

INCOME

1 Introduction

Income has a major influence on standards of living and well-being in retirement. It is also closely inter-related with other policy areas such as health and housing. Age Concern Northern Ireland believes that for most older people in Northern Ireland over pension age the State pension will continue to be the most important element of income. The main thrust of our policy and campaigning on income is based on our belief that the State pension should provide an adequate income. We recognise, however that individuals have a responsibility to plan ahead financially and that there is a need to provide young people with information on the hard facts, the choices and the consequences to assist them to consider savings opportunities and choices throughout life.

2 Policy Statement

All older people should have an adequate income which is not only sufficient to meet the cost of essentials but also enables them to participate in society as active and equal citizens.

3 Key Facts and Information

- The financial circumstances of older people vary greatly. It is difficult therefore to give a complete picture using simple measures such as average figures. 2000/01 Northern Ireland figures show that the average income of married pensioners was about £240 per week and single pensioners about £135 a week. About half of pensioners' total income came from the State. [1]

- The largest source of pensioner income is the basic state pension now £75.50 a week for a single pensioner with a full National Insurance contribution. This provides about a third of all pensioner income.
 - Ten per cent of pensioners' income is from means-tested state benefits even though many pensioners do not claim their rights to them. It is estimated that about one in ten pensioners in Northern Ireland are failing to claim Income Support to which they are entitled. [2]
 - Pensions from former employees – 'occupational pensioners' are a growing source of pensioner income and now provide about a quarter of pensioner income.
 - SERPS and personal pension schemes currently provide only a small part of total pensioner incomes, though SERPS in particular has become increasingly important to newly-retired older people.
 - The Expert Group on paying for Age in an Ageing Society which contributed to the Millennium Debate of the Age [3] identified distinguishing features of Northern Ireland economic activity that influence the ability of individuals to plan and save for their later years.
 - Northern Ireland average earnings are significantly lower than UK national average earnings.
- (a) This impairs individual capacity to make provision for retirement and reduces the accrual of the State Earnings Related Pension Scheme pension.
 - (b) A high incidence of self-employment, much of which is likely to be at best only marginally profitable. The absence of any SERPS pension and impaired capacity to make private provision for retirement militate against adequate retirement income.
 - (c) Substantial numbers dependent either on farming or agriculture related businesses (e.g. animal feed stuffs, farm machinery and meat processing).
 - (d) Small farms and the decline in agricultural profitability and the trend towards reductions or withdrawals of United Kingdom and

European Union support are having an adverse affect on incomes and consequent capacity to make personal pension provision.

- (e) The increasing trend towards part time and temporary employment (eg in the catering, tourist and retailing sectors) generally resulting in a high degree of dependence on State benefits in later life.
- (f) A preponderance of small employers less likely to offer membership of high quality pension arrangements.
- (g) An unusually high incidence of Public Sector employment. The Department of Economic Development Labour Market Statistics indicate that 25.7% and 38% of all male and female employment respectively is in that sector. Having regard to the high quality of Public Sector superannuation schemes, it is unfortunate that membership is no longer a condition of employment.
- (h) Historically high unemployment rates, especially of long term unemployment.

4 The Issues

4.1 State Pensions and Benefits

Age Concern Northern Ireland is opposed to the present policy of allowing the real value of the state pension to fall while promoting means-tested benefits for those deemed most in need. The State pension should provide an adequate income.

While Age Concern Northern Ireland is opposed to the growing emphasis on means-testing we believe that all those who are entitled should be in receipt of benefit.

4.2 Non-State Income

Many older people have income from occupational pensions or other forms of non-State pension. For future pensioners, non-State sources may be even more significant. It will always be the case however that many people – especially the low paid will not retire with significant income from occupational or other schemes to provide adequate income to maintain a reasonable lifestyle in retirement.

4.3 Grants and Concessions

Non-means tested benefits and concessions are an element in pensioner income. These include excess winter fuel payments

and free TV licences for people aged 75 and over and targeted help such as grants. There is scope for extending these grants and concessions.

4.4 Inequality

The Report by the Pension Provision Group 'We all need pensions' (1998) [4] concludes that the gap between rich and poor pensioners will continue, although perhaps to a lesser extent, even if the floor provided by means-tested benefits rises in line with earnings. Given that the basic state pension is rising only in line with prices it will not provide an adequate income in itself.

4.5 Information, Advice and Retirement Planning

The complexity of the regulations around pensions, benefits and savings thresholds and taxation, present real problems leaving older people vulnerable. People need access to sound impartial advice and information in accurate and plain language. There is a major need for information to be made available for young people about financial options.

4.6 Needs of Older Disabled People and Carers

Older disabled people and carers may need extra income due to the costs of disability and caring or because they have reduced opportunities to work and save.

