SIPTU Statement to the Joint Committee on Social Protection, Community and Rural Development, and the Islands

SIPTU would like to thank the Committee for the invitation to present our perspective on the recommendations of the Commission on Pensions. On behalf of SIPTU is my colleague, Rachel Ryan, Barrister and Head of our Legal Rights Unit and I am Michael Taft, SIPTU Researcher.

SIPTU launched the Stop67 campaign because of widespread concern among our members at the prospect of the pension age increase previously planned for 2021.

We will address two areas: first, the fiscal arguments underpinning the Commission recommendation to increase the pension age.

Everyone accepts pension expenditure will increase in the future. However, increasing the pension age will save little money and will be an ineffective tool in ensuring pension sustainability. The Commission relied on models developed by the Department of

Finance and the Irish Fiscal Advisory Council to estimate savings from increasing the pension age. Both these models showed that by 2050 the savings would be fractional – that is, less than one percent of national income. While in nominal terms this is not insignificant, both models showed increasing the pension age would only save between 10 to 15 percent of the overall increase in pension expenditure.

However, the Department of Social Protection produced data that suggests that these models may considerably over-estimate the savings from increasing the pension age. The data was presented in briefing papers to the parties in coalition talks after the last election and, separately, to the incoming Minister for Social Protection. The reason for the discrepancy appears to be that Finance and the Fiscal Council estimated the impact on pension expenditure but did not factor in off-setting costs and, so, did not assess the impact on the Social Insurance Fund and public finances in general.

Nor did Finance and the Fiscal Council estimate the off-setting cost of the Benefit Payment for 65-year-olds. Social Protection did– using the Pension Transition as a proxy. This further reduced the estimated savings. The Commission did not refer to Social Protection's data.

The ICTU nominee to the Commission, Ethel Buckley, Deputy General Secretary of SIPTU, to opposed the recommended pension age increase – the only Commission member to do so.

Turning to the second issue: mandatory retirement before State Pension age. A key component in moving to a flexible pension system involves the introduction of a statutory right to remain in

work at least up to the state pension age and potentially for years afterwards.

The increase in the state pension age has deepened the hardship felt by workers forced to retire from their employment at an age before which the state pension becomes payable.

Many workers, though certainly not all, wish to remain in their employment until their state pension becomes payable due to their continued ability to do their job and the fact that they will see a significant drop in their income if forced to retire. Addressing this issue requires legislative change. The Employment Equality Acts 1998 to 2015 state that an employer cannot discriminate against a worker on the grounds of age. The Act allows (but does not require) employers to set a mandatory retirement age for workers, provided it can be justified on objective grounds. It is the law which must be justified rather than the decisions of individual employers.

However, there have never been any national employment policies, labour market requirements or social policy objectives set out by government on the imposition of a workplace retirement age under the Employment Equality Act 1998 – 2015, as required by European law.

SIPTU welcomes the Pensions Commission recommendation for legislative change that allows but does not compel an employee to stay in employment until State Pension age and calls for this change to be addressed by means of an amendment to **the Employment Equality Act. This recommendation from the Commission is in line with SIPTU's submission which called for a flexible pension age regime that exists in many other EU countries.**

The Commission further recommended the Government to consider allowing people with long contribution records to access their state pension entitlements at age 65. We welcome this first step towards greater flexibility but would urge the Committee to decouple this recommendation from the pension age increase and consider more flexible options such as accessing pension entitlements at an earlier age, especially for those in arduous and / or hazardous occupations. SIPTU represents workers in such occupations including construction, mining and cleaning to name a few.

The Pension Commission failed to construct a consensus among all stakeholders – state, employees, employers, self-employed and civil society groups – regarding a credible path to pension sustainability and flexibility, one that will take these issues out of the electoral cycle. In fact, by postponing the increase in the pension age to 2028, they have parachuted the issue into the next general election.

This Committee has time to address the many defects of the Commission report while urging swift action to implement the positive recommendations such as reform of mandatory retirement contracts. The Committee could investigate the discrepancies between savings estimates. It can take up the issue of flexibility, especially in regard to arduous occupations. Most of all, it could help initiate an authentic Stakeholder Forum which would seek a genuine consensus based on best-case evidence.

Thank you.