National Council on Ageing and Older People

INCOME

Ageing in Ireland Fact File No. 3

In general, the income pattern of older people is radically different from that of younger adults. The absolute income levels of older people are understandably lower than the population in general because, for most people, retirement brings a significant reduction in income, with older people becoming dependent on some form of pension for the bulk of their income.

The income status of older Irish people has improved substantially in the last quarter of a century, mainly because of increases in the level of social welfare pensions. Older people are not a homogenous group, however, and a significant section of the older population is at risk of poverty. On the other hand, some older people have lower financial commitments than younger people as they have fewer dependants and will normally not have to make mortgage repayments. All those aged 70 and over, and many over 65, are also entitled to non-cash benefits such as free telephone rental that further reduce their expenditure commitments. However, many older people may have extra costs due to illness and lose economies of scale when, through the death of a spouse or companion, they begin to live alone.

Income Levels

- A study published by the National Council on Ageing and Older People in 1999 found that around 60% of all elderly households lived on £100 per week, with 90% living on less than £200 per week.[1]

- Older people living alone are in a worse position compared to other types of households with older people: almost 75% of single elderly households live on £100 per week or less compared to 57% of couple households.

- Despite their low income levels, approximately 86,500 people aged 65 years or more will still fall within the tax net in the tax year 2001–2002.[2]

- Little information on the income levels of older people in institutional settings is available. It is clear, however, that charges imposed by both the public and private sector institutions on residents who are dependent on social welfare pensions leave them with very little disposable income.

Sources of Income

- The 1999 study found that among households containing only older people, by far the largest part of household income is provided by pensions, either social welfare or occupational pensions.[1] Social welfare pensions make up 70% of the total income of older people living alone and this rises to 90% when occupational pensions are included. In households with more than one elderly person the proportion of income derived from social welfare pensions falls to 84%, but is still the largest source.

- Among the elderly living alone, old age contributory pensions and widow's contributory pensions each make up a quarter of total income, followed closely by occupational pensions which form 20% and non-contributory old age pensions which form 16%. The large proportion provided by the widow's pensions is indicative of the make-up of the single elderly group, 70% of which is female. If we look at households containing two or more elderly, old age contributory and non-contributory pensions come to predominate, followed by private and public sector pensions which together make up over 27% of the total income of these types of households.

- Although self-employment and farming income are received by a very small minority of pensioners, they make up a sizeable proportion of single elderly households' incomes. While only 3% of single elderly households receive income from farms, 39% of this group are reliant on this source of income. This compares to 11% of dual elderly households receiving farm income with 8% of these households being reliant on this income.

- Although income from interest and dividends is often taken to be a major component of incomes amongst the elderly, on average interest on savings and dividends makes up 2.5% of the total incomes of elderly people living alone and 5% of two or more elderly living together.

Social Welfare Pensions

- There are two main categories of social welfare payments to older people in Ireland: contributory and non-contributory.

- Contributory pensions are earned by contributing social insurance payments (PRSI) whilst employed. Additional payments are made to the contributor for adult dependants and children. Payments may also be made to orphaned children and to surviving widows/widowers on the death of the original contributor. Some older people have not accumulated enough social insurance contributions to qualify for the full pension rate. Some may qualify for pro rata payments. To qualify for the retirement pension you must be aged 65 and be retired from insurable employment.

- Non-contributory pensions do not require social welfare contributions but recipients must satisfy a means test. The means test often results in partial payment of these pensions.

- In the future the rates of the contributory and of non-contributory pension are to be equal, thus eliminating the gap between the two payments. This will be achieved through phased increases, bringing the rate of the old age (non-contributory) pension in line with that of the old age (contributory) pension.

- Over the last ten years, the number of recipients of retirement contributory pensions increased by 30,393. During this time, the number of recipients of old age (non-contributory) pensions fell by 25,200. Pre-retirement allowance was introduced in March 1990 and the number of recipients has increased by 7,045 since then.[3]

Non-Cash Benefits

Free schemes or non-cash benefits are available to older people and include free travel at certain times, the medical card, allowances for free electricity/natural gas, TV licence and telephone rental. Free schemes should not be seen as purely income supports. While they contribute to the costs of what can be viewed as necessities in today's society, they have a significance above and beyond that of being purely an income support mechanism. Free schemes help to lessen the likelihood of economic social exclusion among older people.

