DÁIL ÉIREANN

AN COMHCHOISTE UM CHOIMIRCE SHÓISIALACH

JOINT COMMITTEE ON SOCIAL PROTECTION

Déardaoin, 29 Meitheamh 2017

Thursday, 29 June 2017

Tháinig an Comhchoiste le chéile ag 10.10 a.m.

The Joint Committee met at 10.10 a.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
John Brady,	Alice-Mary Higgins.
Gino Kenny,	
Willie O'Dea.	

I láthair / In attendance: Deputy Denise Mitchell and Senator Grace O'Sullivan.

Teachta / Deputy John Curran sa Chathaoir / in the Chair.

The joint committee met in private session until 10.20 a.m.

Overview of Pensions: Discussion (Resumed)

Chairman: I welcome Ms Orla O'Connor, director, and Ms Eilís Ní Chaithnía, policy director, from the National Women's Council of Ireland, NWCI; Mr. Liam Berney, industrial officer, from ICTU; Ms Kay Murphy, Mr. Peter Kavanagh and Ms Megan Van Son, from Active Retirement Ireland. We have been dealing with the issue of the contributory State pension for a number of weeks. We have received submissions from the witnesses here today that have been circulated to members and will form part of the report we are in the process of compiling. I will take the three presentations and then a number of questions.

I wish to draw your attention to the fact that by virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence to this committee. However, if you are directed by the committee to cease giving evidence on a particular matter and you continue to so do, you are entitled thereafter only to a qualified privilege in respect of your evidence. You are directed that only evidence connected with the subject matter of these proceedings to be given and you are asked to respect the parliamentary practice to the effect that, where possible, you should not criticise nor make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable.

The opening statements submitted to the committee will be published on the committee website after the meeting. 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 either by name or in such a way as to make him or her identifiable.

Once again, I ask colleagues with mobile phones to turn them off or switch to flight mode. It is not just the ringing that is an issue; they also affect the broadcast and recording of proceedings. I invite Ms O'Connor to make an opening statement on behalf of the NWCI.

Ms Orla O'Connor: I thank the Chair. I offer my apologies for having to leave the meeting at 11.30 a.m.; I am on an interview board.

Chairman: A number of colleagues are subject to time constraints today. We are conscious of the pressures on people and will move the meeting forward as quickly as possible.

Ms Orla O'Connor: I thank the committee for the invitation to make a presentation. The NWCI is the national women's membership organisation and the issue of pensions is critical for women's equality. It is the one issue about which we are constantly receiving phone calls and letters from women who raise it with us in terms of the discrimination they face. When we broadcast on social media that we were attending this meeting, I was immediately contacted by a woman who, having cared for her children and then for elderly relatives, is now not entitled to any pension. She has saved the State a significant amount of money. This is a very important issue. My colleague will take us through the issues.

Ms Eilís Ní Chaithnía: Women predominately rely on State pensions to provide an income in their older years. Yet, for a number of reasons, historical and current, women continue to have less access than men to State pensions. Currently, 84% of those receiving a State contributory pension are men, while women continue to rely on reduced means-tested pension payments or remain as dependents on their husbands' pensions.

The fact that only 16% of women receive the full contributory State pension reflects the legacy of the marriage bar and a system poorly designed to support individual entitlement or recognise the care which women carry out. Time spent caring must be recognised and credited, for people currently in the workforce and those who are now of retirement age and have spent a large portion of their lives caring.

As a member of the steering committee for the national strategy for women and men 2017-2020, we welcomed the commitment by the Department of Social Protection that future pension policy reforms be gender-proofed to assess their impact on women as well as men, including the total contributions approach. In order to guarantee pension equality for women, however, we must address existing injustices in the pension system, as well as ensuring they do not occur in the future.

The NWCI is increasingly contacted by women who are concerned about this issue, many of whom are already deeply affected by the ongoing inequalities in our pension system. Yet it is remarkable that in reports and discussions on pensions, gender issues receive relatively little attention. For that reason, we very much appreciate the committee's efforts to focus on this matter. This is particularly concerning considering that budgetary decisions over the period of recession have resulted in an increase in the gender pension gap in Ireland, which rose from 35% in 2010 to 37% in 2012.

While the State contributory pension payment was protected during the recession, the non-contributory pension, on which the majority of women rely, has been steadily eroded. In 2012, changes made to the eligibility criteria for the State contributory pension effectively made it more difficult for those without a full-time, long-term working history to qualify for the maximum weekly payment.

The NWCI and others clearly signalled the potential disproportionate impact on women of these changes in advance of their introduction. We are aware that Age Action has recently presented to the committee in detail on the impact of these particular changes, including figures provided to it by the Department of Social Protection indicating that of the 36,000 people affected by these changes by June 2016, more than 62% were women. In addition, the minimum number of contributions required was doubled in 2012, from 260 to 520, which had a direct impact on the standard of living of older women.

One key issue of concern for women is having access to pension entitlements in the first instance; many women remain reliant on their spouse for access to pension entitlements. The quarterly national household survey from the fourth quarter of 2015 found that almost one in ten female workers expected their spouse or partner's occupational or personal pension to be their main source of retirement income, compared with 2% of men. Under the current system, women are hampered from building up sufficient contributions across the private and public pension systems as a result of the pay gap, precarious and low-paid work, carrying out unpaid caring and being excluded from the labour market for long periods over the course of their lives as a result of the prohibitive cost of child care.

Women who have worked on family farms and in family businesses also do not have social insurance coverage, which means they are totally reliant on their husbands in older age. We have held a series of workshops with older women in Caherciveen and in Duhallow, County Cork, recently, which focused on pensions and women. We discussed the impact on rural women, where women working on farms and being engaged in seasonal work was of particular importance to the women concerned. They will take up advocacy around that for themselves,

supported by the NWCI.

