pension and other Social Welfare Schemes

Age Action is Ireland's leading advocacy organisation promoting equality for us all as we age.



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Thank you for the opportunity to present to the committee.

Age Action regularly carries out surveys and focus groups with older persons, and many of them are concerned about means tests.

For example, the means test for the non-contributory state pension, for the over-70s Medical Card, for local authority housing grants, for social housing, for Housing Assistance Payments, for Fuel Allowance, for the Telephone Allowance, for a person's spouse or partner to receive an income such as the Increase for Qualified Adults, and the means test to access the nursing home support scheme.

Ireland uses means testing for more than a fifth of spending on social protection (21.3%), twice the EU average of 10.9%.

Inflation has cut the real value of income, meaning that eligibility for many welfare schemes and other supports is far stricter now than it was just four years ago. Most means tests haven't changed since before 2020, despite cumulative inflation projected to be over 20% in the period 2020 to end-2024.

There is no cross-departmental co-ordination. Even when the Department of Social Protection indicates likely changes to the weekly welfare rates, there is no process to automatically adjust means tests in other departments. When welfare goes up, without changes to means tests, hundreds if not thousands of people lose eligibility for vital supports.

There are 'cliff edges' in the rules, where if a person is one euro a week over the eligibility threshold, they get nothing, whereas somebody on one euro less per week may get a supplement or service that is worth far more than the €52 that separates their income from the person who got nothing.

There is a need for partial rates, for supports like the Fuel Allowance, to reduce cliff edge scenarios.

People living alone—often older women—have more than half of the costs faced by couples, and poverty is concentrated among people living alone, yet means tests often don't provide a more generous eligibility criteria for them.

We sent in a detailed submission to the committee on the means test for the Increase for Qualified Adults to the state pension, known as the 'IQA'.

In that submission we argue that the whole concept of an 'adult dependent' is flawed. In 90% of cases, this involves women being financial dependent on men—which exacerbates gender inequality.

Ireland has obligations to treat women and men equally, under the 1979 EU Directive on Equal Treatment in Social Security.

Despite this obligation, the IQA treats many women as second-class citizens. The IQA rules often penalise women, sometimes leaving them with no income at all, such as the case of one man I spoke to. He was 79 and worried about his health. He converted his savings account into a joint account with his wife, so that she would have ready access to money should something happen. As a result of this prudent and largely technical change, his wife lost her weekly IQA income.

Another man, turning 80, was upset because he will get an extra €10/week once he is over 80, but this is denied to his wife on IQA.

We made seven recommendations to the committee in relation to the means test for the IQA payment, including abolishing IQA and giving all current recipients a state pension in their own name, and indexing the means test with inflation.

Means testing causes stress and worry for older persons.

Every year, people phone Age Action worried that they will lose their Medical Card, or some other support, because the pension rate might go up a few euro.

For example, a man in his eighties lost his Medical Card after his social protection payments increased by €10/week. He now pays €80/month more in medical costs, and he had to pay €1,000 to replace a hearing aid that would have been free-of-charge on the Medical Card.

This happens because income thresholds and eligibility criteria for means tests are not linked to inflation or to welfare rates. And it happens all the time.

The Department of Social Protection has been carrying out a wider review of means tests. Age Action recently sent a submission to the Department of Social Protection, and we have sent a copy of that to the committee as well.

We made nine recommendations, including publishing a detailed rationale for Ireland's high reliance on means testing, indexing means tests against inflation and average earnings, making changes to increase fairness and to remove 'poverty traps', and improving cross-departmental co-ordination.

But the whole concept of means testing is problematic.

The wider context for any review of Ireland's tradition of means testing is that there are alternative welfare models across Europe, including countries that use means testing far less often than we do. Some major changes are possible for Ireland when viewed from a medium- to long-term perspective—not least when considering how other small European open economies provide for high levels of productivity and competitiveness while also providing stronger social security, greater gender equality and a greater level of economic equality than Ireland.

Three alternatives to means testing are:

- Universalism—we could simply make more payments and schemes available to everyone, and use general taxation not only to fund them, but to recoup any ‘excess’ income that someone might get from a Social Protection scheme.
- Credited social insurance—we could expand PRSI credits for caring, parenting and other unpaid work, so that more people can access full welfare payments.
- Targeting payments based on other eligibility criteria, not just income or savings—such as once again giving a Medical Card to everyone aged 70 or older based on age, not income.

To conclude, I’d like to read you one older woman’s words, which captures what many people are feeling about our system of means tests:

“It’s that meanness isn’t it, about the little allowance that’s making life slightly easier for you but at the slightest thing, they feel they can just take it from you again.”

ANNEX

Recommendations in relation to the IQA means test

- 1) Abolish the concept of 'adult dependent' within the state pension system, and provide all current IQA recipients with an income in their own name.
- 2) Recognise that 90% of IQA recipients are women and the issue of providing an adequate and independent income to both adults in a couple is an issue of gender equality.
- 3) Formally recognise that the purpose of Ireland's state pension is as an anti-poverty measure, and so reorient the rules to minimise poverty and deprivation.
- 4) Raise the rate of the NCSP to the same rate as the Contributory State Pension.
- 5) Abolish the idea of providing a spouse with a lower IQA (or replacement) based on their partner's PRSI record.
- 6) Elements of the current IQA means test should be incorporated into the NCSP means test, to increase the number of people who can attain a sufficient state pension income to prevent poverty or deprivation.
- 7) Ensure that all means test thresholds are at least indexed against inflation.

Recommendations to the Department of Social Protection on Means Tests

- 1) Commission a cost of ageing study so we have the evidence base to better plan the social protection and other supports that we will need as a society with an ageing population.
- 2) Improve communications and public understanding of means testing.
- 3) Provide a detailed explanation of the rationale for Ireland's high reliance on means testing as opposed to other mechanisms used more extensively in other European welfare systems, including universalism and credited contributions.

- 4) Make means testing more socially just and equitable, for example for people who are ill, for disabled people, for carers, for people who are car dependent in rural areas, etc.
- 5) Benchmark and index means tests against inflation, increases in average earnings and increases in weekly social protection rates.
- 6) Investigate and remove 'poverty traps' caused by means testing and other welfare rules.
- 7) Expand credited PRSI contributions.
- 8) Increase the use of non-financial eligibility criteria to target welfare schemes, to reduce the stringency of means tests or to abolish certain means tests in favour of a universal approach within the target group. For example, a less onerous means test was introduced for the Fuel Allowance for Over-70s scheme because age was eligibility criterion alongside income and savings.
- 9) Establish an all-of-government working group on means testing. For example, the recent Commission on Taxation and Welfare called for the Department of Social Protection to lead a review process of means testing involving all relevant departments and agencies.