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INCOMES OF THE ELDERLY IN IRELAND

AND AN ANALYSIS OF THE STATE'S CONTRIBUTION

INCOMES OF THE ELDERLY

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SUMMARY OF RECOMMENDATIONS

Recommendation 1

Non-contributory Old Age Pension

'There appears to be no justification for pension committees. Indeed they have the demerit of allowing information which should be confidential to be known to local people.' (Section 3.2.1)

It is recommended that pension committees be abolished.

Recommendation 2

'If a person's means . . . exceed £6.00 a week (or £12.00 in the case of a married couple), the pension is reduced. At the other end of the scale, a single person can have a weekly means of up to £42.00 (£84.00 for a married couple) and still qualify for a reduced pension . . . In assessing the cash value of investments, the practice of adding £1.00 to the weekly value of investments where the value of investments is £1.00 or more is difficult to justify and can only lead to confusion for applicants' (Section 3.2.1)

The Council therefore recommends that the addition of £1.00, where the weekly value of investments is £1 or more, should be dropped.

Recommendation 3

'It is likely that elderly persons do not realise that they can have fairly substantial investments and still qualify for at least a partial pension. It is also probable that many elderly persons, being unaware of the method of calculating the value of an investment are deterred from applying for a pension' (Section 3.2.1).

Furthermore, in view of the complexity of the formula for calculating investments, it should be simplified by the Department of Social Welfare and, having been made more intelligible, it should be publicised more widely.

Recommendation 4

Contributory Old Age Pension

'The abolition of the remuneration limit will ensure future continuity of insurance for all workers regardless of levels of earnings. However, while those who became insured after April 1st 1974 have qualified or will qualify for full contributory pensions, others, by contrast, will receive reduced pension or no pensions at all, simply because they had previously paid social insurance for broken periods. This earlier insurance thereby becomes a liability preventing them from entitlement to full or reduced contributory pension.

'During the periods when these workers exceeded the income limit they could have become voluntary contributors. Many did so and thereby preserved their full pension entitlement. But those who did not find themselves in the curious position of being at a disadvantage *vis-à-vis* workers who did not pay any social insurance prior to 1974. The only people who are liable to receive no pension as a result of this anomaly are those reaching pension age before 1987' (Section 3.2.2).

The Council therefore recommends that immediate steps be taken to redress this anomaly. It advocates that pension entitlement be determined solely on the basis of insurance records from April 1st 1974 in cases where broken insurance records prior to this date inhibit claims to full pension entitlement.

Recommendation 5

Retirement Pension

'In order to avail of the social welfare Retirement Pension the claimant must retire from insurable employment. This effectively means that the recipient must not have a full time job.

'It is desirable that elderly people should be able, if they so wish, to continue to work on a part-time basis without suffering any discrimination in income' (Section 3.2.3.)

The Council therefore recommends that, until such time as its recommended targets for pension levels are implemented in full (Recommendation 21), no earnings rule should affect the entitlement to the retirement pension of those who work part-time.

Recommendation 6

Flexible Retirement

'The International Labour Organisation, in their Older Workers Recommendation 1980, has urged member countries to make the pension age flexible. The EEC, in a recommendation issued in December 1982, has invited member States to accept flexible retirement as one of the aims of their social policy, that is to say, to facilitate all workers, whether employed or self-employed to choose the time of their retirement after a given age. The Council believes that people should be given the maximum opportunity to choose their time of retirement within reasonable limits. A policy of flexible retirement should become the standard for both social welfare and occupational pension schemes, enabling people to choose more freely the time of their retirement in the light of their state of health, personal abilities and aims' (Section 3.3.2).

The Council therefore recommends the introduction of a flexible age for the social welfare pension between the ages of 60 and 70. It further recommends that, in order to ensure its early implementation, the implications of such a flexible retirement scheme be examined by the Department of Social Welfare. This should also be taken into account in the proposed new national income-related pension scheme.

Recommendation 7

Prescribed Relative Allowance

'In this section, interim recommendations on the allowance are made, pending the report of the working group on the problems of carers in society which the Council has set up.

'The State acknowledges that the carer is doing a valuable service on its behalf, even though it pays the person who receives the service rather than the person who gives it' (Section 3.5.2).

The Council recommends that the allowance be paid directly to the relative.

Recommendation 8

'Elderly persons are, in the majority of cases, looked after by married persons, who, together with other relatives and even non-relatives, make it possible for them to continue to live in the community longer than they would otherwise be able to do. Clearly, therefore, greater flexibility is required in determining eligibility for assistance, if this policy is to be encouraged and fostered' (Section 3.5.2).

The Council therefore further recommends that the scheme, by whatever name it may be called, should be extended to include instances where married persons, other relatives such as cousins, or non-relatives provide such care, thereby helping to reduce the demand for institutional care.

Recommendation 9

'The annual cost to the State of this allowance is a small price to pay for maintaining thousands of people in the community rather than in institutions. The Council would wholeheartedly subscribe to the view of a recent report of the Council for the Status of Women, that this service, often given at great personal sacrifice, is entitled to recognition and recompense commensurate with its worth. It would further endorse the recommendation that the grade of Domiciliary Carer be introduced for those involved in full care of an elderly or an infirm person (apart from such professional services reserved to the Public Health Nurse)' (Section 3.5.2).

The Council recommends that the present allowance should be increased to the level of the maximum personal (rural) rate of unemployment assistance, which is £28.00 per week at December 1983.

Recommendation 10

Fuel Allowance

'Among the poorest of the elderly a far higher proportion of income is spent on fuel than for households as a whole: 14 per cent of income for pension-dependent households by contrast with 6 per cent for all households, and 12 per cent for the most elderly households' (Section 3.5.3).

As already recommended by the Council, the two fuel schemes that are currently in operation should be replaced by a uniform *national scheme. The level of benefit should also be reviewed.*

Recommendation 11

Rent Allowance
'Many elderly persons lack full knowledge of the system of rent allowances and take-up may therefore be seriously affected.'

'Initially (i.e., from December 1982) claims for rent increases were heard by the District Courts, which not only awarded substantial increases to landlords but also proved intimidating and frightening to vulnerable elderly persons often unaware of their right to a rent allowance' (Section 3.5.4).

To avoid further ignorance, misapprehension or fear under the Rent Tribunal system, the Council recommends a campaign of widespread publicity to inform all formerly rent-controlled tenants of the availability of the Rent Allowance scheme.

Recommendation 12

The Death Grant
'While it is recognised that there can be considerable variations in the cost of funerals, investigation suggests that, on average, the cost has risen fivefold since 1970, whereas the value of the grant has only increased fourfold. The Consumer Price Index has increased by a factor of over 5½ in the same period. On this basis, there are strong arguments for an increase in the grant' (Section 3.5.5).

The Council therefore recommends that the death grant should be increased from £100 to £250 for an adult, with pro rata *increases for children under and over the age of five. Once this entitlement level is achieved, the Death Grant should be increased regularly in line with the Consumer Price Index.*

Recommendation 13

Comfort Allowance for Long-term Patients
'When a person with some source of income, such as a pensioner, is admitted to a Health Board institution, their income is assessed and they are told how much they are expected to contribute. They will be allowed retain a certain amount for "comfort" or pocket money. In the Eastern Health Board area the minimum

amount is £4.40 and the maximum is £11.00. Some patients get the "comfort" money into their hands and they can spend it as they wish. In other cases, it may be paid into the Patient's Property Account, usually because the patient is unable to handle money' (Section 3.5.6).

The Council recommends that there should be a common policy between Health Boards in relation to the Comfort Allowance. The need of patients should be used as the criterion in determining this uniform policy. In the case of those unable to handle money, discretion must be used and ideally it should be earmarked specifically for the improvement of the quality of living of patients in long-stay institutions and reallocated accordingly. These recommendations should apply to all persons and not simply to those in receipt of old age pensions. The Council also recommends that the Minister for Health and Social Welfare commission a study of this issue and that the findings be published on completion.

Recommendation 14

Tax Benefits
'Exemption thresholds introduced in 1977 for those aged 65 or over, whereby those whose income is as follows (at December 1983), are not subject to tax: £2,500 or less (single and widowed persons), £3,000 or less (single and widowed persons aged 75 or over), £5,000 (married couples aged 65 or over), £6,000 (married couples aged 75 or over); marginal relief applies to incomes slightly above these amounts' (Section 3.6).

It is recommended that the exemption thresholds be increased for those aged 75 or over, on the grounds that one of the main intents of such thresholds should be to remove the anxiety and trouble experienced by the most vulnerable elderly in relation to income tax. The exemption thresholds for this category of elderly should be set at the average earnings level.

Recommendation 15

Free Electricity Allowance
'The allowance consists of 300 free units and 200 free units in each two-month period in winter and in summer, respectively . . . This is a particularly valuable scheme for elderly persons, for a number of reasons:

it finances an item of expenditure which is inherently difficult to control as the money value of expenditure on electricity is known only some time after the event;

arising from this, the allowance removes a source of anxiety which would otherwise arise in particular for elderly persons.

. . . the main problem relating to the free electricity allowance scheme is its underutilisation . . .

'The following recommendations are aimed at maximising take-up of the scheme.

'. . . entitlement to unused free units is lost at the end of each two-month billing period, . . .' (Section 3.7.2)

It is recommended that the present scheme be changed to permit carry over of unutilised units from one billing period to another.

Recommendation 16

It is recommended that there should continue to be an involvement of meter readers in assisting the elderly to understand how many units they have used and how many free units remain in any period. This service should be improved and expanded to include sub-contractors employed by the ESB for meter reading, who should be encouraged and facilitated to give particular assistance to the elderly.

Recommendation 17

'It is understood that the ESB would be willing to design explanatory display units outlining the free electricity scheme for use in centres where elderly persons congregate such as health clinics, post offices and community centres' (Section 3.7.2).

The Council recommends that such schemes publicising the operation of the free electricity allowance be widely implemented. Furthermore, it advocates that voluntary organisations alert their members and friends, relatives and neighbours of elderly persons to the free electricity scheme and its provisions.

Recommendation 18

Free Television Licence

'A scheme of free television licence (monochrome sets only) for certain categories of pensioners was introduced in 1968. Pensioners entitled to a free electricity allowance are also entitled to this free television licence.

As colour television increasingly become the norm and as black and white sets are phased out, it is only proper to facilitate a standard of comfort to our elderly equal to that enjoyed by the rest of the population' (Section 3.7.4)

In the interests of a better quality of life for elderly persons living in the community, the Council recommends that the free television licence concession be extended to cover an entitlement to a free colour licence.

Recommendation 19

Assets

'Currently, elderly home owners in Ireland do not have the option of converting part of the value of their dwelling into an income through a mortgage annuity scheme' (Section 4.5.2)

The Council recommends that schemes which enable a capital asset to be converted into an income/capital sum should be facilitated and even encouraged. It is further recommended that the facility of an 'option mortgage' should be considered.

Recommendation 20

Agricultural Land

'Another asset which is important for the elderly is agricultural land. This raises the issues of the Voluntary Farm Retirement Scheme which operated up to recent years with modest EEC support' (Section 4.5.4).

It is recommended that a revised Voluntary Farm Retirement Scheme should be prepared. This should ensure that the option of retirement provides a net benefit over competing State benefits for farmers who do not retire. The additional option of a sale and leaseback arrangement should be explored. There would be need for more effort to be devoted to explaining the scheme to farmers, *than was the case in the former retirement scheme. In particular, the cases in which they would suffer no losses in entitlement to social welfare benefits (including non-cash benefits) should be fully explained and publicised.*

Recommendation 21

Minimum Pension Levels

'Factors which are taken into account in the recommendations which follow on minimum pension levels include:

(a) the incidence of poverty among a sizeable minority of the elderly (Chapter 5);
(b) the existence of three particularly vulnerable groups among the elderly, already identified (*viz.* pension-dependent households, the most elderly and those who live alone);
(c) the proportion of income in the year prior to retirement which it would be necessary to achieve on retirement in order to maintain living standards;
(d) the role which income other than from social welfare pensions (e.g., from occupational pensions or from part-time work) can play in the income maintenance of the elderly.

'It has already been indicated (Section 5.8.2) that a pensioner couple would need 65-80 per cent of their pre-retirement net income (that is, after tax and employee social insurance contributions) in order to attain an equal level of disposable income in retirement' (Section 6.4.5)

The Council recommends that the minimum target for the personal rate of social welfare pension be set at not less than 50 per cent of average net industrial earnings (that is, industrial earnings after income tax and employee social insurance contributions).

Recommendation 22

'This recommendation has implications for a uniform pension which are dealt with in Recommendations 31 and 32' (Section 6.4.5).

The Council recommends that once the target were reached, the benefits should be indexed to average net industrial earnings.

Recommendation 23

The Target Pension Rate as Applied to Elderly Households
'If the target for personal pension rate were agreed on and if the appropriate relation between family and personal rates were established, then the target pension rate for elderly households would automatically be defined' (Section 6.4.6).

The Council recommends that an explicit set of adult equivalence scales, based on the consumption patterns of the elderly, be adopted to determine the level of pension payments to elderly family households and that they make particular reference to the additional requirements of the most elderly and those living alone.

'Until such time as the target levels of pension (personal rates) are reached, no alterations in the allowance for dependants under the non-contributory and contributory social welfare pensions are suggested. This recommendation would mean that eventually whatever substitute ratio came from an Irish study for a couple's payment relative to payment at the personal rate would replace the existing range of additional payments which vary from 50 per cent to 100 per cent' (Section 6.4.6).

Recommendation 24

Age Supplement
'The very elderly are among the most vulnerable groups in the elderly population. There are grounds for giving more in the form of income support to the oldest pensioners than to others. Not only are their incomes lower, with relatively little from other sources, but they have greater requirements in the form of such things as fuel expenditure and domestic assistance' (Section 6.4.7).

The Council recommends that the value of the age related supplement should constitute at least 10 per cent of the maximum personal pension rate.

Recommendation 25

'Currently those over 80 are entitled to the age supplement. However, because of a higher incidence of dependence, from the age of 75 particularly, this latter age would be a more appropriate demarcation line between the elderly and the very elderly' (Section 6.4.7).

The Council recommends that the age supplement be payable at age 75 for the reasons outlined above.

Recommendation 26

Living Alone Allowance
'Given that the incidence of poverty is relatively higher among those who live alone than it is among elderly households in general, there is justification for the living alone allowance until such a time as the recommended pension targets, based on adult equivalent rates, are achieved' (Section 6.4.8).

The Council therefore recommends that until such time as the recommended targets for social welfare pension levels are fully achieved and subject to the findings of the recommended study on adult equivalents (Recommendation 23) a living alone supplement of 20 per cent should be added to the single rate of non-contributory pension.

Recommendation 27

Costs of Implementing the Recommended Pension Rates
'The costs to the State of implementing the recommended pension rates of Section 6.4.7 are calculated on the basis of the same assumptions as those in Section 6.4.3.

'Additional Government expenditure required would amount to £144.0 million at 1983 prices. This does not include expenditure under the age supplement' (Section 6.4.9).

Recognising the constraints on public finances, the Council recommends that the implementation of the revised pension rates should be phased over five years.

Recommendation 28

Cases of Broken Contributions
'One of the vulnerable groups which has been highlighted in this report is that of those, including elderly women, who dropped out of the labour force for some years and subsequently re-entered but who have lost entitlements to contributory pensions as a result — or as a result of working part-time on re-entry' (Section 6.4.10).

It is recommended that, in these cases, there should be provision for such people to obtain a contributory pension of a reduced amount which would reflect the proportion of their working life in the labour force, and that there should be credits for contribution purposes on a proportional basis for part-time working (whereby, for example, 40 years of part-time work would lead to entitlement of 20/40ths of a contributory pension).

Recommendation 29

Supplementary Welfare Allowance
'Under this allowance, standard rates of payment are given subject to a means test to meet cases of exceptional need. Additional payments, which are discretionary, are payable in certain circumstances' (Section 6.4.11)

It is recommended that a greater degree of uniformity in the operation of the Supplementary Welfare scheme throughout the country be achieved; that pending the achievement of the target rates of pension proposed by the Council, there be a greater willingness by those who administer the Supplementary Welfare Scheme to extend its benefits to the vulnerable elderly; that a more adequate and uniform appeals system be put in place, by the Department of Social Welfare, and that the availability of this appeals system be communicated to those whose applications are turned down.

Recommendation 30

Other Income of Pensioners
'This report has indicated the limited data which are available on the coverage of private pension schemes. To complete the

picture which is given in this report, a detailed study of occupational pension schemes, produced independently, or incorporated in the proposed White Paper on a National Income-Related Pension Scheme would be welcome by the Council. A further study on the extent of supplementary income maintenance assistance to the elderly by voluntary agencies would also be useful' (Section 6.4.12).

The Council recommends that information on the number of cases where Supplementary Welfare Allowance payments are paid to those who are in receipt of social welfare pensions, should be collected and disseminated regularly.

Recommendation 31

Uniform Pension and its Financing

'The present distinction between contributory and non-contributory pensions is based on the insurance principle. It can be argued, however, that insurance contributions are another form of direct taxation . . . The question . . . is . . . whether these payments should not be more closely matched to the needs of the recipients?'

'The implications of Recommendation 21 to 26 are that there would be no distinction between the levels of benefit under the contributory and the non-contributory pension, respectively. Accordingly, the following two recommendations are made' (Section 6.4.13).

The Council recommends that within a five-year time scale the distinction between the contributory and the non-contributory old age pension should be abolished, and replaced by a uniform pension.

Recommendation 32

This uniform pension should be financed by PRSI contributions levied on all existing categories of employees and on the self-employed; contributions could be regarded as earmarked taxation, which is essentially what they would constitute.

Recommendation 33

Wider Issues Relating to Social Welfare Pension Policy

'As indicated in Chapter 1, this report does not attempt to treat the wider structural issues which arise when considering pension provision in the future'.

The Council recommends that the Commission on Social Welfare, with its wider brief should consider and report on the relationships between the target levels of pensions recommended in this report and the following questions.

'(a) Would a two-tier system, which guarantees a minimum income to all and a supplementary income to some elderly in most EEC countries, be preferable to the present pensions structure?

(b) Provision for the most vulnerable elderly groups, as identified in this Report, would necessitate their receiving a proportionately higher increase in benefits than that accorded to the elderly population as a whole. Such positive discrimination would have its problems however. Should means testing be retained? If it is retained, can it be so administered to minimise the 'stigma' often associated with means testing, and to maximise the take-up of benefits?

(c) Should payments in kind (that is, non-cash benefits) be gradually replaced by cash benefits?

(d) What should the future relationship between occupational and social welfare pensions be and how could the existing inadequacies in occupational schemes be remedied?

(e) What should be the relationship between work and pension provision?' (Section 6.5).

CHAPTER 1

INTRODUCTION

1.1. Aims of this Report

The Care of the Aged Report of 1970 stessed the importance of helping elderly persons to live in the community rather than merely providing for them in hospitals or other institutions. In this context the report stated that:

> Accepting that the primary aim should be . . . to enable the aged to continue to live in their own homes, the payments available to aged persons under the income maintenance services of the Department of Social Welfare should, with whatever other means are available to them, enable them to do so in reasonable comfort, unless there are some grave physical or social circumstances which necessitate admission to a hospital or institution.[1]

The National Council for the Aged agrees with this view and decided to carry out a comprehensive review of existing State income maintenance schemes for the elderly with the following aims:-

- to consider the adequacy of the existing social welfare pensions for the elderly;
- to suggest an appropriate relationship between the level of social welfare pensions and average earnings, even if this level might not be possible of immediate attainment;
- to establish some principles which would provide guidance on the setting of rates of social welfare pensions for the elderly and their dependants.

This report, therefore, focuses its attention on social welfare

[1] *The Care of the Aged:* Report of an Inter-Departmental Committee, Dublin, Stationery Office, 1970, p. 51.

pensioners only. Its concern is to establish how their living standards compare with the rest of the community, with a view to recommending appropriate changes in the Social Welfare code as it applies to them. It is hoped thereby:

to influence the formation of Government policy, not only in short-term changes at the time of the Budget but in the longer-term review of the social welfare system which is needed;
to raise the level of public awareness of these issues, and to inform the public about them;
to stimulate further study and examination of these and related matters.

However, the question of State income support is a complicated one. Before recommendations designed to improve the living standards of elderly people can be formulated, it is necessary, for example, to establish the expenditure which the State is likely to incur on existing cash and non-cash benefits in the future.

Furthermore, current income must be considered in association with household facilities and assets if an accurate picture of need is to be established. A number of elderly households have sources of income other than social welfare pensions, which should be taken into account when assessing the living standards of the elderly.

There are also wider issues which, either are not within the brief of the Council to consider (such as the 'knock on' effects on other categories of recipients as a result of welfare improvements recommended) or which the Council has not been able to examine. The most relevant such issue is the question of an income-related pension scheme. This report takes the current system of income maintenance as given, and does not attempt a fundamental reappraisal of that system. At the same time, it is recommended that the Commission on Social Welfare consider the elements relating to this wider issue of an income-related pension scheme and other issues referred to later in this Report.

1.2. Contents of the Report

In Chapter 2 the changing numbers of elderly persons, their composition, and employment patterns, are outlined.

Chapter 3 traces the main changes in income maintenance services for the elderly over the past two decades. Particular categories of elderly persons are entitled to other cash and non-cash benefits. These are enumerated and recommendations are made in respect of a number of them.

Chapter 4 investigates the income and assets of elderly households in order to establish the standard of living of different groupings of elderly people.

Chapter 5 assesses the adequacy of social welfare pensions in providing an adequate standard of living for the elderly most in need.

Chapter 6 looks to the future of pension provision. Drawing some conclusions on present income adequacy, the future prospects of income maintenance for the elderly are assessed. Following an analysis of a number of factors, recommendations are made on target levels of pension which should be established to improve the security of the most vulnerable elderly.

A Glossary of terms is at the end of the Report. The Council intends to publish a non-technical summary of this report in the near future.

The information in this report is current at December 1983. Appendix 1 provides an updated summary of levels of pension for the elderly, in the light of the Budget of January 1984.

A draft of this report was discussed at a consultative seminar on 17 February 1984. The Council is grateful to Dr. Michael Fogarty, Director, Institute of Family and Environmental Research, London, who spoke at the seminar and to those who commented on the draft in the discussion.

CHAPTER 2

PROFILE OF THE ELDERLY

2.1. Introduction

2.1.1 *Resumé of Chapter*

This chapter looks at the elderly population as a whole, and with particular reference to the most elderly, elderly women, those living alone and elderly households. The reasons for the changes in the number of elderly are examined and projections of the elderly population, and household numbers, to 1991 are made. The chapter also considers the elderly who are at work and, here again, projections are made to the year 1991. From all these data, conclusions are drawn and the implications for State support of the elderly are enumerated.

2.1.2 *Definition of 'Elderly'*

Given the enormous difference in capacity from one person aged 65 to another, it is clear that the choice of '65' as the threshold of old age is, by its nature, an arbitrary one.[1] However, since this is the age of retirement for many people and since it is close to the qualifying age for contributory and non-contributory social welfare pensions, it is adopted in this report as the most appropriate dividing line between the elderly and non-elderly.

2.1.3 *Special Categories*

The elderly do not constitute a homogenous social entity. In this chapter, and throughout the report, particular attention will be drawn to those categories of elderly persons who are

[1] To date the Council has focused its attention on the welfare needs of persons aged 60 and over. See National Council for the Aged, *First Annual Report*, Dublin, 1983, p. 7.

most likely to be vulnerable in one way or another. They include the more elderly (those over the age of 75 or 80), who, because of a higher incidence of illness or disability, make greater demands on community and institutional health services, as well as on the personal social services. Other categories which will be identified include elderly women and old people living alone. In later chapters attention will also be drawn to pension-dependent households who rely on State pensions for 70 per cent or more of their income. In this chapter, however, a more global picture relating to all elderly households will be given.

2.2. The Elderly Population

2.2.1 *The Elderly Population*

Between 1971 and 1981 there was an increase of 12% in the elderly population (Table 2.1 and Figure 2.1). However, since the population has been increasing at a faster rate, the proportion of elderly persons to the total population has been declining somewhat.

Table 2.1: *The Elderly Population, 1966-1981*

Year	Elderly Population	% of Population as a whole
1966	323,000	11.2%
1971	329,800	11.1%
1979	361,400	10.7%
1981	369,000	10.7%

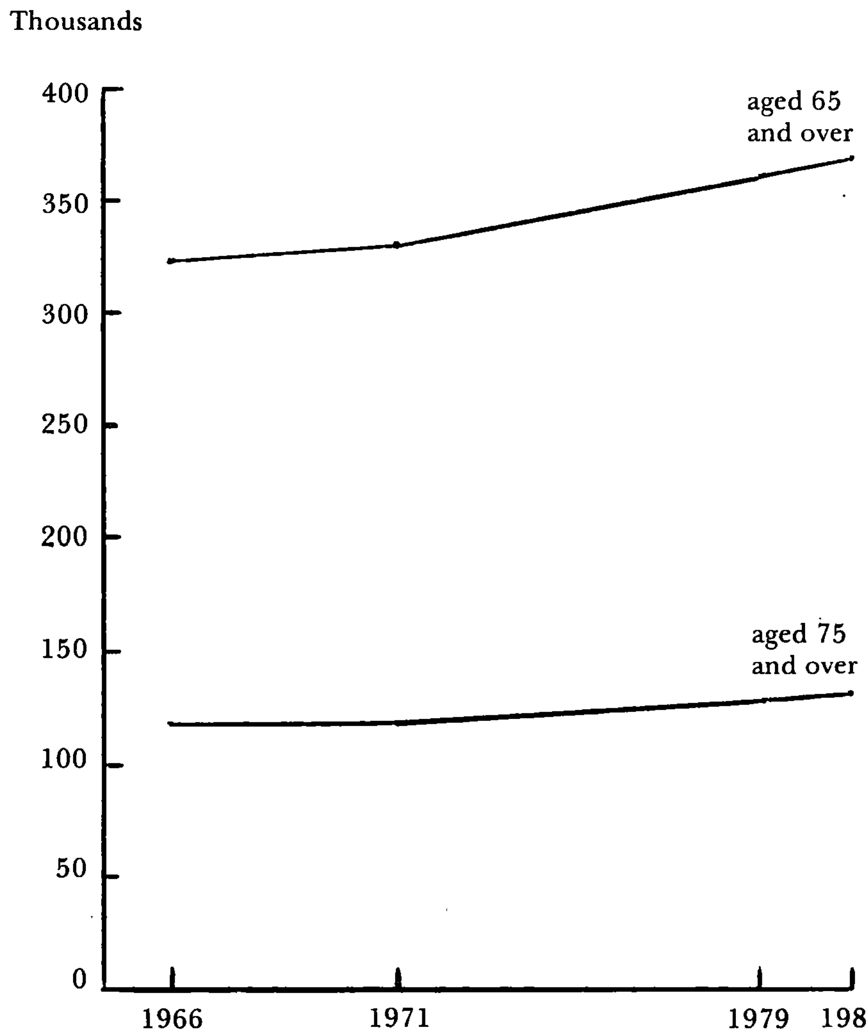
Source: Appendix 2, Table 1

2.2.2 *The More Elderly*

In 1981 there were 63,400 people aged 80 years of age and over. They represented 17% of all elderly persons. In the same year, 131,900 people were aged over 75 (36% of the elderly population).

Figure 2.1

Elderly Persons by Age Group, 1966-1981



Source: Appendix 2, Table 1.