The homemaker's scheme makes it easier for people, the majority of whom are women, who stop working for a period to take care of children or adults to qualify for pensions. However, it has not been of equal benefit to all women as only those who took career breaks after 1994 are covered by this scheme. We recommend that the scheme be applied retrospectively by the State immediately in order to ensure equitable access to the State pension and benefit older women.

The national pensions framework made a commitment to replace the homemaker's disregard with credits for new pensioners but there is yet to be official confirmation of when this will happen. It should be a key priority for budget 2018, with the credits made applicable for up to ten years and applied retrospectively to 1973. It would be a practical recognition of the social and economic contribution of care that women make and would serve as a re-entry credit in order that they can access education, training and employment supports. This is not only a practical and long overdue budgetary decision but a means of rebuilding trust among women in the pensions system.

Women are not likely to be in an equal position to men with regard to their pension entitlement for the foreseeable future as they continue to carry out the majority of care and are more likely to be in part-time and low-paid work. A private pensions system is, therefore, not the sustainable answer for the vast majority of women to secure a decent income in their older years, nor is a State pension that does not fully recognise care work. Pension reform must ensure that, as far as possible, everyone can equally establish an entitlement to an adequate pension.

The time has come to move to a universal pension system that gives women and men equal access to a comprehensive pension guarantee. This pension must be at a payment rate to provide a decent standard of living for all. Budget 2018 should initiate the introduction of a universal pension to be phased in over an agreed number of years.

NWCI warmly welcomes the commitment made in A Programme for a Partnership Government to gender and equality-proof the budget. By taking immediate steps in budget 2018 to address indirect gender discrimination in current pension policy, as outlined above, the Government will act in part fulfilment of this commitment.

Chairman: I thank the council for its opening statement. I call Mr. Berney to make his opening statement on behalf of Congress.

Mr. Liam Berney: This morning I shall only comment on the State pension even though Congress has a lot to say about pensions, the reform of occupational pensions and some of the issues that our colleagues in the NWCI have touched on in their contribution.

Chairman: I thank Mr. Berney for his clarification. This piece of work by the committee focuses specifically on State pensions.

Mr. Liam Berney: Congress is pleased to have been invited here today to address the committee on the very important topic of the State pension. It is our view that the State pension continues to be an extremely important social transfer payment and for many retired people it is their only income. Equally, because the number of people in work who have no occupational or second-tier pension is close to 50% the State pension will continue to play a critical role in reducing the risk of poverty among older people for a considerable period into the future.

In this short submission Congress will focus on its three main areas of concern. Our first

concern is the rate of the State pension. Congress has consistently argued that one of the main planks of budgetary policy should be to ensure that we insulate the most vulnerable groups in Irish society against the effects of price inflation. Congress plans to make a similar argument in its forthcoming pre-budget submission for budget 2018. We suggest that the old age pension should be increased so that it continues to have the same purchasing power as at present. It is important to say that there are many ways to calculate the rate of inflation. In calculating the appropriate increase regard should be had to all of the measures of inflation. There is more than one level of inflation. Congress believes that the old age pension should be increased in line with the maximum rate of inflation as calculated across the various rates of inflation. If we do not do so then we run the risk of reducing the living standards of a large group of older people whose only income is the State's old age pension.

We have two more concerns about the old age pension, one of which concerns eligibility for the State pension. In 2012, the Government introduced measures that changed the eligibility criteria for the old age pension. We believe that the 2012 changes to the PRSI qualification bands for pensions discriminate against women, in particular, and should be immediately reversed. The decision is grossly unfair as it reduced the contributory pension for people who had an average of 29 annual contributions by €1,500 per annum. More than two thirds of the people affected in this category are women. There was no political debate, public consultation or cost benefit analysis of the measure. Consideration was not given to the issues of fair play, equity or minimising hardship for those who are worst affected. We strongly believe that the changes should be changed or reversed. We should also have proper consultation on the PRSI qualification bands and the ensuing implications.

We have all heard about the gender pay gap. However, numerous studies have shown that there is a significant gender pension gap. A recent study by Mercer found that the gap in retirement income between men and women could be as high as 40%. I have provided a link to the study in my opening statement that will prove useful to members who seek more detail. The 2012 changes to the eligibility criteria must be reversed if the gender pension gap is to be reduced in Ireland. If the changes are not reversed then the situation will worsen. It will probably get worse here than in other comparable places.

Another issue that Congress wants to bring to the attention of the committee is the age at which people are entitled to claim the State pension. Apart from the eligibility criteria changes that I have just referred to the other major policy change that has recently been implemented was a change to the age at which people become entitled to the State pension. In 2014, the State pension became payable at age 66. Further changes are planned with the applicable age changing to 67 years in 2021 and 68 years in 2028.

The decision to change the age at which the State pension is payable was made without public consultation and engagement and, in our view, without consideration of the implications for working people. Earlier I talked to colleagues about the idea of somebody who does very intensive manual work having to work another two years beyond the time he or she expected to work until when he or she started employment and the difficulties this aspect will cause them.

Congress has suggested that the plan to increase the retirement age to 67 years be delayed. It is planned to increase the retirement age to 67 years in 2021. We should use the period between now and 2021 and have a proper and more inclusive discussion on the implications that such a policy change will have on working people and those affected by the change.

In conclusion, we understand that the main reason the committee has invited Congress to

the hearing today is to assist it in drafting a pre-budget submission that has a specific focus on the State pension. In the event that the committee decides to make a pre-budget submission, we ask the committee to do the following: to seek an increase in the rate of the old age pension that is at least in line with the rate of price inflation; to seek the reversal of the eligibility criteria that was implemented in 2012; and we call for a suspension of the proposal to increase the age at which the State pension becomes payable to allow for a proper debate about the implications of this decision for working people.

