

Irish Public Pension System: *expenditure trends and recipient numbers*

Patrick Malone

Key Point:

Since 2007, total public pension expenditure has risen from almost €5 billion to €7.7 billion in 2018, representing an increase of €2.7bn or 54%. The greatest rise in public pension spending was in the State Contributory Pension (SCP) area at €5bn in 2018: an increase of €2.5bn or 92% on 2007. The SCP weekly rate has increased from €209 in 2007 to the current rate of €248 in 2019. This represents an increase of €40 or 19% in nominal terms, but €31 or 15% in real terms when we adjust for inflation. Over the last decade, the proportion of pensioners receiving the State Pension has increased substantially from 352,000 in 2007 to 509,000 in 2018: an increase of 157,000 or 45% on 2007.

Irish Public Pension System: State Contributory and Non- Contributory Pensions

The public pension system in Ireland ensures that all pensioners achieve some absolute, minimum income and is designed to mitigate poverty. The public pension programme operating in Ireland is known as a basic scheme. This is a benefit paid to all pensioners where the value of the amount paid depends on years of work, but not past earnings. The basic scheme is mandatory for all private sector workers and can be complemented with voluntary private pension arrangements. There are two kinds of flat-rate benefits delivered under the public pension system:

State Contributory Pension (SCP) – is a basic benefit paid to all retirees that meet the contribution conditions. In 2019, the maximum weekly rate for a retired person with 48 or over yearly average contributions is €248.30, with an increase for a qualified adult (i.e. spouse or civil partner) set at €165.40 for individuals under 66 years and €222.50 for individuals over 66 years. The minimum weekly pension rate (i.e. individuals with 10-14 yearly average PRSI contributions) is €99.20 – with the increase for a qualified adult amounting to €65.70 and €89.59 for individuals under and over the age of 66 years respectively.

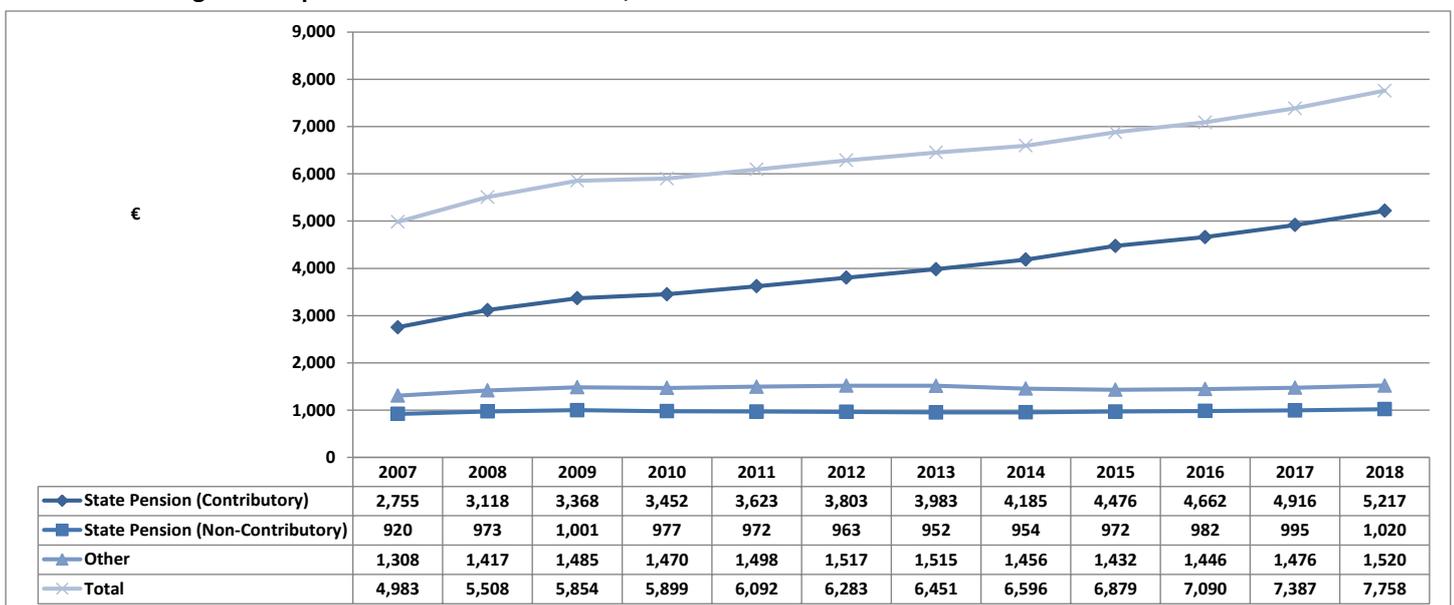
State Non-Contributory Pension (SNCP) – is a means-tested benefit paid to those who have insufficient PRSI contributions. In 2019, the maximum weekly rate for a retired person aged 66 to 80 years is €237.00 and €247.00 for persons aged over 80 years. The increase to a qualified adult aged under 66 years amounts to €156.60 per week. When the spouse, civil partner or co-habitant reaches the age of 66 years, the increase for a qualified adult is no longer provided. However, he or she may then apply for a SNCP in their own right.