2.2.3 *Women*

In 1981 women accounted for 55% of all elderly persons and for 63% of those aged 80 and over. These figures reflect the greater longevity of women. Because of this fact and also because married women tend to be younger than their husbands, almost half of elderly women are widows and they outnumber elderly widowers by three and a half to one.

2.2.4 *Marital Status*

In 1981 the breakdown of the elderly population according to marital status was as follows:

24% Single
42% Married
34% Widowed (Figure 2.2)

In the same year, 55% of those aged 80 and over were widowed.

2.2.5 *Old People Living Alone*

Many of the single and widowed persons mentioned above are likely to be living alone. In 1981 there were 64,700 elderly people living alone, an increase of 50 per cent on 1971. In 1971 13.1% of all elderly persons had been living on their own. This proportion increased to one of 17.5 per cent in 1981. In this category of elderly persons living on their own, women outnumber men by almost 2:1.

2.2.6 *Elderly Households*

In 1981, the number of private households[2] where the head of the household was aged 65 or over was 206,800. This represented a 14% increase in the number of such households since 1971. In Ireland, as in a number of other countries, the tendency has been for an increasing number of elderly persons to live in separate households, as distinct from living in households together with adult sons and daughters, or with relatives (Appendix 2, Table 3).

[2] These are private households in permanent housing units; they exclude mobile homes. *Source: Census of Population of Ireland 1981: Five Per Cent Sample Estimates: Housing and Households,* December 1983.

Figure 2.2

Structure of Elderly Population by Age, Sex and Marital Status, 1981

Source: Appendix 2, Table 2.

This seems to have been, at least in part, a reflection of social and economic change brought about by an increased desire for independence, increased urbanisation, some increase in labour mobility due to changing economic circumstances, and housing redevelopments which necessitate the elderly living at a distance from their relatives.

However, an additional reason for the increase in independent households among the elderly has been the increase in their real incomes. This has provided the means for an independence which had formerly been unattainable in many families.

2.3 Commentary: Underlying Causes of Growth in Elderly Population

2.3.1 *Changes in Life Expectancy*

Between 1966 and 1971 the life expectancy of elderly men remained static, whereas that of women increased. In the period 1971 to 1979 there was an increase in the life expectancy of elderly men. Nonetheless, the life expectancy of elderly women continued to outstrip that of men during this period also (Appendix 2, Table 4). Today 65 year old women have a life expectancy of 15.7 years compared to 12.8 years for men of the same age.

Though it is difficult to identify which factors are the most important in these increases in life expectancy, it is clear that improvements in economic and social conditions have led to improvements in diet, housing conditions, water supply and sewage facilities. These, together with advances in health care, are undoubtedly important contributory factors in the improvements in life expectancy.

Occupational illness and injuries partly explain the lower life expectancy of men than of women. However, on the basis of trends in countries where there is a much greater proportion of women in paid employment, it cannot be assumed that the differences in life expectancy between the sexes will decline as women's work and employment patterns conform more to those of men. In the United States, where there was an increase in life expectancy of elderly males in the first half of the 1970s there was an even more pronounced increase in expectancy of females[3]. And in a wide number of countries, the ratio of life expectancy between female and males aged over 75 has widened in favour of females.[4]

2.3.2 *Changes in Migration Patterns*

Another cause of the increase in the elderly population has been the immigration pattern or the inflow of persons to the country. Net migration is computed as the net result of gross flows of migrants in and out of the State. As a result of net immigration in the 1971-1979 period, there were some 7,500 more males and 8,000 more females aged 65 and over in 1979 than there would have been if net migration were zero in that age group. In the two-year period 1979-81, there was a net immigration of about 1,000 persons aged 65 and over.[5]

2.4 The Labour Force and Employment

2.4.1 *The Labour Force*

In 1981 14% of the elderly were still at work (Figure 2.3), the majority (79%) being males.

While most elderly males (69%) were retired from the labour force, 24% were still at work. The remainder (apart from a small number who described themselves as unemployed), were unable to work due to permanent sickness or disability. These comprised 6% of elderly males in 1981.

In 1981, 29% of elderly women were retired from the labour

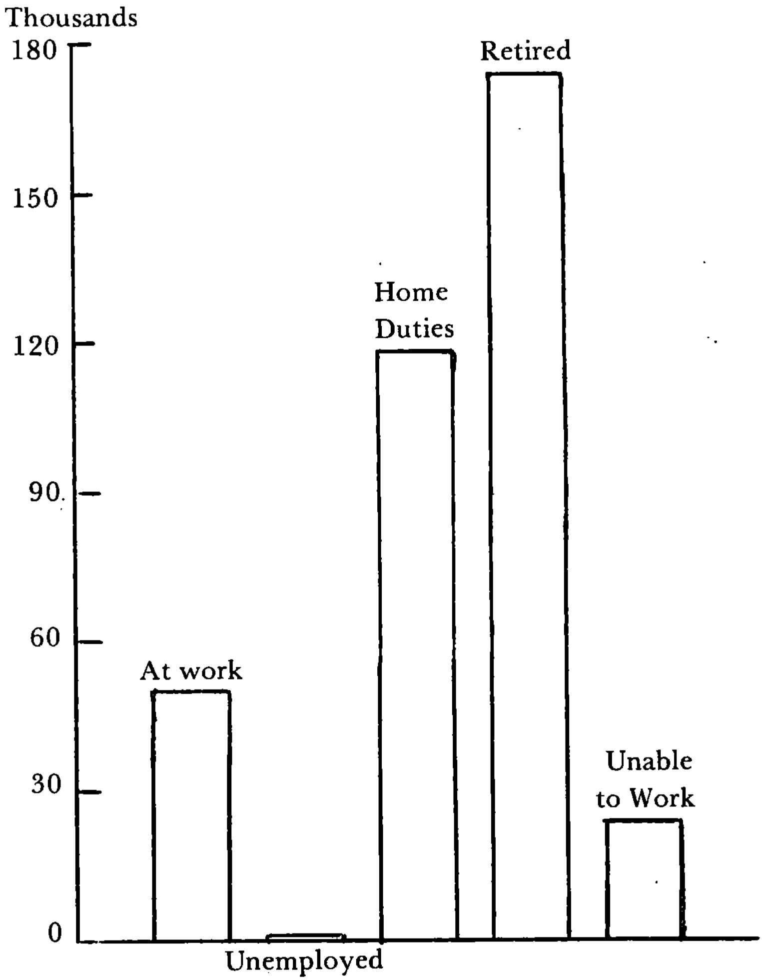
[3]George C. Myers, 'Cross-national Trends in Mortality Rates Among the Elderly', *The Gerontologist,* Vol 18, No 5, 1978, pp. 441-448.

[4]*Ibid.*

[5]This is subject to a distinct margin of error: Donal Garvey, 'A Profile of the Demographic and Labour Force Characteristics of the Population – Sample Analysis of the 1981 Census of Population', Paper to Statistical and Social Inquiry Society of Ireland, 28th April 1983.

Figure 2.3

Population Aged 65 and Over by Principal Economic Status, 1981



Source: Appendix 2, Table 5.

force, 5% were still at work and 7% were unable to work due to permanent sickness or disability. Almost 60% of elderly women are therefore engaged in home duties.

Since 1966, there have been sharp falls in the proportion of elderly persons who are in the labour force (Figure 2.4). However, not much change has occurred since 1975, much of the decline taking place between 1971 and 1975. The following reasons can account for this decline.

(i) Twenty years ago agriculture was much more important as a source of employment. Since those involved in agriculture are not so inclined to 'retire' as are elderly people working in other sectors, an agriculture-based economy will tend to have a higher proportion of elderly in the labour force.

(ii) As will be seen in Chapter 5, there have been increases in real terms in social welfare pensions. Any increase in the real value of pensions will increase the opportunity for those elderly people to retire who want to do so. However, it was not until 1979-81 was there any increase in the value of pensions relative to average earnings.

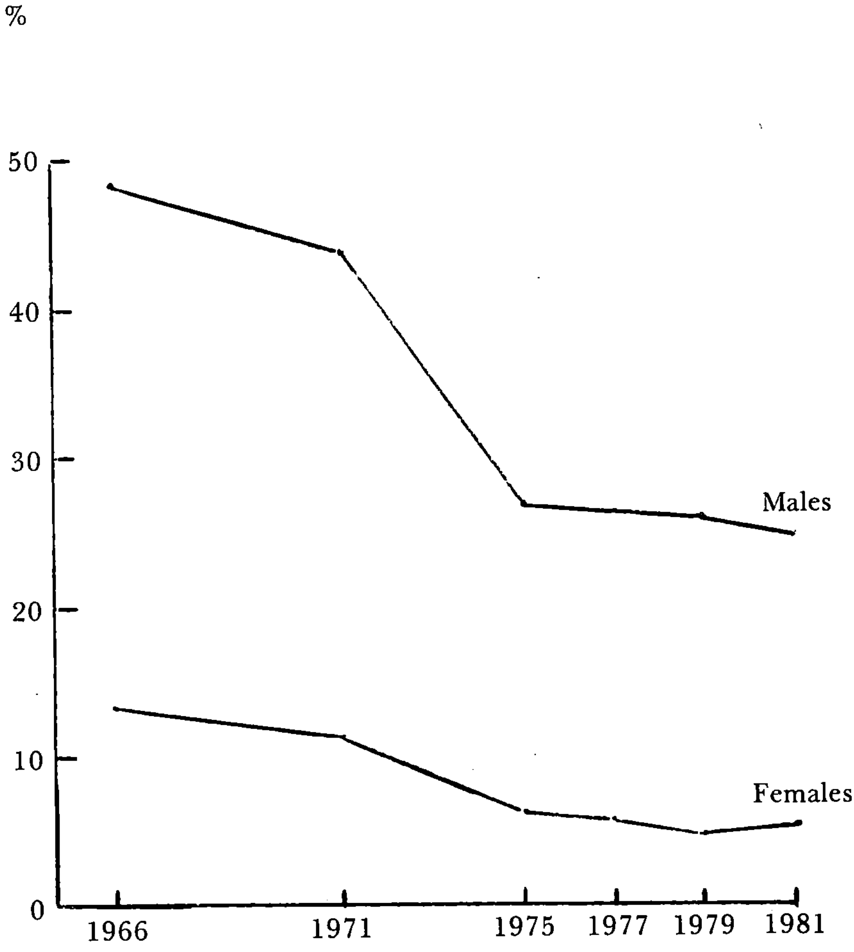
(iii) The State has encouraged the development of privately-funded pension schemes by giving tax allowances to employers and employees. There has been a big increase in the number and range of private pension schemes in operation, which, in its turn, has had an impact on activity rates amongst the elderly.

(iv) The most important single influence on activity rates is likely to have been the changes in eligibility conditions for State pensions (Chapter 3). These changes have not only considerably loosened economic constraints on elderly persons wishing to retire, but they have also had a psychological impact, in that they encourage an attitude favouring earlier retirement.

(v) With increasing unemployment levels, poorer job prospects have effected the elderly, as well as the rest of the population. This situation has also brought about increased social pressure on the elderly to retire.

Figure 2.4

Labour Force Participation by Sex for those Aged 65 and over, 1966-1981



Source: Appendix 2, Table 6.

(vi) Economic circumstances generally have led to many enforced redundancies. Older workers, unable to compete with the increasing numbrs of skilled younger workers, have probably suffered disproportionately. Finally, an unknown number of employers have encouraged early retirement by various incentives designed to reduce the size of their workforce. Such 'voluntary redundancies' have increased the numbers of younger elderly persons who are retired.

In conclusion it should be noted that, while there has been a notable decline in the proportion of the elderly in the labour force in Ireland, these rates remain far higher than in the E.E.C. as a whole. In 1979, 29.6% of males and 5.1% of females aged 65 and over were still in the labour force in Ireland. By contrast, the respective E.E.C. rates were 8.6% and 2.8%.[6]

2.4.2 *Employment*

The above trends are reflected in the employment figures for elderly people. Whereas in 1971 there were 81,800 elderly persons at work, by 1981 there were only 50,600.[7] In the period 1975-1981 there was a 7½% decline in the number of elderly men at work and a 21% decline in the number of elderly women at work.[8]

The 1981 occupational breakdown of the elderly at work was as follows:

54% employed in agriculture, forestry and fishing
15% employed in commerce, insurance, finance and business
13% employed in professional services (Appendix 2, Table 7)

[6]Eurostat, *Labour Force Sample Survey 1979.* Slight differences between these data and those of Appendix Table 6 are due to the fact that Eurostat excludes the institutional population.

[7]*Census of Population of Ireland, 1971,* Vol V; *Census of Population of Ireland 1981: Five Per Cent Sample Estimates: Age, Marital Status and Labour Force,* Dublin: Stationery Office, 1983.

[8]*Labour Force Survey: 1979 Results,* Dublin: Stationery Office, 1981; *Census of Population of Ireland 1981: Five Per Cent Sample Estimates: Age, Marital Status and Labour Force,* Dublin: Stationery Office, 1983.

One in eight of employed elderly persons are working on a part-time basis for anything from under 10 to over 30 hours per week. It is possible for elderly persons to continue working beyond 'retirement' age and to obtain social welfare contributory pension benefits, unless earnings are very low.

Many elderly persons are working in a voluntary capacity, caring for grandchildren or other relatives, for example. While such contributions take them out of the labour force, they also substitute for public services.

2.5 Projections

2.5.1 *Projections of Elderly Population*

In projecting the numbers of elderly persons over the period to 1991 the following assumptions are made: net in-migration of 2,000 males and 4,000 females aged 65 or over in each five year period, half of the net migration in the 65-69 age group and the other half in the 70 to 74 age group.

In 1981 there were 369,000 persons aged 65 and over or 10.7 per cent of the population; 55 per cent of these were women. In 1991 it is projected there will be 389,600 people aged 65 and over, or 10.2 per cent of the population; 57 per cent of them women.

In the period to 1991 the elderly population itself is expected to age. The numbers aged 75 and over are projected to increase at a faster rate than the population as a whole. It is projected that from 1981 to 1991 there will be a 13.4 per cent increase in the number of elderly persons aged 75 and over, by comparison with an 11.1 per cent increase in the population as a whole.

Those aged 80 and over, numbering 63,400 and constituting 17.2 per cent of the elderly population in 1981, are projected to rise to 73,300 or 18.8 per cent of the elderly population in 1991 (Appendix 2, Table 8).

2.5.2. *Dependency Ratio Projections*
By dependency ratio is meant the numbers of people aged 65 and over as a proportion of the 'active' population, i.e., those between the ages of 15 and 64, who generally bear the 'burden' of income transfers to the elderly. The income needed to pay for social welfare benefits for the elderly is deemed to come from taxes paid by persons of working age.

This dependency ratio has been falling for some time, from 19.5% in 1966 to 18.2% in 1981 (Appendix 2, Table 9). It is projected to fall further to 16.6% in 1991. This is in contrast to the equivalent dependency ratio in Europe which, having increased in the period 1960-1975, is expected to increase steadily up to 2025 to reach 29 per cent by comparison with 19 per cent in 1975 after a broadly static period during the 1980s.[9]

However, for a number of reasons, it cannot be concluded from the Irish figures that there will be any significant easing in the financing of public expenditure on social services. These include the following.

(i) Higher unemployment in the 15-64 age group, which itself is increasing proportionately in size, will mean a rise rather than a decrease in public expenditure on social services.

(ii) Since 1979 there has been a decline in the real earnings of the working population and at the same time the real standard of living of the elderly has not declined.

(iii) As has been seen, it is projected that a higher proportion of the elderly will be 75 and over in the years to come. The provision of services, including personal services, for this group will be more costly to the State in the future.

[9] John Blackwell, 'Economic Aspects of Changing Population Trends and the Implications for Social Policy', paper to Twelfth Regional Symposium of International Council on Social Welfare, July 1983.

2.5.3 *Projections of the Number of Elderly Persons in the Labour Force 1979-1991*
In projecting the number of elderly persons in the labour force up to 1991 the projections for the elderly population first elaborated above are used. It is also assumed that the decline in the population of elderly males in the labour force, in the period 1975-1979 (28.2% to 26.0%) will be maintained and that the female proportion will decline from 4.6% in 1979 to 2.8% in 1991.

It is therefore projected that the numbers of elderly persons in the labour force will decline from 51,900 in 1981 to 45,000 in 1991. This represents a 13% decline in the number of elderly persons in the labour force.

The lessening importance of agricultural employment will continue to be a factor in this overall trend.

2.5.4 *Projections of Single Person Household Numbers for the Period 1979-1991*
In projecting the number of certain types of elderly-person households the earlier population projections (Section 2.5.1) will again be used.[10] It is also assumed that, as indicated by the figures for the 1971-1979 period, there will be an increase in household formation, though not at the same annual average rate of change.

In 1979 there were 21,300 elderly male single-person households. It is projected that in 1991 there will be 23,000 of these households, representing an 8% increase over the period.

In 1979 there were 38,900 female single person households. It is projected that in 1991 there will be 51,100 of these households, representing a 31 per cent increase over the period.

These figures clearly show a rapid growth in the number of elderly persons living alone.

[10]The method used is essentially the same as that described in John Blackwell, *Housing Requirements and Population Change, 1981-1991*, National Economic and Social Council, Report No. 69, 1983.

2.6 Conclusions and Implications for State Support

These changes in single-person households have an important bearing on income maintenance.

First, on reaching the State pensionable age of 66, or alternatively at the age of 65, a majority of the elderly retire from full-time, paid employment. From then on these people increasingly depend on social welfare pensions, occupational pensions (including State employment pensions) and earnings from part-time employment and investments.

Second, as they get older they come to depend less on earnings from employment and hence all the more on pensions. Inflation begins to erode the value of any cash savings which they may have managed to accumulate, with the result that, the longer the period which has elapsed since retirement, the less the value of their savings and the greater their reliance on pensions.

Finally, as people get older, they also have increasing need of health and personal social services. This too has an important bearing both on the living standards of the elderly and on the overall cost of the social services.

As already indicated (Section 2.1.3) special consideration must also be given to particular categories of elderly persons: the most elderly, women, those who live alone and those with little support other than social welfare pensions.

It has been seen (Section 2.5.1) that, in contrast with the trend for the elderly as a whole, the number of those aged 75 and over is projected to increase at a higher rate than the population as a whole. These people, being more vulnerable to illness and disability, are more likely to need greater financial support.

The majority of elderly persons are women. This preponderance is even greater amongst those aged 75 and over. Women tend to live longer than their husbands and more of them find themselves eventually living on their own, which in itself is more costly (per person) than living with others. Furthermore, fewer women having been in paid work throughout their lives, they will have had less opportunity of availing of occupational pensions. Those who were in paid employment are likely to have received lower pay than men. These issues are further explored in Chapters 4 and 5.

An increasingly high number of elderly persons have been living alone. This trend is likely to continue. Receiving less informal support from the family network, increasing demands will be made on the services of the State and voluntary organisations. And, as already indicated, running a single-person household is more expensive per person than running a multi-person household. This is considered later in the report in relation to the adequacy of the living alone allowance.

Between now and 1991, the number of elderly who are at work is likely to decline further. A minority of elderly persons are in a position to supplement whatever income they may be receiving from social welfare or occupation pensions with earnings from work. As this number decreases with the decline in the numbers of elderly persons at work, increasing reliance will be put on social welfare and occupational pensions.

CHAPTER 3

DEVELOPMENT OF INCOME MAINTENANCE SERVICES

3.1 Introduction

3.1.1 *Resumé of Chapter*
In this chapter the development of social welfare pensions in Ireland is described. The nature and level of current benefits, at December 1983 are given. The numbers of beneficiaries are also detailed. Occupational pension schemes in both the public and private sectors are treated briefly. There follows a summary of pension provision in other EEC countries which is intended to give some perspective to the income maintenance of our elderly population.

Particular categories of elderly persons are also entitled to other cash and non-cash benefits. These are outlined in turn and recommendations are made in respect of a number of them.

3.1.2 *The Role of the State*
Over the past decades, the State has gradually assumed an increasing role in the provision of financial support for the elderly. In the past the elderly needed to be self-supporting or they relied on their families or the charity of voluntary agencies. While voluntary agencies continue to give supplementary assistance, the extent of their contribution is unknown.

Some elderly people support themselves to a greater or lesser degree from their own earnings. Moreover, there has evidently been an increase in the number who are covered by private pension schemes. Here again, only limited data are available.

3.2 Social Welfare Pensions in Ireland

3.2.1 *Non-Contributory Old Age Pension*

With the introduction of the *Old Age Pensions Act*, 1908, the first State pensions became payable on 1st January 1909. These pensions were payable subject to statutory conditions governing age, residence and means. The minimum age for receipt of a pension was fixed at 70 years.

The administration of the 1908 Act was placed in the hands of local committees appointed by the councils of counties, county boroughs and urban districts. Pension committees are appointed for every borough and urban district having a population of 10,000 or more and also for every county (excluding the area of any such borough or urban district).

Following the establishment of the Department of Social Welfare in 1947, all income maintenance payments (including old age pensions) were administered by the Department.

While there have been considerable changes in the social welfare system since the Act of 1908, pension committees still function and now deal with claims for blind as well as old age non-contributory pensions. A social welfare officer's assessment of an applicant's means together with a recommendation for full, partial or no pension is forwarded to a local pension committee. The claimant is informed of the committee's decision by the clerk of the committee and of his/her right to appeal within 21 days if dissatisfied.

There appears to be no justification for pension committees. Indeed they have the demerit of allowing information which should be confidential to be known to local people.

It is recommended that pension committees be abolished (Recommendation 1).

Since the early 1970s there have been a number of improvements in benefits, in addition to regular increases in the pension rate. They are as follows.

(i) In 1972 an additional allowance was introduced for those social welfare recipients aged 80 and over.

(ii) Between 1973 and 1975 the means test was eased to allow single applicants to have an income of up to £6.00 per week (personal rate) or £12.00 for a married couple, and still qualify for the old age pension at the maximum rate. This increased the number of pensioners by 12,000.

(iii) Between 1973 and October 1977 the qualifying age for non-contributory pensions was reduced from 70 to 66 years.

(iv) In July 1974 provision was made for an adult dependant allowance. Until then, a pensioner whose spouse was not old enough to qualify for a pension in his or her own right got no increase in pension.

(v) In 1977, an additional allowance was introduced for pensioners living alone.

(vi) In 1978, the residential test for the pension was eased by the abolition of the requirement that claimants must have five years residence in the State after reaching 50 years of age. A further condition requiring 15 years residence in the State was abolished in 1981, thereby ending all residential restrictions on pension eligibility.

Prior to 1973, only those without any means whatsoever qualified for the non-contributory pension at the full rate. They amounted to about 20% of the recipients of this pension. The means level at which maximum pension is payable has not increased since 1975. If a person's means therefore exceed £6.00 per week (or £12.00 in the case of a married couple), the pension is reduced. At the other end of the scale, a single person can have a weekly means of up to £42.00 (£84.00 for a married couple) and still qualify for a reduced pension.
Both a husband and a wife can qualify for a non-contributory pension in their own right.

At December 1982, 129,500 persons, representing 56 per cent of all elderly social welfare pensioners, were in receipt of the non-contributory pension (Figure 3.1). In contrast to the pre-1973 figure of 20 per cent in receipt of the full pension, 80 per cent qualified for it by November 1982.

It is likely that elderly persons do not realise that they can have fairly substantial investments and still qualify for at least a partial pension. It is also probable that many elderly persons, being unaware of the method of calculating the value of an investment, are deterred from applying for a pension. In assessing the cash value of investments, the practice of adding £1 to the weekly value of investments where the value of investments is £1 or more is difficult to justify and can only lead to further confusion for applicants.

The Council therefore recommends that the addition of £1, where the weekly value of investments is £1 or more should be dropped (Recommendation 2). The additional cost per annum of this recommendation would be negligible.

Furthermore, in view of the complexity of the formula for calculating investments, it should be simplified by the Department of Social Welfare and, having been made more intelligible, it should be publicised more widely (Recommendation 3).

3.2.2 *Contributory Old Age Pension*

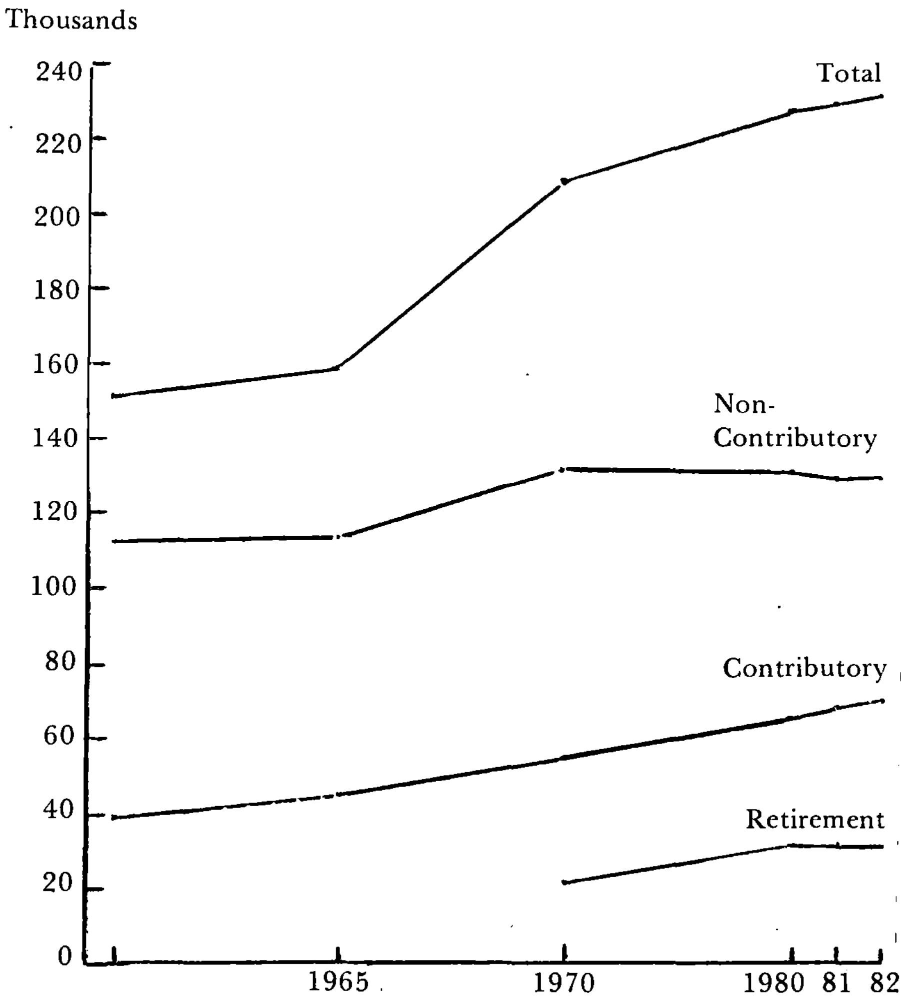
Until January 1961 the non-contributory pension was the only State pension in existence in the country. In order, therefore, to improve the position of retired wage earners, new legislation, the *Social Welfare (Amendment) Act*, 1960 was enacted. It provided for the establishment of a contributory scheme of old age pension, payable at the age of 70. There is no means test and no retirement condition for this pension. However, being contributory, a person must have a certain record of social insurance.

He or she must have at least 156 contribution weeks of insurable employment for which the appropriate contributions have been paid. The current insurance conditions are as follows.