5 Current Public Policy

In 1998 the government published 'A New Contract for Welfare: Partnership in Pensions'. The overall framework is described as follows:

'The Government's overall approach to pension reform is to build a modern and affordable pension system which ensures that everyone has the opportunity to achieve a decent income in retirement; enables people who can save to see the benefits saving for their retirement and provides security for those who cannot save.' [5]

Policies introduced or planned to develop the framework include:

- **Basic pension:** despite above inflation increases in 2001 and 2002, the longer-term intention is to link basic pensions increases with prices;

- **Minimum Income Guarantee:** income and savings limits have been raised and the intention is for the benefit to be increased in line with average earnings.
- **State second pension:** this will replace SERPS in 2002 and provide an additional second pension for some low earners, carers and disabled people.
- **Stakeholder pensions:** a new type of non-state pension aimed at those on modest earnings.
- **Pension credit:** a new system due to be introduced in 2003 to reward work and saving.
- **Other benefits and concessions:** measures include non-means-tested benefits such as winter fuel payments and free TV licences for people aged 75 and over and targeted help such as grants under the Warm Front scheme.

- **Pension Service and initiatives to provide information:** the new Pension Service is responsible for pension policy and the delivery of state pensions and benefits for older people. Initiatives to improve the take-up of MIG will continue and other services such as Care Direct (an information and advice service) are being piloted. The Government also wants to improve information about, and understanding of, pensions for those of working age.

According to a report launched by the Institute for Public Policy Research (IPPR) in August 2001 [6] the Government's current pensions policy is at risk of unravelling. The complexity and cost of the proposed Pension Credit and doubts over whether Stakeholder Pensions will reach their target group cast serious doubts on their sustainability. These combined with low inflation, falling share prices and the inadequacies of the State pension all combine to create a crisis of confidence in the Government's policy for providing income in later life.

Age Concern Northern Ireland is also concerned that current discussions to increase the age at which people become eligible for the state retirement pension, would, if introduced, disproportionately hurt those older people who already have least. It will not stop people from retiring early when they can afford it, nor will it prevent employers from discriminating against older workers. It would penalise those older workers who cannot afford early retirement, most of whom will be older women.

Commenting in December 2002 on the forthcoming Green Paper on pensions Age Concern espoused the following principles:

- **Clarity:** The complexity of the present system is a deterrent to saving for retirement. It must be simplified.
- **Fairness:** People should not be compelled to contribute to private pensions unless there is clear evidence that the schemes are appropriate and affordable for everyone.
- **Adequacy:** The Government should guarantee people an adequate retirement income through a combination of direct state provision and well regulated private schemes.
- **Security:** The Government must look at ways of minimising risk and introducing protection within different types of schemes. This must not be at the expense of people's pension rights.
- **Flexibility:** The pension system and employment policies must promote flexibility and choice around the age at which people retire and provide opportunities for partial retirement.

6 What Age Concern Northern Ireland is Doing

- Age Concern Northern Ireland campaigns in co-operation with Age Concern England, Scotland and Wales both to achieve an adequate state pension now and to persuade the government to initiate a nationwide debate on alternative ways to fund the state pension.
- Age Concern Northern Ireland is engaged in a 'Partnership for Pensioners' with others in the Voluntary Sector and the Social Security Agency aimed at improving benefit take-up by older people. This initiative is a direct outcome of the Millennium Debate of the Age. Age Concern Northern Ireland and the Social Security Agency has produced, a strategy to improve benefit take-up. The outcome is the Partnership for Pensioners which is piloted in two areas at present.
- Age Concern Northern Ireland not only encourages older people to apply for benefits to which they could be entitled but also responds with advice and case work to 130 requests a month on issues relating to income and benefits.

- Age Concern Northern Ireland is developing material for schools that will:
 - familiarise children with the key concepts
 - address ethical issues
 - address the issue of individual/collective responsibility
 - inform young people of the hard facts, the choices and consequences.
 - Through the foresight initiative and the report of the Ageing Population Panel we campaign on the issue of older workers, which is addressed in detail in the policy area “Employment, Markets and Products”.

REFERENCES/INFORMATION SOURCES

- [1] Age Concern Northern Ireland statistics
- [2] Northern Ireland Life and Times Survey 2000
- [3] Agenda for the Age – The Road Ahead for Older People in Northern Ireland – Age Concern Northern Ireland 2000
- [4] We All Need Pensions – the prospects for pension provision – Report by the Pensions Provision Group, The Stationery Office, June 1998
- [5] Age Concern England: Policy Unit, Policy Position Paper: Income
- [6] Institute for Public Policy Research (IPPR) August 2001