REPORT OF THE INTERDEPARTMENTAL GROUP ON FULLER WORKING LIVES

August 2016

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1. Terms of Reference

The Interdepartmental Group on Fuller Working Lives, chaired by the Department of Public Expenditure and Reform, was established in January 2016 with the following Terms of Reference:

i. To review and update the previous work undertaken in 2012 by the cross-Departmental Working and Retirement Group, chaired by the Department of Social Protection (attached at Appendix 2);

ii. Specifically, to examine the implications arising from prevailing retirement ages for workers in both the public and private sectors;

iii. To arrange for engagement with key stakeholders as part of this examination; and

iv. To make recommendations to Government on a policy framework aimed at supporting fuller working lives and to address the issues identified.

Approach

The Group met over the course of the first half of 2016. In accordance with its terms of reference the Group held a series of meetings with key stakeholders: ICTU, IBEC and community and voluntary organisations.

The purpose of the Group was not to revisit pension reform decisions already taken but, rather, to develop solutions within the existing framework.

The Group's examination of the issues took account of the earlier work carried out by a separate working group chaired by the Department of Social Protection.

Membership of the Group is provided at Appendix 1.

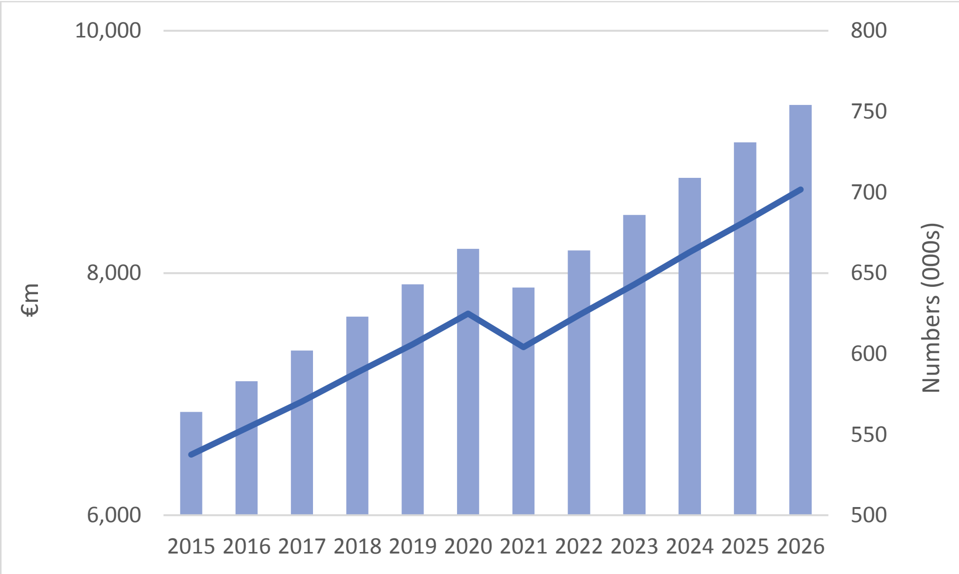
2. Context

Expenditure on State Pension and related welfare schemes will amount to almost €7 billion in 2016. Due to demographic pressures associated with an ageing population, expenditure on these schemes is rising steadily each year (see Figure 1 below).

Over the period 2016 to 2020 there will be an average annual increase in the numbers eligible to collect the State Pension of over 20,000 and an estimated average increase in the cost of €233m per annum.

The age for eligibility to the State Pension will rise from 66 to 67 in 2021. Even accounting for this increase, the average increase in numbers collecting the State Pension will increase by 22,600 per annum from 2022 to 2026 and the estimated cost will increase by €260m per year.