(i) A claimant must have become insured before a particular age, which varies according to date of birth. Thus, the

Figure 3.1

Number of recipients of Social Welfare Pensions, 1965, 1970, 1975, 1980-1982



Source: Appendix 2, Table 10.

prescribed age for a person born before 1st July 1917 is 60 years; the prescribed age for a person born between 1st July 1917 and 31st March 1919 is 58 years; in the case of a person born between the 1st April 1919 and 30th September 1922 the prescribed age is 57 years and for persons born after 1st October 1922 the prescribed age is 56 years.

(ii) A claimant must have a yearly average of at least 20 contributions per contribution year from 1953 up to the end of the last complete contribution year before he/she reaches pension age (now 66 years), to qualify for the minimum pension rate. A yearly average of 48 contributions is required for the maximum pension.

The conditions which apply to adult dependants are as follows.

(i) In the case of a married man, his wife is a qualified adult dependant if she is living with him or is wholly or mainly maintained by him.

(ii) In the case of a married woman, her husband is a qualified dependant if he is an invalid and is wholly or mainly maintained by her.

These conditions were extended in 1981 by allowing that a woman having the care of certain claimants' children be qualified as an adult dependant, provided that the woman is being wholly or mainly maintained by the claimant.

In general, the age limit for child dependants is 18 years. But in the case of a pensioner who is a widow, additional amounts are payable for children between the ages of 18 and 21 who are receiving full-time education.

The same improvements in the non-contributory pension scheme, relating to the reduction of the qualifying age to 66, to those over 80 and those living alone, were applied in the 1970s to the contributory pension scheme also.

At December 1982 there were 70,000 contributory pension recipients.

Two further points are worth noting.

(a) The wives of contributory pensioners, if they are 66 or over, may receive a non-contributory pension in their own right, provided they satisfy the means test. This means test disregards the husband's social welfare pension.

(b) Workers who have been in and out of insurance, such as those who cross the former income limits for insurability a number of times, may in fact not be eligible for a contributory pension.

Workers in non-manual employment ceased to be insurable prior to 1st April 1974 if their rate of remuneration exceeded certain levels: £600 a year in 1953 to £1,600 a year at April 1974 when this limit was abolished. Manual workers were not affected by this income rule.

The abolition of the remuneration limit will ensure future continuity of insurance for all workers regardless of levels of earnings. However, while those who became insured after April 1st 1974 have qualified or will qualify for full contributory pensions, others, by contrast, will receive reduced pension or no pensions at all, simply because they had previously paid social insurance for broken periods. This earlier insurance thereby becomes a liability preventing them from entitlement to full or reduced contributory pension.

During the periods when these workers exceeded the income limit they could have become voluntary contributors. Many did so and thereby preserved their full pension entitlement. But those who did not, find themselves in the curious position of being at a disadvantage *vis-à-vis* workers who did not pay any social insurance prior to 1974. The only people who are liable to receive no pension as a result of this anomaly are those reaching pension age before 1987.

The Council therefore recommends that immediate steps be taken to redress this anomaly. It advocates that pension entitle-

ment be determined solely on the basis of insurance records from April 1st 1974 in cases where broken insurance records prior to this date inhibit claims to full pension entitlement (Recommendation 4).

At December 1982 there were 70,000 contributory pension recipients.

3.2.3 *Retirement Pension*

A retirement pension was introduced under the provisions of the *Social Welfare Act*, 1970 and is payable at age 65 to insured persons who retire and who satisfy the contribution conditions.

The contribution conditions are:

(i) that the claimant entered insurance before reaching the age of 55;

(ii) that not less than 156 employment contributions have been registered since his/her entry into insurance;

(iii) that he/she has an average of 24 contributions registered per contribution year from entry into insurance until he/she reached the age of 65.

In order to avail of the social welfare Retirement Pension the claimant must retire from insurable employment. This effectively means that the recipient must not have a full time job.

It is desirable that elderly people should be able, if they so wish, to continue to work on a part-time basis without suffering any discrimination in income.

The Council therefore recommends that, until such time as its recommended target for pension levels are implemented in full (Recommendation 21) no earnings rule should affect the entitlement to the retirement pension of those who work part-time (Recommendation 5).

This pension was introduced at a time when the qualifying age for the old-age pension (contributory and non-contributory) was 70. It thereby facilitated persons who wish to retire at the normal age of retirement of around 65. In 1972 the rates of payment were increased to equal that of the contributory pension. Many people therefore remain on retirement pension when they reach the age of 66 rather than switch to the contributory pension, unless there is a financial advantage in so transferring.

The additional allowance for pensioners aged 66 and over who are living alone is also payable.

At December 1982, there were 31,600 recipients of the retirement pension.

Table 3.1: *Number of Pension Recipients at December 1982*

Pension	*Number*
Old Age Non-Contributory Pension	129,500
Old Age Contributory Pension	70,000
Retirement Pension	31,600
Total:	231,100

Source: Appendix 2, Table 10.

3.3. Occupational Pensions

3.3.1 *Estimates of Cover of Occupational Pensions*

In addition to the flat-rate retirement and contributory old age social insurance pensions, private occupation pension schemes have increasingly alleviated the problem of loss of income after retirement. The latter schemes operate in both the public and private sectors.

An estimate for the mid-1970s indicated that 79 per cent of persons employed in the public sector, 31 per cent of those in the private sector and 45 per cent of all employees were covered by an occupational pension scheme.[1]

[1]Department of Social Welfare, *A National Income-Related Pension Scheme – A Discussion Paper*, Dublin, Stationery Office, 1976, p. 36.

A survey of male full-time employees in Dublin in 1977 showed that 74 per cent were in an organisational pension scheme.[2] The most recent estimate (1982) indicated that about 75 per cent of employees in companies which have pension schemes are covered by occupational pensions.[3]

The rise in membership of the schemes is related to tax incentives, among other things, particularly at a time when marginal tax rates have risen considerably.

Some occupational pension schemes allow flexibility on the question of qualifying age. There is also a measure of flexibility in the public service pension scheme.

3.3.2 *Problems which Remain*

A sizeable number of employees are not covered by occupational pension schemes at all and these workers are faced with a significant drop in living standards when they retire.

As far as the self-employed are concerned, they are not covered by the social insurance system and must rely on the non-contributory social welfare pensions or whatever private arrangements they may make. The groundwork was laid with the publication of a discussion paper in 1976 on a national income related pension scheme[4] and of a further discussion paper on social insurance for the self-employed.[5]

The Government is committed to introducing legislation to establish a national income-related pension scheme which would include the self-employed.

[2]Christopher T. Whelan, *Employment Conditions and Job Satisfaction: The Distribution, Perception and Evaluation of Job Rewards*, Report No. 101, Dublin, The Economic and Social Research Institute, 1980, p. 24.

[3]Irish Association of Pension Funds, *Survey of Occupational Pension Schemes – 1981*, Dublin, IAPF, 1982.

[4]Department of Social Welfare, *A National Income-Related Pension Scheme – A Discussion Paper*, Dublin: Stationery Office, 1976.

[5]Department of Social Welfare, *Social Insurance for the Self-Employed – A Discussion Paper*, Dublin: Stationery Office, 1978.

Problems remain even for some of those covered by occupational pensions. Some of these schemes provide very low rates of pension. In others, pensions are not related to earnings and in many areas there is a lack of protection against inflation. Some employees who change jobs in the course of their working lives find that they are likely to worsen their pension rights in so doing. Moreover, they are not guaranteed pension payments, should the employer get into financial difficulties. Finally, the social welfare pensions system has no provision for either early retirement or deferment of pension.

3.3.3 *Flexible Retirement*

The International Labour Organisation, in their Older Workers Recommendation 1980, has urged member countries to make the pension age flexible. The EEC in a recommendation issued in December 1982, has invited member States to accept flexible retirement as one of the aims of their social policy, that is to say, to facilitate all workers, whether employed or self-employed to choose the time of their retirement after a given age. The Council believes that people should be given the maximum opportunity to choose their time of retirement within reasonable limits. A policy of flexible retirement should become the standard for both social welfare and occupational pension schemes, enabling people to choose more freely the time of their retirement in the light of their state of health, personal abilities and aims.

The Council therefore recommends the introduction of a flexible age for the social welfare pension between the ages of 60 and 70. It further recommends that, in order to ensure its early implementation, the implications of such a flexible retirement scheme be examined by the Department of Social Welfare. This should also be taken into account in the proposed new national income-related pension scheme (Recommendation 6).

3.4 Pension Schemes in other EEC Countries

3.4.1 *Introduction*

The following is necessarily only a brief review of the pension systems operative in other nine member states of the EEC. Only the more salient comparisons or differences are highlighted. This review[6] does not, for example, consider the taxation of social security benefits.

3.4.2 *Pension Systems in other EEC Countries*

In all EEC countries *except Ireland* there is social security pension system covering the whole population for basic pensions, and there is a second level of income or earnings-related pension also provided under the social security system. In the cases of Denmark and The Netherlands, however, the income-related pensions are provided by occupational schemes. For example, in The Netherlands, there is a State flat-rate pension and the earnings-related component is left to private occupational pensions.

3.4.3 *Pensionable Age*

The generally accepted age for men is 65, although it is 60 in France and in Italy. In the case of women, however, the pattern is less clear-cut, the upper age limit being around 65. In four countries the pensionable age is 60 and in Italy it is 55. Most countries provide for some flexibility in pensionable age by allowing pensions to be drawn earlier than the normal age, or to be deferred for a period beyond pensionable age, or both. These afford the individual some choice concerning the date of retirement. Where early pension is allowed the pension is normally reduced, and where deferment of pension is permitted the pen-

[6]This section is largely based on the following sources: Department of Social Welfare, *Op. Cit.*, 1976 and 1978; Thomas Wilson and Dorothy Wilson, *The Political Economy of the Welfare State*, London: Allen and Unwin, 1982; Commission of the European Communities, *Comparative Tables of the Social Security Schemes in the Member States of the European Communities*, 12th Edition (Situation at 1 July 1982); Ilene R. Zeitzer, 'Social Security Trends and Developments in Industrialised Countries', *Social Security Bulletin*, March 1983, pp. 52-62; Daniel Wartonick and Michael Packard, 'Slowing Down Pension Indexing: the Foreign Experience', *Social Security Bulletin*, June 1983, pp. 9-15.

sioner may qualify for an increased rate of pension. For example, in the U.K., if retirement is deferred, the pension is increased by 7.4 per cent for each year of deferment beyond 65. This concession is applicable to the age of 70.

In the 1970s, the pensionable age tended to fall, and also there was greater flexibility in the choice of retirement age. By the early 1970s a number of countries adopted policies that provided for earlier pensionable age with little or no financial loss compared with the full benefit rate. By 1975 West Germany, Italy and Luxembourg had provided for early retirement with full benefit for long service.

3.4.4 *A West German Example*

Currently the normal pensionable age in West Germany is 63, or 61 in the case of handicapped employees. According to reports[7] a new Draft Bill, shortly to be put before Parliament in Bonn, would allow voluntary retirement with a pension of 65 per cent of last wage at age 59. Since this is a measure designed to cut unemployment, the State would be prepared to meet up to 40 per cent of the costs that would otherwise fall on the employer, if the latter takes on an unemployed worker or a job-seeking school leaver in place of the worker who has opted for earlier retirement.

3.4.5 *Retirement Conditions*

In the E.E.C. there is no single policy governing retirement conditions which discourage those seeking pensions from undertaking further remunerative work after their official retirement. Belgium does have such regulations and West Germany imposes a retirement condition only in respect of women seeking a pension at the age of 60. A number of countries, however, while not imposing a retirement condition, do apply an earnings rule. In recent years, some countries have changed the retirement test in order to discourage old-age pensioners from continuing work part-time.

[7]Rupert Cornwall, *Financial Times*, 19th November 1983 and U.P.I., *Irish Times*, 21st December 1983.

This has occurred in the United Kingdom from 1980 and in France from April 1983. If a British pensioner aged between 65 and 70 claims his or her pension at the normal retirement age, but continues to work for a remuneration above a stipulated minimum, the pension is reduced.

3.4.6 *Rates of Pension*

With regard to rates of pension, in five countries (Belgium, Germany, France, Italy and United Kingdom) the basis of earnings-related pensions is a formula which takes account of the amount and duration of the retired person's past earnings. In some of these countries, annual earnings are based on a life average.

There is a limitation on the amount of earnings taken into account for pension purposes in most of the countries. Thus, ceilings on earnings apply in the calculation of pensions in Belgium, France, Germany, Luxembourg and the United Kingdom. In Italy, however, there are no ceilings on earnings for pension purposes. There, the pension formula is 2 per cent x N x E, where N is the number of years of insurance (maximum 40) and E is the average annual earnings during the last five years. In the United Kingdom, there is a flat-rate pension.

In 1978 a second tier, earnings-related, pension came into operation. A contribution period of twenty years is needed for full entitlement. This pension is based on the earnings in the 'best' twenty years of working life, and each year of contribution entitles the pensioner to 1.25 per cent of relevant earnings.

3.4.7 *Supplements for Dependants*

Most countries have supplements for dependant spouses and children. In the case of spouses, the amounts tend to be flat-rate supplements. However, in the United Kingdom, a supplement of 60 per cent of pension is paid for a dependant wife of pensionable age. In the case of Belgium, the earnings-related pension is higher for a married man than for either a single person, a married man without a dependant wife, or a woman.

3.4.8 *Indexation*

In all countries *except Ireland and France* there is automatic adjustment of the basic pension, either by reference to a retail price index or by reference to trends in earnings. In some, the arrangements involve the automatic adjustment of pensions to changes in the retail price index. In others, adjustments are made periodically following reviews which have regard to changes in earnings levels, or price increases, or both. Some of the countries have provision also for reviews at longer intervals for the purpose of adjusting pensions to changes in the level of general prosperity.

However, because of the recent recession, there have been reductions in the degree of indexation in some countries.

In the United Kingdom, pensions are no longer linked to whichever is the higher increase, that in wages or in prices. Since November 1980 they have been linked to movements in prices, which have been rising more slowly than wages in recent years. The effect of this has been to lower the regular increases in pensions. Reductions in the degree of indexation have occurred in West Germany and (for the period October 1982 to 1985) in Denmark.

3.5 Other Cash Benefits

3.5.1 *General*

Apart from the old age and retirement pensions, there are other categories of social welfare payments available to some people aged 65 or 66 or over. These include invalidity pension, widow's pension, deserted wife's allowance and deserted wife's benefit. A number of other cash benefits may also apply to old age pensioners. These include the prescribed relative allowance, fuel allowance, and rent allowance. These schemes are now outlined together with the number of recipients benefiting from them.

3.5.2 *Prescribed Relative Allowance*

This allowance, which was introduced in 1969, provides for an increase in the pension of recipients of blind pension and old age pension (contributory and non-contributory) who are receiving full-time care and attention from a prescribed relative. (The pensioner must be so incapacitated as to require full-time care). The relative must be living with the pensioner, provide full-time care and have no other job. In addition, the relative must not be receiving, or entitled to receive, any allowance from the Department of Social Welfare of over £21.60 per week (the current prescribed relative allowance) and must not be a married person who is wholly or mainly maintained by his/her spouse. Apart from the prescribed relative, the pensioner must be living alone or only with children under 18 years of age or persons who are mentally or physically incapacitated. At December 1982 there were 2,659 recipients of this allowance. The expenditure on this allowance was £3 million in 1983.

In this section, interim recommendations on the allowance are made, pending the report of the working group on the problems of carers in society which the Council has set up.

The prescribed relative is credited with social insurance contributions for all of the period spent in caring for his/her relative. The State thereby acknowledges that the carer is doing a valuable service on its behalf, even though it pays the person who receives the service rather than the person who gives it.

The Council recommends that the allowance be paid directly to the relative (Recommendation 7).

A study of social services in 1978 commented that 'the conditions for eligibility are so strict, it is surprising that as many as 4,100 prescribed relatives can be found to provide full-time care'.[8]

Elderly persons are, in the majority of cases, looked after by married persons, who together with other relatives and even non-relatives, make it possible for them to continue to live in the community longer than they would otherwise be able to do.

[8] Eithne Fitzgerald, 'Universality and Selectivity: Social Services in Ireland' in National Economic and Social Council, *Universality and Selectivity: Social Services in Ireland*, Report No 38, 1978, p. 149.

Clearly, therefore, greater flexibility is required in determining eligibility for assistance, if this policy is to be encouraged and fostered.

The Council therefore further recommends that the scheme, by whatever name it may be called, should be extended to include instances where married persons, other relatives such as cousins, or non-relatives provide such care, thereby helping to reduce the demands for institutional care (Recommendation 8).

It is estimated that this would cost the Exchequer £7.5 million at 1983 prices.

The annual cost to the State of this allowance is a small price to pay for maintaining thousands of people in the community rather than in institutions. The Council would whole-heartedly subscribe to the view of a recent report of the Council for the Status of Women,[9] that this service, often given at great personal sacrifice, is entitled to recognition and recompense commensurate with its worth. It would further endorse the recommendation that the grade of Domiciliary Carer be introduced for those involved in full care of an elderly or an infirm person (apart from such professional services reserved to the Public Health Nurse).

The Council recommends that the present allowance should be increased to the level of the maximum personal (rural) rate of unemployment assistance, which is £28.00 per week at December 1983 (Recommendation 9).

It is estimated that this would cost the Exchequer £0.9 million at 1983 prices, for those who are currently eligible for the allowance.

3.5.3 *Fuel Allowance*
There are two fuel schemes in operation. The urban fuel scheme was introduced in 1942 and is confined to seventeen towns and cities. Those eligible include recipients of non-contributory

[9] Mary Noonan, *Who Cares About the Carers?* Dublin: Council for the Status of Women, 1983, p. 22.

old age pensions, and widows' pensions (contributory and non-contributory).

The national fuel scheme was introduced in 1980 and eligible persons include those on long-term social welfare payments (including pensions) or similar payments as their only source of income, provided they live alone or with a dependent spouse, dependent children, incapacitated persons or others receiving similar payments.

Eligible persons under both schemes, which run for a thirty week period from October to April each year, receive an allowance (voucher or cheque) which is currently worth £4 per week. In 1981/82 there were 55,000 recipients under the urban scheme and 80,000 under the national scheme.

Among the poorest of the elderly a far higher proportion of income is spent on fuel than for households as a whole: 14 per cent of income for pension-dependent households by contrast with 6 per cent for all households, and 12 per cent for the most elderly households (Chapter 5).

As already recommended by the Council[10]*, the two fuel schemes that are currently in operation should be replaced by a uniform national scheme. The level of benefit should also be reviewed* (Recommendation 10).

3.5.4 *Rent Allowance*

In June 1981 the Supreme Court upheld a decision of the High Court that sections of the *Rent Restrictions Act*, 1960 were unconstitutional. Following this decision, tenants in former rent-controlled dwellings could be faced with substantial increases in rent. Many of these tenants are elderly persons who rely on old age pensions as their sole source of income. To mitigate the financial hardship which would inevitably ensue for such people, the Government introduced a scheme of rent allowance in 1982

[10]National Council for the Aged, *Community Services for the Elderly*, Report No. 3, 1983.

which would be paid under certain circumstances to the tenants in these dwellings by the Department of Social Welfare.

In cases where the new rent is fixed by agreement between the tenant and the landlord, a rent allowance is not paid. If tenant and landlord cannot agree on the new rent, then the rent may be fixed by Rent Tribunals which have been set up under legislation of July 1983.

The allowance is subject to a means test. The maximum weekly amount of an allowance is the difference between the old and the new rents.

Many elderly persons lack full knowledge of the system of rent allowances and take-up may therefore be seriously affected.

Initially (i.e., from December 1982) claims for rent increases were heard by the District Courts, which not only awarded substantial increases to landlords but also proved intimidating and frightening to vulnerable elderly persons often unaware of their rights to a rent allowance.

To avoid further ignorance, misapprehension or fear under the Rent Tribunal System, the Council recommends a campaign of widespread publicity to inform all formerly rent-controlled tenants of the availability of the Rent Allowance Scheme (Recommendation 11).

Outlets such as Post Offices, might for example, be used for poster displays.

3.5.5 *Death Grant*

A death grant was introduced in October 1970. At that time the grant was £25.00 for an adult. It has been increased on a number of occasions since then and its present value is £100.00 for an adult, £60.00 for a child aged 5 to 18 years and £20.00 for a child under five years (Appendix 2, Table 11).

The death grant is payable on the death of:

(i) an insured person,
(ii) the wife or husband of an insured person,
(iii) the widow or widower of an insured person,
(iv) a child under 18 years of an insured person.

A person can qualify for this grant on their own insurance or on their spouse's insurance (whether living or dead).

Persons who retired prior to October 1970 are not eligible for this grant. In 1982 there were 7,776 recipients of the death grant, at an overall cost of £640,000. Under the Supplementary Welfare Allowance Scheme the Health Board may give a discretionary payment towards funeral costs. A means test is applied to determine eligibility.

While it is recognised that there can be considerable variations in the cost of funerals, investigation suggests that, on average, the cost has risen fivefold since 1970, whereas the value of the grant has only increased fourfold. The Consumer Price Index has increased by a factor of over 5½ in the same period. On this basis, there are strong arguments for an increase in the grant.

The Council therefore recommends that the death grant should be increased from £100 to £250 for an adult, with pro rata *increases for children under and over the age of five. Once this entitlement level is achieved, the death grant should be increased regularly in line with the Consumer Price Index* (Recommendation 12).

The additional cost of this recommendation would be £1 million per annum on the basis of the 1982 figures.

3.5.6 *Comfort Allowance for Long-term Patients*

When a person with some source of income, such as a pensioner, is admitted to a Health Board Institution, their income is assessed and they are told how much they are expected to contribute. They will be allowed retain a certain amount for 'comfort' or pocket money. In the Eastern Health Board area the minimum amount is £4.40 and the maximum £11.00. Some patients get the 'comfort' money into their hands and they can spend it as they wish. In other cases, it may be paid into the Patient's Property Account, usually because the patient is unable to handle money.

The Council recommends that there should be a common policy between Health Boards in relation to the Comfort Allowance. The need of patients should be used as the criterion in determining this uniform policy. In the case of those unable to handle money, discretion must be used and ideally it should be earmarked specifically for the improvement of the quality of living of patients in long-stay institutions and reallocated accordingly. These recommendations should apply to all persons and not simply to those in receipt of old age pensions. The Council also recommends that the Minister for Health and Social Welfare commission a study of this issue and that the findings be published on completion (Recommendation 13).

3.6 Tax Benefits

A number of non-cash benefits are available to certain categories of elderly persons. These include the following tax benefits.

The age allowance for persons aged 65 and over, introduced in 1951, which amounts to a deduction from taxable income, currently equal to £200.

Exemption thresholds introduced in 1977 for those aged 65 or over, whereby those whose income is as follows (at December 1983) are not subject to tax: £2,500 or less (single and widowed persons), £3,000 or less (single and widowed persons aged 75 or over), £5,000 (married couples aged 65 or over); £6,000 (married couples aged 75 or over); marginal relief applies to incomes slightly above these amounts.

A tax allowance for rent paid by people aged 65 or over introduced in 1982, currently £500 for single or widowed person and £1,000 for a married couple.

It is recommended that the exemption thresholds be increased *for those aged 75 or over, on the grounds that one of the main intents of such thresholds should be to remove the anxiety and trouble experienced by the vulnerable elderly in relation to income tax. The exemption thresholds for this category of elderly should be set at the average earnings level* (Recommendation 14).

3.7 Other Non-Cash Benefits

3.7.1 *Free Travel*

The scheme for free travel was introduced in 1967 and applied only to recipients of old age pensions, widows' pensions (aged 70 and over) and blind pensions. The scheme was extended later that year to certain adult dependants. In the following years further extensions were introduced. At present, free travel is available to all persons aged 66 and over.[11] This scheme, together with the Post-bus Local Rural Travel Service, are models of positive State response to the needs of the elderly.

3.7.2 *Free Electricity Allowance*

The free electricity allowance was introduced for old age pensioners in 1967.[12]

The allowance consists of 300 free units and 200 free units in each two-month period in winter and in summer, respectively. This amounts to 1,500 units over the year. In order to qualify for the allowance the pensioner must be living alone or with certain classes of person only, e.g., a dependant wife, an invalid husband or other invalided person, other pensioner, dependant children under 18 years or those over that age who are attending school full-time.

Since its inception the scheme is inflation proofed in that it provides for a constant electricity allowance rather than a financial

[11] Recipients of blind or invalidity pensions or disabled person's maintenance allowance who are under 66 are also entitled to free travel.

[12] Its scope has since been extended to other categories.

contribution towards electricity. This has been important during periods of high inflation when electricity charges have increased. It is reasonably easy for eligible elderly persons to avail of the scheme because of its administration.

This is a particularly valuable scheme for elderly persons, for a number of reasons:

it finances an item of expenditure which is inherently difficult to control as the money value of expenditure on electricity is known only some time after the event;

arising from this, the allowance removes a source of anxiety which would otherwise arise in particular for elderly persons.

Almost all (97 per cent) of those entitled to electricity allowance make use of it; only 1 per cent make no use of it, because, they have never applied, they think they would not be eligible.[13] However, the main problem is that many are not using their full quota of 1,500 units per annum. Some 40 per cent of those entitled to a free electricity allowance, 63,000 in number, use less than 40 per cent of their entitlement. Approximately 79,000 or 50 per cent of the total never receive an electricity bill because they do not use their full allowance.[14]

Therefore the main problem relating to the free electricity allowance scheme is its underutilisation. Given that the number of free units allowed are less than the number used by the average household, it must be concluded that old people's failure to avail fully of this concession arises from one or all of the following factors:

a fear of exceeding the quota and of having to pay electricity bills which cannot be afforded;

an ignorance of how the scheme operates in detail;

a difficulty in reading or understanding the meter.

[13]Brian Power, *Old and Alone in Ireland*, Society of St. Vincent de Paul, 1980, p. 26.

[14]*Dáil Debates,* 31st May, 1983, col. 10.

The following recommendations are aimed at maximising take-up of the scheme.

First, since entitlement to unused free units is lost at the end of each two-months billing period, *it is recommended that the present scheme to be changed to permit carry over of unutilised units from one billing period to another* (Recommendation 15). For administrative reasons, it would be necessary that the available number of units (1,500 per person) would have to be utilised within a twelve-month period, that is to say, there would be no carry over from one year to the next.

The Electricity Supply Board would be prepared to adjust bills sent to those availing of the scheme to show how many units have been used and the number of free units remaining. The building in of an early warning system to alert the elderly person when there were only 200 free units remaining, for example, should also be considered. The ESB estimate that the greater utilisation of the scheme arising from this proposed change to annualise free units would cost the Exchequer approximately £2 million per annum.

Second, officials of the ESB maintain that their meter readers do assist the elderly to understand how many units they have used and to be aware of the number of free units remaining in any period. Special forms have been designed to this end. However, these forms are now out of date and are being redesigned. The ESB is also prepared to emphasise to its own meter reading staff the importance of assisting the elderly in this matter. A difficulty arises in that the ESB's own meter reading staff cover mainly urban areas and sub-contractors are employed for many provincial towns and rural areas. It may not be as easy for the ESB to involve such meter readers to assist the elderly but they have expressed a willingness to try.

It is recommended that there should continue to be an involvement of meter readers in assisting the elderly to understand how many units they have used and how many free units remain in any period. This service should be improved and expanded to include sub-contractors employed by the ESB for meter reading, *who should be encouraged and facilitated to give particular assistance to the elderly* (Recommendation 16).

Third, it is understood that the ESB would be willing to design explanatory display units outlining the free electricity scheme for use in centres where elderly persons congregate such as health clinics, post offices and community centres.

