DÁIL ÉIREANN

AN COISTE UM FHORMHAOIRSIÚ BUISÉID

COMMITTEE ON BUDGETARY OVERSIGHT

Dé Céadaoin, 17 Bealtaine 2017

Wednesday, 17 May 2017

The Select Committee met at 2 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies

Seán Barrett,	
Richard Boyd Barrett,	
John Brady,*	
Thomas P. Broughan,	
Dara Calleary,	
David Cullinane,	
John Lahart,	
Michael McGrath.	

* In éagmais / In the absence of Deputy Pearse Doherty.

Teachta / Deputy John Paul Phelan sa Chathaoir / in the Chair.

Business of Committee

Chairman: Apologies have been received from Deputies Lisa Chambers, Pat Deering and Stephen S. Donnelly.

The committee went into private session at 2.02 p.m. and resumed in public session at 2.05 p.m.

Pre-Budget Submission: Age Action Ireland

Chairman: I welcome the deputation from Age Action Ireland: Ms Naomi Feely, senior policy officer, and Mr. Justin Moran, head of advocacy and communications, who will make a pre-budget submission on pension provision.

Witnesses are protected by absolute privilege in respect of the evidence they are to give to the committee. However, if they are instructed by it to cease giving evidence on a specific matter and continue to so do, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or an entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

The Joint Committee on Social Protection will deal with specific matters in advance of the budget, but the Committee on Budgetary Oversight will also have input. I call on Ms Feely to make her opening statement.

Ms Naomi Feely: On behalf of Age Action, I thank the committee for its invitation. In my opening comments I will focus on the gender gap in State pensions, especially the implications of the changes introduced to the pension system in budget 2012. My colleague and I are perfectly happy to take questions on broader policy issues related to budget 2018.

I am the senior policy officer at Age Action. I am joined by my colleague, Mr. Justin Moran, head of advocacy and communications. I lead the organisation's policy team. Of critical importance to this work is capturing the lived experience of older people in Ireland. For some time we have been contacted by women pensioners who have highlighted injustices in the current pension system. On foot of such contacts, in 2016 we commissioned research on the impact of changes that took effect in 2012 related to the eligibility criteria for receipt of the State contributory pension. One woman said:

> 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.

Another woman said:

> I was devastated when I received the letter outlining how much I would receive. I am so angry that they have taken the few contributions I made while a student into the averaging. The system is grossly unjust and it is not there to ensure a just and adequate pension but rather to reduce the State's obligation as far as possible.

These quotes are from women who participated in Age Action's research project, Towards a Fair State Pension for Women Pensioners. They are merely a sample of the many who have contacted us. For many of the current generation of older women, legal restrictions, cultural norms and practices during their working lives meant that they often gave up work on marriage or to look after their children. Their contributions to the pay related social insurance system can, therefore, be broken. When averaged, their reduced number of contributions means that they are awarded a lower weekly rate of State pension than they would have expected. A gender breakdown of State pension recipients is illustrative of this, as women are more likely to be claiming a non-contributory rather than a contributory pension payment. For example, in 2015 a total of 62% of recipients of the State non-contributory means-tested pension were women. The trends are reversed in the case of the State contributory pension, with 64% of recipients being men. A typographical error was included in the submission to the committee on this point.

Overall, however, the breakdown is 50:50, in other words, pension recipients are divided equally between men and women. However, we see these disaggregated gender issues when we look at the contributory and non-contributory system.

A further gender disaggregation across the contributory payment bands indicates that only one third of all female recipients of this payment receive the top weekly rate versus two thirds of all male recipients. The overall gendered nature of accessing contributory and non-contributory pension payments was also evident in 2011. This is not, therefore, a recent phenomenon. From 2012 onwards, changes in the eligibility criteria of the contributory State pension made it increasingly difficult to access the top rate of payment, as indicated in table 1 of the presentation. This is mainly because the weekly pension rate is calculated on the average number of contributions made over a working life. The table shows the differences and band changes introduced in 2012, on which I will make some brief comments.

Originally, there were four band payments. In 2012, band 2, which was the band of between 20 and 47 average yearly contributions, was split in three. Until 2012, a person would receive 98% of the payment if he or she fell within this band. However, after the band was split into three, a person who made 20 contributions would only receive 85% of the top rate of the payment.

The rate of payment made to those in bands 3 and 4, which are now bands 5 and 6, was also reduced in 2012. I will cite the example of an individual who worked for a few months in 1968 before leaving the workforce to raise a family, during which time she did not make contributions, and subsequently returned to work in 2000. The average number of pension contributions she made would be divided by 48, which is the number of years between 1968 and 2016. In effect, the weekly pension rate would be much higher if the individual had not worked in 1968 as the average would be divided out over only 16 years. This means the woman in the example and women like her are being punished financially for choices they made decades ago. They are also losing out because the homemaker's scheme, introduced in 1994, is not backdated. As a result, these women, who would generally have carried out their caring duties in the 1970s and 1980s, derive no benefit from the scheme.

Age Action's research on this issue identified 36,000 individuals - one third of new pensioners - who had been negatively impacted by these changes between September 2012 and June 2016. This figure is now undoubtedly higher, and of this number, 62% were women. Those most negatively impacted have lost more than €30 per week or more than €1,500 per year. It should also be noted that many male pensioners have lost out as a result of the changes introduced in 2012 because their contributions were also broken.

Age Action urges the joint committee, in its role of providing Oireachtas oversight of the budgetary process, to consider two recommendations. First, the changes introduced in 2012 should be reversed and backdated in order that those currently affected are placed in the pre-2012 bands again, at least until moves are made towards the total contributions assessment approach planned by the Department of Social Protection for 2020. The second recommendation, which is perhaps a more long-term objective, is that the committee examine ways in which changes could be made to the budget to eliminate the gender pension gap, including the backdating of the homemaker's scheme to 1973 when the marriage ban ended. I thank members for their time.

Deputy Dara Calleary: I thank Ms Feely for her presentation, which told us much of what we know. We have been hearing the same thing every year since 2013. Ms Feely spoke about a generation of women who have been let down by the State through the marriage ban and the absence of child care options. Notwithstanding the poor provision of child care now, child care was non-existent for many of the women in question. The changes made in 2012 are the final insult.