Chairman: I thank Mr. Berney. I call on Ms Murphy or Mr. Kavanagh from Active Retirement Ireland to make a presentation.

Mr. Peter Kavanagh: I ask members to look at the screen in front of them on which my presentation will be clear.

I will open by saying a little bit about Active Retirement Ireland. The organisation was founded in 1978 in Dún Laoghaire, which is down the road from here. Our national network was constituted in 1994. Acting Retirement Ireland is now Ireland's largest community-based organisation for older people. We represent more than 25,000 members and have 559 groups that span nine regions. We have an all-island reach into Northern Ireland.

Our purpose is to enable older people to lead a healthy and active life, and advocate for them. Today's meeting is a great opportunity for us to address it because our strong feeling is that people cannot enjoy a healthy and active life without the social supports in place that allow them to do so. That is why we advocate for them.

Active Retirement Ireland was identified and supported by Atlantic Philanthropies from 2008 to 2016, inclusive. As members will know, Chuck Feeney has unfortunately departed the philanthropic scene and Atlantic Philanthropies has been wound up. At present we are funded by members' fees, donations and grants from the HSE and Pobal.

I shall now talk about pensions and retirement. We are living in what is known, economically speaking, as a time of demographic opportunity. Contrary to popular portrayal and reporting, Ireland is not facing a demographic timebomb. Ireland has the youngest population in the EU 27. In 2015, to quote the OECD, Ireland had the highest birth rate, the second lowest death rate and the fifth highest rate of net inward migration. This is the time to plan for the future. We are moving into a period where Ireland will have more people working when compared with the number of people retired than any other country in the European Union. When we talk about crisis the word does mean opportunity but people are too keen to focus on the negative aspects.

We also have the highest effective retirement age in Europe. The situation is due largely to not having a mandatory retirement age but rather a pensionable age that has caused its own problem. As my colleagues have alluded to, the pension age is rising. I fully support the call by Congress for consultations to take place. I also commend Deputies Brady and Mitchell on doing a lot of work to end mandatory retirement ages in private contracts. We do not have a law that allows for a mandatory retirement age and we do not have a law to stop one in private contracts. This is a fact that has caused headaches.

I shall now discuss the first pillar of the State pension. I will outline the pillars in case people are unfamiliar with them. In European terms, Pillar 1 refers to State pensions, Pillar 2 refers to occupational pensions and Pillar 3 refers to personal retirement savings accounts, PRSAs. That is the shorthand that I shall use for today's debate.

Ireland has a pensions problem. As I said earlier, it is not a demographic issue but a matter of uptake. The uptake of third pillar private pensions, that is PRSAs, ARFs and similar products is very low compared to the OECD average. In 2015, it was 12% and to put that in context that is one eighth of Irish people paying into private third pillar pensions themselves. The uptake of the second pillar pensions, which is earnings-related occupational pensions is slightly higher and accounts for 31% of the population but bear in mind that this includes public and civil servants. The reason that is so low is largely down to the fact that the majority of Irish people work for small or medium enterprises, SMEs, so they work for enterprises that do not have group occupational pension schemes, which would have been in operation in companies such as Bord na Móna, ESB and Waterford Crystal. They of course, have their own problems but I understand we are here to talk about first pillar pensions.

The first pillar pensions is the social safety net that picks up a lot of the slack in a system that is, according to a former Tánaiste and Minister for Social Protection, Deputy Joan Burton creaking. I will concentrate on two aspects of what needs to be done and can be done, the philosophy and the coverage of the pension system. If members are considering a pre-budget submission, I would ask them to address these two issues - philosophy and coverage.

I implore members to consider changing the conversation around pensions. Treating the State pension, contributory or non-contributory, in a similar way to any other social transfer devalues the social contract that our citizens fulfil in good faith. In this instance, one cannot compare like for like. One cannot say that the State pension is like jobseeker's benefit, jobseeker's allowance, children's allowance or any other payment that is designed to get a person through a particular period in life, rather the State pension is meant to be an adequate income until death. Philosophically, if one discusses it in the same way, I have sat in the same room as social protection Ministers who have said they have to make cuts or give money to either the children's allowance, the single parent's payment or the State pension. If one considers that these are all in the same political sphere, we devalue the fact that there is a social contract. After 40 years or more of employment, paying tax and PRSI, the last thing an older person needs is insecurity around income, not knowing how much income he or she will have come Christmas time, because it is decided at the budget. If one looks at the State pension payment on paper, the top rate payment is generous when compared directly to other EU or OECD countries, but not when one stress tests it for adequacy. It is less than the ideal replacement rate and it leaves many older people consistently deprived. On paper the €238.30 top rate of contributory social protection looks quite generous, especially when compared to the UK where it is over €100 lower comparatively. The problem is that it is still less than 33% of the average industrial wage, which is the bare minimum replacement rate we should be looking at. Ideally, best practice is to look at 40% of the average industrial wage. It leaves many older people constantly deprived; in a nutshell €230 a week is enough to get by, but if anything happens and one needs to replace the boiler, buy a new car, even buy a new winter coat or take a few friends out for a meal for their birthday, one cannot afford to do it on the State pension alone. That is the glaring hole. Philosophically, we need to break the subconscious link we have between pensions and other social transfers. This will adequately reward older people, it will secure their retirement and it will enable them to contribute to society and generate social capital. Everything should not be about merely the economic capital. Older people contribute to society in a wide variety of ways and had we more time, I could go through them, for example unpaid child minders and other social transfers that they make. We need to break the link between the dole, children's allowance and the pensions. They are not the same.