The Council recommends that such schemes publicising the operation of the free electricity allowance be widely implemented. Furthermore, it advocates that voluntary organisations alert their members, and friends, relatives and neighbours of elderly persons to the free electricity scheme and its provisions (Recommendation 17).

3.7.3 *Free Bottled Gas*

From April 1978 an allowance towards the cost of bottled gas, equivalent to the free electricity allowance, was made available to people who would satisfy the qualifying conditions for the free electricity allowance had they been connected to the ESB system.

3.7.4 *Free Television Licence*

A scheme of free television licence (monochrome sets only) for certain categories of pensioners was introduced in 1968. Pensioners entitled to a free electricity allowance are also entitled to this free television licence.

As colour televisions increasingly become the norm and as black and white sets are phased out, it is only proper to facilitate a standard of comfort to our elderly equal to that enjoyed by the rest of the population.

In the interests of a better quality of life for elderly persons living in the community, the Council recommends that the free television licence concession be extended to cover an entitlement to a free colour licence (Recommendation 18).

Assuming that a fifth of black and white licence holders change to colour ever year, it is estimated that the implementation of this recommendation would cost £0.3 million at 1983 prices in the first year and rise to £1.7 million in the fifth year.

3.7.5 *Free Telephone Rental*

The free telephone rental scheme was introduced in 1978. It is largely confined to those aged 66 or over who are in receipt of a social welfare pension. In addition recipients of an invalidity pension, blind pension or disabled person's maintenance allowance may also qualify. The applicant in each case must be living entirely alone or with one or more other persons who are permanently incapacitated and unable to obtain aid in an emergency.

3.7.6 *Value of Benefits*[15]

The non-cash benefits may be regarded as an important supplement to existing pensions. In some cases the value of these benefits can be quantified in cash terms (e.g., free telephone rental), in others (notably free travel) the value is less easy to quantify. The number of beneficiaries of these schemes has increased in recent years (Table 3.2).

In 1982 the aggregate expenditure on non-cash benefits was £36.3m, by comparison with £484.4m on social welfare pensions. In all cases except the free television licence, the weekly expenditure on these benefits increased in real terms in the period 1978-1982.

[15]It is not possible in a report of this kind to cover all benefits and entitlements in detail. For further information therefore see National Social Service Board, *Entitlements for the Elderly*, 8th Edition, Dublin, July 1983.

Table 3.2: *Number of Beneficiaries, Total Expenditure and Weekly Expenditure Per Recipient of Certain Non-Cash Benefits, 1978, 1981 and 1982*

Non-Cash Benefit		Number of Beneficiaries	Total Expenditure £	Weekly Expenditure per Recipient £
Free Electricity Allowance	1978	130,800	5,330,000	0.78
	1981	153,000	11,800,000	1.48
	1982	158,340	15,143,000	1.83
Free Television Licence	1978	82,269	1,663,000	0.39
	1981	100,345	2,875,000	0.55
	1982	105,840	3,145,000	0.57
Free Bottled Gas	1978	58	500	0.17
	1981	1,067	76,000	1.37
	1982	1,086	69,000	1.23
Free Telephone Rental	1978	5,300	114,000	0.41
	1981	14,400	1,137,000	1.52
	1982	22,700	1,963,000	1.66
Free Travel	1978	349,000	7,592,000	0.42
	1981	376,000	12,043,000	0.62
	1982	379,000	16,023,000	0.81

Source: Department of Social Welfare.

CHAPTER 4

INCOME AND ASSETS OF ELDERLY HOUSEHOLDS

4.1 Introduction

This chapter traces out average income and other resources of elderly person households, that is households headed by someone aged 65 or over. In 1980, such units represented 23% of all households.

There are a number of reasons why the resources of the household rather than of the individual or of the family unit are examined:

the household is usually taken to constitute a unit for the purpose of consuming goods and services;
resources can be assumed to be shared within the household;
the data in the Household Budget Survey are collected at the level of the household.

In order to convey an accurate picture of the living standards of these households, it is necessary to include assets held and household facilities enjoyed by them as well as their income. Information on assets can equally indicate possible sources of supplementary income for those who may wish to make use of them, particularly in an emergency. Information on household facilities may also in their turn give an indirect impression of the living standards enjoyed by these households.

Most of the information in this chapter, as in the next, is derived from the Household Budget Survey. This survey, covering both rural and urban households in 1980, contains a good deal of information on living standards.[1] Since the annual Household Budget Survey has been discontinued, no comparable information will be available until around 1990.

[1]Grateful acknowledgement is made to the Central Statistics Office and in particular to Ms. Deirdre O'Keeffe, for providing special tabulations from the Household Budget Survey.

Information is not available on the elderly homeless and this chapter does not take account of those living in institutions.

It should be noted finally that, while there are relatively few elderly males who are not household heads, there are many elderly females who are not household heads. Some of these are in the 23 per cent households categorised as elderly but a number of others are in households which are headed by persons aged under 65.

4.2 Interpretation of Data on Income

Since the figures used in this chapter are based on 1980 findings, allowance must be made for the rise in nominal incomes since then, if one is to get an accurate picture of current income.

Since average earnings[2] in transportable goods (adult male rate) increased by 31 per cent in money terms between 1980 and 1982, and since the Consumer Price Index rose by 41 per cent, average *real* incomes fell by 7 per cent in this two-year period. Taking income tax and employee social insurance contributions into account, average earnings fell by 11 per cent in real terms during the period.[3]

However, personal income per employed worker increased by 41 per cent in nominal terms between 1980 and 1982, reflecting a faster rate of increase in transfer payments from the State than in earnings from work.[4]

In comparing the average income of households in receipt of a pension with other households, another important factor must be borne in mind. As will be seen in the following chapter, the value of a social welfare pension, relative to average earnings from

[2]This is the average over the four quarters of the year.

[3]For a married couple with two children, one spouse earning and taxed under PAYE system.

[4]Source for income data: *National Income and Expenditure 1981;* source for employment data: CSO; source for 1982 incomes: ESRI, *Quarterly Economic Commentary,* January 1984.

work, has gone up since 1980. Hence the *relative* position of households which depend solely or largely on social welfare pensions should have improved since 1980.

4.3 Income

4.3.1 *Income of Elderly Households compared to that of Non-elderly Households*

In 1980, the average gross income of elderly-person households, at £70.90, was half the average weekly income of all other households (Figure 4.1.). This is partly because, as has been seen (2.4.1), a far lower proportion of elderly people are at work, and earnings from work are an important part of gross income.

However, the average size of these elderly households is 2.2. persons compared with 4.2 persons for non-elderly households. Though, if each child is counted as 0.25 of an adult, the average size of elderly households would be 2.0 'adult equivalents', compared with 2.6 adult equivalents for non-elderly households.

Another qualification to the income data is that, to some extent, income is understated in the Household Budget Survey. On average, for all households, the total recorded weekly expenditure exceeded the stated disposable weekly household income by 20 per cent. This discrepancy was less in the case of elderly households —one of 11 per cent.

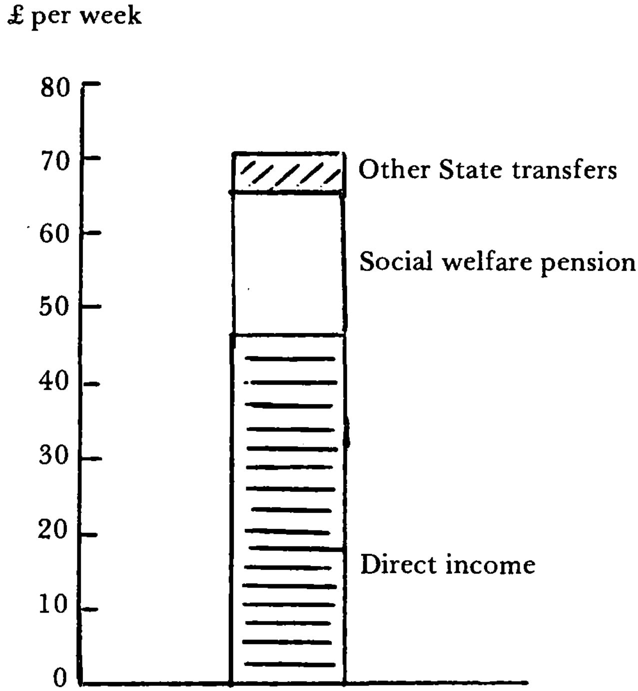
Whilst non-cash benefits (medical, housing, educational or social welfare) are not included in the gross household income, social welfare and other State transfer payments[5] are included. Since those on low incomes are net beneficiaries of the system of direct taxes together with cash and non-cash transfers,[6] the relative

[5] Including the value of education grants and scholarships.

[6] A study of the redistributive effects of State taxes and benefits on household income in 1980 shows that non-cash benefits were an estimated 24.0 per cent of the final income of households where the head is retired, compared with 19.1 per cent for all households: Central Statistics Office, *Redistributive Effects of State Taxes and Benefits on Household Incomes in 1980*, Dublin: Stationery Office, 1983.

Figure 4.1

Average Gross Income by Type Among Elderly Households, 1980



Source: Appendix 2, Table 12.

position of elderly households after these adjustments is somewhat better than that of their *gross income*.

This can be verified to a certain extent by comparing the *disposable income* (gross income *less* income taxes and employee social insurance contributions) of elderly person households with that of non-elderly households. In this instance we find that the average disposable income of elderly households at £64 per week was 54 per cent of that of non-elderly households (Appendix 2, Table 12). Hence, the relative difference in income is reduced when disposable incomes are compared. In other words, the average tax taken from non-elderly households exceeds that taken from elderly households. In terms of income *per capita*, in adult equivalent terms, the average income of elderly households in 1980 was 22 per cent lower than that of non-elderly households.

Account should also be taken of the imputed value of non-cash benefits which elderly persons can obtain. However, these are worth much less than social welfare pensions. Taking those beneficiaries who are entitled to avail of the non-cash benefits, and dividing the number of eligible recipients (Table 3.2), the average benefit per recipient in 1982 was £320. This compares with £1,700 for the non-contributory pension (personal rate) in the same year.

4.3.2 *Make-up of Income of Elderly Households*
As can be seen from Appendix 2, Table 12, the make-up of elderly households' income is quite different from that of other households. Of their income, 30 per cent is derived from earnings, much of this undoubtedly coming from persons other than the household 'head'. On average 27 per cent of the income of elderly households comes from social welfare pensions (non-contributory, contributory and retirement), while 12 per cent comes from occupational pensions.

These figures are striking in that they demonstrate:

(a) that many elderly households depend on income from employment as much as from pensions and
(b) that occupational pensions are a minor source of income for the elderly, though they are likely to become more important in the future given the proportion of the cur-

rent working population with occupational pension entitlements.

4.3.3 *Income Differences within the Elderly Household Grouping*
Elderly households are by no means uniform in their incomes; there are a number of differences within the group.

Very elderly households, those whose head is 80 or over, are generally poorer than other elderly households, their average disposable income being 87 per cent of that of all elderly households and 47 per cent of that of non-elderly households. The average size of the most elderly households, in adult equivalent terms, at 1.9 persons is slightly lower than that of all elderly households.

Having little earned income, pensions (occupational and social welfare) make up 46 per cent of their gross income.

The lowest incomes of all are recorded among the very elderly who live alone (Figure 4.2) whose average disposable income is only 49 per cent of all elderly person households. Lowest income *per head* (after adjusting for household composition) is in pension-dependent households: those who depend on social welfare pensions for 70% or more of their gross income.

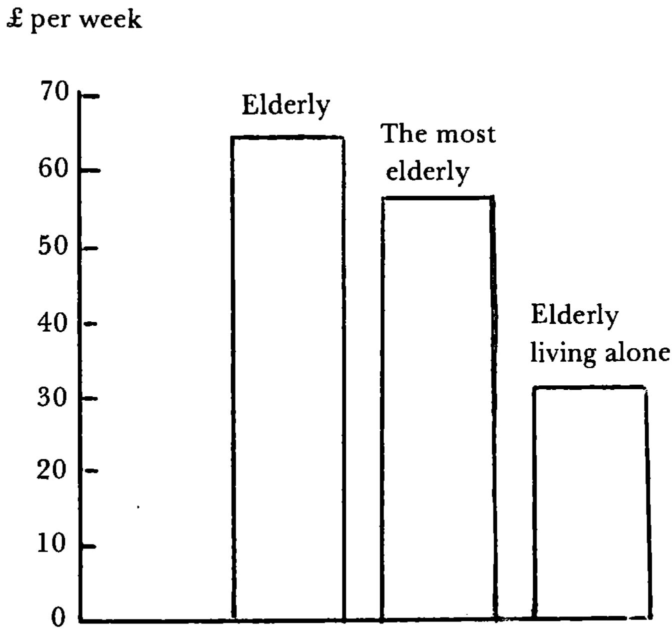
Table 4.1: *Summary of 1980 disposable income differences within the elderly household grouping*

	Proportion of disposable income of all elderly households (%)
All elderly households	100
Very elderly households	87
Pension-dependent elderly households	51
Elderly persons living alone	49
Most elderly persons living alone	49

Source: Appendix 2, Tables 12 and 13.

Figure 4.2

Average Disposable Income among Elderly Households by Type, 1980



Source: Appendix 2, Table 12.

The proportion of elderly households in each of these groups in 1980 is shown as follows:

	%
All elderly households	100
Most elderly households	12
Persons living on their own	34
Pension-dependent households	42

These groups overlap, as in the case of people aged 80 or over who live alone.

4.3.4 *Comparison of Incomes of Households in Receipt of different Pensions*

The average income of those households where the head receives a social welfare retirement pension is 6 per cent higher than that of the household where a contributory pension is received (Appendix 2, Table 14). This largely reflects a higher income received from occupational pensions.

Perhaps surprisingly, the average disposable income of the household where the head receives a non-contributory pension is 5 per cent higher than that of the household where the head receives a contributory pension.

There are two explanations for this difference. The first is that the average household size of households in receipt of non-contributory pensions is larger than those in receipt of contributory pensions: 2.5, as compared with 2.1.

The more important explanation for the higher average disposable income of 'non-contributory households' is that they are more prevalent in rural areas where 49% of the direct income of these households comes from self-employment, a figure which is higher than the level of direct income enjoyed by households with a contributory pension.

The income of urban households whose head is in receipt of a non-contributory pension is, however, lower than that of its contributory counterpart.

4.4. Assets

4.4.1 *Introduction*

In order to have a complete picture of the living standards of elderly persons it is necessary to consider their assets. The degree of liquidity will, of course, vary according to the nature of the assets and this is an important consideration if one is examining the *potential* living standards of elderly people. There are financial assets in the form of cash, deposits and insurance policies, together with the value of owner-occupied dwellings. Non-financial assets include durable goods, investments in businesses and real property. The value of a home is the most important net asset of elderly households. In the case of a minority of households, those engaged in agriculture, the value of farm land is an important asset.

4.4.2 *Savings*

According to a survey[7] carried out in 1977, the level of savings amongst the elderly is low. The total amount of financial savings averaged about £500:

55% said they had no savings at all;
10% had saved less than £100;
19% had saved between £100 and £499;
17% had saved £500 or over.

Data on investment income of elderly person households in 1980 confirms that liquid assets are not important for those households.

4.4.3 *Housing*

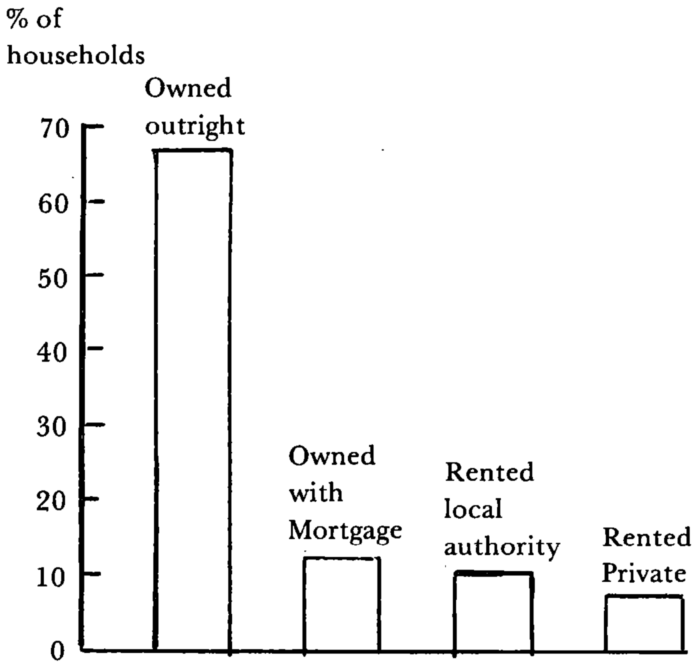
In Ireland in 1980, 43 per cent of all households owned their dwellings outright and 33 per cent owned their dwellings with a mortgage. However, 70 per cent of all rural households owned their dwellings outright compared with only 41 per cent of urban households.

As can be seen from Figure 4.3 and Table 4.2 the owner occupied proportion among elderly person households is slightly higher than average, but the proportion who owned their dwellings outright is far higher than the average.

[7] B.J. Whelan and R.N. Vaughan, *The Economic and Social Circumstances of the Elderly in Ireland*, Dublin: ESRI, 1982.

Figure 4.3

Housing Tenure of Elderly Households, 1980



Source: Appendix 2, Table 15.

Table 4.2: *Ownership of dwellings by type of household, 1980*

	Outright	With a Mortgage
All households	43	33
Elderly person households	67	12½
'Contributory pension households'	57	17
'Non-contributory pension households'	80	6
Elderly persons living alone	62	8

Source: Appendix 2, Table 15; CSO.

Of course, those elderly person households who own their dwellings outright do not necessarily have the capacity to turn their only significant asset into a stream of income. Their income is generally relatively low, but their net worth (assets less debts outstanding) is, relative to the population as a whole, higher.

4.4.4 *Facilities and Amenities*

As this report is primarily concerned with income and related matters, the following, necessarily summary, information on the household facilities enjoyed by elderly persons adds to the picture of their general standard of living.

A survey of old people living alone undertaken in 1978, demonstrates, for example, serious levels of deprivation of basic housing amenities. This can be seen from Table 4.3 adopted from the report of the survey on the elderly living alone and contrasting water amenity provision in Northern Ireland and the Republic.

Elderly households and those households in receipt of social welfare pensions are more poorly equipped with hot water, baths or showers or internal toilets than is the case with households not in receipt of social welfare or occupational pensions.

One significant facility, especially for those who live alone, is the telephone. However, as can be seen from Appendix 2, Table 15, only 22 per cent of households headed by a person aged 80 or over possesses this lifeline. Only 12 per cent of most elderly living

Table 4.3: *Lack of standard housing amenities among the elderly living alone, Republic of Ireland and Northern Ireland, 1978*

	N. Ireland	% of total Republic	Total
No hot water supply	29	59	52
Hot water at 1 point only	9	8	8
No bath/shower	29	57	51
No wash-hand basin	24	52	46
No flush toilet	8	32	26
Outside flush toilet only	22	16	17
No kitchen sink	8	33	27
No basic water amenity	7	30	25
Lack of exclusive use of all five amenities	36	69	61

Source: Brian Power, *Old and Alone in Ireland,* Dublin: Society of St. Vincent de Paul, 1980, p. 20.

alone possess a washing machine and only 48 per cent have a refrigerator.

4.5 Conclusions: Implications for Policy

4.5.1 *Greater Vulnerability of Certain Groups of Elderly Persons*

The most elderly households (those with head aged 80 or over) must be judged among the worst off of all groupings for the following reasons:

these persons are unlikely to be at work, even in part-time work, in contrast to a minority of those aged 65-79;
they are more likely to have exhausted liquid assets from which income can be obtained;
they are less likely to be in receipt of an occupational pension than those aged 65-79;
if they have an occupational pension, its benefits are likely to be less generous than those occupational pensions of the younger pensioners, in part because of less than full compensation (or none at all) for increase in prices which have occurred;

in certain respects, living expenses are higher than those of other elderly households.

Those living alone are also particularly vulnerable for the following reasons:

they tend to be older;
women who live alone outnumber men who live alone by almost two to one, and these women tend to have a lower income;
the costs per person of running a household are greater than in the case of multi-person household.

In the case of women, their income will be lower for the following reasons:

they are less likely to be at work (Chapter 2);
even if they are at work, their income will tend to be lower;
arising from the lower likelihood of having been employed, they are less likely to be in receipt of an occupational pension;
they are less likely to have accumulated liquid assets, from which income can be obtained.

4.5.2 *The Importance of Assets*
Relative to income, assets tend to be more important for elderly person households than for other households, for the following reasons:

elderly persons have relatively lower incomes;
they will tend more to own their dwellings outright;
the life annuity value of their assets (that is, the annuity which could be purchased with the assets) will be higher in the case of the elderly.

But two qualifications must be made. *First*, some of these assets are not liquid nor do they yield a regular income. The most important case of an asset which does not yield money income is an owner-occupied dwelling. *Second*, it is likely that those households with lowest incomes also have the smallest value of assets.

4.5.3 *Home Ownership*

Home ownership affects the financial position of the elderly, by comparison with those who rent accommodation in the private-letting sector, in that owners receive an imputed income on the investment in a home, on which (net of maintenance expenses) no tax is payable. By contrast, those who rent accommodation in the private letting sector pay a rent out of disposable income, and are therefore relatively worse off.

The proportion of the elderly who are owner-occupiers is likely to rise further in the period up to 1991. The following trends are likely to mean that there will be an increasing proportion of elderly households who are poor in income but who have a noteworthy asset in the form of a dwelling:

- an increasing proportion of the population is projected to be 75 and over;
- there is likely to be an increased rate of owner-occupation.

In addition, a relatively high rate of inflation would tend to improve the asset position (by increasing the real value of dwellings) just as it would lower real incomes by reducing the real value of occupational pensions and incomes which are fixed in money terms.

Currently, elderly home owners in Ireland do not have the option of converting part of the value of their dwelling into an income through a mortgage annuity scheme.

In Britain, on the other hand, a number of insurance companies offer this facility in the form of a 'home income scheme'. A pensioner is thus able to take out a mortgage on his/her house with a life insurance company. With the mortgage money, he or she buys a lifetime annuity, though the mortgage interest on the loan is deducted from the annuity. The balance yields a regular supplementary income. Under these schemes the financial institution gives a loan which is repayable on death with no capital repayments during the person's lifetime. The person still owns the house. The house can be sold on the death of the person and part of the proceeds are paid to the financial institution, with the rest going to the person's heirs.

Pensioners paying tax were able to claim tax relief on the mortgage interest. The scheme was of limited benefit to pensioners not paying tax. In 1980, however, an amendment to the Housing Act gave the latter the option of paying a lower interest charge on the mortgage (the 'option mortgage') in order to make the scheme attractive to them, with the life insurance company being reimbursed by the Government.

For someone aged 70 or over wishing to negotiate an annuity in this way, an 80 per cent mortgage on a house valued at £30,000 would yield an after-tax income of £1,200 per annum, at an interest rate of 8¼ per cent approximately. In addition, any increase in the value of the home goes to the pensioner, though the annuity is not itself protected from inflation.

Alternatively, through a similar mortgage on the house, reversionary loans could be made available, whereby a capital sum would be given to the elderly person rather than an annual income.

Many Irish pensioners would not wish to avail of such a scheme, even if it were open to them to do so. Some presumably would, however, and there would be a widening in the range of choice available to pensioners. It would be important, in publicising these schemes, to do so in a way which emphasised that they involved a wider range of options and did not involve any threat to the elderly – indeed, under these schemes the elderly person continues to own and to reside in the dwelling throughout his or her lifetime. No Government subsidy would be involved. However, to make the scheme sufficiently attractive, an 'option mortgage' facility giving an interest rate equivalent to the 'net of tax' rate for those who do not pay income tax, would be desirable. Tax arrangements for an 'option mortgage' would necessitate a relatively small amount of extra expenditure.

The Council recommends that schemes which enable a capital asset to be converted into an income/capital sum should be facilitated and even encouraged. It is further recommended that the facility of an 'option mortgage' should be considered (Recommendation 19).

4.5.4 *Agricultural Land*

Another asset which is important for the elderly is agricultural land. This raises the issue of the Voluntary Farm Retirement Scheme which operated up to recent years with modest EEC support. There was a disappointing level of take-up under this scheme. Currently, the scheme is suspended. It is likely that the Government will revive the scheme in the near future but any EEC contribution is unlikely. The incentives under the scheme consisted of a retirement pension plus a premium on the price of the land in the event of the farmer leasing his land. The financial advantage of the scheme depended on the circumstances of the farmer (e.g., whether located in Congested Districts, and means) and also depended on the value of the competing State benefits.

It is recommended that a revised Voluntary Farm Retirement Scheme should be prepared. This should ensure that the option of retirement provides a net benefit over competing State benefits for farmers who do not retire. The additional option of a sale and leaseback arrangement should be explored. There would be need for more effort to be devoted to explaining the scheme to farmers, than was the case in the former retirement scheme. In particular, the cases in which they would suffer no losses in entitlement to social welfare benefits (including non-cash benefits) should be fully explained and publicised (Recommendation 20).

Chapter 5

INCOME ADEQUACY OF ELDERLY HOUSEHOLDS

5.1 Introduction

The aim of this chapter is to assess the adequacy of social welfare pensions in providing income maintenance for the elderly. In order to achieve this aim it is necessary both to examine the current value of pensions in money, real and relative terms, and then to assess the proportion of elderly households with a standard of living which remains so low that it must be regarded as unacceptable.

The recommendations which follow are based on this assessment of income adequacy.

The data on income and assets found in the preceding chapter are drawn on, together with analyses both of income distribution for all households in 1980 and of the expenditure patterns of elderly persons in 1980.

This last analysis, based on data contained in the Household Budget Survey, makes it possible to estimate the level of poverty amongst the elderly using an 'absolute' standard linked to the notion of subsistence. The former analysis, relating to income distribution amongst all households, enables us to estimate the levels of poverty among the elderly based on 'relative' criteria.

5.2 The Value of Social Welfare Pensions in Ireland

5.2.1 *Introduction*

This chapter outlines the changes in the levels of cash benefits from social welfare pensions which have occurred since the mid-1960s.

Since the levels of benefit from the retirement pensions are synonymous with those of the contributory old age pension for those under 80, the former are not treated separately here.

Nor are data on the contributory or non-contributory widow's pension given, as these are paid regardless of age.

5.2.2 *The Context*

Over the past decade, Government policy has been to increase the real value of pension benefits and, during the years of relatively high inflation, to at least maintain their value in real terms. Increases in the real value of pensions are likely to have been influenced, not only by the limited purchasing power of existing pensions, but also by membership of the EEC and the desire to bring benefits closer to European levels. They were also associated (as in 1977) with an aim to ensure that pensioners shared in the growth of the economy which was envisaged.

Table 5.1 indicates the rates of increase in social welfare pensions which have occurred since 1974. The increases of July 1974 and of April 1977, 1978, 1979 and 1981 were intended to raise the real standard of living of pensioners.

At budget time, however, the real level of pensions can only be maintained by reference to the *expected* rate of inflation over the coming year. The actual rate of inflation may subsequently be higher, with the result that the pension increase does not in fact compensate for price increases. In order to avoid this, additional payments were introduced half-way through some years which thus compensated pensioners for inflation which had occurred in the interim.

In 1975, payments were increased from the beginning of April rather than from the beginning of July, in order to cushion pensioners from price rises. A further increase was given in October of that year. The increase in October 1976 reflected a campaign by the Irish Congress of Trade Unions, together with subsequent pressure from the Society of St. Vincent de Paul. Compensations against further inflation were also announced in October 1977.

