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Ireland: Budget 2021's pension and employment implications

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Budget 2021 — delivered on 13 Oct 2020 by the finance minister — is the largest ever budget package in both size and scale and focuses on measures aimed at addressing the COVID-19 pandemic and the possibility that a Brexit trade deal will not pass. A few measures, including the deferral of the state pension age increase, will impact employee benefits and employment.

Pension implications

Earlier this year, the government announced — in its Programme for Government — that pension auto-enrolment would be introduced to encourage greater private pension saving, but the budget does not include any allocation of funds for the project. For now, the future of pension auto-enrolment remains highly uncertain.

The minister announced €220 million of funding to cover deferral of the increased state pension age to 67 — a key policy objective of the coalition government. The increase was scheduled to take effect on 1 Jan 2021, but has been postponed pending review by a pensions commission. Until then, the government will fund the payment of social welfare benefits to eligible individuals who reach age 66 to “provide certainty” for upcoming retirees. It is unclear how the deferral will be implemented or how long it will be in effect, but amending legislation likely will be required. The delay could have implications for employers who have taken steps to align their pension schemes' retirement age with the increased state pension age. It could also impact “integrated” schemes that provide retirement benefits on the assumption that an individual receives the state pension from a certain age.

The full rate of contributory state pension remains unchanged at €248.30 per week (€12,911.60 per year) for the second consecutive year.

Employment implications

Minimum wage increase. The National Minimum Wage will increase by 10 cents to €10.20. The universal social charge 2% rate band ceiling will increase slightly due to the revised minimum wage.

Pay-related social insurance (PRSI). The weekly income threshold for the higher rate of employer's PRSI will increase from €394 to €398 beginning 1 Jan 2021.

Parent's leave. Parents leave will increase from two to five weeks for each parent, and parents will be paid the Parent's Benefit, subject to meeting eligibility rules.

Illness Benefit. The waiting period will reduce from six to three days for all new claims for Illness Benefits from the end of February 2021.

Employment Wage Subsidy Scheme (EWSS). The EWSS, introduced as part of the COVID-19 financial support measures for business, will continue until 31 Mar 2021, and a transitory scheme will be introduced thereafter until the end of 2021. Further details will be announced.

Related resources

Non-Mercer resources

- [Budget 2021](#) (Government)
- [Programme for Government](#) (Government, June 2020)

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- [Ireland implements paid parent's leave and benefit scheme](#) (1 Nov 2019)

Other Mercer resource

- [Mercer update — Budget 2021](#) (13 Oct 2020)

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