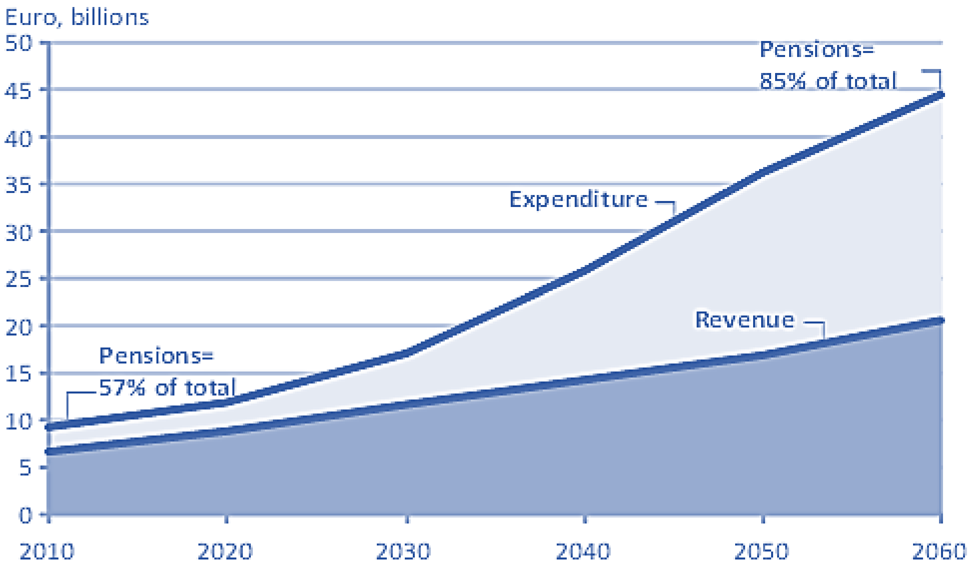
Figure 1: Projected expenditure on the State Pension 2016-2026



Expenditure on State Pension payments and relevant supplementary payments is estimated to rise from just over €6.5bn in 2015 to around €8.7bn in 2026, assuming no further changes in rates – an increase of 34%.

The most recent Actuarial Review of the Social Insurance Fund (SIF) was published in 2012. It showed that the portion of SIF expenditure used for pension related benefits is projected to rise from 57% in 2011 to 85% in 2066 (see Figure 2 below). Of concern from a fiscal sustainability perspective is that a deficit of expenditure over revenue on the SIF is expected to grow significantly over this period reaching €25.7bn by 2066. The next Actuarial Review will be carried out later in 2016 with results published in 2017.

Figure 2: Trend of Pensions Expenditure as a Percentage of Overall SIF Spend



Source: Actuarial Review of the Social insurance Fund (2012)

According to the CSO, the numbers aged 65 and over is estimated to increase from 570,000 in 2013 to 855,000 in 2026. According to the 2015 EU Ageing Report[1], the old age dependency ratio is projected to peak around 2050 at c. 45% before reducing over the following decade to c. 36% at the end of the following decade.

By 2060 life expectancy for males aged 65 is set to increase by 4.2 years to 87.6 from its current rate of 83.4, while for females the increase is projected to be 4.5 years to 90.8 from its current rate of 86.3. Table 1 below summarises the key demographic projections.

Table 1: Irish Demographic Projections

Year	2016	2020	2030	2040	2050	2060
Old **age dependency ratio 15-64**	21%	24%	31%	39%	45%	36%
Life expectancy						
Male at birth	79.2	79.8	81.3	82.6	83.9	85.2
Female at birth	83.5	84.1	85.5	86.8	88.1	89.2
Male at 65	18.4	18.8	19.8	20.8	21.7	22.6
Female at 65	21.3	21.8	22.9	23.9	24.9	25.8

Source: EU 2015 Ageing Report

These demographic developments represent a key strategic challenge for Ireland in the coming decades. Reform is needed to help address the fiscal sustainability implications of an ageing population.

[1] http://europa.eu/epc/pdf/ageing_report_2015_en.pdf

Ensuring Sustainability

The first step in this direction was taken in 2010 under the National Pensions Framework, with the announcement of a series of phased increases in the age at which people can access the State Pension. As the first step in this process, the State Pension age was standardised at 66 in 2014 with the abolition of the State Pension (Transition) payment. As per existing legislation the pension age is set to rise to age 67 in 2021 and to age 68 in 2028.

The expectation in raising the State Pension age is that people, who are living longer and healthier lives, will work to that increased age, thereby alleviating pressure on the social protection system. Working longer will help to mitigate the changes in the dependency ratio referred to above, while increasing the State Pension age will help to moderate the public expenditure challenges associated with people living longer.

The Department of Social Protection has used actuarial projections to estimate the net savings that will be realised as a result of the abolition of the State Pension (Transition) Payment in 2014. In doing so they have taken into account projected increases in claims of working age payments, such as Jobseekers Benefit and various disability and illness payments, which would result from the abolition.. The net saving estimated for 2014 was €37.7m (a "half year" effect), rising to €104.6m by 2030.

While analysis of the savings to be realised by the increases in State Pension age in 2021 and 2028, using the same methodology, indicates that by 2030 total net savings resulting from the three reforms will be at least €500m. Any changes to State Pension rates in the meantime would of course increase the level of savings.