We call on Government to guarantee that the State pension will rise by a minimum of either

2.5% or the rate of inflation and as the Irish Congress of Trade Unions has pointed out there are various different measures of inflation or average earnings growth, whichever is larger. This is called the triple lock. It is European best practice. Members may have seen it feature in headlines recently. The DUP, conservative as they may be, made the retention of the triple lock a cornerstone of their negotiations with the Tory Government in the United Kingdom. What this does is provides stability and security and it removes any anxiety around budget announcements for older people. Older people know that their income is going to remain static or grow but they know that going into the budget. There is no political football around it. It is not a case of how much their pension will go up this year, or whether it depends on which party is in the majority. Some parties tend to favour pensions and some do not. This should not be seen as a cost, it should be seen as an investment that will bring us in line with best international practice. As our economy recovers, so should the financial status and stability of older people recover.

Part two of my recommendations deals with coverage. We need to close the gaps. As my colleagues from the National Women's Council of Ireland put it so eloquently and comprehensively there are glaring holes in the Irish pension system. During the Celtic tiger boom years, pension reform tended to lag far behind general improvements in living standards, as more people rose out of relative poverty at the turn of the century, more older people fell below the threshold. I know we no longer use the term "relative poverty" as an assessment of risk of poverty but it is a valuable comparison to make. Recent reforms on the funding of the system, as has been pointed by both colleagues, have disproportionately affected anyone with a non-traditional employment history, for example those with large gaps between periods of employment due to taking on duties of care or non-traditional work. Needless to say, these are mostly women and many women still have no pension rights in their own names but rather as qualified adults or as widows. That is without going close to addressing how many women do not have pension rights in their own names because they were affected by the marriage bar up until 1973. What can be done to close these gaps? A State sponsored third pillar pension, which is in the plans, will make a massive impact for future generations. The Department of Social Protection has been looking at a scheme where younger people will start to pay into their own pensions since 2014. I will give one stark warning, if that is an opt-in scheme, I will guarantee it will fail. The research on best practice points to the fact that opt-out is the only way and while we are not looking at third pillar pensions today, it is worth bearing in mind and making a note that the Department of Social Protection will unveil something soon but if it is opt-in, it will not work. Just look to the United Kingdom, where they have a soft opt-out and the take up has been absolutely massive. It has been a roaring success.

If we aim to maintain a social contract and make certain that a social safety net exists, in my mind we need an universal citizen's pension. This pension should replace both the contributory and non-contributory State pensions. It should be set at the highest rate of the contributory State pension, €238.30. This could be funded entirely by standard rating tax relief on private PRSAs, a move that will only affect the top quintile of pensions and please bear in mind that only 12% of the population have third pillar pensions. This is something that will only negatively affect those who absolutely and definitely have the means to cope with it but will have many positive social benefits for everybody else.

We are rightly discussing the prospect of a living wage and realising that the more money people have across the board, the more money remains in the circular economy. I am sure I do not need to tell everybody but I will mention it in passing, if people with lower incomes get a little boost to their disposable income, it is more likely to remain in our economy. If people with higher incomes get a boost to their disposable income, it is more likely to be invested and

end up in financial services. Let us radically reconsider what pensions are designed to do, and let us stop thinking of them as a cost and consider them as an investment in people, an investment in social capital and an investment in communities. Let us give today's older people a living pension, let us let future generations have a hand in their own future security and let us end the political football being played around pensions, let us make Ireland the best place in the world to grow up, grow old and retire in.

Chairman: I thank Mr. Kavanagh. Before I go to colleagues, I ask them to bear in mind the timing of questions and that a number of people have significant time constraints todays. I am going to insist that members' questions are kept to five minutes. I call Deputy O'Dea to be followed by Deputy Brady.

Deputy Willie O'Dea: Is that five minutes in total?

Chairman: Yes, in total. I will take all the questions first and the witnesses can answer the questions that are relevant to them.

Deputy Willie O'Dea: I thank the witnesses for appearing before us and for the excellent presentations made by the three groups that will be of assistance to us in the forthcoming debate on the budget.

I will start with the presentation made by the National Women's Council of Ireland. Members on all sides of the Houses have raised the anomaly continually in the Dáil. I proposed legislation to backdate the homemaker's scheme back to 1974. It was not possible to progress it, of course, because Opposition Members cannot put forward money Bills, which place a charge on the Exchequer. I was curious to know how much it would cost and I got an outrageously large figure from the Minister. I have not been in a position to test it yet. I cannot even remember what it was. The Minister was saying that rather than spending all of this money on backdating and correcting what is admittedly an anomaly, he would prefer to put it into pension increases. He followed up on that by saying he wants to move towards the total contribution system. It would appear from the questions we have been asking that the total contribution system is a long way off and that in the meantime the anomaly continues. I notice from the figures produced by Age Action that each year, more people are affected by this particular anomaly and that the percentage of women affected continues to grow. It is now up to about 65%. This is clearly discriminatory. In view of the fact that this total contributions scheme remains in the ether we are going to have to return to this now in the context of the forthcoming budget.

Ms Ní Chaithnía mentioned in her opening statement that "While the State contributory pension payment was protected during the recession, the non-contributory pension[...] has been steadily eroded." I was under the impression that the position was more or less the same for both pensions, that neither was increased to provide for inflation and that 80% of the accompanying allowances such as free ESB and so forth were abolished. I thought that both categories of pension were equally affected, contributory and non-contributory.

What does Ms Ní Chaithnía have in mind on the issue of the universal pension? Would it be something along the lines of that proposed by Mr. Kavanagh, whereby everybody would get more or less the same pension regardless of how many contributions they had or had not made? We would need an adjustment to the tax system to pay for that so I am interested in the witness's proposal that this be covered by standard rating. That is something that we would certainly look at.