Age Action makes two recommendations. What would be the cost of reversing the 2012 changes and backdating payments? How many people would be affected if the recommendation to backdate the homemaker's scheme to 1968 or 1973 were implemented and how much would such a measure cost?

I will focus briefly on a number of non-pension issues that affect older people. Fuel poverty is frequently raised, specifically the fact that the fuel allowance is not paid from March onwards, despite April often being a cold month, as was the case this year. Is the impact of this issue increasing in terms of Age Action's daily case book?

As the budgetary process recommences, what are Age Action's key priorities for older people?

Ms Naomi Feely: First, on the reversal and backdating of the changes, our information from replies to parliamentary questions presented to the Dáil is that the changes achieved annual savings of €10 million. If the changes were to be reversed today, it would cost approximately €60 million. If payments were backdated for those who have been impacted since 2012, the cost would be approximately €200 million. However, we would need to have updated figures to be precise. Reversing the change would, however, cost €60 million.

Mr. Justin Moran: I will answer the Deputy's question on the homemaker's scheme. The latest figures from the Department show the cost of backdating the scheme would be €290 million. When the Department provided this information in the Dáil it did not make clear on what year the figure was based. We are trying to determine the year on which the figure on the cost of backdating is based.

Deputy Dara Calleary: What year is Age Action proposing?

Mr. Justin Moran: The 2007 Green Paper on pensions referred to backdating the scheme to 1973 and provided a figure of approximately €150 million. The paper acknowledged, however, that its figures were not calculated in detail. Since January, the Department has been indicating that it has done much more substantial work on how it would backdate the homemaker's scheme and has provided an estimate of €290 million for doing so. However, it is not clear which year it used as the basis for backdating, nor is it clear how many people would take it up.

Ms Feely will address fuel poverty, after which I will discuss some of our other priorities.

Ms Naomi Feely: A major issue in respect of the fuel allowance is that the scheme has not been very responsive to the increase in fuel prices. We are often contacted by telephone by older people living alone who may have lost a spouse in the recent past but still face paying the same energy costs. The scheme needs to be responsive to such cases and this will certainly be one our priority areas when we make our budget submission.

The fuel allowance is highly effective as an income support, although it does not address rising costs. What we would like to see is a broader strategy and increased support for making homes more energy efficient. In preparing for this meeting I read some work done on energy poverty by the Vincentian Partnership for Social Justice. It examined the different costs depending on the building energy rating, BER, of houses. It found that in the case of an energy efficient house, a household might spend €35 per week and these costs would be met by the current rate of the fuel allowance. However, those in energy inefficient homes, for example, a house with a rating of BER E1, would pay approximately €83 per week to heat their house. The allowance is not responsive to these differences.

Another issue we encounter with the fuel allowance is that it would be preferable if it were paid in one or two lump sums. Making this change would be straightforward. Older people tend to live in houses that require them to fill a tank of oil which costs a couple of hundred euro. It is very hard to save up a little each week or pay out €100 or €200 for an oil delivery. In many submissions to the Department we have encouraged the payment of the allowance in one or two lump sums. Not everybody will be able to use the payment to buy coal or briquettes every week, which is fine, but we would like the scheme to be administered in that way.

Mr. Moran will elaborate on Age Action's priorities in a moment. With regard to social protection, we would like the 2012 changes to be reversed and moves to be made towards setting a rate for the State pension of 35% of average earnings. We will ask again, therefore, for the pension to be increased. One of the critical issues is the need to review the living alone allowance. The Vincentian Partnership has done good research on adequacy which found that pensioners who live alone have inadequate incomes. We will ask again for an increase in the living alone allowance to take account of energy costs which may previously have been covered by two pensions or by one pensioner and another qualifying adult. Food costs do not automatically halve for a person living alone and the figures indicate that while two-pensioner households may spend €80 per week on food, this only falls to €64 for a pensioner living alone. These are the key things on the income side that we will be looking at. Mr. Moran will speak about the health priorities.

Mr. Justin Moran: Our big focus in regard to health is on home care. Government policy since the late 1960s has been that people be assisted to stay home as far as possible and that the care and supports should be available to enable this. Unfortunately, in the past number of years there has been a reduction in the amount of home help hours provided. The HSE will provide fewer home help hours to fewer people in 2017 than in 2011. A real concern is that the number of people who need it is continuously increasing. The HSE's estimate is that between 10% and 11% of people aged 65 will need home help supports, which works out at approximately 63,000 people. We are supplying home help support to some 50,000 people at present so there is a gap between what the HSE anticipates and what we are fulfilling.

In the immediate future we seek an injection of funding to support home help, as 4,500 people are on a waiting list for home help hours or home care packages and that number will grow. We welcome the effort of the Minister of State with responsibility for mental health and older people, Deputy McEntee, to move forward with a consultation on a statutory scheme to provide home care, which is badly needed. We look forward to participating in the scheme but it is a medium to long-term solution. The immediate problem concerns people who are in hospitals and who cannot get home help hours and family carers who do amazing work but who are driven right to the edge to support people. Social workers tell us they are waiting for recipients of home help hours to die to free up home help hours they can reallocate.

The budget for home help is €192 million and we will be looking for an increase, though we have not come up with a specific figure yet. The HSE has also indicated that it will be looking for investment in this area.

Deputy Dara Calleary: Are the witnesses experiencing difficulties with the fair deal scheme? Can families afford it? The recent Bus Éireann strike highlighted the irrelevance of the bus pass for a lot of older people because they could not access transport. What feedback did the witnesses receive from member organisations on this issue?

Mr. Justin Moran: The biggest issue with fair deal was the fact that the waiting time had extended to 14 weeks but we acknowledge the effort of the Department of Health to reduce that. People are now waiting an average of four weeks for their application to be processed and that is as good as can be expected.

Deputy Dara Calleary: Would Mr. Moran support moves to allow families to use a type of fair deal arrangement for home care if they could afford it?