Table 5.1: *Rates of increase in social welfare pensions, 1973-1983*

Date	Increase in rate of benefit
July 1973	16-19%
July 1974	18-19%
April 1975	21-24%
October 1975	5%
April 1976	10%
October 1976	5%
April 1977	9%
October 1977	5%
April 1978	10%
April 1979	16%
October 1979	£1 per week(a)
April 1980	25%(b)
April 1981	25%
October 1981	5%
April 1982	25%
June 1983	12%

Notes: (a) This was for adult benefits, with *pro rata* improvements for dependants; and was designed to cover the period 1st October 1979-31st March 1980.

(b) This was on a base which consolidated the increase of £1 a week from October 1979.

The 'National Understanding for Economic and Social Development', April 1979, stated that:

> The Government are already committed to maintaining the living standards of social welfare recipients by regular adjustments of the level of payments at least in line with the cost of living. The Government are also considering the possibility of some improvements in the social welfare schemes which are specially designed to assist those in greatest need during the Winter months.

The second 'National Understanding', ratified on 30th October 1980, promised that:

> The Government will continue to honour their commitment to increase social welfare payments at least in line with the cost of living.

5.2.3 *Money Value of Pensions*
The average money value of a pension is its average value over a calendar year. The money values of pensions over the 1983 calendar year were as follows:

Contributory	*£ per week*
Age less than 80	£42.70
Aged 80 and over	£45.60
Couples, each partner of pension age but under 80 years	£74.50

Non-contributory	*£ per week*
Age less than 80	£36.50
Aged 80 and over	£39.20
Couples, each partner of pension age but under 80 years	£73.10

By comparison, average gross industrial earnings — for males on adult rates — in 1983 are estimated to be £165.0 per week. Average net industrial earnings (after income tax and employee social insurance contributions) for these workers are estimated to be £124.3 per week in 1983 (for a married couple with two children).

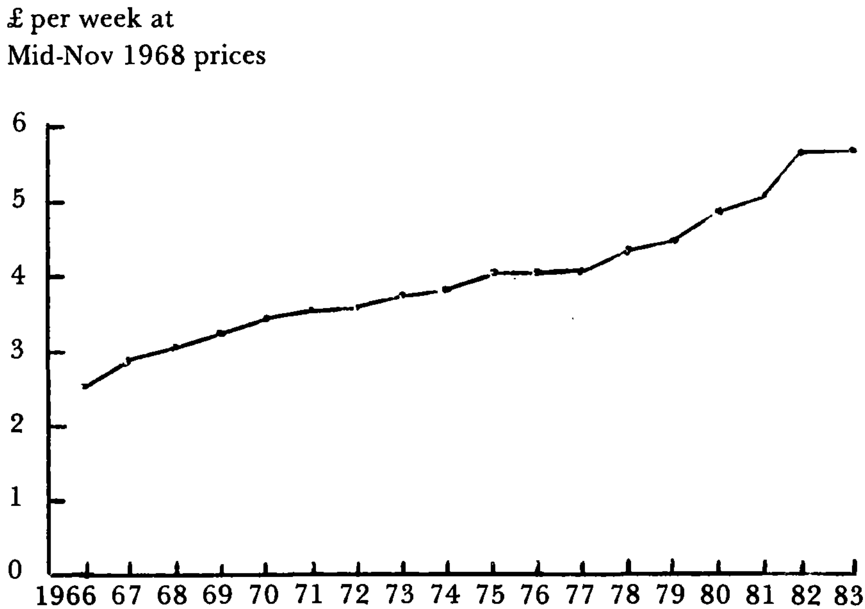
5.2.4 *Real Value of Pensions*
The real value of a pension is its purchasing power. It is computed from the money value by taking the Consumer Price Index into consideration.

Figure 5.1 and Appendix 2, Tables 16 and 18 show that the real value of the non-contributory pension (personal rate) slightly more than doubled between 1966 and 1983 (Tables 16 and 18). For a pensioner with an adult dependant it increased threefold, reflecting the introduction of the adult dependant allowance in 1974.

In the same period the real purchasing power of the contributory old age pension (personal rate) doubled in value between 1966 and 1983. For the very elderly, it more than doubled and it almost doubled for a pensioner with a dependant spouse.

Figure 5.1

Non-Contributory Old Age Pension in Real Terms, 1966-1983



Source: Appendix 2, Table 18.

A quarter of the increase in the real value of pensions occurred in the three years between 1979 and 1982 when the value went up by 25 per cent in real terms.

Had the relative price change for the average 'basket of goods', which elderly persons purchase, differed markedly from the average household's shopping basket, this would need to have been taken into consideration. However, as will be seen later in the chapter, no such divergence has occurred, at least in the period between 1975 and 1982.

5.2.5 *Relative Value of Pensions*

Another way to express the value of pensions is in relative terms, particularly by comparing them with earnings. As average gross industrial earnings is the only earning series regularly available, this is the most appropriate basis of comparison, particularly also as average industrial earnings are roughly comparable to average earnings as a whole (from agriculture, industry and services, Section 5.4.2 below).

Between 1966 and 1983, average industrial earnings increased in real terms by 2.3 per cent per year. In the case of the non-contributory old age pension, benefit was 15.8 per cent of average earnings in 1966. It had increased marginally to 16.0 per cent in 1979, but by 1983 it stood at 22.1 per cent (Figure 5.2).

As noted above (Section 3.2.1), an allowance for an adult dependant not of pension age was, in 1974, added to the non-contributory pension provisions. Since that time benefits, for a non-contributory pensioner with an adult dependant increased from 20.3 per cent to 24.0 per cent in 1979, and to 33.3 per cent of average earnings in 1983.

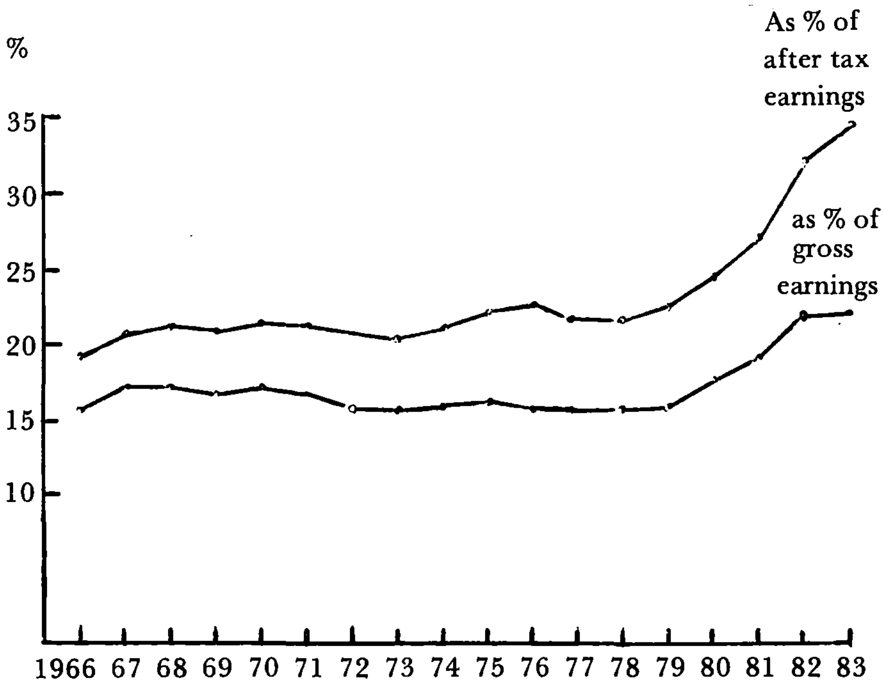
Benefits to a pensioner couple each drawing a non-contributory pension were 32.0 per cent of average earnings in 1979, but had increased to 44.3 per cent of average earnings in 1983.

Over the period 1966-1983 the contributory old age pension increased from 19.6 per cent of average gross industrial earnings to 25.9 per cent (Table 21). For a couple, each person of pensionable age but under 80 and one entitled to the contributory pension, it increased from 35.1 per cent of average earnings to 45.2 per cent. Where the adult dependant was under pensionable age the relative increase was from 35.1 per cent in 1966 to 42.4 per cent in 1983 (Figure 5.3).

All of the improvements in this pension relative to average industrial earnings occurred in the three-year period between 1979 and 1982. In this period the rise in the real value of pensions coincided with the 10 per cent decline in average earnings in industry in real terms. It is not surprising therefore that the ratio of pension to earnings increased in this period.

Figure 5.2

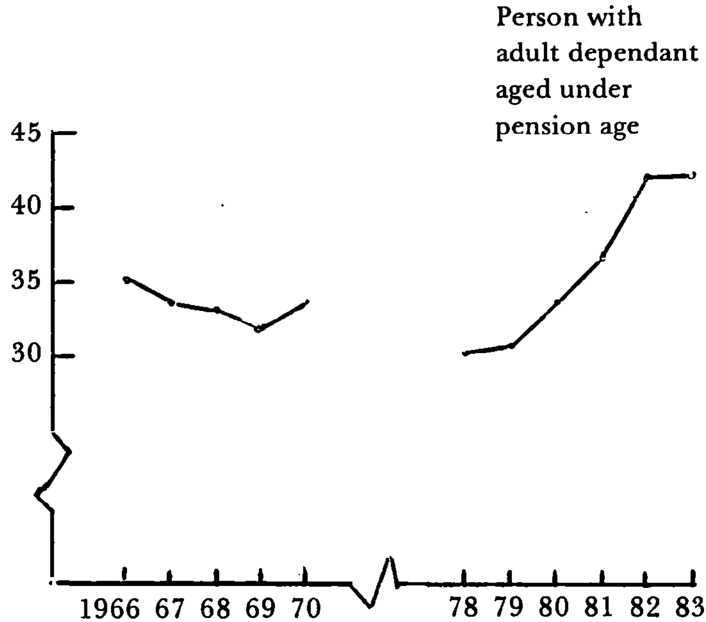
Ratio of Non-Contributory Old Age Pension to Average Earnings, 1966-1983



Sources: Appendix 2, Tables 20, 22.

Figure 5.3

Ratio of Contributory Old Age Pension to Average Earnings, 1966-1983



Source: Appendix 2, Table 21.

By contrast, in the period up to 1979 the relation between pension and earnings showed little change. If anything, the relative value of the pension tended to decline somewhat.

All of the above comparisons are between pensions and *gross* earnings from work. In recent years, income tax and social insurance contributions have increased as a percentage of earnings. At the same time, it is unlikely that any household which depends on social welfare pensions for most of its income would be subject to income tax. This means that the ratio of social welfare pensions to average net earnings (i.e., after income tax and employee social insurance contributions) have increased relatively more than the ratio of pensions to gross earnings (Appendix 2, Tables 22 and 23).

Between 1966 and 1983, the non-contributory pension (personal rate) increased from 19.3 per cent of average net earnings to 34.3 per cent. In the case of the contributory pension, the same rate increased from 23.9 per cent of net earnings to 40.1 per cent. Figure 5.2 shows the increase in pensions related to net earnings in recent years.

5.3 Methods of Measuring Poverty among the Elderly

5.3.1 *Absolute Standards of Poverty*

There are different ways of estimating poverty. The first is to use an *absolute standard* which is based on the ability or otherwise to purchase a fixed level of goods and services that society judges to be the minimum necessary for subsistence at a particular time. Because 'values, preferences, and political realities influence the definition of subsistence',[1] this standard cannot claim to be scientifically objective. The limitations of absolute budget standards have been summed up as follows:

> Experience in other countries has revealed how difficult it is to determine the expenditures that are appropriate for any group of people. Moreover, it is not enough simply to establish a single retirement budget. Separate determinations would have to be made for each of many income classes. . . . Furthermore, the standard budget is probably too static a concept for the task at hand. While it may be possible to define the minimum living expenses which should be guaranteed here and now to the poorest of the aged, it is much more difficult to determine what standard of living will be considered adequate many years hence when present generations of workers begin to retire.[2]

[1] Martin Rein, 'Problems in the Definition and Measurement of Poverty' in Peter Townsend, ed., *The Concept of Poverty*, London: Heinemann, 1970, p. 61.

[2] Derek C. Bok, 'Emerging Issues in Social Legislation: Social Security', *Harvard Law Review*, Vol. 80 (1967), pp. 717-764.

Absolute standards may be unlikely to change over a short period, but they may increase over a longer one. Furthermore, there is the danger that the poverty problem will be judged to have been solved when all household incomes reach an established minimum level irrespective of any change in real incomes enjoyed by the population as a whole. In fact, as national income per head increases, it can be expected that the socially acceptable minimum income will also rise.

5.3.2 *Relative Standards of Poverty*

The second method of calculating the numbers of elderly people living in poverty takes this consideration into account by using a *relative standard* of measurement. In this instance, a given standard of living is related to the average standard of living in a society as a whole. The argument here is that 'needs' are influenced by, and related to, the general standard of living in society as a whole. If, therefore, the incomes of some people (such as the elderly) fall much below the average, they cannot participate in many of that society's activities and are regarded by themselves and by others as poor. In summary, the use of a relative standard to determine appropriate minimum income levels enables account to be taken of rising standards of living over time.

5.3.3 *Relative Deprivation*

To measure or establish the true levels of relative deprivation, it is not sufficient, however, to take only income into account. A more refined approach will examine to what extent people in a given society are enabled to participate in a type of living which has become the social norm:

> . . . to endeavour to define the style of living which is generally shared or approved in each society, and find whether there is . . . a point in the scale of the distribution of resources below which, as resources diminish, families find it particularly difficult to share in the customs, activities and diets comprising their society's style of living.[3]

This last method of approach to the problem of determining

[3] Peter Townsend, *Poverty in the United Kingdom: A Study of Household Resources and Standards of Living*, London, Penguin Books, 1979, p. 60.

poverty levels is a hybrid one, and is related both to the 'absolute' method and to the 'relative' one.

5.3.4 *Caveats*

It is extremely difficult to avoid focusing only on current money income when estimating poverty levels in a society. The following caveats must suffice before examining income distribution amongst the elderly in detail.

(i) As already noted, current income does not take account of the wealth of households, particularly the net worth of owner-occupied dwellings. Usually the most important asset of the elderly is the equity in a dwelling (see 4.5.2).

On the other hand, income-producing or liquid assets can be expected to be of limited importance insofar as the elderly are concerned.

(ii) An account of income distribution on its own cannot take into account the extent to which goods and services are received either free of charge or below market prices. Examples of this would include free access to health or travel services.

5.4 Distribution of Income in 1980

5.4.1 *Introduction*

Data on average income only tell part of the story and conceal the true picture of the variations of income among the elderly. This section attempts to examine the range of incomes among the elderly.[4] For example, the average disposable income of elderly person households was £64.4 per week, 54 per cent of that of non-elderly households (Section 4.3.1). Yet almost two-thirds of elderly households had a disposable income under this figure in 1980 (Appendix 2, Table 24). This section will highlight the numbers of elderly persons falling below certain levels of income, levels chosen because of their relevance in demonstrating either absolute or relative levels of poverty.

[4]Grateful acknowledgement is made for the programming work done by Ms. June Ryan which enabled the production of tables on income distribution and on the distribution of expenditure from the 1980 Household Budget Survey.

5.4.2 *Proportion of Elderly who are Poor, using Absolute Standards*

In 1980, the average gross earnings of males on adult rates in transportable goods was £114 per week. This provides a useful means of comparison when considering the income of elderly people. In the same year, the average income of all people at work was, per person, 4 per cent higher than in industry.[5]

In 1980, the average disposable income for all households was £106.5 and, though elderly households are only about 70 per cent on average of the size of non-elderly households, this too provides a useful point of reference (Appendix 2, Table 24).

As can be seen from Table 5.2, 7 per cent of all elderly households, 8 per cent of the most elderly households, 18 per cent of the elderly living alone and 12 per cent of pension-dependent households were, in 1980, in receipt of a disposable income of less than £20 per week. When we take £30 per week as the cut off point, we find that 27 per cent of all elderly households, 30 per cent of the most elderly households, 70 per cent of the elderly living alone and 51 per cent of pension-dependent households were in receipt of incomes of less than £30 in the same year. Figure 5.4 shows the distribution of income.

In 'adult equivalent' terms, the average size of elderly households is 2.1 persons, compared with 1.9 for the most elderly households, 3.0 for non-elderly households and 1.6 for all pension-dependent households. Also, there is overlap between these groups whereby, for example, many of the most elderly households will be pension-dependent households.

At the upper end of the income distribution, a minority of elderly households have adequate or more than adequate incomes: 3½ per cent had a disposable income in the £120-£140 range per week in 1980, while 9 per cent had a disposable income of £140 per week or more.

5.4.3 *Proportion of the Elderly who are poor, using Relative Standards*

In this section a relative standard is used to determine the level of

[5]Source: *National Income and Expenditure 1981.*

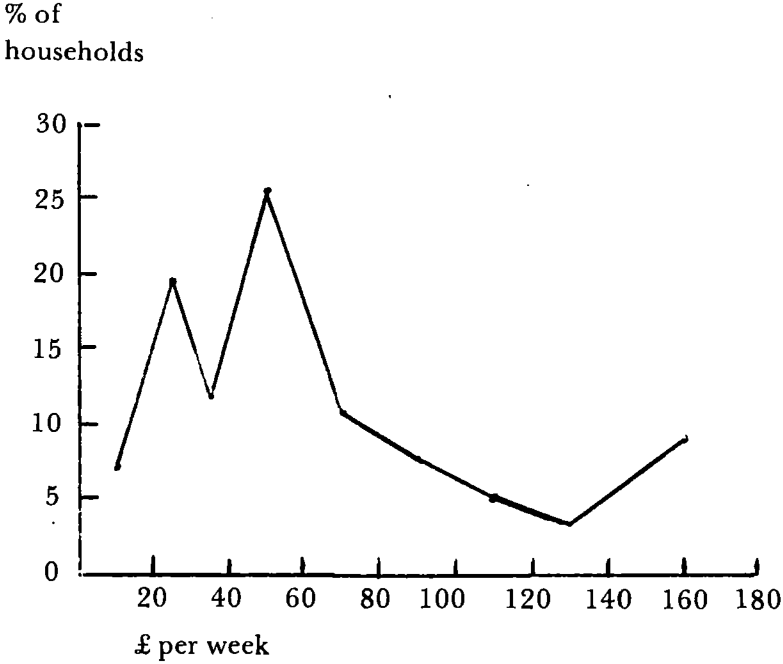
Table 5.2: *Levels of poverty in elderly households in 1980*

	Proportion of households with disposable income as follows:					
	Absolute standard of poverty		Relative to unemployment benefit entitlements (£19.55 per week adult rate)		Relative to average net industrial earnings level (£114 per week)	Income equivalent to lowest 20% of the population (£33 on weighted scale)
	With less than £20 per week	With less than £30 per week	Less than or equal to 100% of UB	Less than or equal to 140%	30% of ave. net. ind. earn.	Less than £33
	%		%	%	%	%
All elderly	7	27	13	49	24	30
The most elderly households	8	30	13	52	26	30
Pension-dependent households	12	51	19	78	47	56
Elderly persons living alone	18	70	14	61	64	73

Source: Central Statistics Office.

Figure 5.4

Distribution of Disposable Income of Elderly Households, 1980



Source: Appendix 2, Table 24.

poverty amongst elderly households. Their weekly income is compared with the unemployment benefit entitlements of a household or some multiple of them. In 1980, the basic rate for one adult was £19.55 per week; for a person with an adult dependant, it was £32.22. (These are weighted averages, weighted by the number of months at which each rate was in force.)

In the comparisons between the income of elderly households and unemployment benefit levels, the entitlements are calculated by reference to household composition, in the sense that the married couple rate is used for a married couple household, and the personal rate is multiplied by the number of adults where there is more than one adult in the household.

A ratio of 1.4 times the unemployment benefit rate has been used already in Ireland and elsewhere as a ratio determining relative poverty.[6]

As can be seen from Table 5.2, 13 per cent of all elderly households, 13 per cent of the most elderly, 14 per cent of elderly people living alone and 19 per cent of pension-dependent households were in receipt of a disposable weekly income less than unemployment benefit entitlements in 1980. In 1980, 49 per cent of all elderly households, 52 per cent of the most elderly households, 61 per cent of elderly people living alone and 78 per cent of pension-dependent households were in receipt of an income less than 140 per cent of unemployment benefit entitlements in 1980.

[6]Studies in the UK have tended to use a variant of a relative standard, using current values of Supplementary Benefit scale rates, which could be said to convey an 'operational' definition of minimum levels of living. A recent study uses the long-term Supplementary Benefit level for the type of household in question, together with 140 per cent of this Supplementary Benefit level, and compares them with household net income (after income taxes and social insurance and after receipt of cash benefits). The 140 per cent of Supplementary Benefit was chosen as that level of income which isolated 26 per cent of all the people in Britain, roughly the bottom quarter on which the Royal Commission was asked to focus their attention. R. Layard, D. Piachaud and M. Stewart, *The Causes of Poverty*, Background Paper No 5 to Report No 6: *Lower Incomes*, Royal Commission on the Distribution of Income and Wealth, London: HMSO, 1978. This in turn led a recent Irish study to use 140 per cent of unemployment benefit entitlements as a poverty standard: David B. Rottman, Damian F. Hannan and Miriam M. Wiley, 'Social Policy and Income Adequacy in the Republic of Ireland: The Importance of Social Class and Family Cycle', *Journal of the Statistical and Social Inquiry Society of Ireland, 1980-81*, pp. 171-201.

It should be noted that, in general, the income of elderly households by comparison with unemployment benefit entitlements has improved since 1980 as certain benefits to pensioners have increased at a higher percentage rate than those of recipients of 'short-term' benefits.

If similar comparisons are made with maximum non-contributory pension entitlements (with the higher entitlements of pensioner couples used in the case of married couple households) there is little difference in the proportions of income to entitlements (Appendix 2, Table 26).

How could there be so many elderly households in receipt of an income less than the level of pension entitlement? One can only hypothesise that there have been understatements of income in the Household Budget Survey and that some persons entitled to benefits do not claim them. The difference between expenditure and income can also reflect, in part, people drawing on savings (such as gratuities on retirement) for expenditure.

Using other relative standards to determine the level of poverty amongst elderly households, their disposable income is compared with average net industrial earnings (Tables 27-29). Using this scale of comparison we find that 24 per cent of all elderly households, 26 per cent of the most elderly households, 64 per cent of those living alone and 47 per cent of pension-dependent households had incomes less than 30 per cent of average net industrial earnings. A much greater proportion of households headed by women had an income less than 30 per cent of average net industrial earnings.

5.4.4 *The Poorest 20 per cent of the Population*

There is one further way of estimating the numbers of elderly households in poverty which avoids the problems of specifying an absolute poverty line and also those of the value judgements inherent in choosing a relative income standard.

This is to take the lowest 20 per cent of all households, classed by disposable income. Previous Irish studies, mentioned below, would suggest this as a minimal estimate of numbers in poverty. In 1980, taking all households into consideration, the lowest 20 per cent had a disposable income of £45 or less. We therefore can use this figure of £45.00 which was only £1 more than the unemployment benefit entitlement of a married couple (one person at work) with two children, as an implicit determinant of the minimum income standard required for such a family. We can calculate the numbers of elderly households in receipt of an income below this minimal standard. But before doing so we must make an allowance for differences in size and composition of households.

5.4.5 *Adult Equivalents*

On average, larger households need a higher income if a given standard of living is to be maintained. This has lead to the use of adjustment factors, known as equivalent income scales, to determine relative living standards. One such set of factors is used here[7] to determine the income for an elderly household which would be equivalent to the £45.00 for a family as described above. This method takes account of the fact that, for example, a household with two adults does not require twice the income of a single adult in order to enjoy the same standard of living. These scales are applied at group level, not at individual household level.

Given that the average size of *all* households is 3.7 and the average household size in the case of elderly persons is 2.2, and taking

[7]The equivalent income scales are as follows, including housing costs, for the following household types:

Married couple, wife not working		1.0
Single adult, householder		0.61
2nd adult, non-householder		0.46
Child aged	0-1	0.09
	2-4	0.18
	5-7	0.21
	8-10	0.23
	11-12	0.25
	13-15	0.27
	16-18	0.36

Source: R. Van Slooten and A.G. Coverdale, 'The Characteristics of Low Income Households', *Social Trends*, No. 8, 1977, pp. 26-39.

Equivalence scales are ratios of incomes required by different households and family types in order to enjoy the same standard of living. They take account of economies in larger households which arise from sharing of facilities, for example economies in heating, together with the benefits of bulk purchases.

account of the age-sex composition of the households in each case, the elderly households would require 73 per cent of the average net income of all households in order to attain the same standard of living.[8] This suggests that a disposable income of £33 per week be taken as a cut-off point for the number of elderly households whose standard of living in 1980 was equivalent to that of the bottom 20 per cent of *all* households.

In 1980, 30 per cent of all elderly households, 30 per cent of the most elderly households, 73 per cent of the elderly living alone and 56 per cent of pension-dependent households fell below this minimum standard in 1980.

Since adult equivalent scales are used in each case,[9] we can yet again affirm that the most elderly, those living alone, especially women, and the pension-dependent households are the worse off groupings amongst the elderly.

5.5 Expenditure Patterns Amongst the Elderly

5.5.1 *The Use of Expenditure Patterns as Determinants of Poverty*

In many different countries it is found that, as incomes rise, the

[8]These scales are approximated, for the age groups in Household Budget Survey, as follows:

Child aged	0-4	0.135
	5-13	0.23
	14-20	0.36

In the case of elderly person households, the average household composition is as follows:

Males aged 21 and over	0.935
Females aged 21 and over	1.001
Children aged 0-4	0.037
5-13	0.074
Persons aged 14-20	0.113

This gives rise to equivalent scales of 1.42 for all households and of 1.03 for elderly person households. (Source for age-sex composition of all households: *Household Budget Survey 1980: Volume 1: Summary Results*, Table 1).

[9]For example, since the costs of running a one person household are about 60 per cent of those running a married couple household, this figure is used in the equivalent scales to determine the level of income of a single person household equivalent to the £33.00 for the married couple household.

proportion spent on 'necessities' declines. It can therefore be taken that a household which spends more than the average proportion of its income on necessities is poor. It will have relatively little left over for discretionary spending on the goods and services which are taken to be a normal part of the average standard of living. To use the expenditure patterns as indicators of relative poverty, the question therefore is, to what extent are the elderly 'a group of people with leisure but without the means to use it'?[10]

In Canada, where 42 per cent on average of the income of all households is spent on food, shelter and clothing, the spending of at least 62 per cent of income or more on these necessities is taken to indicate poverty.[11] However, this method does not take account of wealth, income in kind, or access to a number of subsidised commodities.

In Ireland 54.5 per cent of the expenditure of all households in 1973 was on food, clothing, footwear, fuel, light and housing. By 1980 only 49.9 per cent of the expenditure of all households was on these necessities. This decline would have been even more pronounced had there not been an *increase* in the proportion of expenditure on fuel and light: from 4.8 per cent in 1973 to 6.1 per cent in 1980 (Appendix 2, Table 30).

5.5.2 *Expenditure Patterns of Elderly Households*

As might be expected, the expenditure patterns of elderly households differ from those of households in general. On retirement, expenses related to work decline. These include transport, postage and telephone outgoings. Elderly households do not, in general, have the financial burdens related to the education of children, the equipment of a house or transport which the average family has. However, elderly households have a much greater need of fuel and light than the average household and therefore must expend more on these commodities. The most elderly and pension-

[10] Nicholas Bosanquet, *A Future for Old Age*, London: Temple Smith, 1978, p.47.