Mr. Berney mentioned several rates of inflation. The Vincentian Partnership for Social Justice has done some work particularly geared towards pensioners. It has outlined, for example, a typical basket of goods that a pensioner might purchase and measured it against inflation. The published general rate of inflation includes increases in the cost of Ferraris and jets and the like, goods in which we are unlikely to find many pensioners investing. The inflation rate for pensioners' typical purchases is actually substantially in excess of the general inflation rate. I agree with Mr. Berney that we should look for a suspension of the policy to increase the pensionable age to 67 in 2021. Many of my constituents and many of the people I meet are of a certain age and are extremely worried about this. They are constantly bringing it to my attention. I think we should have a debate on this and I agree with Mr. Berney's proposal that it be suspended pending that consultation.

I also thank Mr. Kavanagh for his extremely useful presentation. Ministers are constantly telling us that we are facing a terrible demographic time bomb. When I recently suggested to the current Minister that she would have to increase pensions in the budget, she told me that it would cost €100 million just to stand still because more people are becoming pensioners. Mr. Kavanagh is basically saying that everything will balance out because such a proportion of the population is young. We are also constantly getting scary figures about the dependency ratio between people over 66 and workers, which one is told is currently 1:6 but will reach 1:2 by 2050. Mr. Kavanagh obviously disputes that. I would like some further detail on this matter. Perhaps Mr. Kavanagh could refer me to some further documentation or reports on this.

Deputy John Brady: I will try not to repeat the points and questions already raised and I welcome all of the witnesses this morning. I find myself nodding in agreement with virtually everything that has been said by all three organisations and I commend them on this and on their ongoing work in their respective areas.

My colleague, Deputy Mitchell, will respond in detail to the points raised by the National Women's Council of Ireland. I also have my own questions to the NWCI, particularly around the use of the words "discriminatory" and "discrimination" towards women. I completely agree with the NWCI in this regard. The changes in 2012 were introduced in the full knowledge of the impact they would have on women. We can see that now in the facts and statistics that are coming back to us. The changes made in 2012 have had a direct impact on women and have widened the pensions gender gap. It is appalling that these changes were brought in without discussion or consultation. This has to be changed. As I said, Deputy Mitchell has some further questions and specific points to make on this.

I welcome Mr. Berney and again find myself in agreement with virtually everything he has said. We in Sinn Féin have articulated many of the same points over the last few years. Mr. Berney mentioned pension rates and the notion that these need to be linked to inflation. There are obviously different ways of calculating the rate of inflation. When we in Sinn Féin were putting together our pre-budget submission for 2016 we found, obviously working within the fiscal space, that increasing the pension age last year would only have meant an increase of €3.50. That would certainly not go down well with many people out there who are at their wits' end and struggling.

Mr. Kavanagh touched on the idea of somehow linking the pension to the average industrial wage. He mentioned that Active Retirement Ireland would ideally like to see it set at 40% of that wage. I would like to hear ICTU's perspective on this. Does Mr. Berney think that such a figure is obtainable? Does he consider it acceptable? It is currently at less than 33% of the average industrial wage.

We have seen the impact that the increase in the pension age has had since it was introduced. We now have more 65 year olds forced onto jobseeker's payments than any other age category. This is absolutely appalling. While Active Retirement Ireland made very specific points on this issue, how does ICTU perceive this issue? In pushing the pension age up to 67 and then 68 we are going above and beyond most of our European colleagues. I concur with the argument that this, along with all of the other cuts and changes made, needs to be suspended. This was imposed without any consultation. I also seek ICTU's opinion on the idea of a universal basic pension and on the notion of combining the contributory and non-contributory payments.

I also have some questions for Active Retirement Ireland. Some are general points that apply to each of the three organisations. Mr. Kavanagh touched on the issue of inflation-proofing. The target he mentioned of 40% would be ideal. Has Active Retirement Ireland looked at the British triple-lock system in any great detail? Does Mr. Kavanagh think this is a model that could work here? Should it perhaps be put in place here? With regard to the pension age issue, there are, as I mentioned, more 65 year olds signing on for jobseeker's payments than any other age category. I thank the delegates for their comments on the legislation that Sinn Féin, my colleague, Deputy Denise Mitchell and I have brought forward around abolishing the mandatory retirement age. It is hoped that it will get support, but we are waiting on a money message from Government to be able to advance it. It is about giving workers choice. I take the point that Mr. Liam Berney makes about manual workers. The legislation that we have proposed is about giving a choice to workers instead of their being forced onto a jobseeker's payment or a choice to women who have been impacted by the changes introduced in 2012. It is to give them the option to work on a little longer to make up the contributions to be able to get a higher pension. I have to make my apologies because I have to attend another meeting. However, my colleague, Deputy Denise Mitchell, will be here.

Senator Alice-Mary Higgins: I thank the delegates. It is interesting to see that similar themes have been emerging from witnesses over a number of hearings. A fundamental matter about which the Women's Council spoke is the question of the anomaly and legacy issue that exists and the fact that it is known. Mr. Berney from ICTU spoke about the 2012 changes coming in without analysis or consultation. One would think that if we were applying the gender analysis to which the Government is now committed to those changes there is no way that they would have passed muster in terms of a basic gender equality perspective. However, they were brought in in full knowledge of the fact that we had a system that was inequitable and not functioning and a system that the Department itself had acknowledged needed to be changed and moved to a total contribution approach.

In a way, the 2012 changes were almost an injury added to an insult. We had a system that systematically discriminated against those who had taken any period of time to deliver care. It meant that those who made the same amount of contributions over a lifetime as others were getting a lesser pension simply because they had contributed to society in another way. That inequity was well known, well documented and well signalled and we had been told that it could not be addressed at this time but that they were working towards it, yet in full knowledge of that we saw the 2012 changes which penalised those who were already being discriminated against. It is good that we name it, in the first place, as discrimination and that we name it as unacceptable. It is interesting that a majority of groups which have come into us have identified that the 2012 changes were a below the radar hit at people who it was felt perhaps would not push back. However, people are pushing back. That is what those of us on the committee are hearing and I hope we will be reflecting it.