Both the SCP and SNCP are payable from the age of 66 years. The pension age is scheduled to increase to 67 years in 2021 and to 68 years in 2028.

Expenditure on Public Pensions

Figure 1 shows social welfare expenditure on pensions between the years 2007 and 2018. Despite the fiscal crisis and the impact of the Great Recession on the Irish State there was no reduction in overall pensions expenditure within the social welfare system.¹ Total pensions expenditure increased from almost €5bn in 2007 to €7.7bn in 2018, representing an increase of €2.7bn or 54% on 2007. The greatest rise in pensions spending was on the SCP: which increased from €2.7bn in 2007 to €5.2bn in 2018 (+92%). Total expenditure on the SNCP also increased during these years from €920m in 2007 to just over €1bn in 2018 (+9%).

Figure 1: Expenditure on Public Pensions, 2007-2018



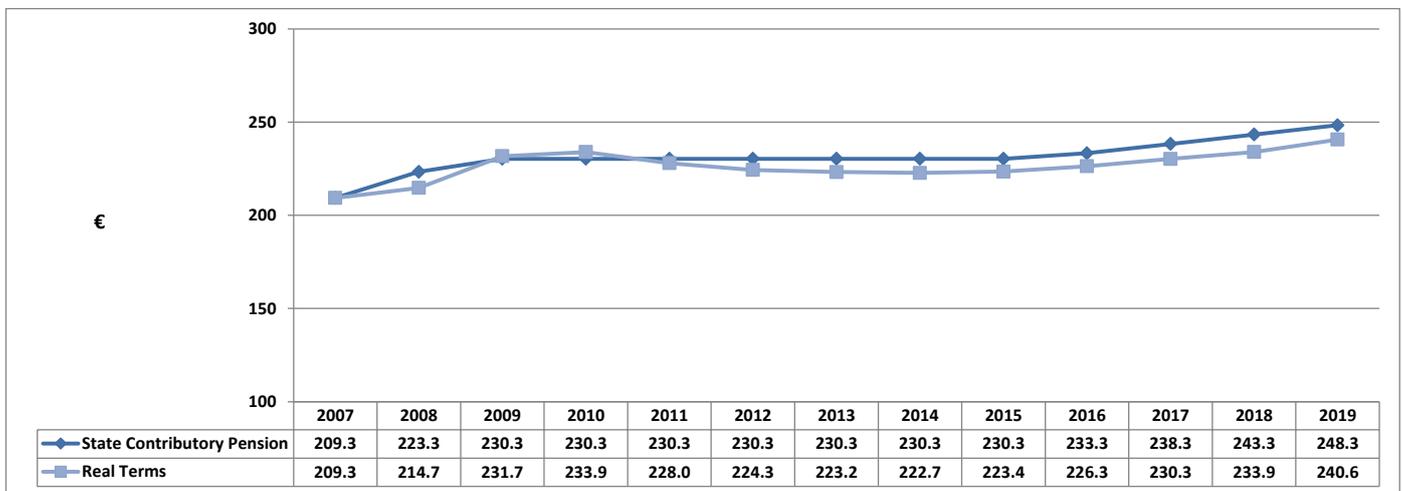
Source: Department of Employment Affairs and Social Protection (2009) (2017) (2018). Note: Due to rounding, numbers presented in this figure may not add up precisely to the totals provided.