[11] Statistics Canada, *Income Distributions by Size in Canada, 1980*, Ottawa: Ministry of Supply and Services, 1982.

dependent households spend at least twice as much (as a percentage of their income) on fuel and light as do households in general.

As can be seen from Table 5.3, 28 per cent of the expenditure of all households is spent on food whereas a third of the expenditure of elderly households is used in this way. Here, expenditure is used as an estimate of income; it can, in fact, prove a more reliable indication of income than reported income itself (Section 4.3). The most elderly and the pension-dependent households spend more of their income on food than do other households.

The same pattern emerges when one looks at the percentage of expenditure spent on all necessities. Whereas all households on average spend half of their income on necessities (food, clothing and footwear, fuel and light and housing) for elderly households 53 per cent of their expenditure is on necessities. A proportion of 59 per cent of the expenditure of the most elderly, and 67 per cent of the expenditure of pension-dependent households is on necessities.

Allowance should be made for the fact that much of the consumption of transport by pensioners is at zero price, and that when housing is owned outright the expenditure on housing is relatively low. Hence, there would be a smaller difference in expenditure shares after transport and housing between pensioners and others.

Table 5.3: *Proportion of household expenditure on necessities by household type, 1980*

Household type	% of expenditure spent on food	% of expenditure spent on all necessities (a)
All households	28	50
Elderly households	33	53
Most elderly households	35	59
Pension-dependent households	41	71

Note: (a) Food, clothing and footwear, fuel and light, housing.
Source: CSO.

5.5.3 *Using Expenditure on Necessities to Define Low Incomes*

The above analysis of expenditure patterns is used to indicate the relative poverty of elderly households. The numbers of households spending more than 50 per cent of their total income on food are isolated. Though 50 per cent may be an arbitrary figure, a household which spends a far greater proportion of its income on food than households in general is not able to enjoy a standard of living which is taken for granted by the majority.

Of all the necessities, food is the best indicator as it bulks largest and is most regular; by contrast, housing expenditure varies a lot depending on housing tenure, while not all clothing expenditure would be defined as a necessity.

A proportion of 29 per cent of all elderly households, 38 per cent of the most elderly households and 42 per cent of pension-dependent households spend 50 per cent or more of their income on food (Table 32).

In the case of necessities as a whole, the cut-off point which is used to define income inadequacy is expenditure of 70 per cent or more of income on these goods. A proportion of 37 per cent of the expenditure of all elderly households, 49 per cent of the expenditure of the most elderly households and 55 per cent of that of pension-dependent households spend 70 per cent or more of their total income on the necessities and are therefore, by this standard, living in poverty (Table 33).

These latter figures are reinforced by the fact that it is found that 19 per cent of *all* households spent 70 per cent or more of their income on the necessities. This is very close to the 20 per cent figure used as an indicator of poverty in Section 5.4.4 above.

5.6 Comparison of the Foregoing Estimates of Poverty among the Elderly with other Relevant Studies

A number of studies, based on the 1973 Household Budget Survey, have shown that the elderly and those who live alone are among the groups which are most vulnerable to poverty.[12]

[12]Laraine Joyce and A. McCashin, *Poverty and Social Policy*, Dublin: Institute of

A survey undertaken in 1977 provided data on the income position of people over the age of 65.[13] At that time about 50 per cent of the respondents had an income of less than £15 per week, while 19 per cent had an income of £30 per week or more. Very few elderly households appeared to have incomes less than £12.45, the weekly non-contributory pension rate, but a substantial number had an income only just above this rate.

On the basis of the poverty line defined as 140 per cent of unemployment benefit entitlements (already referred to), 59 per cent of elderly households were found to be in relative poverty.

Applying the 140 per cent of unemployment benefit criterion to individuals, the authors found that about 42 per cent of elderly persons living alone were (on the basis of a weekly income of £17.43 in 1977), in relative poverty. This illustrates the fact that the average income per person is lower for those who live alone.

5.7 Effects of Inflation on the Purchasing Power of the Elderly

It is important to take account, not only of cash income, but also of the purchasing power of that income. Inflation is usually measured by the percentage rise in the Consumer Price Index. The Consumer Price Index, however, combines differences in relative price changes between different commodities since it reflects expenditure patterns in households as a whole. It is possible to reweight the index to take account of the particular expenditure patterns of elderly persons.

Appendix 2, Table 34 shows that, compared with all households, pension-dependent households spend relatively more of their budget for current consumption on food, tobacco and fuel and light. Hence, price increases for these goods and services will hurt pension-dependent households more than the average household.

Public Administration, 1982; David B. Rottman *et al., Op. cit.*; Eithne Fitzgerald, 'The Extent of Poverty in Ireland' in Stanislaus Kennedy (ed) *One Million Poor?*, Dublin: Turoe Press, 1981.

[13] B.J. Whelan and R.N. Vaughan, *The Economic and Social Circumstances of the Elderly in Ireland*, Dublin: The Economic and Social Research Institute, 1982.

However, after reweighting the price index for the November 1975 to May 1982 period, to reflect the expenditure patterns of pension-dependent households (Appendix 2, Table 34), there is little effect on the overall price index. If anything, the Consumer Price Index overstates the inflation rate for these households, since their 'shopping basket' increased by 50 per cent in price, whereas there was a 64 per cent increase in prices for all households. These results were obtained at broad commodity group level, rather than at individual item level.

5.8 Replacement Rates

5.8.1 *Replacement Rates Currently Achieved*

This section examines how current social welfare rates of pension relate to the income of the elderly in their last year before retirement: these are called 'replacement rates'. These replacement rates are used below in arriving at appropriate pension policy for the elderly.

To establish the current replacement rates we use the average industrial earnings of all workers on adult rates of pay, males and females combined.[14] Pre-tax earnings which corresponded with average industrial earnings amounted to £7,518 per annum in 1983. For a married couple with two children, one spouse earning and taxed under PAYE, net income (after income taxes and employee social insurance) was £5,862 per annum in 1983. This is the figure used in computing replacement rates in Table 5.4.

We also make allowance for the effects of direct taxation. Given the exemption thresholds for those aged 65 and over and the marginal relief which applies to incomes slightly above those thresholds, households which are solely or almost solely dependent on social welfare pensions are not subject to income tax. Replacement rates based on income net of income tax and employee social insurance contributions are therefore also given. Of course, in the case of employees whose incomes are below average, the replacement rates would be higher.

[14]At March 1983, average earnings in transportable goods industries (for all employees, male and female, on adult rates) were £137.7 per week. It is assumed that earnings at [illegible] 1983 are higher by 5 per cent, thus are £144.6.

Table 5.4: *Social welfare pensions at July 1983 together with their equivalent replacement rates based on gross and net earnings*

	Personal rate	Pensioner couple	Pensioner with adult dependant (a)
Non-contributory pension per week	£38.60	£77.20	£58.00
. . . as % of gross earnings	26.7%	53.4%	40.1%
. . . as % of net earnings	39.6%	68.5%	51.5%
Contributory pension per week	£45.10	£78.75	£73.90
. . . as % of gross earnings	31.2%	54.5%	51.1%
. . . as % of net earnings	46.3%	69.9%	65.6%

Notes: Personal rate is given as % of net earnings of single person, other pensions are given as % of net earnings of married person.
(a) Under pension age in the case of contributory pension.

5.8.2 *Replacement Rate Needed to Avoid a Drop in Purchasing Power*

What replacement rate would be needed by the retiring person in order to maintain the purchasing power which he/she had in the year before retirement?

Work done elsewhere suggests that between 65 per cent and 80 per cent of previous net earnings would be required to maintain this purchasing power.[15] Less than 100 per cent of former income would be required to keep up living standards as expenses, such as travel to work, would no longer apply or would be reduced (Section 5.5.2) and savings required for retirement would be less.

[15] Peter Henle, 'Recent trends in retirement benefits related to earnings', *Monthly Labour Review*, June 1972, pp. 12-20; James Schulz and others, *Providing Adequate Retirement Income*, Hanover, New Hampshire: The University Press of New England, 1974.

5.8.3 *Replacement Rates in Other Countries*
It is difficult to make comparisons with other countries where it is often the case that, when recipients' incomes fall below a statutory minimum, flat-rate pensions are supplemented by either retirement pensions for former workers or by State aid. This section cites the replacement rates in some other countries; these data cover the period mid 1970s-1980, by contrast with the Irish data in Section 5.8.1 which relate to 1983.

The indications however are that in OECD countries, replacement rates generally are at least of the order of 50 to 70 per cent for average gross earnings of former employed persons.[16] As these rates quoted were for the mid 1970s and as it was stated at the time that there was a 'distinctly rising tendency in recent years', the likelihood is that replacement rates in OECD countries may even be higher today.

In Britain in 1980 the replacement rates for a single man on a retirement pension and for a pensioned married couple were as follows:[17]

	Single Person on Retirement Pension	*Pensioned Married Couple*
% of gross average earnings of all adult male workers	19.8%	31.6%
% of net average earnings (after tax) of all adult male workers	28.6%	43.8%

These replacement rates for 1980 with respect to net earnings of males are about the same as those in Ireland in the same year for the contributory pension and for the non-contributory pension for a married couple, while they are slightly higher than in Ireland

[16]OECD, *Old Age Pension Schemes*, Paris: OECD, 1977, p. 62.

[17]Thomas Wilson and Dorothy Wilson, *Op. cit.*, p. 48.

in the case of the personal rate of the non-contributory pension (Appendix 2, Tables 43 and 44). When making these comparisons, the following points should be noted:

Britain has about the lowest replacement rates in the EEC, as is outlined below:

Britain's new State pension scheme introduced in 1978 enables those who retire to receive an income made up of a flat rate pension and an earnings related pension; when the scheme matures after twenty years the replacement rates will be much higher – a median replacement rate for all retiring family units of between 70 per cent and 75 per cent can be expected;[18]

living standards in Britain in 1979, allowing for differences in exchange rates, were about 60 per cent higher than in the Republic;[19]

greater use is made of income supplementation through the supplementary benefits system (the analogue of the Irish supplementary welfare allowance);

an effective minimum income for households in Britain is provided through the Family Income Supplement.

More recent data than the OECD figures already referred to, show that replacement rates in EEC countries in 1980 (using average gross earnings in manufacturing) vary from 29 per cent in Denmark to 66 per cent in France and 69 per cent in Italy.[20] For couples, the rates varied from 47 per cent in the United Kingdom and 49 per cent in West Germany to 69 per cent in Italy and 75 per cent in France. Ireland is not included in these comparisons.

5.8.4 *Based on Expenditure on Food*

The proportion of the expenditure (i.e., income) of non-elderly

[18]John Ermisch, "Resources of the Elderly: Impact of Present Commitments and Established Trends", in Michael Fogarty, ed., *Retirement Policy: The Next Fifty Years*, London: Heinemann, 1982, p. 52.

[19]Data are national output per head of population: Tom Ferris, "Comparisons of Productivity and Living Standards: Ireland and other EEC countries', *The Irish Banking Review*, March 1981, pp. 7-15.

[20]Jonathan Aldrich, 'The Earnings Replacement Rate of Old-Age Benefits in 12 Countries, 1969-80', *Social Security Bulletin*, November 1982, pp. 3-11.

households spent on food in 1980 was 27 per cent. The equivalent proportion spent on food by pension-dependent households was 53 per cent (Section 5.5.2). Were pension-dependent households to receive an income great enough for their expenditure on food to be only 27 per cent of their total expenditure, this would mean they would need a 55 per cent increase in their total expenditure (or income) i.e., from £39.69 to £60.70.

However as already noted, there is a difference in average household size between pension-dependent elderly households and non-elderly households. In terms of the equivalence scales used above, the sizes of these households are 1.53 and 2.56, respectively. Taking this difference in household size into account, the expenditure per person of pension-dependent households at £60.70 would be 71 per cent of non-elderly households.

CHAPTER 6

INCOME MAINTENANCE OF THE ELDERLY IN THE FUTURE

6.1 Introduction

This chapter begins by taking stock of present income maintenance provision for the elderly, based on conclusions drawn from the preceding chapters.

The future income prospects for the elderly are assessed. State expenditure on social welfare pensions are projected up to 1991 based on current real benefits.

Finally, a target for minimum pension levels is recommended.

It might be asked why the elderly should be singled out for attention with regard to income adequacy. The answer lies in the relatively low incomes which are observable among a substantial minority of the elderly (Chapter 5) and the low incomes of the vulnerable groups of the elderly which have been identified (Chapters 4 and 5).

6.2 Conclusions on Present Income Adequacy

From Chapter 2 of this report it has been clear that, when assessing the income adequacy of the elderly, there is not a single, homogenous standard of living applicable to all elderly persons in the State. Groups identified as being worst off financially are the most elderly, those who live alone, elderly women who are single or widowed, and those who depend solely or almost entirely on social welfare pensions as a source of income.

We have seen too that there is a need to consider both income and assets. It is virtually impossible for elderly persons with low incomes or savings to convert their assets into a source of current income.

Finally, we concluded from our analysis of income and expenditure data that approximately the following numbers of elderly persons have incomes below the lowest 20 per cent of households:

30 per cent of all households headed by an elderly person;
73 per cent of the elderly living alone;
30 per cent of all households headed by persons aged 80 or over;
56 per cent of all households who depend on social welfare pensions for 70 per cent or more of their gross income.

6.3 Future Prospects for the Income Maintenance of the Elderly

What are the prospects for an improvement in the financial situation of these groupings of elderly persons *if* there are no changes in real income from social welfare pensions?

The increased numbers of people likely to retire with the benefit of occupational (including State employment) pensions should help improve financial conditions generally. Equally, the increase in home ownership will add to potential resources.

However, such improvements in income and asset resources will have only a marginal impact on the poorest of the elderly for the following reasons:

among the poorest are those with no employment record;
others, in employment, will have been on low pay and hence with low occupational pensions, if any at all;
others, covered by occupational pension schemes, will nonetheless not be protected against inflation;
it is not so easy for the poorest to acquire a dwelling, but even if they do, it is just as difficult to convert that asset into a source of income.

Additionally, employment prospects for the elderly are not good. The participation of the elderly in the labour force has been declining for over a decade, for reasons given in Chapter 2. Part-time employment is likely to be more difficult to obtain, given the probable future imbalance between the potential labour force and a likely lower or stagnant demand for labour.

Finally, the proportion of elderly in the vulnerable categories, the most elderly (aged 80 or over) and those who are living alone, will increase in the future. Since these are among the poorest, the prospects for a better off elderly population are still further reduced.

6.4 Pension Provision in the Future

6.4.1 *Number of Pension Recipients*

As indicated in Chapter 3 and as illustrated in Figure 3.1, there have been significant changes over time in the number of recipients of pensions.

While there has been a marked increase of the numbers in receipt of contributory pensions since 1965, the numbers in receipt of the non-contributory pensions, which peaked at 135,700 in 1977 have been falling since then. This decline has been due to the following factors:

- the decline in the numbers of farmers retiring, farmers not being covered by social insurance;
- the increasing number of people who have been qualifying for the contributory old age pension;
- the increase in the number of occupational pension schemes and the improved benefits offered by them;
- the increase in the number of self-employed people opting to join private retirement pension schemes;
- the decline, in recent years, in the financial advantage to some adult dependants of contributory pensioners of claiming a separate non-contributory pension;
- the increase in the numbers of deserted wives and widows opting, in recent years, to continue to receive these payments rather than a non-contributory old age pension, after age 66.

The number in receipt of the retirement pension increased between 1975 and 1982.

The net effect of these differing trends was that the total number of social welfare pensioners increased from 158,400 in March 1970 to 231,200 in December 1982.

6.4.2 *State Expenditure on Social Welfare Pensions*

Three key variables determine the cost of welfare pensions to the State and hence determine the changes over time in State expenditure on income maintenance for the elderly. They are as follows:

i. the average payment per beneficiary;
ii. the number of elderly people eligible for benefits;
iii. the ratio of elderly people to the total population.

The rise in expenditure on social welfare pensions over the past decade is a result of changes in the above variables. For example, the age of eligibility was successively lowered from 70 to 66 during that period and this increased the number of beneficiaries. At the same time benefits increased in real terms, as already noted.

Table 6.1 shows the rise over time in expenditure in social welfare pensions as a percentage of Gross National Product from 2.4% in 1970 to 4.7% in 1982.

Table 6.1: *Expenditure on social welfare pensions as a percentage of Gross National Product, 1970-1983*

Year	% Expenditure
1970	2.4
1975	3.4
1980	3.8
1981	4.1
1982	4.7
1983	4.7

Note: GNP at factor cost is used.
Sources: Appendix 2, Table 35; *National Income and Expenditure*; *Economic Review and Outlook*; Central Bank of Ireland, *Quarterly Bulletin 4*, 1983.

It has been shown that, of the rise in the ratio of pensions to output over the period of 1972-1979, most was due to changes in eligibility,[1] which have already been outlined in Chapter 3.

[1]Maria Maguire, "Components of Growth of Income Maintenance Expenditure in Ireland 1951-1979", *The Economic and Social Review* (forthcoming). The ratio of pensions to Gross Domestic Product is used in that paper.

Improvements in payments per beneficiary as a proportion of national output accounted for about a quarter of the rise in ratio of old age pensions to national output. The change in the proportion of elderly in the population did not add at all to the rise in payments – in fact, the elderly as a proportion of the population fell in that period. Since 1979, most of the increase in expenditure related to national output would be accounted for by a rise in real payments per beneficiary.

Appendix Table 35 shows the changes in expenditure on pensions between 1970 and 1983. The data for 1983 show:

£205 million for contributory pensions
£247 million for non-contributory pensions
£89 million for retirement pensions
£542 million for all pensions.

Expenditure on pensions represented 31.8% of all social welfare expenditure in 1970-71 and 34.3% of total expenditure in 1980. Since then this percentage has dropped each year to 30.2% in 1983.

There are a number of reasons why pensions have fallen as a proportion of all social welfare expenditure, in a period when the level of pensions has increased in real terms.

New services were introduced primarily for those aged under 65 in the period 1967 to 1974.
The numbers covered by social insurance increased considerably after 1974 when limitations on who might be covered were abolished. This resulted in an immediate increased expenditure on short-term benefits. But it will ultimately have its impact on expenditure on pensions.
Other schemes are increasingly providing for persons in the 'pension' age group. The contributory and non-contributory widows' pension schemes now cover some 44,000 widows aged 65 and over.

6.4.3 *Projected Changes in Expenditure on Social Welfare Pensions*
The factors which will determine future expenditure on social welfare pensions are:

a. future changes in the level of benefits;
b. future changes in the proportion of elderly persons in the population;
c. future changes in eligibility;
d. changes in the proportions of pensioners in the elderly population, apart from the effects of changes in eligibility;
e. the future levels of 'take-up' of the non-contributory pension, which are influenced by the means test governing eligibility;
f. the proportion of non-contributory pensioners entitled to a full pension, which is determined also by means criteria;
g. the average number of dependants, of each type, per beneficiary;
h. the proportion who live alone;
i. the proportion aged 80 or over.

There follows a commentary on the above factors and their interpretation for expenditure projection purposes.

a. When projecting expenditure on social welfare pensions in the years to come it is assumed, purely for the purpose of these projections, that there will be no changes in the real level of payments per beneficiary (i.e., money payments deflated by the Consumer Price Index).

b. It is already clear, from projections in Chapter 2, that changes in the proportion of elderly persons in the population as a whole will not, of themselves, lead to any notable rise in real expenditure on pensions.

c. If the pension age were lowered to 65, with a consequent unifying of the retirement and contributory pensions, or if State pensions for the self employed were introduced, expenditure would be increased. However, again for the purpose of these projections only, it is assumed that there will be no further changes in eligibility, such as the lowering of the pension age.

d. Due to the changes in eligibility, there has been an increase in the proportion of pensioners among the population aged 65 and over.[2] However, for the purpose of projecting expenditure,

[2]From 49.6 per cent in March 1971 to 61.6 per cent in December 1980.

it is more appropriate to look at the proportion of pensioners in the population *aged 70 and over* in March 1971 (when the pension age was 70) and to compare it with the proportion of pensioners in the population aged 65 and over in December 1980. (These two years are chosen as they are related to the censuses of population of April 1971 and April 1981, respectively, hence there is accurate information available on the numbers of each year of age). When this is done, the striking feature is that the ratio of pensioners to the appropriate population has *fallen* over time from 75.0 per cent of the population aged 70 or over in March 1971 to 66.5 per cent of the population aged 66 or over in December 1980. This decline is probably a reflection of the following.

(i) There was an increase in pension provision by private firms. Also an increasing number of private pension arrangements were made by the self-employed, which became more valuable as marginal tax rates increased in the 1970s. However, some of these pensioners would also be in receipt of contributory social welfare pensions. No information is available on this.
(ii) There was likely to have been an increase in the numbers in receipt of public service pensions in this period.
(iii) Over time, a number of adult dependants, who would formerly have received a pension in their own right, were included as dependants of pensioners. Thus, two 'pensions' became one. There were cases where husband and wife each obtained a non-contributory pension, whereas now the value of a contributory pension for a person with a spouse would exceed the value of two non-contributory pensions.

It is assumed that the future proportion of pensioners to the population aged 66 and over remains at 66½%, the same as at December 1980.

It is assumed for the purposes of these projections of expenditure on pensions that the proportion of contributory pensioners, who are on a higher rate than non-contributory pensioners, will continue to rise. Between March 1971 and December 1982, the proportion of contributory pensioners (counting old age contributory pension and retirement pension), among all pensioners increased from 30.6% to 44%. A rise in the proportion of the labour force in insurable employment, allied to a decline in the numbers employed in agriculture, would indicate a continuing growth in the proportion of contributory pensioners as a percentage among all pensioners.

It is therefore assumed that the average annual increase in this proportion is equal to that recorded in the period December 1975 to December 1982. Table 6.2 gives detailed results of these projections. It indicates an increase in the numbers of pensioners[3] from 231,200 in December 1982 to 240,200 in December 1990, an average annual increase of 0.5% per year. The number of contributory pensioners will rise by 23,700 in the period, while the number of non-contributory pensioners will fall by 14,700.

e. No information on 'take-up' is available, so it is not possible to comment on the impact of this factor on future expenditure.

f. At November 1982, 80% of non-contributory old age pensioners were receiving the highest rate of benefit. It is assumed that no change will occur in the immediate future in the proportions of payments at the different non-contributory pension rates.

Table 6.2: *Projection of number of social welfare pensioners, 1982-1990*

Scheme	Number of Recipients December 1982		*Projected* December 1990
Contributory Old Age Pension	70,028	101,665	125,400
Retirement Pension	31,637		
Non-Contributory Old Age Pension	129,495		114,800
Total	231,160		240,200

Source: Appendix 2, Table 10.

[3] It is necessary to convert the projections of Chapter 2, on the population aged 65 and over, to projections of the population aged 66 and over. The simplifying assumption is made that the number of persons aged 65 bears the same proportion to those aged 65 and over in 1991 as in 1981.

g. Several factors have a bearing on the number of dependants per pension recipient. The 'ageing' of the elderly population tends to reduce the number of dependants per recipient. On the other hand, the increase in the proportion of married elderly persons, which has occurred over the past decade, would have the opposite effect. On balance, the following assumptions (which can be compared with the data in Table 6.3), are made.

(i) There will be a rise in the proportion of adult dependants equal to half of the average annual change[4] which occurred in 1978 to 1982.
(ii) There will be the same proportion of child dependants.
(iii) There will be the same number of prescribed relatives as at December 1982.

Table 6.3: *Numbers of dependants per pension recipient, 1978-1982*

	Adult Dependants		Child Dependants	
	Dec 1978	Dec 1982	Dec 1978	Dec 1982
Old Age Contributory Pension	0.244	0.293	0.057	0.047
Retirement Pension	0.412	0.418	0.131	0.069
Old Age non-contributory pension	0.073	0.077	0.037	0.030

Sources: *Report of the Department of Social Welfare 1978-1980*; Department of Social Welfare.

h. The earlier projections on numbers who live alone are used, together with the assumption that 51% of those who live alone receive the allowance.

i. The earlier projections on numbers aged 80 or over are used.

The projections of State expenditure on social welfare pensions are in Table 6.4. Between 1983 and 1991 therefore, expenditure is projected to rise by 8.4% at constant (1983) prices or by 1.0% per year, on average. The only available medium-term projection

[4]This is in percentage point terms.

for the economy implies an annual average increase in real national output of about 2% per year from 1983 to 1986 inclusive.[5]

This would imply that expenditure on social welfare pensions, as a ratio of national output, would decline slightly.

Table 6.4: *Projection of expenditure on social welfare pensions, 1983-1991*

Scheme	Expenditure (£m) at 1983 Prices		
	1983		*Projected* 1991
Old Age Contributory Pension	205.2	294.6	
Retirement Pension	89.4		
Old Age non-contributory Pension	247.4		
Total	541.9		587.6

Source: Appendix 2, Table 35.

6.4.4 *Facing the Problem: The Adoption of a Norm regarding the Minimum Level of Social Welfare Old Age Pensions*

Because there is no universal agreement on what constitutes an acceptable minimum standard of living, it has not been possible to date to set a target defining a minimum level of social welfare pension provision. Differences in income and resources among elderly households, together with variations in the extent to which they rely solely or mainly on social welfare pensions as a source of income, further complicate efforts to establish such a norm of minimum social welfare pension provision.

[5]There is a projection for Gross Domestic Product in J. Durkan, "Prospects for the Economy", paper to An Foras Forbartha conference, 9th November 1983. An adjustment is made to arrive at Gross National Product.

We also saw (Section 5.8.3) that the proportion of pre-retirement income (in the year preceding retirement) which State pensions in EEC countries provide, varies from 29% to 69% (for the personal rate) and 47% to 75% (for a pensioner couple).

Nevertheless, it is desirable that some norm or target be established in order to guide the setting of pensions at levels which will protect the income security of the most vulnerable elderly. Such a norm would relate pension benefits with average earnings. The analysis of income and expenditure undertaken in Chapter 5 provides an indication of the targets which should be aimed at.

6.4.5 *Setting a Target for Minimum Pension Levels*

Factors which are taken into account in the recommendations which follow on minimum pension levels include:

a. the incidence of poverty among a sizeable minority of the elderly (Chapter 5);
b. the existence of three particularly vulnerable groups among the elderly, already identified (*viz.* pension-dependent households, the most elderly and those who live alone);
c. the proportion of income in the year prior to retirement which it would be necessary to achieve on retirement in order to maintain living standards;
d. the role which income other than from social welfare pensions (e.g., from occupational pensions or from part-time work) can play in the income maintenance of the elderly.

It has already been indicated (Section 5.8.2) that a pensioner couple would need 65-80% of pre-retirement net income (that is, after tax and employee social insurance contributions) in order to attain an equal level of disposable income in retirement. Benefits in kind to the elderly, such as free travel and free electricity may be further deducted when calculating the income level required after retirement which will ensure the same standard of living as before retirement.

It should be noted, finally, that, as the aim is to arrive at a minimum income for elderly households with no sources of income other than social welfare pensions (e.g., from occupational pensions or from part-time work), no deductions are made here on the basis of assumed supplementary income sources or the ownership of liquid assets.

The Council recommends that the minimum target for the personal rate of social welfare pension be set at not less than 50 per cent of average net industrial earnings (that is, industrial earnings after income taxes and employee social insurance contributions) (Recommendation 21).

This recommendation has implications for a uniform pension which are dealt with in Recommendations 31 and 32.