In terms of the issue of care on a wider level, I would be interested in the thoughts of members or of the delegates in respect of the care credit, that is, the question of moving from simply a disregard in terms of care to actively recognising care as a contribution within our contributory system. I know that we will not focus in great depth on it now but I hope that we will get to speak to the delegates again on the new supplementary scheme that is being talked about. However, if they feel that care is to be recognised in any such scheme, if it is brought in, and we have a large amount of money being directed towards a new third tier scheme, how can or should it recognise care?

I am interested in the argument made by ICTU in terms of the suspension of the age changes. The pensionable age is another example of a very blunt tool. We have seen in France and elsewhere that people recognise there are certain kinds of work in which a retirement age and a pension age may need to be earlier. Similarly, in the work that we have heard from Active Retirement Ireland and others, there may be others that wish to work for longer. It is a double piece around allowing those who wish to work for longer to work for longer and recognising that there are forms of work, for example, intensive physical work, where someone who has worked until the age of 60 is not necessarily going to be able to find other work from the age of 60 to 68 and that they should not be devalued.

The framing was so positive and constructive in terms of the opportunity that Ireland has to plan to get this right and to learn from countries where the best plans are in place. We must also consider the democratic dividend and recognise that there are other ways for those who may be pensionable and retire at 60, 65 or 66 to contribute. There is a huge social dividend. Many people are aware of the social and voluntary fabric in Ireland. For example, older and retired persons have made a huge contribution in the citizens information services and other such spaces. In terms of the universal pension, it is interesting to hear of two groups. I would be interested in ICTU's thoughts on it. Is that something we can work towards? I would imagine that ICTU would be looking towards having a universal pension and an additional supplementary pension as an option. What are the delegates' thoughts on the universal pension? Would they see the triple lock as applying to that universal pension and then to the supplementary pension.

Chairman: Thank you, Senator.

Senator Alice-Mary Higgins: I will make one last point. The issue of tax and the standard rating is absolutely crucial. It is costing fortunes. We know that it is one of the things the troika asked us to change and is one of the only measures in the memorandum of understanding that was not implemented. We know that it is disproportionate. I also must ask about the gender issue because it has been highlighted. Am I correct in thinking that there is a gender aspect in terms of that tax relief as well? It is largely going to the very highest earners, who are predominantly men.

Deputy Denise Mitchell: I thank the three groups for their presentations. I will touch on the changes in 2012, if I can, with the Women's Council. Since I was elected, that has been one of the main things about which women of a certain age group are contacting all our offices. That many women were unaware of these changes makes it even more horrifying that they suddenly arrive at pension age and see how small the pension is. On the personal aspect, what we can collectively do? We are a committee made up of all different parties. What would the delegates like to see us, as a committee, as well as other politicians and outside groups doing? In December, we brought a motion before the House. Unfortunately, it did not pass. However, collectively how can we advance this? I am also mindful that a lot of this is statistics and percentages but it concerns real people. It is affecting real women. So that we can get a feel of

what is happening to this core group of women, will the delegates tell us what these real women are saying to them? On the homemaker's scheme, we know that many women have been affected because the changes were only backdated to 1994. Do the delegates know how many are affected? Is it a high number?

Chairman: I thank the delegates for their presentations. I am taken by the fact that, when we listen to the range of presentations, two things come across very clearly. There is where we see a pension scheme in the future, be it a remodelled total contribution pension scheme or otherwise, and where we find ourselves today and what are the short-term incremental steps that could be made which would have a positive impact. The delegates might reflect on those aspects in their answers because some of them were quite specific today. For example, the delegates spoke about increasing the age to 67. There were certain things that could be done irrespective of having a re-defined or re-modelled pension system. We need to be conscious of where we are today and what is coming down the road in a few months. It is true that the Department and the Minister are working on a total contributions system but the scheme has not been made available to us as a committee yet. Nor has it been published and it will take several years to be implemented. There is merit to everything that the delegates have raised including the transition, the incremental steps and the immediate steps, but for obvious reasons they cannot all be done in one go. However, some of them may be more short term and immediate and may have impact.

In particular, with regard to the triple lock, the delegates spoke about a 2.5% minimum increase or an index that could vary. I think that index is crucial because the needs of older people are different to others. They may have higher medical and heating costs etc. As that population grows, it may be that the CSO should be producing a specific index relative to the needs of those people to ensure that the objective we are setting is realised. Apart from longer-term policy, in which we recognise the deficits, I ask the witnesses to focus on the incremental steps that should be taken as a priority this year or next year.

Deputy Willie O'Dea: I agree with Mr. Kavanagh that the auto-enrolment scheme in the United Kingdom has worked well. Will he elaborate on the point he made about the scheme? He stated he had heard a rumour that the Department was considering a compulsory opt-in scheme. Is that correct?

Chairman: Everybody will be afforded an opportunity to reply but I ask Mr. Kavanagh to address first the point raised by Deputy O'Dea and the other questions Deputies asked.

Mr. Peter Kavanagh: I will start by responding to Deputy O'Dea's question. Nothing is based on rumour. In the past four years, we have been working with the Department of Social Protection on a variety of issues and officials working on policy in the Department have been telling us that this is coming down the tracks and that it is necessary to re-imagine how we fund the pensions system in order that we have a national third pillar pension or national PRSA, if one will. If it does not mirror the British version, which is a soft opt-out system in which everyone is auto-enrolled and then given the choice to opt out, it will fail because it is much more difficult to get people to opt into something that will reduce the amount in their pay packet. People are unlikely to put up their hands and say they want to contribute to a system. However, if one takes €1 from people and allows them to ask for it back, they are more likely not to ask for the money back because they will understand the social benefit involved. All of the studies on how the United Kingdom built its system are widely available and I highly recommend that the joint committee pay attention to them. If we introduce a nationally sponsored third pillar pensions savings scheme that requires people to opt in, in other words, one which people must

make an effort to join, I guarantee it will fail. I hope that clarifies the matter for the Deputy.