Mr. Justin Moran: We would agree with the principle but would have question marks about how it would work. To access the fair deal scheme, for example, a person needs to pass a care needs assessment and be assessed as having a level of care that could only be treated in a nursing home. Many people who need home help support would not meet that criterion. Second, with the fair deal scheme, part of the payments are made with a levy on the family home on the basis that one is not in the family home any more but in a nursing home. Home help, on the other hand, is received at home. We will be arguing for a statutory scheme specifically designed for home help and home care, rather than that the fair deal scheme be adapted to fit. They are quite different processes.

We need to avoid setting nursing homes and home care against each other. We need a continuum of care and many older people will never need any home help or home care supports. A percentage will need home help and a percentage will need home care while some will need to go into nursing homes. Consequently, we need investment in quality nursing homes. The funding for fair deal and the application process are working reasonably well at the moment.

As regards transport, we have an information helpline available to people to contact us on benefits entitlements etc. With the threat of the Bus Éireann strike we got a large number of phone calls, particularly from people in rural communities who were concerned about how it would affect them. As Ms Feely mentioned, one of the differences between the incomes of pensioners in rural areas and those in urban areas is transport and we have dealt with a lot of people who have raised the issue of car insurance. They may be eligible for the travel pass but they do not have public transport so it does not make much of a difference to them. They need to keep a car on the road and to pay for petrol or diesel and car insurance. These transport costs are an issue for a lot of older people.

Deputy David Cullinane: Mr. Moran spoke of the commitment of the Minister of State, Deputy McEntee, to the public consultation on a statutory scheme to provide home care services. What is he looking for in that scheme? There are issues with the fair deal scheme. What specific issues need to be addressed in that scheme and in respect of the supports that should underpin it?

Dementia care comes up on a regular basis when I deal with advocate groups for older people. There is a commitment to a national dementia strategy but is it being fully implemented? What areas should be a priority in the upcoming budget?

Chairman: We are not the health committee. We can focus on what is coming up in the budget but not on prioritising-----

Deputy David Cullinane: The last contributor raised a number of issues but was not interrupted as he put his questions. I am of the understanding that the witnesses are here in the context of the upcoming budget.

Chairman: Then the Deputy should ask questions on the upcoming budget.

Deputy David Cullinane: If the Chairman was listening, I asked my questions in the context of the upcoming budget.

Chairman: I was listening. The first part of the Deputy's question did not have anything to do with the budget.

Deputy David Cullinane: I am fully aware of the fact that I am not at a meeting of the health committee.

Chairman: Ask questions about the budget.

Deputy David Cullinane: I have asked questions on the budget. Every question I am putting is in the context of the budget

Chairman: Go ahead, then.

Deputy David Cullinane: It is unprofessional to disagree in the company of witnesses.

Chairman: There is no disagreement among the witnesses. I simply ask-----

Deputy David Cullinane: I am referring to the disagreement between us.

Chairman: -----every member who is present to ask questions about the budget. Please go ahead.

Deputy David Cullinane: The Chairman interrupted. I apologise to Mr. Moran.

Mr. Moran touched on the changes made in 2012 to the State pension. Have they been costed? How much would it cost if we were to reverse the changes made to the bands? Is the transition pension an issue for older people, or one on which Mr. Moran has been lobbied? How does it affect people? Should it be a priority in the upcoming budget? His organisation has put forward alternative budgets in the past. Has this issue ever featured?

There were a lot of secondary welfare cuts, including to pensioners, with home care packages and telephone allowances cut, among other things. Of those, which are the key ones that impact on older people and which the witnesses would like to see reversed?

Mr. Justin Moran: One issue that comes up from people in receipt of the fair deal scheme is the additional charges that nursing homes can apply. If a person is in a nursing home, under the fair deal scheme bed and board will be covered but that person will have to pay additional charges out of income. Under the fair deal scheme, one pays 80% of income to the nursing home and retains 20% but we encounter people who are obliged to pay for everything, from incontinence pads to extra GP services and social activities, out of the 20% of income they are allowed to retain. We are working on a piece of more detailed research in this area which we hope to publish in the coming weeks. We have certainly had experience of people on low incomes who, under fair deal, are supposed to have their choice of nursing home, but who find their choices severely restricted because of the income with which they would be left and the charges with which they would be faced.

In respect of the consultation on home care, Age Action Ireland and about 14 or 15 other NGOs have put together a discussion document which we sent to the Minister and to the political parties' health spokespersons. It identifies the issues we would like to see addressed in the home care consultation. They include clearly defining home care, ensuring we can include assistive technology in the provision of home care, and ensuring it is person centred and geared towards individual need. The consultation must also take account of the needs of the workers providing home help and home care. One of the unfortunate changes of recent years has been the reduction in the amount of time that each home help worker has for a client. There are people who might get 15 minutes in the morning and the evening. That can be very difficult for the worker and, obviously, for the client.

Another issue that must be addressed if we are to introduce a statutory home care scheme is how we are going to pay for it. However, we are hoping that the consultation does not focus primarily on that but rather on reaching agreement and consensus about a vision of home help and home care. We must also address the point made about people with dementia who need home help supports specific to that condition. Once we have that overall vision, we will figure out how to pay for it. It might require increased funds from general taxation or co-payments. We will approach that with an open mind. We would, however, be very concerned about any attempt to means test such a scheme. Many of our members have had quite negative experiences of medical cards in that respect.

On the costing of the State pension for 2012, if it was restored in 2017 it would cost just over €60 million. That is bringing everybody who lost out from 2012 to 2017 back into the bands they would have been in. The per annum cost of maintaining them in those rates would be around €10 million going forward. On the issue of the transition pension, I will hand over to my colleague, Ms Naomi Feely.

Ms Naomi Feely: Coming back to the Deputy's question on the dementia strategy, my understanding is that there is an implementation plan. While we have the national positive ageing strategy, a big issue on which Age Action Ireland has campaigned is the lack of an implementation plan for it. As far as I am aware, there is an implementation plan for the dementia strategy. We have only finite resources for our own work. We tend to collaborate with the Alzheimer Society of Ireland a lot. It has done quite a bit of work on this area so it might be worthwhile for the committee to link in with the Alzheimer Society of Ireland too.