The Council recommends that once the target were reached, the benefits should be indexed to average net industrial earnings (Recommendation 22).

The following example sets out the target as it would be applied at December 1983 rates. In mid-1983 the net earnings of a single worker on average industrial earnings were £97.4 per week (a weighted average of male and female earnings), while the net earnings of the married worker on average earnings (with two children) were £112.7 per week. Because of the differences in average tax rates between single and married workers, this example uses an average tax rate of 27.5 per cent.[6] The target of 50 per cent of net income then becomes a target of 36.25 per cent of average gross industrial earnings.

The results of the calculations are as follows, for mid-1983:

Average gross earnings	£144.60 per week
Target pension (36.25% of £144.60)	£ 52.40
Current non-contributory pension (personal rate)	£ 38.60
Increase in non-contributory pension (£52.40–£38.60)	£ 13.80
Current contributory pension	£ 45.10
Increase in contributory pension	£ 7.30

In Section 6.4.9 the aggregate cost to the State of the recommended targets are given.

6.4.6 *The Target Pension Rate as Applied to Elderly Households*
In the Irish social welfare code, payments are made to individuals rather than to households or family units, and the requirements of families are handled by payments for dependants. In a number of cases, wives are regarded as being dependent on their husbands even though they might be the main earner in the household. An exception in this regard is the non-contributory pension, where it is possible for a wife to obtain this pension in her own right.

If the target for the personal pension rate were agreed on and if the appropriate relation between family and personal rates were established, then the target pension rate for elderly households would automatically be defined.

Currently, there is a lack of consistency between the implicit equivalence rates operative in the non-contributory, contributory and retirement pension schemes. The implicit scales for adult dependants are as follows:

Non-contributory Pension	
dependant aged under 66	50%
dependant aged 66 and over	100%
Contributory and Retirement Pensions	
dependant aged under 66	64%
dependant aged 66 and over	75%

Note: The assumption is made in the case of the non-contributory scheme that the dependant qualifies for a pension in his/her own right, if the dependant is aged 66 or over.

There are therefore four different implicit equivalence scales in operation at the moment.

[6]In 1983, the average tax rate for the single person on average earnings was 32.6 per cent of gross earnings, while the average tax rate for the married person was 22.0 per cent.

The Council recommends that an explicit set of adult equivalence scales, based on the consumption patterns of the elderly, be adopted to determine the level of pension payments to elderly family households and that they make particular reference to the additional requirements of the most elderly and those living alone (Recommendation 23).

Until such time as the target levels of pension (personal rates) are reached, no alterations in the allowances for dependants under the non-contributory and contributory social welfare pensions are suggested. This recommendation would mean that eventually whatever substitute ratio came from an Irish study for a couple's payment relative to payment at the personal rate would replace the existing range of additional payments which vary from 50 per cent to 100 per cent. Following on from the earlier example with the personal rate, if for example the payment for an adult dependant were 60 per cent of the personal rate,[7] the additional payments per dependant would be as follows:

Non-contributory adult dependant:	
Current additional payment:	£19.40 per dependant per week
Target (0.6 x £52.40):	£31.44
Increase	£12.04

6.4.7 *Age Supplement*

Earlier chapters have shown that the very elderly are among the most vulnerable groups in the elderly population. There are grounds for giving more in the form of income support to the oldest pensioners than to others. Not only are their incomes lower, with relatively little from other sources, but they have greater requirements in the form of such things as fuel expenditure and domestic assistance.

[7]This is the ratio implied by the adult equivalents used in Section 5.4.5 and in Eithne Fitzgerald, "Alternative Strategies for Family Income Support" in National Economic and Social Council, *Alternative Strategies for Family Income Support*, Dublin: Stationery Office, 1980, pp. 62-63, using weights derived from the UK studies. The relevant weights are:

One adult	0.6
Couple	1.0
Each additional adult	0.5
Child aged 15 or under	0.25

The current values of the age supplement are £2.80 and £3.10 per week for those in receipt of the non-contributory pension and the contributory pension, respectively.

The value of the age supplement as a proportion of the non-contributory pension has decreased from 9.8% in July 1973 to 7.3% in July 1983.

The Council recommends that the value of the age related supplement should constitute at least 10 per cent of the maximum personal pension rate (Recommendation 24).

This would increase the weekly value of the supplement for non-contributory pensioners from the current £2.80 to £3.90 weekly.

Currently those over 80 are entitled to the age supplement. However, because of a higher incidence of dependance, from the age of 75 particularly, the latter age would be a more appropriate demarcation line between the elderly and the very elderly.

The Council recommends that the age supplement be payable at age 75 for the reasons outlined above (Recommendation 25).

The cost of Recommendation 24 relating to the age suplement is estimated to be £5.5 million per annum, and of Recommendation 25 (taking account of the higher rate of Recommendation 24) is estimated to be £13.5 million per annum at 1983 prices.

6.4.8 *Living Alone Allowance*
The current value of the living alone allowance is £3.00.

Once the desired rates of social welfare pensions, based on a consistent set of adult equivalents, were implemented, there would be no need for the living alone allowance. The rationale of the living alone allowance is the higher costs per person which fall on those who live alone when compared with other types of household. The adult equivalent scales would incorporate these costs in the proposed new pension rates.

However, given that the incidence of poverty is relatively higher among those who live alone than it is among elderly households in general, there is justification for the living alone allowance until such time as the recommended pension targets, based on adult equivalent rates, are achieved.

At present, the single rate for a non-contributory pension, under age 80, but including the living alone allowance is 54% of the rate for a pensioner couple, each entitled to a non-contributory pension and aged under 80.

The Council therefore recommends that until such time as the recommended targets for social welfare pension levels are fully achieved and subject to the findings of the recommended study on adult equivalents (Recommendation 23), *a living alone supplement of 20 per cent should be added to the single rate of non-contributory pension* (Recommendation 26).

This living alone allowance would mean an increase in the current living alone allowance from £3.00 to £7.70 per week. It is estimated that the additional cost per annum to the Exchequer of this recommendation would be £5.1 million at 1983 prices, given that there are 21,000 recipients of the living alone allowance under the non-contributory pension.

6.4.9 *Costs of Implementing the Recommended Pension Rates*
The costs to the State of implementing the recommended pension rates of Section 6.4.7 are calculated on the basis of the existing structure of the population and of beneficiaries. Also, it is assumed for calculation purposes that payments for adult dependants bear the same relation to personal rates as those of July 1983.

Additional Government expenditure required would amount to £144.0 million at 1983 prices. This does not include expenditure under the age supplement, or under the living alone allowance.

Recognising the constraints on public finances, the Council recommends that the implementation of the revised pension rates should be phased over five years (Recommendation 27).

Were the implementation of the proposed target rates phased over a period of five years, for example, the cost would be £29 million per annum at 1983 prices.[8]

6.4.10 *Cases of Broken Contributions*
One of the vulnerable groups which has been highlighted in this report is that of those, including elderly women, who dropped out of the labour force for some years and subsequently re-entered but who have lost entitlements to contributory pension as a result — or as a result of working part-time on re-entry.

It is recommended that, in these cases, there should be provision for such people to obtain a contributory pension of a reduced amount which would reflect the proportion of their working life in the labour force, and that there should be credits for contribution purposes on a proportional basis for part-time working (whereby, for example, 40 years of part-time work would lead to entitlement of 20/40ths of a contributory pension) (Recommendation 28).

6.4.11 *Supplementary Welfare Allowance*
Under this allowance, standard rates of payment are given subject to a means test to meet cases of exceptional need. Additional payments, which are discretionary, are payable in certain circumstances. Deficiencies in the scheme remain because of the variations which can occur between different community welfare officers in the assessment of means, needs and in amounts paid, and defects in the appeals system. Moreover, little use is made of this allowance in cases of exceptional need for elderly persons. This is despite the fact that a substantial minority of the elderly can be regarded as being in poverty: for example, some 30 per cent of elderly households and 56 per cent of pension-dependent households have incomes below the poorest 20 per cent of all households.

[8]There is a difficulty in calculating this expenditure per annum: if real earnings were to increase by 2% per annum for example, this would have implications for expenditure. This complication is ignored.

It is recommended that a greater degree of uniformity in the operation of the Supplementary Welfare scheme throughout the country be achieved; that pending the achievement of the target rates of pension proposed by the Council there be a greater willingness by those who administer the Supplementary Welfare scheme to extend its benefits to the vulnerable elderly; that a more adequate and uniform appeals system be put in place by the Department of Social Welfare; and that the availability of this appeals system be communicated to those whose applications are turned down (Recommendation 29).

6.4.12 *Other income of Pensioners*
This report has indicated the limited data which are available on the coverage of private pension schemes. To complete the picture which is given in this report, a detailed study of occupational pension schemes, produced independently, or incorporated in the proposed White Paper on a National Income-Related Pension Scheme would be welcomed by the Council. A further study on the extent of supplementary income maintenance assistance to the elderly by voluntary agencies would also be useful.

The Council recommends that information on the number of cases where Supplementary Welfare Allowance payments are paid to those who are in receipt of social welfare pensions, should be collected and disseminated regularly (Recommendation 30).

6.4.13 *Uniform Pension and its Financing*
The present distinction between contributory and non-contributory pensions is based on the insurance principle. It can be argued, however, that insurance contributions are another form of direct taxation rather than insurance payments because:

benefits received are not related to the level of part contributions;
there is not an insurance fund from which payments are drawn, a substantial proportion of payments come from general taxation;
there is no risk rating for those paying social insurance contributions and payments are not determined actuarially.

There is therefore a 'social contract' between generations, insofar as one generation pays for an earlier generation's pensions out of taxation, on the understanding that it will be treated likewise on reaching pension age.

The question which arises is whether it is appropriate to impose distinctions between the rates of payment under the contributory and non-contributory schemes, and whether these payments should not be more closely matched to the needs of the recipients? It can be argued that benefits should be paid on the basis of need, out of tax receipts. We have seen that, in general, elderly recipients of the non-contributory pension, who live in urban areas, are in greater need than contributory pensioners. Should it not therefore be concluded that a unified social welfare pension would be in the best interests of the poorest elderly?

To sever the link between taxation (or social welfare contributions) and pensions would have its own problems. However tenuous the link may be, it does provide a motivation for those who have to pay 'their stamps,' which, if broken, could lessen peoples willingness to pay.

The implications of Recommendations 21 to 26 are that there would be no distinction between the levels of benefit under the contributory and the non-contributory pension, respectively. Accordingly, the following two recommendations are made.

The Council recommends that within a five-year time scale the distinction between the contributory and the non-contributory old age pension should be abolished, and replaced by a uniform pension (Recommendation 31).

This uniform pension should be financed by PRSI contributions levied on all existing categories of employees and on the self-employed; contributions could be regarded as earmarked taxation, which is essentially what they would constitute (Recommendation 32).

6.5 Wider Issues Relating to Social Welfare Pension Policy

As indicated in Chapter 1, the Report does not attempt to treat the wider structural issues which necessarily arise when considering pension provision in the future.

The Council recommends that the Commission on Social Welfare, with its wider brief should consider and report on the relationships between the target levels of pensions recommended in this report and the following questions (Recommendation 33).

(a) Would a two-tier system, which guarantees a minimum income to all and a supplementary income to some elderly in most EEC countries, be preferable to the present pensions structure?
(b) Provision for the most vulnerable elderly groups, as identified in this report, would necessitate their receiving a proportionately higher increase in benefits than that accorded to the elderly population as a whole. Such positive discrimination would have its problems, however. Should means testing be retained? If it is retained, can it be so administered to minimise the 'stigma' often associated with means testing, and to maximise the take-up of benefits?
(c) Should payments in kind (that is, non-cash benefits) be gradually replaced by cash benefits?
(d) What should be the future relationship between occupational and social welfare pensions and how could existing inadequacies in occupational schemes be remedied?
(e) What should be the relationship between work and pension provision?

These are taken up in turn.

(a) *Two-tier or dual pension system*
In this report, the current structures of flat rate benefits is taken. There are alternatives. One such is a dual system incorporating a minimum income guarantee or a percentage of average earnings guarantee, together with a supplementary pension based on the former earnings of the recipient.

However, any move towards an earnings-related pension would need to be assessed very thoroughly – especially in the light of the UK experience where there is already doubt being expressed about the wisdom of the 1975 scheme of earnings-related pension, on at least two grounds.[9] One is because of inequities due to great differences in payments to people who retire in different years. A second is because of the cost implications, and the fact that future costs are 'hidden' from the current generation of taxpayers. Hence, there is a view that resources spent on the earnings-related scheme would have been better spent on improving the flat-rate pensions.

At the same time, if no move towards an earnings-related scheme in Ireland should occur, on grounds such as these, a better system of occupational pensions (with wider coverage and more uniformity in benefits together with equity for those who are mobile) would be required. This point is taken up below under (d).

(b) *Provision for the most vulnerable elderly*
Increases in social welfare pensions which apply to all elderly persons will benefit some households judged to have 'adequate' incomes. Positive discrimination in favour of the more vulnerable elderly might result in an even greater emphasis on means testing, with the inherent risks of discouraging some elderly from applying for pensions or of reinforcing tendencies to distinguish arbitrarily between 'deserving' and 'undeserving' poor.

A further question in this context is whether it is preferable to increase basic rates of pension or to increase the means disregard to protect the interests of the most vulnerable elderly groups.

(c) *Payments in kind versus cash benefits*
An argument in favour of gradually replacing payments in kind (that is, non-cash benefits) by cash benefits is that this would give a greater degree of freedom to recipients to spend their income according to their preferences. In addition, benefits which are contingent on the existence of a facility (such as the telephone rental benefit which requires that telephones be installed) have less meaning to those in need than their cash equivalent. Finally, it can be argued that it is possible to 'target' benefits to those in need more effectively if they are given in cash rather than in kind.

[9] See Michael Fogarty (ed.), 1982, *op. cit*; Thomas Wilson and Dorothy Wilson, 1982, *Op. cit;* John Creedy, *State Pensions in Britain*, Cambridge University Press, 1982.

Against this, there are strong arguments for retaining non-cash benefits such as the electricity allowance, for reasons which are given in Section 3.7.2.

(d) *The relationship between occupational and state welfare pensions*

As indicated in Section 3.1.2, there is a need to examine closely the relationship between occupational pensions and those pensions guaranteed by the State. A review of occupational pension schemes will indicate what proportion of the elderly population is covered by adequate, inflation-proofed and guaranteed pensions.

While occupational pensions are, on average, a minor part of the total income of elderly persons, they are likely to increase in importance as the current generation of workers, where there is greater membership of private schemes, retires. Nevertheless, occupational pensions, at least in the private sector are, and are likely to remain, an unreliable form of income. This is for a number of reasons which include the following:

not everyone has access to occupational pensions;
occupational pension rights may not be guaranteed (in cases where, say, a firm goes into liquidation);
benefits vary depending on whether people have remained with the one employer, or have been mobile in their careers;
the degree of inflation – proofing varies across schemes and in most schemes there is none.

There are a number of options for policy which could be considered, and the following do not exhaust them.

(i) The structure of existing schemes could be accepted, with improvements for early leavers and for existing pensioners.
(ii) Recognising the limited amount of funds which would be available for improvements under i, could they be financed in part by reducing the standard pension in the form of the fraction of final income for each year's service which constitutes the pension.
(iii) Another option is that employees would have the right either to membership in an employer's pension scheme

or the right to take out his or her own pension insurance, but with a guaranteed minimum contribution from the employer.

(e) *The relation between work and pension provision*
This report has noted the importance of employment and self-employment income in preventing poverty among the elderly. Aside from the issue of flexible age of retirement, there is another related topic. This is the option of gradual retirement, with part-time work as a gradual easing into retirement, combined with a part pension. This could be an attractive option for many people, especially if part-time work did not affect a worker's ultimate right to a full and undiminished pension.

The Council has already recommended[10] that the feasibility and usefulness of phased or gradual retirement systems should be the subject of a research study.

This raises an even larger issue: how far workers should be encouraged to take early retirement? There are a number of arguments against such encouragement. Elderly workers constitute a significant economic resource. And employment has therapeutic value in delaying the effects of ageing. If these points were accepted, the implications could be far-reaching and could include the abolition of compulsory retirement ages and legislation against age discrimination in employment and in training.

[10]National Council for the Aged, *Retirement: A General Review*, A Discussion Document, Report No. 2, December 1982, p. 27.

GLOSSARY OF TERMS

Adult Equivalents	An allowance for the size and age composition of households. It expresses the number of persons in a household in 'adult equivalent' terms. This mechanism is used in comparing the expenditure patterns of different types of household.
Asset	Assets of a household are those possessions or liabilities of others to the household, which have a money value.
Asset, Liquid	Cash and other assets which can be readily turned into cash, e.g., bank balances, marketable securities such as Government bonds.
Disposable Income	Gross household income *less* direct taxes and employees' social insurance contributions (Household Budget Survey). Employers' and employees' social insurance contributions are deducted when computing disposable personal income on an annual basis.
Elderly Person Household	A household whose head is aged 65 or over.
Expenditure, Household	(i) All expenditure incurred by household members with the *exception* of: repayments of personal loans and debts other than house purchase mortgage repayments, regular and *ad hoc* savings (other than life assurance) and purchase of stocks,

shares, other investments and property, direct personal taxation (i.e., income tax and employee social insurance contributions).

(ii) business expenses; retail value of home-grown produce consumed; value of any free goods and services regularly received by household members.

Final Income	Income after all State benefits and all taxes. Equals direct income *plus* benefits (children's allowance, social welfare pensions, unemployment benefits and assistance, other cash benefits), *less* income tax and employees' social insurance contributions, *plus* non-cash benefits (medical services, education, housing, other), *less* indirect taxes (mainly VAT and specific duties such as those on drink and tobacco).
Head of Household	Any adult member of a private household can be returned as the head as the household members consider appropriate. In households containing two generations (e.g., man, wife and a married son/daughter with family) the head is the person whom the household regards as its head; this is generally the person who owns the accommodation or on whose name it is rented. In cases where the household consists of unmarried or unrelated people where expenses are jointly paid (e.g., a flat) the oldest member is taken as the head in the absence of any other factors.
Household	Either a person living alone or else a group of people who regularly reside together in the same accommodation and who share the same catering

	arrangements. An individual or a group of people living in the same dwelling constitute a separate household or households if they have separate catering arrangements.
Household Formation, Rate of	Extent to which persons in a particular age-sex group form independent households. It is measured by the ratio of heads of household to population in a particular age-sex group.
Labour Force	Those who are employed, together with those who are seeking work.
Labour Force Participation Rate	The proportion of the population in any given age or sex group, which is in the labour force.
Most Elderly Households	Those whose heads are aged 80 or over.
Pension-dependent Household	Household where 70 per cent or more of gross income comes from social welfare pensions.
Personal Income	Comprises earnings from work, plus investment income, plus transfer payments from the State, such as pensions, children's allowances, unemployment assistance.
Replacement Rate	Ratio of initial year's benefits to worker's earnings in year prior to eligibility.
Single Person Household	Case where person lives on his/her own.
Transportable Goods Industries	Manufacturing industries together with mining, quarrying and turf production.

APPENDIX 1

EFFECTS OF 1984 BUDGET

The January 1984 Budget announced increases in social welfare pensions with effect from July 1984. Table 1A shows the new rates from July 1984, together with the resulting *average rates* over the twelve months of *calendar year 1984.*

This table also shows that benefits would increase in calendar year 1984, by comparison with calendar year 1983, by 9.4 per cent on average. A current forecast of the rate of increase in consumer prices would be 9 per cent in calendar year 1984 by comparison with calendar year 1983. This would mean that the real value of benefits in calendar year 1984 would remain the same.

A current forecast for the increase in average industrial earnings is 11 per cent in calendar year 1984 compared with calendar year 1983. The equivalent increase in net (*after tax*) earnings would be about 8 per cent. This would mean that benefits would increase slightly by comparison with after tax industrial earnings.

Table 1A: *Social Welfare Pension Rates from July 1984 and Average Benefits over Calendar Year 1984*

	From July 1984 £	Average value over calendar year 1984 £	% increase calendar year 1984 over calendar year 1983
Contributory Old Age Pension			
personal rate:			
(a) age under 80	48.25	46.68	9.4
(b) age 80 and over	51.55	49.88	9.3
couple, each of pension age and under 80	84.25	81.50	9.4
age less than 80 with adult dependant aged under pension age	79.05	76.48	9.4
Non Contributory Old Age Pension			
personal rate:			
(a) age under 80	41.30	39.95	9.4
(b) age 80 and over	44.30	42.85	9.4
person of pensionable age with adult dependant	62.05	60.03	9.4

APPENDIX 2

TABLES

Table 1: *Population Aged 65 and Over by Sex, 1966-1981*

In parentheses is proportion of total population

Age Group	1966	1971	1979	1981	% Change 1966-71	% Change 1971-81
			Men			
65 and over	149,949 (10.3)	150,637 (10.1)	162,968 (9.6)	165,183 (9.6)	4.6	9.7
75 and over	52,660 (3.6)	51,551 (3.4)	52,172 (3.1)	52,497 (3.1)	−2.1	1.8
80 and over	23,916 (1.7)	23,777 (1.6)	23,032 (1.4)	23,325 (1.3)	−0.6	1.9
			Women			
65 and over	173,058 (12.1)	179,182 (12.1)	198,407 (11.8)	203,771 (11.9)	3.5	13.7
75 and over	66,022 (4.6)	67,531 (4.6)	77,132 (4.6)	79,400 (4.9)	2.3	17.6
80 and over	31,965 (2.2)	33,530 (2.3)	37,416 (2.2)	40,121 (2.3)	4.9	19.7
			All Persons			
65 and over	323,007 (11.2)	329,819 (11.1)	361,375 (10.7)	368,954 (10.7)	2.1	11.9
75 and over	118,682 (4.1)	119,082 (4.0)	129,304 (3.8)	131,897 (3.8)	0.3	10.8
80 and over	55,881 (1.9)	57,307 (1.9)	60,448 (1.8)	63,446 (1.8)	2.6	10.7

Sources: Census of Population, 1979, Vol. II; *Census of Population of Ireland 1981: Provisional Results: Bulletin No. 40.*

Table 2: *Population Aged 65 and Over by Sex and Marital Status, 1966-1981*
In parentheses is proportion of total population aged 65 and over (or aged 75 and over)

	Aged 65 and over			Aged 75 and over		
	1966	1971	1981	1966	1971	1981
Men						
Single	40193 (26.8)	40315 (26.8)	42995 (26.0)	13466 (25.6)	12956 (25.1)	13185 (25.1)
Married	80550 (53.7)	82467 (54.7)	94845 (57.4)	23286 (44.2)	23467 (45.5)	24897 (47.4)
Widowed	29206 (19.5)	27855 (18.5)	27343 (16.6)	15908 (30.2)	15128 (29.3)	14415 (27.5)
Women						
Single	42945 (24.8)	44891 (25.1)	47247 (23.2)	15804 (23.9)	16695 (24.7)	19641 (24.7)
Married	48953 (28.2)	50264 (28.1)	59647 (29.3)	10905 (16.5)	10917 (16.2)	11842 (14.9)
Widowed	81160 (46.9)	84027 (46.9)	96877 (47.5)	39313 (59.5)	39919 (59.1)	47917 (60.3)

Sources: Census of Population 1979, Vol II: *Census of Population of Ireland 1981: Provisional Results: Bulletin No. 40.*

Table 3: *Proportion of Elderly Persons who are Heads of Household, by Sex and Marital Status, 1971, 1979*

	%			
	Male		Female	
	1971	1979	1971	1979
Single	50.9	53.0	36.9	39.2
Married	89.8	91.5	5.8	6.4
Widowed	65.2	68.6	59.2	66.8

Source: *Census of Population* 1971 Vol VII; CSO.

Table 4: *Expectation of Life for the Elderly at Various Ages, 1966-1979*

	1966	1971	1979
Males			
At age:			
65	12.44	12.41	12.83
75	7.29	7.29	7.41
Females			
At age:			
65	14.65	14.98	15.72
75	8.35	8.54	9.02

Sources: J.F. Knaggs and T. Keane, "Population Projections", *Journal of the Statistical and Social Inquiry Society of Ireland*, Vol. XXII (1971-72) pp. 30-57; *Irish Statistical Bulletin*, March 1976; Central Statistics Office.

Table 5: *Population Aged 65 and Over by Principal Economic Status and by Sex, 1975-1981*

000

Principal Economic Status	Males			Females			All Persons		
	1975	1979	1981	1975	1979	1981	1975	1979	1981
(1) At work	43.1	41.1	39.9	13.5	9.1	10.8	56.6	50.2	50.6
(2) Unemployed having lost or given up previous job	1.2	1.0	1.1	*	*	*	1.3	1.0	1.3
(3) Labour Force [(1) + (2)]	4.3	42.1	40.9	13.6	9.1	11.0	57.9	51.2	51.9
(4) Home duties	*	*	*	96.5	119.4	117.6	97.2	120.0	118.5
(5) Retired	107.7	110.5	113.3	70.0	52.0	60.0	177.7	162.5	173.2
(6) Unable to work due to permanent sickness or disability	(a)	7.5	10.3	(a)	11.2	13.8	(a)	18.7	23.9
(7) Other	(b)	1.4	*	(b)	7.3	*	(b)	8.7	*
Total [(3) + (4) + (5) + (6) + (7)]	157.1	162.1	165.5	188.2	199.0	202.5	345.3	361.1	368.0

Notes: *Estimates with a value of 1,000 or less: not shown separately as it is considered that such estimates are subject to a very wide margin of sampling variability.

(a) Not asked.

(b) Data not comparable with those for 1979.

Sources: *Labour Force Survey: 1979 Results*; *Census of Population of Ireland 1981: Five per cent Sample Estimates*: *Age, Marital Status and Labour Force.*

Table 6: *Labour Force Participation Rates by Sex for those Aged 65 and Over, 1966-1981*

	%	
	Males	Females
1966	48.4	13.2
1971	43.9	11.3
1975	28.2	7.2
Adjusted 1975 (a)	26.9	6.1
1977	26.3	5.6
1979	26.0	4.6
1981	24.7	5.4

Notes: There are problems of comparability between the 1966 and 1971 data and the data for 1975 and subsequent years. The activity rates after 1971 come from the Labour Force Survey. It is likely that the activity rates which are based on the Labour Force are lower than Census-based activity rates would be.

This is in part because the Labour Force Survey is based on an interview: by contrast, the Census is based on self-enumeration. There may thus be higher activity rates in the age group 65 and over from a Census of Population than from a survey based on interview.

(a) The 1975 activity rates are adjusted to make them comparable with those of 1977 and 1979; reasons for and method of adjustment are in Blackwell and McGregor, *Op. cit.*, p. 52.

Sources: Census of Population 1966, Vol. V; *Census of Population* 1971, Vol. V; as for Table 5.

Table 7: *Elderly Persons at Work Classified by Broad Industrial Group and Sex, 1981*

Industrial Group	Thousands Males	Females	All Persons
Agriculture, forestry and fishing	25.1	2.3	27.4
Building and construction	1.4	–	1.4
Other production industries	2.4	*	3.0
Commerce, insurance, finance and business services	4.6	2.7	7.4
Transport, communication and storage	*	*	1.1
Professional services	3.6	2.8	6.5
Public administration and defence	1.0	*	1.3
Others	*	1.7	2.6
Total	39.9	10.7	50.6

Note: * See Note to Table 5.