¹ See Malone (2019) Social Protection and Welfare: a review of expenditure trends during economic recession and recovery. [online] available at: <http://publicpolicy.ie/papers/social-protection-and-welfare-a-review-of-expenditure-trends-during-economic-recession-and-recovery/>

Figure 2 shows trends in weekly SCP rates between the years 2007 and 2019. Since 2007, the SCP has increased from €209 to €248 per week in 2019: representing an increase of almost €40 or 19% in nominal terms. The SCP weekly rate increased from €209 in 2007 to €230 per week in 2009. However, in the following six years there were no changes to the SCP until the weekly rate was increased to €233 in 2016 and to the current rate of €248 in 2019.

Figure 2 also shows the weekly SCP rate in real terms, adjusted by the Consumer Price Index (base 2007) to take account of inflation and changes to the cost of living. In real terms the SCP weekly rate increased by €31 or 15% between 2007 and 2019.

Figure 2: Trends in weekly value of the State Contributory Pension, 2007-2019

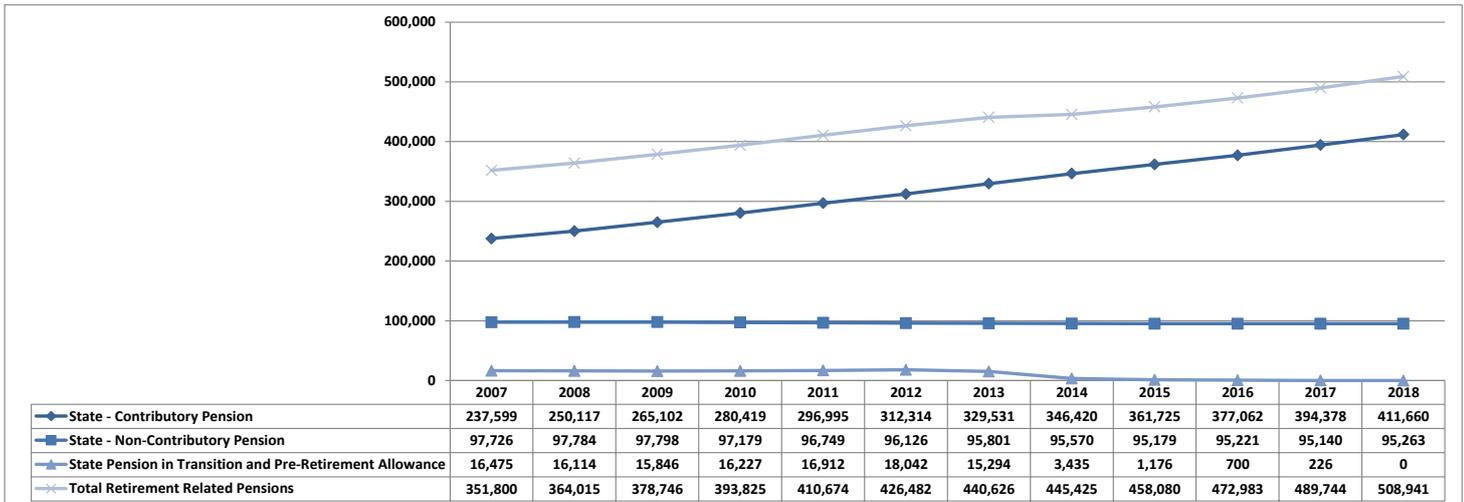


Source: Department of Employment Affairs and Social Protection (2009) (2017) (2018) (2019); CSO (2019a); CSO (2019b).