The transition pension was abolished in budget 2014, I think, or perhaps it was in the previous budget. It is no longer available to recipients. It is a big issue for us that a public sector worker is required to retire at 65 but is not entitled to a pension until the age of 66. We hear a lot from people who are forced to retire from their jobs and have to go to the social welfare office and apply for jobseeker's benefit there. As the committee is aware, there are conditions attached to that benefit. We are aware - it was in a newspaper article a few years ago - that people are not really forced to go out looking for a job. Nonetheless, it seems a little unclear to me. We have done quite a bit of work around the issue of mandatory retirement and have called for its abolition. That would be the key issue in respect of the transition pension which, obviously, is no longer available. There might have been one or two people still on the payment in 2015 but that is not the case for this year or last year.

The point about secondary cuts is very important. Our work on previous budgets highlighted that while the State pension was protected, when we added up all the little income cuts such as the fuel allowance, the abolition of the telephone allowance, and the changes in the electricity portion of the household benefits package, older people who were solely relying on the State pension and those supports were facing a cut of €13 per week. That was on top of the introduction of the carbon tax. We also had water charges. A lot of fear was created among our members. Our submission last year called for the reintroduction of the telephone allowance. It is a vital support, allowing people to stay connected through pendant alarms, to phone younger relatives abroad and so on. This year, we are focusing on the fuel allowance and the living alone allowance. The living alone allowance was introduced at a rate of £6, which was converted up to €7.70 when the euro was introduced. Since then, we have only seen one increase, to €9. The Vincentian Partnership for Social Justice research from three years ago indicates that it should be around €11.50. We will be emphasising the issue this year and teasing out the costs. Individuals living alone are facing the same costs as a pensioner couple.

Was there another question from Deputy Cullinane?

Deputy David Cullinane: No, that is it. I thank the witnesses.

Deputy John Brady: I welcome Mr. Moran and Ms Feely. I have heard their contributions at the Committee on Social Protection and am familiar with their work. I thank Age Action Ireland for the work it does for our older population. Older people have been hit detrimentally by the changes introduced in budget 2012. One of my first pieces of work as a newly elected Deputy was to bring forward a motion on pension equality and fairness, which sought to address some of those changes, particularly for female pensioners. The witnesses' submission today highlights those changes from budget 2012. It shows that 62% of recipients receiving the non-contributory pension were women. The Government knew exactly what the repercussions and implications of this measure would be, and that it would increase the pensions gender gap.

The qualifying age for the State pension was also increased to 66, as Ms Feely just said. People have worked all their lives and paid their contributions, yet at the end the goalposts have been shifted. They have been forced onto jobseeker's payments. The latest figures from the Department show that at the end of January this year, there were 5,239 65 year olds forced to sign on. That should be enough to set off alarm bells. We know the impact it has. People who should be receiving their State pension in full are receiving about €40 less on the jobseeker's payment. Many of them never signed on for social welfare before in their lives. I brought forward the pensions equality and fairness motion to try to address these anomalies and reverse the unfair changes that were made in 2012. Unfortunately, it was defeated not just by the Government; Fianna Fáil voted against the motion as well. That would have been an ideal opportunity and an ideal starting point to-----

Chairman: Does the Deputy have any questions?

Deputy John Brady: Absolutely.

Chairman: He has never attended the committee before and he has given a five-minute speech about some motion he introduced. He is here to question two witnesses-----

Deputy John Brady: Yes, and I am leading to the questions now.

Chairman: Just ask them.

Deputy John Brady: I will ask them. Unfortunately, my colleague, Deputy Cullinane was interrupted, and now I am being interrupted as well.

Chairman: Ask the questions.

Deputy John Brady: I will ask the questions.

Chairman: I let you talk for five minutes about the motion.

Deputy John Brady: In fairness, I would like to give a little context to the questions.

Chairman: I have let you do so for five minutes.

Deputy John Brady: Perhaps that is not acceptable to the Chairman. I am not sure how he runs his meetings here-----

Chairman: We ask questions.

Deputy John Brady: -----but that is normally the way I do my business. I give a little context before I lead into the questions.

Chairman: Will you ask the questions?

Deputy John Brady: I will ask the questions when I have finished putting them in context.

We know the impact the changes have had. and we know approximately 5,200 people are receiving reduced jobseeker's payments. Unfortunately, that motion fell. We know the changes introduced in 2012 have impacted on over 36,000 people, who are now receiving lower payments than they would have received had they retired in 2012. Do the witnesses have any updated figures aside from those dated 2016? I think they say in their statement that it is expected and understandable that the figures would increase. Was that critical research that Age Action carried out sent to the Department and the Minister? If so, was it acknowledged, and did the Minister give any feedback on it?

Age Action puts forward a very important and very simple proposal on the fuel allowance. It would be paid in either one lump payment or two lump payments. I put this very point to the Minister and I do not think he really got it. He could not differentiate between someone in receipt of the State pension and someone on a basic jobseeker's. He said he would not consider the proposal because of the challenges and difficulties it would create. The simple point there is that if someone - for example, a young person - signs on, it is hoped he or she will not be on jobseeker's for too long. The simple thing would be to differentiate perhaps between someone who is 65 and someone who is 66 or older. Whether to issue a one-lump payment or a two-lump payment could be considered. We know the challenges people face if they want to get fills of oil. One cannot pay on a weekly basis; it is an upfront payment.

Mr. Justin Moran: I will take the questions in reverse order.

A draft copy of the report was sent to the Department of Social Protection in advance to get its comment, feedback and information. Then, once it was published, copies were sent to the Minister and the Department. We received an acknowledgement from the Minister. We have not had an opportunity to discuss the report with him but we have discussed it with officials from the Department of Social Protection as recently as Monday as part of a bilateral meeting with the community and voluntary pillar.

Regarding updated figures, we wanted to use the figures we had in the report because the Department gave us them quite specifically. I believe a parliamentary question about this was asked last year. I forget the exact figure, but more than 40,000 were affected by the cuts from 2012.

Regarding the Deputy's last point about the transition pension and mandatory retirement, it is a very good example perhaps not of a budgetary cross-cutting theme, but certainly a Government cross-cutting theme. A decision was made to increase the State pension age to 66 by abolishing the transition pension - in effect, that was what was done - and it will increase to 67 and then to 68, but mandatory retirement clauses were left uncut. If one does one and not the other, one then ends up with the anomaly the Deputy has pointed out, namely, the large number of people aged 65 on jobseeker's benefit. If an increase in the pension age were to be considered, the abolition of mandatory retirement ages should be considered. This will get worse when the pension age increases again to 67 in 2021. Obviously, we are hopeful legislation seeking to abolish mandatory retirement will be enacted - I believe Deputies introduced such legislation - but this is one example of a Department doing one thing and not necessarily thinking through how it might affect another Department.