- From May 2001, all people aged 70 or over became entitled to allowances for electricity/natural gas, telephone rental and for a free TV licence.[4] People aged 65–70 may also be eligible for these benefits depending on their means and the number and type of person with whom they are resident.

- From July 2001 all those aged over 70 years have been entitled to the medical card. Roughly three quarters of all older people qualify for the medical card by passing a health board test which assesses means and needs. The number of older people judged to be eligible for the medical card in 1999 was 312,687.[5]

- Recent studies of older people in the community found that in the region of 30% of the people over 65 lacked a medical card, which gives free access to medical services.[6] Those without a medical card have been found to have a lower number of visits to the GP. A disturbingly high 11% of the elderly have neither a medical card nor private medical insurance. This has obvious negative implications for illness prevention and health promotion, given that older people have been found to use medical services more than the population in general.

- Under the new Drug Refund Scheme and Drug Cost Subsidisation Scheme, an individual or family will only have to pay £42 per calendar month for all approved prescribed drugs, medicines and appliances for use by that person or his/her family in that month.[7]

- All people are entitled at age 66 to a free travel pass for use on public transport. Research carried out in 1994 indicated that 44% of a sample of over 65s had no access to the use of a car in rural areas, 48% had no access to public transport and 22% had access to neither a care or public transport.[9]

- The reasons why those entitled to a free travel pass may not or, in certain cases, cannot ever use the facility include: distance from pick-up points; impaired mobility and inconvenience of service availability; lack of appropriate public transport vehicles/inaccessible vehicles, and a complete absence of services between the origin and destination.[9]

Poverty

- Poverty can be measured in both income terms and in relation to a person's access to items or activities considered to be necessities. Being without particular necessities is an indicator of deprivation. Deprivation is estimated on three levels. The first level, basic deprivation, may be defined as an enforced lack of food and clothing; the second level concerns housing quality and durables, while the third level on which deprivation is measured is secondary deprivation. Secondary deprivation takes account of lifestyle items and consumption indicators.

- The Council's 1999 study on income and deprivation among older Irish people found that 10% of older people are income poor and experience basic deprivation. It also found that older people were also more likely to experience housing deprivation than the general population.[1]

- Income poverty is estimated by measuring the number of people in a population that fall below certain poverty lines. A poverty line is a percentage of the average income in a population. Older people were found to be more at risk of poverty than any other household type at the 50% and 60% poverty line. Over a quarter of elderly households fall under the 50% poverty line, while over half of elderly households fall under the 60% poverty line.

- Older people have a high reliance on social welfare pensions and are greatly affected by its adequacy or otherwise. Those on non-contributory pensions and widow's pensions are at a greatly increased risk of poverty. Those reliant on the old age non-contributory pension are at twice the risk of poverty.

- Income poverty among older people is related to gender to a substantial degree, with many older women over-represented among the poor. This is due to Irish women's high degree of dependency on the non-contributory pension or the widow's pension. Elderly women living alone in rural areas have an increased risk of poverty at the 50% line.[1]

Table 1. Poverty rate by reliance on sources of income for elderly households

	50% income line	60% income line	Combined deprivation and income line	50% adjusted income line	60% adjusted income line
Percentage poor					
Old age contributory pension	16.1	68.6	6.5	4.4	56.2
Old age non-contributory pension	59.8	95.7	22.8	18.5	95.7
Widow's contributory pension	69.9	88.1	11.9	14.3	86.7
Occupational pension	14.3	34.1	4.9	12.2	34.1

Note: The widow's non-contributory pension has been excluded because the numbers are rather small.
(Source: Layte *et al*, 1999)

Healthy Ageing and Income

- The correlation between lower socio-economic status and poor health is well documented and is vital to our understanding of the well-being of older people.[8]

- Basic or secondary deprivation has proved to be a strong predicator of physical ill health among older people. The results on deprivation probably reflect the effect of a long-term lack of resources, rather than a short-term effect.[1]

- Being poor or deprived was also found to increase the likelihood of experiencing psychological distress. As poverty, deprivation and having a chronic illness often go hand in hand, these three factors together strongly increase the risk of psychological distress.[1]

Lower income in old age can cause deprivation in housing quality, clothing and nutrition. It may also contribute to social isolation and reduce physical activity.[1] Investigation of the link between income poverty and social participation showed that if resources allow, older people will replace contact with neighbours with contacts with friends and family, when age permits.

Reference Material

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