Deputy O'Dea also referred to standard rating. I direct him to Social Justice Ireland, which has done some fantastic studies on this issue. These outline exactly how standard rating pensions can be paid for using what is in essence a Danish-style universal citizen's pension, whereby anyone who has lived here legally for 35 years is allowed to claim the pension. That also addresses one of the points raised by Senator Higgins regarding a care credit. We believe strongly that a universal citizens pension would recognise care and any other way of spending those years that are normally spent in traditional employment. A universal citizens pension would negate the need for a care credit. If we do not go down the route of a universal citizens pension, a credit would be very important.

Deputy O'Dea also referred to the suspension of the age increase. It was galling that this was done without consultation with older people. The suspension affects a large number of people, particularly, as Mr. Berney pointed out, those who are in physical employment or employment of a taxing and tiring nature and who are looking forward to retirement. While a suspension would probably be welcome while the age increase is analysed, it is important to note that raising the pension age is not necessarily bad. As Senator Higgins pointed out, this should be a matter of choice. I hate to repeatedly refer to the UK but Britain has a deferral scheme in place for its first pillar state pension under which people can choose to get their pension one year later than the pension age and have a small extra dividend paid each week on the State pension. The Government saves much more than it pays out in the dividend. Allowing someone to defer the State pension for two to three years would be a good option for us and the Exchequer could save a large amount of money.

One of the problems with the State pension is that the system is hard and fast. Even when people have a contract that allows them to work beyond 66 years or, from 2021 onwards, 67 years, the additional wedge of cash they will receive often pushes them into a higher tax bracket. As a result, they will decide to retire instead because it is not economically worthwhile to continue working. In many cases, those who have the option to continue in employment do not do so. We advocate taking a more holistic approach. People between the ages of 65 and 67 need to have options to retrain. One cannot continue to carry a hod into one's 70s and there are many other things that people cannot continue to do. We fully believe in the empowerment of older people and that they can do everything that other people can do but we must be realistic about the physical demands placed on people in certain spheres of employment.

The Deputy referred to the demographic time bomb versus the demographic dividend. I direct him to some excellent research done by Professor Eamon O'Shea of the Irish centre for social gerontology in Galway.

I thank Deputy O'Dea for raising the dependency ratio because it is an issue that ticks me off no end because it is used to show how terrible matters will become when we have so many pensioners. However, the dependency ratio also includes those under the age of 16 years. A high dependency ratio, therefore, includes a large number of people who will be taxpayers in a few years. It is obvious that costs will increase as the population increases and I admit that it will cost €100 million to stand still on our pension scheme. We must fundamentally address how we run the country and whether these costs are something to be avoided or whether, philosophically, it is the case that as the population grows, we must bite the bullet and admit we need to spend more on health, education and social protection. I am not saying there is a magic bullet that will enable us to save a heap of money because we have this opportunity. However, we certainly have the opportunity to allocate revenue from tax and PRSI to the right areas and

future-proof our pensions system.

I will provide some detail on the triple lock, about which Deputy John Brady, who has left the meeting, asked a question. The idea is that people will have some kind of security and are not left to wonder whether they will receive an increase of €3 or €5 in the budget every year. Instead, income is secure into the future and people are able to plan on that basis. As far as what we should link the pension level to, we should aim for an ideal of linking it to 40% of the average industrial wage as the replacement rate on the pension. The triple lock should still apply at that level.

As I stated, I favour taking a holistic approach to the pension. Deputies Brady and Mitchell have done tremendous work on trying to have the use of mandatory retirement ages in contracts abolished to give people a choice about retirement. I also commend Deputy O'Dea and some of his colleagues who have done some fantastic work on this issue and Deputies Curran and Gino Kenny who committed to the Earn Our Vote campaign during the previous election campaign. I know this because I have the pleasure of living in the Deputies' constituency. There is a great deal of support in the room for the types of issues I have raised and I hope Deputy O'Dea is not offended if I only point to the most recent Bill. The Deputy has done some sterling work on this issue.

A holistic approach should allow deferrals. The Chairman asked if a specific index should be applied to a triple lock for older people. It is important not to treat older people as others because if one takes the position that older people do not have to pay mortgages or worry about accommodation and these factors should not be in the index, one will create a major gap for older people who do have to pay rent or still have years left on their mortgage. It is better to copper-bottom, as it were, an index and allow it to affect the most vulnerable, rather than deciding not to include X, Y and Z in an index on the basis that pensioners do not pay for them. It is important to treat older people as we would treat other people. We should take a holistic view and treat a living pension in the way we would treat a living wage. I hope I have addressed the questions.

Chairman: Does Mr. Berney wish to contribute?

Mr. Liam Berney: Ms O'Connor may contribute first as she is under time pressure.

Ms Orla O'Connor: I thank members for their contributions and comments. A number of speakers referred to the changes made in 2012. This is a red line issue for us in the budget and we urge members to make it a red line issue for them because it has a direct impact on the money women have. Deputy Mitchell asked what was the impact of the changes on women. Many women feel a sense of injustice about the changes and the lack of recognition for all of their contribution, including the substantial savings they have made for the State through the care they have provided. In addition to the financial aspects of this issue, there is a real sense of personal injustice. The changes must be reversed and there is an opportunity to achieve this in the current Dáil. I urge Opposition parties to make this a priority.