Deputy John Brady: On that point, increasing the retirement age to 66 and leaving it there was a serious mistake on the part of the Department. People were forced to retire at 65 and sign up to a jobseeker's payment. The cost of reinstating the State transition pension is in and around €84 million, but abolishing the mandatory retirement age would dramatically reduce that I think. Perhaps the witnesses can elaborate on the impact on people of their having to retire against their will. People should be given the choice to continue working. Females should be able build up their contributions. Regarding the changes introduced in 2012, if they want to continue in the workforce, they should have an opportunity to do so, build up their contributions and get higher payments. I am sure there are a multitude of reasons people may not want to retire, and perhaps the witnesses will be able to outline some of them. I have spoken to many people about this. Mr. Moran is right that I have introduced a Bill to abolish the mandatory retirement age. Thankfully, it received cross-party support. It is due to proceed to Committee Stage and I hope it will continue to proceed through all Stages until the mandatory retirement age is abolished. Perhaps the witnesses could give their experiences of engaging with older people and the impact being forced to retire has on them.

Mr. Justin Moran: Many of the reasons people would like to keep working when they reach their early 60s are financial. They may still have mortgages, loans and family members going to college. They do not necessarily want to work for the rest of their lives but they would like to work an extra few years to be financially secure. From a budgetary or economic perspective, there is also the difference between someone working at the age of 65 and someone being 65 years old and in the social welfare system. One of the challenges we often find when we talk about the issues Age Action wants to raise is that we talk about pensions, home help and home care and nursing homes. We miss the fact sometimes that older people have an enormous amount to contribute. These are skilled, experienced and trained workers. One case that has always stuck in my memory is a HSE nurse who was forced to retire due to a mandatory retirement clause at the same time as we were trying to attract nurses into this country. There is a financial and economic imperative in that regard. Instead of a worker being put on the dole and then the State pension, if he or she wishes to continue working, paying tax and helping to drive the economy forward, that would be a positive thing. We also hear, certainly from research conducted in Britain, that a large part of the reason people want to keep working is social as well. These are their friends and colleagues. People attach a huge sense of value to that. To be told at the age of 65, “It is your birthday, you are done, it is time to go”, is a real blow to the self-esteem and pride of the people affected by the situation.

Ms Naomi Feely: A number of very interesting cases have come to us in our work. Previous to the introduction of Deputy Brady’s Bill, Anne Ferris, a Member of the previous Dáil, also introduced a Bill on this matter. There was a very good committee discussion with people who had been impacted by the situation. I remember hearing at the launch of the report individuals - Deputies and Senators - saying they were very much struck by the powerful nature of the contributions that day. In addition, through our lifelong learning work, we have a very good group in Dún Laoghaire, and the individual charged with setting that up wrote a brilliant blog on our website about the issue of mandatory retirement, describing how on a Friday he was in work running an embassy office in Finland, on the Saturday he was packing up his boxes to leave and, on the Monday, he came home. It very much captures the lived impact of the situation. As for Age Action’s work, we strongly rely on the lived impact of policies in trying to get our message across and in examining recommendations to Government surrounding these issues.

Deputy Dara Calleary took the Chair.

Deputy Richard Boyd Barrett: I thank Ms Feely and Mr. Moran of Age Action. I apologise for being late and missing their contribution but I read their statement. As others have done, I commend Age Action on its ongoing representation of, and advocacy for, older people in this country. A major issue which we all have heard about, and on which I have received representations, is the number of pensioners, particularly women pensioners, who have been significantly adversely affected by the changes introduced to the way the contributions to the contributory pension scheme are calculated combined with the lifetime average method of calculating ultimate entitlement and the failure to backdate the period spent as a homemaker to those who left the workforce before the specified dates by the then Minister for Social Protection, Deputy Joan Burton, in 2012. People have been dealt a triple whammy, which has negatively impacted on 36,000 pensions, particularly women.

The issue has been raised with the Minister and he indicated a willingness to look at it, but I have not heard anything since. Has Age Action heard anything further about what the Government proposes to do? Nobody could fail to acknowledge this injustice and how it impacts on gender.

This injustice will get worse if it is not addressed. Has Age Action any estimates or projections on the numbers that will be affected as time goes on? I would have thought that another cohort that will be affected by this measure as time goes on, unless it is changed, is the people who had to emigrate, and we have had successive waves of emigration in recent years.

An issue that I do not think was mentioned, or was referred to briefly is the thresholds for entitlement to a medical card. This was in spite of the significant resistance and struggle of people to protest at the time the automatic entitlement to a medical card of a pensioner was attacked. The then Government rolled back under the impact of the protests by pensioners and in particular the bodies, including Age Action which organised the protests. Is there an ongoing creeping problem of pensioners losing their medical card and then having to apply for a discretionary medical card? That puts people through the hardship of losing the card and having to reapply for a medical card. Will Age Action comment on that?

Another issue which I have been chatting to Mr. Moran about is the issue of motor insurance for pensioners. I know that our older population are one of the groups that are being particularly hard hit by the extortionate rises in motor insurance premiums. A number of categories are being hit, but older people are definitely a category that are being discriminated against. Is that something that we can and should raise in the context of requiring some sort of action in the budget that would begin to address the unfairness of motor insurance premiums?

Mr. Justin Moran: I will deal with those three points. On the question of whether we had a response or an indication from the Minister that the Government would backdate to take account of the 2012 cuts, we have not seen that. The position seems to be that while the Government acknowledges that there are anomalies created by the averaging system, and we would say they are much more than anomalies, these would be addressed by the total contributions approach which the Department hopes to roll out in 2020 or 2021. Many members would have been affected by the 2012 cuts. When they write to the Minister or a Deputy writes on their behalf, that is the response that comes back. The problem with that response is that even if that resolved the issue, people are losing income for three years - assuming it comes out in 2020; second, we are not clear what the total contributions approach will look like. The Minister for Social Protection, Deputy Varadkar has been quite clear about saying that there would be winners and losers from the move to that system.