Source: *Census of Population of Ireland 1981: Five Per Cent Sample Estimates: Age, Marital Status and Labour Force.*

Table 8: *Population Projections for Those Aged 65 and Over, 1979-1991*

	000					
	Males		Females		All Persons	
Age	1979 Actual	1991	1979 Actual	1991	1979 Actual	1991
65-69	65.0	59.6	68.8	69.3	133.8	128.9
70-74	45.8	49.2	52.5	61.9	98.3	111.1
75 and over	52.2	59.7	77.1	90.0	129.3	149.6
80 and over	23.0	26.7	37.4	46.6	60.4	73.3
65 and over	163.0	168.5	198.4	221.2	361.4	389.6
All ages	1693.3	1919.7	1674.9	1904.9	3368.2	3824.7

Table 9: *Old Dependency Ratio, 1966-1981*

Numbers aged 65 and over as proportion of those aged 15-64

	%
1966	19.45
1971	19.21
1981	18.17

Sources:Census of Population, 1979, Vol. II: *Census of Population* 1981, *op. cit.*

Table 10: *Number of Recipients of Old Age and Retirement Pensions, 1965, 1970, 1975, 1980-1982*

Pension	March 1965	March 1970	December 1975	December 1980	December 1981	December 1982
Contributory	39,576	45,481	54,734	65,401	67,964	70,028
Retirement	–	–	21,901	31,981	31,530	31,637
Non-Contributory (a)	112,155	112,921	131,478	130,077	129,331	129,495
Total	151,731	158,402	208,113	227,459	228,825	231,160

Note: (a) Include recipients of blind pension: 6,000 in number in December 1982.

Sources: Reports of the Department of Social Welfare.

Table 11: *Money value of Death Grant, 1970-1983*

Date	Adult	Children between 5 and 18 years	Child under 5 years
October 1970	£25	£15	£5
October 1972	£35	£21	£7
April 1978	£50	£30	£10
April 1980	£75	£45	£15
June 1983	£100	£60	£20

Table 12: *Average Household Size and Income of Elderly Person Households by Age of Head, Distinguishing Single Person Households, 1980*

	£ per week				
	All households by age of head		Single person households by age		Households with non-elderly heads
	65 and over	80 and over	65 and over	80 and over	
Average size of household	2.2	2.0	1.0	1.0	4.2
Direct income (1)	46.3	33.9	15.4	13.0	130.2
of which, earned income of employees	21.5	13.8	1.3	0	100.7
of which, retirement pensions	8.7	6.8	5.9	4.9	1.1
of which, investment income	2.8	2.3	2.1	1.3	1.5
Social welfare old age and retirement pensions	19.4	21.0	13.7	16.4	1.1
Total State transfers (2)	24.6	26.8	17.5	19.4	11.2
Gross Income [(1) + (2)]	70.9	60.8	32.9	32.3	141.4
Direct taxation	6.5	4.4	1.3	0.9	22.6
Disposable income	64.4	56.3	31.5	31.4	118.8

Notes: Direct income is income from the following sources: earned income (whether of employees or of self-employed); retirement pensions, investment and property income, value of own garden/farm produce, other direct income.
Gross income is direct income plus State cash transfers (children's allowances, pensions, unemployment benefits and assistance), education grants and scholarships, certain other State cash transfers. With the exception of free school meals, the value of social benefits in kind (e.g., free heath services) is not included in household income.
Disposable income is gross income less direct taxation (income tax and social insurance).
Source: CSO.

Table 13: *Average Household Size and Income of Pension-dependent Households, 1980*

Pension-dependent households: Where social welfare pensions are 70% or more of gross household income

	£ per week
Average size of household	1.6 persons
Direct income	2.2
of which, earned income of employees	0
of which, retirement pensions	0.9
of which, investment income	0.2
Social welfare old age and retirement pensions	26.0
Total State transfers	30.5
Gross income	32.7
Direct taxation	0.1
Disposable income	32.6

Source: CSO.

Table 14: *Average Household Size and Income by Retired/ Widowed Status of Head of Household, 1980*

	£ per week		
	Head of Household with:		
	Contributory Old Age Pension	Non-contributory Old Age Pension	Social Welfare retirement pension
Average size of Household (persons)	2.1	2.5	2.2
Direct Income	31.0	37.5	32.4
of which, earned income of employees	20.4	15.7	18.0
of which, retirement pensions	4.8	1.2	9.2
of which, investment income	0.6	1.3	1.9
Social Welfare Old Age and Retirement Pensions	31.3	25.4	34.4
Total State transfers	34.5	29.7	37.6
Gross income	65.5	67.2	70.0
Direct taxation	4.9	3.6	5.7
Disposable income	60.5	63.6	64.2

Source: CSO.

Table 15: *Housing Tenure Breakdown and Household Facilities of Elderly Person Households by Age of Head, 1980*

	Age of Head		Single Person Households by Age of Head	
	65 and over	80 and over	65 and over	80 and over
Average number of rooms per household	4.7	4.6	4.2	4.1
Percentage tenure breakdown: %				
Owned outright	67.0	64.7	62.2	55.0
Owned – tenant purchase	8.2	3.6	5.7	4.4
Owned with mortgage	4.3	1.2	2.1	2.0
Rented, local authority	10.3	13.1	14.0	16.0
Rented, private				
furnished	1.9	3.8	4.0	6.0
unfurnished	5.9	9.6	8.1	13.3
Rent free	2.3	3.9	3.8	3.4
All tenures	100.0	100.0	100.0	100.0
Household facilities				
% of households with:				
Washing machine	34.8	22.4	13.2	12.0
Refrigerator	73.3	59.7	57.2	47.5
Television set – coloured	29.3	21.1	17.0	20.7
– monochrome	55.3	58.3	54.4	45.5
Piped water – cold	85.2	86.2	79.5	83.9
– hot	64.1	56.2	55.3	46.3
Bath or shower	62.3	52.1	53.0	46.6
Toilet (internal)	69.5	61.4	62.7	57.1
Telephone	24.1	21.8	23.3	26.1
Medical card	77.4	86.2	80.7	89.2

Source: Central Statistics Office.

Table 16: *Non-Contributory Old Age Pension, 1966-1983*

Year	Personal rate: age less than 80	Personal rate: age 80 and over	Person of pensionable age with adult dependant under pension age (a)
	£ per week		
1966	2.42	2.42	2.42
1967	2.73	2.73	2.73
1968	3.03	3.03	3.03
1969	3.46	3.46	3.46
1970	3.96	3.96	3.96
1971	4.42	4.42	4.42
1972	4.86	5.07	4.86
1973	5.65	6.15	5.65
1974	6.73	7.25	8.55
1975	8.58	9.25	12.85
1976	10.14	10.94	15.19
1977	11.65	12.55	17.45
1978	13.29	14.31	19.89
1979	15.50	16.66	23.23
1980	19.95	21.38	29.98
1981	25.26	27.09	37.96
1982	32.73	35.10	49.16
1983	36.53	39.18	54.88

Notes: Data are weighted averages of pensions, taking account of the number of months in which pensions were in force during the calendar year. Maximum personal rate is used. There are additional amounts payable for those living alone.
As a special measure, a double payment was made for one week in December 1980 in weekly payments, this is not taken account of in this table.
(a) Pension age is as follows:
up to July 1973: aged 70 or over;
July 1973 – July 1974: aged 69 or over;
July 1974—April 1975: aged 68 or over;
April 1975—October 1977: aged 67 or over;
October 1977 onwards: aged 66 or over.
Both a husband and wife can qualify for a pension in their own right, thus the pension for a married couple, both of pensionable age, is twice the personal rate.
Sources: Department of Social Welfare, *Reports*; Department of Social Welfare.

Table 17: *Contributory Old Age Pension, 1966-1983*

Year	Age less than 80	Age 80 and over	Couple, each person of pension age and under 80 (a)	Age less than 80 with adult dependant aged under pension age (b)
	£ per week			
1966	3.00	3.00	5.38	5.38
1967	3.00	3.00	5.38	5.38
1968	3.25	3.25	5.88	5.88
1969	3.63	3.63	6.63	6.63
1970	4.34	4.34	7.84	7.84
1971	5.13	5.13	8.71	8.71
1972	5.68	5.80	9.60	9.60
1973	6.70	7.20	11.35	11.10
1974	7.85	8.40	13.68	12.93
1975	10.14	10.75	17.79	16.59
1976	12.03	12.73	21.08	19.66
1977	13.79	14.63	24.19	22.57
1978	15.69	16.66	27.52	25.70
1979	18.21	19.51	31.92	29.85
1980	23.28	24.94	40.67	38.14
1981	29.50	31.58	51.54	48.33
1982	38.24	40.90	66.79	62.65
1983	42.68	45.63	74.53	69.93

Notes: Data are weighted averages of pensions, as noted in note to Table 16. There are additional amounts payable for pensioners who live alone.

As a special measure, a double payment was made for one week in December 1980 in weekly payments; this is not taken account of in this table.

(a) Up to July 1973: aged 70-79; July 1973–July 1974: aged 69-79; July 1974–April 1975: aged 68-79; April 1975–October 1977: aged 67-79; October 1977 onwards: aged 66 or over.

(b) Up to October 1971: with 'wife or dependent invalid husband'.

Sources: As for Table 16.

Table 18: *Non-Contributory Old Age Pension in Real Terms, 1966-1983*

Year	£ per week at mid-Nov 1968 prices, that is money pension deflated by Consumer Price Index	
	Age less than 80	Person with adult dependant (a)
1966	2.66	2.66
1967	2.90	2.90
1968	3.08	3.08
1969	3.27	3.27
1970	3.46	3.46
1971	3.55	3.55
1972	3.59	3.59
1973	3.75	3.75
1974	3.82	4.85
1975	4.02	6.03
1976	4.03	6.04
1977	4.07	6.10
1978	4.32	6.46
1979	4.45	6.67
1980	4.84	7.28
1981	5.09	7.65
1982	5.63	8.46
1983	5.69	8.55

Note: (a) Dependant under pension age.

Sources: Table 16; *Irish Statistical Bulletin*; CSO.

Table 19: *Contributory Old Age Pension in Real Terms, 1966-1983*

Year	£ per week at mid-Nov 1968 prices, that is money pension deflated by Consumer Price Index		
	Age less than 80	Age 80 and over	Couple, each person of pension age and under 80
1966	3.29	3.29	5.91
1967	3.19	3.19	5.72
1968	3.30	3.30	5.98
1969	3.43	3.43	6.27
1970	3.79	3.79	6.85
1971	4.11	4.12	6.99
1972	4.19	4.28	7.09
1973	4.44	4.77	7.53
1974	4.45	4.76	7.76
1975	4.76	5.04	8.34
1976	4.78	5.06	8.38
1977	4.82	5.12	8.46
1978	5.10	5.41	8.94
1979	5.23	5.60	9.16
1980	5.65	6.05	9.87
1981	5.95	6.37	10.39
1982	6.58	7.04	11.50
1983	6.65	7.11	11.62

Sources: Table 17; *Irish Statistical Bulletin*; CSO.

Table 20: *Ratio of Non-Contributory Old Age Pension to Average Earnings of Males (Adult Rates) in Transportable Goods Industries, 1966-1983*

Year	Age less than 80	Couple, each person of pension age and under 80	Age less than 80 with adult dependant aged under pension age
		%	
1966	15.8	31.6	15.8
1967	17.1	34.1	17.1
1968	17.1	34.2	17.1
1969	16.7	33.4	16.7
1970	17.1	34.1	17.1
1971	16.6	33.1	16.6
1972	15.9	31.8	15.9
1973	15.6	31.3	15.6
1974	16.0	32.0	20.3
1975	16.1	32.2	24.1
1976	15.9	31.8	23.8
1977	15.6	31.3	23.4
1978	15.7	31.4	23.5
1979	16.0	32.0	24.0
1980	17.6	35.1	26.4
1981	19.2	38.4	28.8
1982	22.0	44.0	33.1
1983	22.1(a)	44.3(a)	33.3(a)

Note: (a) Assumes that earnings rise by 11 per cent. For the years 1966-68, earnings data for a pay week in October are used; for 1979, data for the third quarter are used.

Sources: As for Table 18.

Table 21: *Ratio of Contributory Old Age Pension to Average Earnings of Males (Adult Rates) in Transportable Goods Industries, 1966-1983*

		%	
Year	Age less than 80	Couple, each of pensionable age and under 79	Age less than 80 with adult dependent aged under pension age
1966	19.6	35.1	35.1
1967	18.8	33.6	33.6
1968	18.3	33.1	33.1
1969	17.5	32.0	32.0
1970	18.7	33.8	33.8
1971	19.2	32.6	32.6
1972	18.6	31.4	31.4
1973	18.5	31.4	30.7
1974	18.7	32.5	30.7
1975	19.0	33.4	31.1
1976	18.9	33.1	30.9
1977	18.5	32.5	30.3
1978	18.5	32.5	30.4
1979	18.8	32.9	30.8
1980	20.5	35.8	33.6
1981	22.4	39.1	36.7
1982	25.7	44.9	42.1
1983	25.9(a)	45.2(a)	42.4(a)

Note: (a) As for Table 20.
Sources: As for Table 19.

Table 22: *Ratio of Non-Contributory Old Age Pension to Average Net Earnings of Males (Adult Rates) in Transportable Goods Industries, 1966-1983*

Year	Personal rate as % after tax earnings of single worker (a)
1966	19.3
1967	20.9
1968	21.2
1969	21.0
1970	21.5
1971	21.4
1972	20.6
1973	20.5
1974	21.1
1975	22.2
1976	22.6
1977	21.8
1978	21.8
1979	22.3
1980	24.6
1981	27.2
1982	32.2
1983	34.3 (b)

Notes: (a) Worker is assumed to be paying tax on PAYE; tax consists of income taxes and employee social insurance contributions.

(b) As for note (a), Table 20.

Sources: As for Table 18.

Table 23: *Ratio of Contributory Old Age Pension to Average Net Earnings of Males (Adult Rates) in Transportable Goods Industries, 1966-1983*

Year	Personal rate as % of after tax earnings of single worker (a)	Pensioner couple as % of after tax earnings of married couple (b)
1966	23.9	36.0
1967	22.9	34.4
1968	22.8	34.0
1969	22.0	33.8
1970	23.5	36.4
1971	24.8	36.7
1972	24.0	35.4
1973	24.3	36.6
1974	24.6	38.4
1975	26.2	40.2
1976	26.8	41.0
1977	25.8	40.6
1978	25.8	39.3
1979	26.2	39.9
1980	28.8	43.7
1981	31.7	49.1
1982	37.6	56.9
1983	40.1	60.0

Notes: (a) As for Note (a), Table 22.
(b) Each person is assumed to be of pensionable age and under 80; married worker is assumed to have two children and to pay tax on PAYE, spouse is assumed not to be earning.

Sources: As for Table 19.

Table 24: *Distribution of Disposable Weekly Household Income among Elderly Households and Pension-dependent Households, 1980*

Income range	Head aged 65 or over		Head aged 80 or over		Pension-dependent households	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
Less than £20	7.1	7.1	7.5	7.5	12.2	12.2
£20 and less than £30	19.5	26.6	22.3	29.8	38.6	50.8
£30 and less than £40	11.9	38.5	14.5	44.3	15.0	65.8
£40 and less than £60	25.5	64.1	23.4	67.7	30.1	95.9
£60 and less than £80	10.9	75.0	11.1	78.8	3.9	99.8
£80 and less than £100	7.6	82.6	9.3	88.1	0.2	100.0
£100 and less than £120	5.0	87.6	3.5	91.6	0	
£120 and less than £140	3.4	91.0	1.7	93.3	0	
£140 and over	9.0	100.0	6.7	100.0	0	

Source: CSO.

Table 25: *Distribution of Disposable Household Income as Proportion of Unemployment Benefit Entitlements, Elderly Households and Pension-dependent Households, 1980*

Ratio of disposable household income to unemployment benefit entitlements	Head aged 65 or over		Head aged 80 or over		Pension-dependent households	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
Less than or equal to 1	12.7	12.7	12.9	12.9	19.4	19.4
1 -1.2	17.4	30.1	21.5	34.4	27.0	46.4
1.2-1.4	18.5	48.6	17.6	52.0	31.4	77.8
1.4-2.0	25.4	74.0	28.7	80.8	19.9	97.7
2.0-2.5	11.5	85.5	8.5	89.3	0.8	98.5
2.5-3.0	5.5	91.0	4.4	93.7	0.4	98.9
Greater than 3.0	9.0	100.0	6.3	100.0	1.1	100.0

Note: For example, 1.4-2.0 means 'greater than 1.4 and less than or equal to 2.0'.
Source: CSO.

Table 26: *Distribution of Disposable Household Income as Proportion of Maximum Non-Contributory Pension Entitlements, Elderly Households and Pension-dependent Households, 1980*

Ratio of disposable household income to pension entitlements	Head aged 65 or over: Proportion of households (%)	Head aged 65 or over: Cumulative proportion (%)	Head aged 80 or over: Proportion of households (%)	Head aged 80 or over: Cumulative proportion (%)	Pension-dependent households: Proportion of households (%)	Pension-dependent households: Cumulative proportion (%)
Less than or equal to 1	12.4	12.4	15.0	15.0	21.7	21.7
1 -1.2	12.6	25.0	13.3	28.3	25.9	47.5
1.2-1.4	10.5	35.5	8.4	36.8	19.5	67.0
1.4-2.0	22.8	58.3	25.4	62.2	25.3	92.3
2.0-2.5	9.7	68.0	10.0	72.2	4.9	97.2
2.5-3.0	6.2	74.2	4.5	76.7	1.4	98.6
Greater than 3.0	25.8	100.0	23.3	100.0	1.4	100.0

Source: CSO.

Table 27: *Distribution of Disposable Household Income as Proportion of Average Net Industrial Earnings, Elderly Households and Pension-dependent Households, 1980*

Ratio of disposable weekly household income to average net industrial earnings(a)	Head aged 65 or over		Head aged 80 or over		Pension-dependent households	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
Less than or equal to 0.2	4.2	4.2	0.4	0.4	6.1	6.1
0.2-0.3	20.2	24.3	25.5	25.9	41.3	47.4
0.3-0.4	10.8	35.1	12.6	38.6	14.5	61.9
0.4-0.5	15.3	50.4	18.6	57.2	21.0	82.9
0.5-1.0	29.9	80.3	28.5	85.7	17.1	100.0
1.0-1.5	10.6	90.9	7.6	93.3	0	
1.5-2.0	5.2	96.1	4.4	97.6	0	
Greater than 2.0	3.9	100.0	2.4	100.0	0	

Note: Earnings of males on adult rates in transportable goods industries, after tax and employee social insurance contributions are used.
Source: CSO.

Table 28: *Distribution of Disposable Household Income as Proportion of Average Net Industrial Earnings, Elderly Households by Sex of Head, 1980*

Ratio of disposable weekly household income to average net industrial earnings	Male head aged 65 or over		Female head aged 65 or over		Male head aged 80 or over		Female head aged 80 or over	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
Less than or equal to 0.2	3.4	3.4	5.7	5.7	0.9	0.9	–	–
0.2-0.3	10.9	14.3	39.4	45.1	14.3	15.2	35.0	35.0
0.3-0.4	10.0	24.3	12.3	57.4	11.9	27.2	13.3	48.3
0.4-0.5	18.0	42.2	9.9	67.3	21.8	48.9	16.0	64.2
0.5-1.0	34.5	76.7	20.4	87.7	38.0	86.9	20.4	84.6
1.0-1.5	12.1	88.8	7.5	95.2	9.5	96.5	5.9	90.5
1.5-2.0	6.3	95.2	2.9	98.1	1.9	98.4	6.4	97.0
Greater than 2.0	4.8	100.0	1.9	100.0	1.6	100.0	3.0	100.0

Source: CSO.

Table 29: *Distribution of Disposable Household Income as Proportion of Average Net Industrial Earnings, Elderly One Person and Married Couple Households, 1980*

Ratio of disposable weekly household income to average net industrial earnings	One person households				Married couple households			
	Aged 65 and over		Aged 80 and over		Head aged 65 and over		Head aged 80 and over	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
Less than or equal to 0.2	9.3	9.3	0.5	0.5	1.6	1.6	1.0	1.0
0.2-0.3	54.8	64.1	61.2	61.8	1.7	3.3	2.5	3.5
0.3-0.4	15.4	79.5	19.4	81.1	13.2	16.5	12.4	15.9
0.4-0.5	8.0	87.5	8.5	89.7	31.0	47.5	35.9	51.9
0.5-1.0	10.5	98.0	8.1	97.8	42.3	89.8	41.1	93.0
1.0-1.5	0.9	98.9	0.9	98.7	7.0	96.8	7.0	100.0
1.5-2.0	1.1	100.0	1.3	100.0	2.3	99.1		
Greater than 2.0	–		–		0.9	100.0		

Source: CSO.

Table 30: *Distribution of Expenditure on Certain Items of Households in the State, 1973 and 1980*

Main commodity group	Proportion of all household expenditure (%) 1973	1980
Food	31.9	27.7
Clothing and footwear	10.7	8.9
Fuel and light	4.8	6.1
Housing	7.1	7.2
All above items	54.5	49.9

Source: Household Budget Survey 1980: Volume 1: Summary Results.

Table 31: *Household Size and Expenditure by Retired/Widowed Status and Age of Head of Household, and for Pension-dependent Households, 1980*

	Head of household age 65 or over	Head of household aged 80 or over	Head of household with contributory Old Age Pension	Head of household with non-contributory Old Age Pension	Households with 70% or more of income from social welfare pensions	Households where head aged under 65
Average household size	2.2	2.0	2.1	2.5	1.8	4.2
Average weekly household expenditure (£)						
Food	23.37	18.53	21.91	24.70	16.38	38.84
Drink and tobacco	5.93	4.31	6.62	5.12	3.34	10.14
Clothing and footwear	5.99	4.21	6.77	6.92	3.24	12.92
Fuel and light	6.33	6.46	6.08	6.15	5.43	8.28
of which:						
Electricity	1.43	1.15	0.98	1.09	0.71	3.21
Coal, coke, etc.	2.25	2.39	2.42	2.08	2.21	2.00
Turf and briquettes	0.88	1.14	1.01	1.45	1.21	0.57
Housing	2.42	2.21	2.13	2.39	1.49	11.12
Household non-durable goods	1.35	1.09	1.30	1.26	0.95	2.69
Household durable goods	3.94	2.53	2.52	3.71	1.46	7.99
Miscellaneous goods (a)	1.99	1.61	1.79	1.63	1.08	5.64
Transport	8.71	3.70	6.87	8.65	1.94	22.04
Services and other expenses (b)	11.57	8.58	8.68	7.27	4.37	24.23
Total expenditure	71.61	53.23	64.65	67.80	39.69	143.88

Notes: (a) Include: reading material, paper and paper goods, stationery equipment.
(b) Include: education and training, medical expenses, insurance/pension premiums, personal services, postage, telephone, expenditure abroad.

Source: CSO.

Table 32: *Elderly Households and Pension-dependent Households, Classified by Proportion of Household Expenditure on Food, 1980*

	Head aged 65 or over		Head aged 80 or over		Pension-dependent households	
Proportion of expenditure on food	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
70% or more	6.9	6.9	9.5	9.5	9.7	9.7
60% and less than 70%	7.7	14.5	8.6	18.1	10.6	20.3
50% and less than 60%	14.8	29.3	19.8	37.9	21.4	41.6
Less than 50%	70.7	100.0	62.1	100.0	58.4	100.0

Source: CSO.

Table 33: *All Households, Elderly Households and Pension-dependent Households, Classified by Proportion of Household Expenditure on 'Necessities', 1980*

Proportion of expenditure on food, clothing and footwear, fuel and light, and housing	Head aged 65 or over		Head aged 80 or over		Pension-dependent households		All households	
	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)	Proportion of households (%)	Cumulative proportion (%)
70% or more	36.6	36.6	49.2	49.2	54.5	54.5	18.7	18.7
60% and less than 70%	18.8	55.4	15.6	64.8	20.1	74.6	18.7	37.4
50% and less than 60%	18.9	74.3	17.5	82.3	15.1	89.7	25.2	62.6
Less than 50%	25.7	100.0	17.7	100.0	10.3	100.0	37.4	100.0

Source: CSO.

Table 34: *Expenditure Shares for all Households and for Pension-dependent Households, 1980 and Percentage Rise in Consumer Price Index by Item, 1975-1982*

Broad item	Proportion of expenditure of all households on this broad item, 1980 (%)	Proportion of expenditure of pension-dependent households on this broad item 1980 (%)	Percentage change in price mid-May 1982 (%)
Food	27.7	41.3	+139.2
Alcoholic drink	4.4 (a)	3.9	+213.2
Tobacco	2.8	4.5	+204.4
Clothing and footwear	8.9	8.2	+117.7
Fuel and light	6.1	13.7	+123.3
Housing	7.2	3.7	+ 89.3
rents	1.4	0.9	+ 64.1
rates (owner-occupied dwellings)	–	–	−100.0
mortgage interest	3.4(b)	0.8 (b)	+211.5
house insurance	0.3	0.3	+163.5
repairs and decorations	1.9	1.5	+147.2
Household durable goods	5.5	3.7	+118.6
Household non-durable goods	1.9 } 5.6	2.4 } 5.1	+150.1
Miscellaneous goods	3.8	2.7	
Transport	14.9	4.9	+214.0
Services and other expenditure	16.8	11.0	+193.8
Consumer Price Index	–	–	+163.9

Notes: (a) No adjustment made for understatement of expenditure on alcoholic drink.

(b) Mortgage repayments.

Sources: *Household Budget Survey 1980: Volume 1: Summary Results*; Central Statistics Office.

Table 35: *State Expenditure on Old Age and Retirement Pensions, 1970/71, 1975, 1980-83*

	£m					
	1970/71	1975	1980	1981	1982	1983 (a)
Scheme						
Old Age (contributory pension)	13.9	36.6	106.0	137.9	181.0	205.2
Retirement Pension	0.4	16.0	47.0	59.6	78.5	89.4
Old Age Pension (non-contributory) (b)	20.3	59.8	140.2	176.4	225.0	247.4
Total pensions	34.6	112.3	293.1	373.9	484.4	541.9
Total social welfare (c)	108.7	350.9	853.8	1131.7	1552.0	1799.3
Pensions as % of total expenditure on social welfare	31.8	32.0	34.3	33.0	31.2	30.1

Notes: (a) Provisional.
(b) Includes Blind Pensions; expenditure was £8.177m on these pensions in 1981.
(c) Excludes administration and 'other payments'. Excludes non-cash benefits.

Sources: *Reports of the Department of Social Welfare*; *Revised Estimates for Public Services for the year Ending 31st December 1984.*

NATIONAL COUNCIL FOR THE AGED

The National Council for the Aged was established by the Minister for Health in June 1981. The terms of reference of the Council are 'to advise the Minister for Health on all aspects of the welfare of the aged, either on its own initiative or at the request of the Minister'.

To date, the following reports have been produced:

1. *Day Hospital Care*, April 1982
2. *Retirement: A General Review*, December 1982
3. *Community Services for the Elderly*, September 1983
4. *Retirement Age: Fixed or Flexible* (Seminar Proceedings), October, 1983
5. *The World of the Elderly: the Rural Experience. A Study of the Elderly Person's Experience of Living Alone in a Rural Area,* May 1984
6. *Incomes of the Elderly in Ireland: and an Analysis of the State's Contribution,* May 1984

The First Annual Report (June 1981 to December 1982) and the Report on its three year term of office (June 1981 – May 1984) are also available on request.

THE NATIONAL COUNCIL FOR THE AGED

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