Deputy O'Dea asked a question about the homemaker's scheme. For our part, the National Women's Council of Ireland views this as an intermediate measure because the ideal would be a universal State pension. I am conscious and appreciative of the work Fianna Fáil has done in consistently raising the issue of backdating. It is one we think should be put back on the agenda. However, it is an intermediate one because we want to move to that universal State pension. I apologise but we will have to come back to the Deputy on the issues surrounding

the non-contributory because I do not have them in front of me. I am absolutely happy to come back on it. My colleague, Ms Eilís Ní Chaithnía, will pick up on the universal pension.

Senator Higgins asked about taxation and the wider issue of the third pillar. It is critical to note that all of the evidence is that a private pensions system, whether it is mandatory or opt-in or opt-out, will discriminate against women. International evidence and the research we did in 2006 shows that there is no private pensions system that recognises care. There is a reality that women will be doing more care work than men into the future. No private system will do that. It can only be linked to a State system to recognise the care work that is done, hopefully equally by women and men into the future but right now by women. One of the issues that is always raised in relation to this is the cost. In terms of looking at the cost, we must also look at the cost in terms of providing State full-time care for a person that women are providing, particularly relatives and also people with disabilities. When we look at the cost, we need to look at the wider costs. That is why pensions reform must adapt the PRSI system. There are other countries with models which we have set out where the state contributes into that system for the periods of care so that a person gets the credits.

On the taxation issue, we have advocated to standard-rate it over a series of budgets and to look at questioning in the long term whether one provides tax relief for private pensions, because that is clearly benefiting a small section of the population that is definitely up there in the higher incomes. It is definitely discriminatory against women. One of the most important things for this budget is the changes in 2012. We concluded our presentation with the issue of gender budgeting as this is a key area of policy reform which must be looked at in terms of gender equity because we have such an unequal system at the moment.

Ms Eilís Ní Chaithnía: To follow on from Ms O'Connor's point on taxation, our 2008 report, which remains worryingly relevant, referred to work done by Tim Callan in 2007 on a tax benefit model simulating and quantifying the impact of altering the tax treatment of pensioners to reduce the tax relief to the standard rate increase of State pensions. The findings included that the lowest deciles of income distribution gain and the higher deciles lose, but it would be an opportunity to substantially reduce the relative income poverty within the group that most needs it. That research suggests such a change would virtually eliminate the risk of income poverty for older people. The suggested universal pension scheme is not coming just from Social Justice Ireland and the National Women's Council. The World Bank suggested the scheme and also that administratively it would be the simplest structure with the lowest transaction costs for the public pillar. It said it avoids the disincentive to work that is inherent in means tested plans and that it helps to ensure poverty reduction objectives are met. The idea is that it would be based on residency and paid for by reducing tax relief on private pensions to the standard rate suggested.

Social Justice Ireland undertook research in 2015 and calculated that proposal around the reduction of the tax rate to the standard rate. It did a few bits and bobs around that. There was a bit around adjusting pension funds and tax-free lump sums as well. It suggested doing that would save about €710 million. It was also suggested the USP would cost €714 million. It is worthwhile to look at it if the members of the committee have not already done so. The benefit for women is that it eliminates a lot of the legacy issues for women. It removes the breadwinner model which makes women dependent on spouses for pensions, namely the qualifying adult issue. It would follow the requirement to recognise women's unpaid care contribution. It would have a neutral but positive impact on care and encourage savings over the lifetime if not means tested.

Mr. Liam Berney: The issues with the 2012 change have been well aired. Congress is on the record that it should be reversed. There is no doubt about it and we will say no more on it. The question of increasing the rate of the State pension and whether it should be linked to 40% of average industrial earnings or whatever is important. One of the things our retired members speak to us about is certainty. If the old age pension is €238 today, they know they do not have to worry about watching the television on budget day to find out whether as a result of a Minister for Finance announcement their living standards will be reduced. It is about having some certainty, which is the most important thing for them. There are also issues around what it is linked to and all the rest of it, but as the Chairman has pointed out there is an index of inflation for pensioners that is different from the index for a lot of other people. It is a very innovative idea to have an index which looks at the position of pensioners differently in the context of inflation. It is an idea which is worth exploring.

People spoke about tax relief on pensions. It is a very complex question. Our view is that it is far too heavily weighted towards people who, quite frankly, do not need it. However, there is a relationship between occupational pensions, tax relief and the State pension. I say that because a lot of people with an occupational pension have that pension co-ordinated with the State pension. In my case, if I can talk about myself for a moment, my final salary is reduced by 1.5 times the rate of the State pension. As the State pension goes up, the cost of providing for my pension for my employer comes down. All of these things are interlinked, which brings us back to the point that we need a universal system which takes account of the question of care. It will have to be done over time because one cannot disadvantage people with a current pension expectation to which they have made contributions. There is a transition as the Chairman has rightly pointed out.

It is important to suspend the move to 67 years of age. It is crucial to do that. I am not saying it cannot eventually be 67, but I do not think it can be 68. We must look at this again. It was introduced with a sledgehammer. Senator Higgins referred to a below-the-radar cut but it was certainly below the belt. We need to look at it again to see what the implications for people are. If the evidence shows it is fair and the right thing to do, people will accept it. The reason it is unacceptable is that it has been implemented without any consultation or proper analysis. I could say a great deal more but we would be here forever.

Chairman: I am very conscious that our guests have other time commitments. I appreciate their attendance and contributions to the meeting. Of equal importance were the submissions made in writing. We are now going to adjourn. For those who were not here at the start, I repeat that we are not setting a date for our next meeting. It will be arranged subject to other pieces of business and people will be notified accordingly.

The joint committee adjourned at 11.30 a. m. *sine die*.