In the medium to long-term future of the State pension, how the total contributions approach is calculated and how it will work and how it will be effective is important, but we do not see any move to try to reverse these cuts. Raising the issue with the budget scrutiny committee is part of our campaign to try to get that issue addressed.

In 2013 about 94% to 95% of people over 70 years got a medical card. I know that by 2015 that had dropped to 80% coverage, which is a pretty substantial decrease. To pick up on two points raised by Deputy Boyd Barrett, the medical card limits do not rise with the rise in the State pension, so that in the past number of years, there have been two increases in the State pension, a €5 increase delivered in March and a €3 increase delivered in the preceding year. If a person had a gross income of €495 and was just under the medical card limit, the State pension increases push the person over the limit and one could potentially lose the medical card on that basis, unless one was to apply for a discretionary card. If the Deputy spoke to some of our members who were in poor health, and told them one could have an extra €5 income or a medical card, the majority of those in poor health would want the medical card.

Deputy Richard Boyd Barrett: Has Mr Moran been hearing this from quite a few of his members?

Mr. Justin Moran: It is something that has come up. I would not have described it as widespread, but when we are talking about the pension increase we have had members raise it. We are in the middle of our budget meetings with members but we have not had very many come to us and say that they have lost the medical card, but a number have said to us that they are very conscious that they are quite close to the limit, so they ask can we work on increasing the limit because it is getting closer to their income level.

To be fair, the Department has been better about the issuing of discretionary medical cards in the past six to 12 months. That is certainly our experience. There is an issue around people who are experiencing multiple morbidities, perhaps they have mental health problems and other difficulties and may not be able to engage in the process. Many people may not necessarily know that discretionary medical cards are available and if they do they must go through an application process and they can often need support and assistance to do so. We would suspect that there are people in the community who could get a discretionary medical card but cannot.

On the question of car insurance, this is an issue that the Deputy and I have discussed before, the real challenge is for older people in rural communities, because without a public transport system they are entirely dependent on their own ability to drive or on family members. We have dealt with members who have had very substantial increases, ranging from 30% to 50% increases in their car insurance premiums. It typically seems to happen when one goes from 64 to 65 years or from 69 to 70 years and one moves into a different category. These are issues we have raised with the finance committee when it worked on car insurance. In terms of how it might impact or affect the budget, one of the arguments we make is the reason we need the increases in incomes supports that Ms Naomi Feely has articulated is because of the increase in costs that older people are facing. That can be an issue of car insurance or private health insurance, as many older people see private health insurance as an absolute basic requirement because they are unwilling to trust the public system. When we argue for an increase in income supports, we are arguing for it not just because we believe it is necessary but because we believe it is necessary to meet rising costs.

Deputy Richard Boyd Barrett: On the question of income supports, I may have missed this point, has Age Action outlined a figure of what it is looking for in terms of the increase in the budget?

Mr. Justin Moran: The priorities that Ms Naomi Feely referenced were the fuel allowance, the living alone allowance and the State pension. Separating that out from the 2012 cuts, we are hoping for an increase of €5 in the weekly State pension rate; we want to increase the living alone allowance to approximately €11 - we have not finalised that figure but we are looking at the Vincentians figures of around €11 and we still have to finalise our proposal on the fuel allowance. We will finalise our figures before the end of June and they will be distributed to members.

I think it is important to take a moment to make this point on the State pension. Ireland is one of very few countries in the European Union that has no system for how the State pension is increased. If one looks at Britain, for example, there is the triple-lock mechanism where its state pension increases every year on the basis of the consumer price index on average earnings of 2.5%. I am not necessarily saying that we should take that system but it is an example of the kind of systems that are out there. Almost every other European country has some sort of system, whether it is measured by GDP or by average earnings, or a formula or combination of the two. I believe that Ireland is one of only two or three EU countries that have no formula and the figure is decided on through a budgetary process.

One of the arguments put forward by Age Action is that the national pensions framework, published in 2010, sets out that the State pension should be 35% of average earnings at the top rate. This would mean a State pension of around €249 based on CSO figures for average earnings in the first quarter of 2017. We are currently at approximately €238 and a €5 increase would move us in that direction. That is one of the reasons we would argue for it. The 35% as identified by the Government in 2010 was to keep people out of poverty and the State pension is the single most important tool we have to keep pensioner poverty down.

Deputy Richard Boyd Barrett: While we are on the subject, there is obviously a big controversy in the area of public sector pensions at the moment. I presume that some of the members of Age Action are public sector pensioners. What is Mr. Moran's opinion on the moves being mooted, as I and many workers and unions see it, and on the talk of further eroding public service pensions? There is talk of increases being linked only to inflation rather than to half of career-end earnings or the average earnings, which was the first phase of attacking those pensioners. Has Mr. Moran any thoughts on that subject?

It may be a controversial area to get into from Mr. Moran's point of view but there is a school of thought around improving the pensions for low and middle-income pensioners and for ordinary pensioners on the State pension, which is to do something about the huge tax breaks for the very wealthy on their private pension contributions. They get very nice pensions at the end of it and a huge proportion of the tax breaks available for this area actually go to that cohort. If we began to look at that measure then we could use the money to increase the level of the State pension. Does Mr. Moran have views on that debate?

I will move on to my last question. I know that Mr. Moran spoke of home-care packages and the increasing demographic pressure to provide for our growing, older population. Mr. Moran said he would rather start with a vision on what it is we want for people and then afterwards talk about how we would pay for it. I believe this is the right starting point but we on the Committee on Budgetary Oversight must consider how to pay for it. I agree that we must start with the vision but we also need to think about how to pay. The unions have been pushing, quite rightly, on the whole issue of employers' PRSI and the very low levels of employers' PRSI being paid in the State compared to the rest of the European Union. I believe it is fairly indisputable and is just a fact. Calculations have been done that show if Ireland moved anywhere close to the average EU PRSI contributions, a huge pot of money would accrue from that. It would actually begin to generate the sorts of revenues we need to deal with the problems and needs of an ageing population. Perhaps Mr. Moran would comment on some of those suggestions.