State Pension Recipients – 2007-2018

Over the long-term since 2000, the Irish population aged 65 and over has risen by 248,000 or 58%: increasing from 425,000 in 2000 to 673,000 people in 2019 (CSO, 2019c). The total number of pension recipients has much more rapidly risen from 268,000 in 2000 to 509,000 in 2018. This represents an increase of 240,000 or 90% on 2000.

Figure 3: Number of Pension Recipients by types of pensions received, 2007-2018



Source: Department of Employment and Social Protection (Various Years).

Figure 3 shows the number of pension recipients by pension type between the years 2007 and 2018. The total number of pension recipients increased by 157,000 or 45% between 2007 and 2018. The greatest rise in recipient numbers proportionally has been to the contributory component at 412,000 recipients in 2018, with an increase of 175,000 or 74% on 2007. By comparison, the proportion of SNCP recipients has remained constant overtime, with 95,000 pensioners receiving this pension type in 2018.²

² In 2007 the combined total number of recipients receiving the State Pension in Transition (a social insurance payment made for one year from the age of 65 years) and Pre-Retirement Allowance (a means-tested pension payable to people aged 55 years and over who had left the labour force) stood at over 16,000 recipients. Following policy changes which led to the abolition and gradual phasing out of these programmes, from 2007 for the PRA and 2014 for the SPT, the total number of recipients receiving these pensions has decreased steadily overtime.

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Appendices

State Contributory Pension

Table 1 provides a breakdown of the weekly rate bands for the SCP from 29 March 2019.

To receive a SCP a retiree needs to:

- 1) Have started paying the social insurance before the age of 56 (age limit is higher for people born before 1922);
- 2) Have a certain number of social insurance contributions paid – at least 520 full rate social insurance contributions for individuals who reach the pension age after 6 April 2012;
- 3) Have a certain average number of social insurance contributions over the years since an individual first started to pay.

From 1 September 2012, people who reach the pension age can now be assessed using either the average rule (i.e. Yearly Average) or Total Contributions Approach methods. Under the Total Contributions Approach the weekly personal pension rate is determined by the total number of social insurance contributions paid rather than the yearly average. If an individual has 2,080 or more social insurance contributions (or 40 years of full-time employment), the maximum rate of SCP can be received.

Pensioners who opt for this method can also avail of the HomeCaring Periods Scheme. Under this scheme, the periods of time that were spent caring for children or adults can be included in the calculation of social insurance contributions required to qualify for the SCP. Up to 1,040 HomeCaring Periods (equivalent to 20 years) may be included in an individual's social insurance record.

Table 1: State Contributory Pension Weekly Rates of Payment, 2019

Yearly Average PRSI Contributions	Personal Rate per Week	Increase for a qualified adult (under 66 years)	Increase for a qualified adult (over 66 years)
Rate Bands on or after 1 Sept. 2012			
48 or over	€248.30	€165.40	€222.50
40-47	€243.40	€157.40	€211.40
30-39	€223.20	€149.80	€200.50
20-29	€211.40	€140.10	€188.70
15-19	€161.80	€107.80	€144.50
10-14	€99.20	€65.70	€89.50
Rate Bands for qualified pension recipients prior to 1 Sept. 2012			
48 or over	€248.30	€165.40	€222.50
20-47	€243.40	€165.40	€220.50
15-19	€186.20	€124.10	€166.90
10-14	€124.20	€82.80	€111.20

Source: Department of Employment Affairs and Social Protection (2019). Note: From 1 September 2012 the rate band '20-47' was replaced by 20-29, 30-39 and 40-47.

State Non-Contributory Pension

Table 2 provides a breakdown of the weekly rate bands for the SNC from 29 March 2019. To qualify for the SNCP, a means test is assessed under the following headings:

- Cash Income (including income from work)
- Value of Capital (i.e. savings, investments etc.)
- Income from property not personally used (i.e. investment income from the sale of a home).

Table 2: State Non-Contributory Pension Weekly Rates of Payment, 2019

State Pension (Non-Contributory)	Rate per Week (Maximum)
Personal Rate, aged 66 and under 80	€237.00
Personal Rate, aged 80+	€247.00
Increase for a qualified adult aged under 66	€156.60

Source: Department of Employment Affairs and Social Protection (2019).