Mr. Justin Moran: Ms Feely may come in to speak on the strategy for planning for the overall population. I shall take some of the Deputy's points and I will consider the issue of private pensions first.

When we talk about the State pension in Ireland the figure of €7 billion is generally used as the spend on the State pension, which is absolutely accurate. We actually spend around €9.5 billion in pensions because the private pensions tax breaks, as calculated by Dr. Micheál Collins, amount to €2.5 billion. When we consider the figure of €9.5 billion spent on pension supports for older people there is a very strong argument to look at that €2.5 billion and ask ourselves if we are getting the best value if our objective is a fair and sustainable State pension system that keeps people out of poverty.

One of the aspects of the national pensions framework that has always interested me is that the measures that will be unpleasant for pensioners, such as increasing the retirement age, have been delivered whereas some of the other measures were not delivered, such as the State pension being 35% of average earnings. The framework also suggested changing the private pension supports from 41% to 33% which would save a substantial sum of money that could be invested in the State pension system. The short answer to the Deputy's question is that we are very conscious of the amount of money spent on private pensions. We do not have a problem with the State providing an incentive for people to take out private pensions. It could be part of the solution to people having a guaranteed and decent retirement income. We believe, however, that the people who benefit the most from private pensions are not necessarily those who need the benefit.

On PRSI, Age Action has identified that at 10.75% employers' PRSI is one of the lowest in Europe. One of the issues that will come up is if employers' PRSI is to be increased then what is it paying for? In delivering a sustainable pension increase, generally speaking there is broad agreement that part of the solution would be a need to increase PRSI rates at some point in the next three to five years, whatever that figure might be. Some people may argue for a substantial PRSI increase and to leave the retirement age as it is. Others may see it as part of a suite, which might include an increased retirement age. The issue is also being looked at in the context of home care provision.

One of the arguments around how we could pay for home care is an increase in PRSI rates. This could be a way of doing it. When we consider the Health Research Board's recent research that looked at home care systems in Germany, Sweden and Scotland - I want to say the Netherlands also but I could possibly be wrong on that - one of the systems of payment used by those countries is a version of long-term social insurance contributions specifically designed and set aside for home care. In Ireland, the model of that would be an increase in PRSI designed to pay for home care supports. Age Action's attitude to this is if we are to increase PRSI to pay for home care, does this make it more difficult to increase PRSI to pay for a sustainable State pension if that is something we need to do? Can we do both of those things?

We are genuinely entering into the consultation on home care with an open mind around financing. We want to see more evidence and more of the arguments that will be put forward.

With regard to public sector pensions, as an organisation we would typically focus on the State pension and this is where most of our efforts go. This is the area with the highest numbers of pensioners who are dependent on State transfers, especially at the lowest income rates. We would certainly be uncomfortable with measures around public sector pensions that could end up driving people into poverty. Our focus, however, would generally be around the State pension.

Ms Naomi Feely: I would like to pick up a point made by the Deputy about the numbers affected by the 2012 cuts to the eligibility and criteria of the State pension. One of the points made was on people who may have taken time out of the State, particularly those who emigrated around the 1980s when people were out of work here. This is a critical issue. It might appear to be outside the remit of this committee but it is about planning for an ageing population and not just thinking about the circumstances of older people today. We must also think about those of us who are in our 30s and 40s and what is needed to ensure that, as we age, we have a very positive experience of ageing and that Ireland is a good place in which to grow old. This brings us back to the national positive ageing strategy and while it is not within the remit of this committee, the financing and funding of health, pensions, transport supports and enabling people to stay in their own homes is really critical and must be looked at also. It is an important point to make. What happens when we have more people who have taken time out from the workforce here and who may have given less of a contribution in Ireland? That should be taken into consideration. There is no point worrying on the day it happens that we suddenly have all these people. We need to plan for it now.

Deputy Thomas P. Broughan: I welcome the witnesses from Age Action Ireland. The report compiled by Maureen Bassett, Towards A Fair State Pension for Women Pensioners, was very helpful. When I raised this issue with the Taoiseach on 21 February 2017, he indicated that he would give this committee a remit to examine the recommendations made by Age Action Ireland. I apologise for missing the start of the meeting.

The witnesses made two fundamental recommendations. The first is that the 2012 changes should be reversed and backdated, at least until there is a move to a total contributions assessment approach. The Taoiseach could not tell me what level of savings the Government made each year from 2012 as a result of the changes. Perhaps the witnesses know what the net cost would be, were this committee to recommend restoration of the relevant pre-2012 pension arrangements. It is an emotive issue. On 21 February I quoted a female constituent of mine who pointed out to me that the Minister for Social Protection, Deputy Varadkar, said on several occasions that there are winners and there are losers. He may discover the truth of that statement in the weeks to come. Thousands of constituents are very bitter that they have lost the €3,500 indicated by the witnesses' carefully-produced figures. What would the net cost be were the committee to accept that first recommendation?

Ms Naomi Feely: I thank the Deputy for raising the issue with the Taoiseach. Age Action Ireland was very pleased that the issue was referred to this committee. The information we have received from the Department and in responses to parliamentary questions indicates that savings in the first year following the changes was €10 million and increased by €10 million each year thereafter. If the committee were to reverse the changes and go back to the four bands that were originally in place there would be a cost of approximately €60 million in 2017. It would cost an additional €10 million for each year it were to be maintained. If the payment were backdated, there would be a cumulative cost of approximately €200 million, bearing in mind the yearly €10 million increase.

Deputy Richard Boyd Barrett: There would be a cost of €200 million.

Ms Naomi Feely: That is correct.

Mr. Justin Moran: To be clear, we are focused on reversing the changes, which would cost €60 million.

Ms Naomi Feely: We strongly advocate for a fair system. If the four bands were re-introduced at a cost of €60 million, it would make the system fairer for women who have just become or are close to becoming eligible for the pension. A person born in 1951 might have got married in the early 1970s and reared children during the 1970s and 1980s. Such a person would not get the benefit of the homemaker's scheme. We are focused on getting the 2012 changes reversed.

Deputy Thomas P. Broughan: I note Age Action Ireland research quoted Professor Alan Barrett, director of the Economic and Social Research Institute, as stating that the rules of the game were changed in the middle of the game, which is outrageously unfair to women in particular.

The second recommendation is to examine ways in which the Committee on Budgetary Oversight could contribute to eliminating the gender pay gap, such as the backdating of the homemaker's scheme. The Minister for Social Protection, Deputy Varadkar, has repeated that backdating the scheme will involve a very substantial cost, although I am unaware of the time-frame on which he has based that calculation. Today's witnesses have reiterated that there would be a substantial cost were the homemaker's scheme to be backdated.

Mr. Justin Moran: The most recent figures we have received in that regard indicate a cost of €290 million. We have been trying to identify the year to which backdating will be extended. Will it be back to the 1940s and 1950s or to 1973, the year that the marriage bar was ended? Age Action Ireland and the National Women's Council of Ireland, which is supportive of this initiative, see 1973 as the preferred year to which the scheme should be backdated. A cost of €290 million for this has been indicated to us but it is unclear to what year the scheme has been backdated in the calculation carried out to reach that figure.

Deputy Thomas P. Broughan: The Government led by former Taoiseach, Mr. Bertie Ahern - possibly while Mr. Dermot Ahern was Minister for Social Protection - gave a half pension to pensioners who had worked in the State before the early 1950s and who had then emigrated and returned to Ireland. That was before PRSI was brought in. It was an important gesture. There are precedents for the committee to backdate the homemaker's scheme.

Mr. Justin Moran: It would be helpful to explore that issue. It is very important to recognise the contribution made by men and women, predominantly women, who were carers. They were not collecting a salary and paying stamps but they were raising families and many of them gave up good jobs to do so. For them not to receive any credit or recognition for that from the pension system is unfair. They may not have made PRSI contributions but they made a contribution to this country and society, which deserves to be recognised.

Deputy Thomas P. Broughan: Do the witnesses have statistics in respect of people who are working past retirement age or the cohort of the population who do not reach retirement age but contributed significantly nonetheless? The narrowing of population numbers in statistics as one ascends age bands is familiar to all. Many Members have attended funerals of people who were in their 50s or early 60s when they died, be they friends, friends of colleagues or otherwise. Is there any research on the issue of people who did not reach retirement but had made a contribution?

Mr. Justin Moran: I am not aware of research in regard to the latter issue.

Ms Naomi Feely: I am not aware of research on either area. Labour statistics should show the number of people over the age of 65 who are employed. My recollection is that the numbers involved are minimal. I could look at the statistics again.

Deputy Thomas P. Broughan: One encounters many self-employed people over the age of 65.

Ms Naomi Feely: That is the case. We are aware of people working beyond retirement age in areas outside the public sector, such as NGOs.

Mr. Justin Moran: The Department of Public Expenditure and Reform led an interdepartmental working group that published a report on fuller working lives. That group made a number of recommendations to the Workplace Relations Commission, WRC, and the Irish Human Rights and Equality Commission, IHREC. It also recommended that training and supports be provided to enable older workers to remain in employment or to assist people to return to employment. That report contained some good recommendations that could be usefully pursued.

Deputy Thomas P. Broughan: The witnesses discussed the Social Insurance Fund with Deputy Boyd Barrett in regard to additional funding and so on. The Social Insurance Fund is in surplus once again and provides a huge chunk of social protection spending every year. Was an increase in employers' PRSI important? There was a stage during the recession when there was a deficit in the Social Insurance Fund and we want to avoid a repeat of that. We should be considering additional support we can give to older citizens in particular. Do the witnesses perceive the Social Insurance Fund as being of particular importance? How can the State encourage workers to take out supplementary pensions? It would be helpful to this committee if more citizens were to have supplementary income streams along with the State pension.

Mr. Justin Moran: The audit of the Social Insurance Fund is under way. It is hoped to publish it in the third quarter of 2017. It will provide an insight into the funds available not just at present but for the next ten years and the demands which are going to be placed on the Social Insurance Fund. It may not be within the remit of this committee but it would be useful if the Oireachtas were to pay close attention to the audit because it will inform decisions in regard to the State pension over the next five to ten years. It is very important in that context.

In terms of supports to encourage people to enter into private pensions, one of the interesting points that the Department is considering is a new mandatory second-tier pension universal retirement savings scheme. The Minister for Social Protection intends to publish an action plan for pensions before the end of June. It will set out the pension reforms that he would like to see in the first, second and third tiers. The mandatory pension may be similar to the system that has been introduced in Britain. Certainly, we would have no principled objections to that. We would be a little bit concerned about its potential to undermine the State pension system. We know one of the models that the Department has discussed and considered is a mandatory pension scheme where everybody is required to make a 2% contribution. That means the employee and employer make a 2% contribution and, potentially, the State, whether in the form of a tax break or a direct payment, makes a 2% contribution. That might help build up a private pension pot but a question will arise if one needs to approach the employer or State to get money to support the State pension. The initiative might be more challenging because there is an opportunity cost. The money that could have been used for the option is gone because it is supporting the new proposal.

There is also an issue with who runs the mandatory pension scheme. Is it run by private pension companies? If so, are there fees? What is their profit margin?

In terms of the work that Government can do now, we suggest some sort of private pension incentive that bears in mind the points that I made in response to queries by Deputy Boyd Barrett. Also, the Government could support younger workers to get on board. It would be helpful to provide younger workers with more information and encouragement. It is really important that the Government considers introducing a universal retirement savings scheme. When the Department declares the model, and if that is adapted, then it will be a huge change in Irish pension policy. While it could be a positive and sensible change, we need to ensure that it is introduced in a way that does not undermine the existing State pension.

Acting Chairman (Deputy Dara Calleary): Does Deputy Lahart wish to comment?

Deputy John Lahart: No.

Acting Chairman (Deputy Dara Calleary): I thank the witnesses for their attendance. They are the first group to attend as part of this year's budgetary process. We will try to make sure that we do not forget them by the time we reach October.

Mr. Justin Moran: We will come in here later next year.

Acting Chairman (Deputy Dara Calleary): I thank the committee staff for preparing for today's meeting.

The select committee adjourned at 3.25 p.m. until 4 p.m. on Tuesday, 23 May 2017.