Table 2: Estimate of the savings realised by the abolition of the State Pension (Transition) 2014-2030 (assuming no rate increases)

Year	Savings €m
2014 (SPT abolished)	37.7
2015 (full year effect of SPT abolition)	76.2
2016	76.8
2017	77.9
2018	81.8
2019	81.3
2020	84.4
2021	84.7
2022	87.2
2023	88.9
2024	89.8
2025	93.2
2026	96.9
2027	96.4
2028	99.1
2029	100
2030	104.6

Disconnect between retirement and State Pension age

If increases in the State Pension age are not matched by longer working, a gap arises between in-work income and income from the State Pension. This issue has already manifested itself with the abolition of the State Pension (Transition), as highlighted above. However, it should be noted that, of the approximately 12,000 people who received the State Pension (Transition) in its last year of payment, 2013, only around 15% came directly from employment. More than 50% of the recipients came from other social welfare schemes, with the remainder comprising people already retired, those paying credits or who were self-employed.

While those who continue to retire from work at age 65 may be eligible for Jobseekers Benefit payments until they reach eligibility for the State Pension at 66, provided they are available for work and genuinely seeking work, the rate of Jobseekers Benefit is currently €188.00 per week, some €45 per week or €2,340 per year less than the State Pension (Contributory).

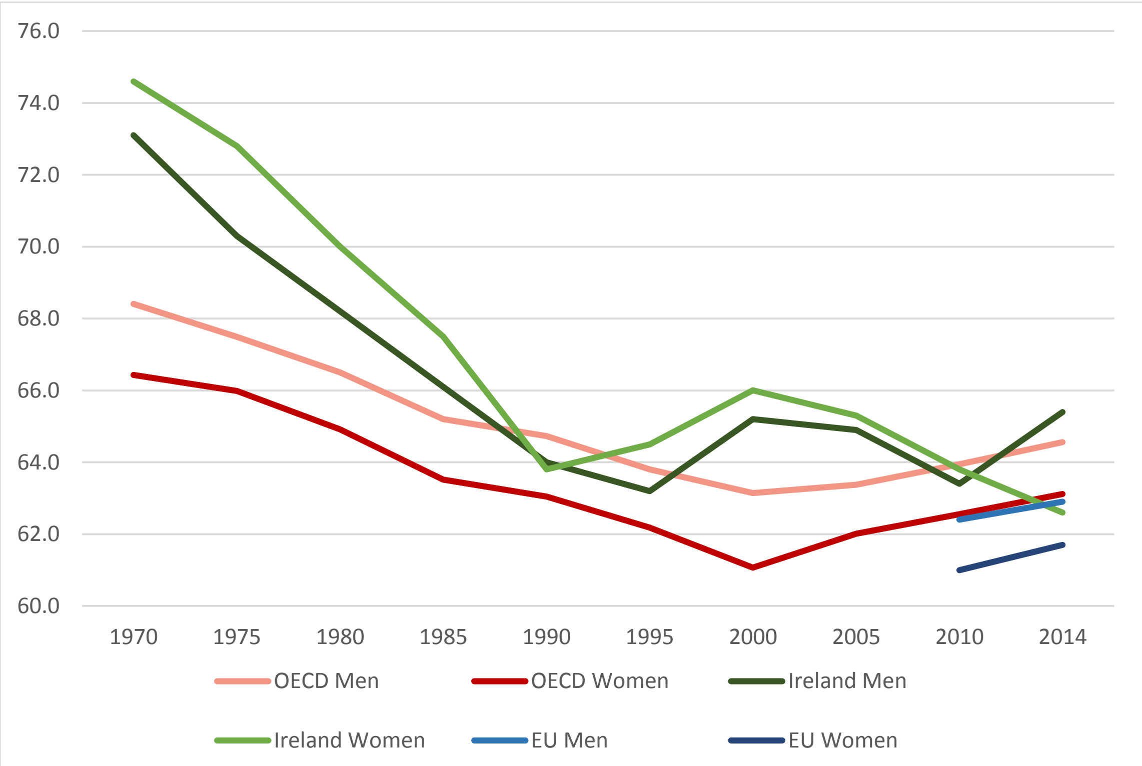
Without adequate action, the source of income for those retiring or compelled to retire before the prevailing State pension age will become a bigger issue over time as the pension eligibility age increases; this has implications across a range of policy areas.

3. Current practice with regard to retirement age

While the 'cultural norm' has been to regard the standard retirement age as 65 (likely influenced by the fact that 65 was the age at which the State pension (transition) became available), the average effective retirement rate in Ireland has varied over time (See Figure 3 below).

There has been a significant reduction in Ireland's average effective retirement age from approximately 74 in 1970 (when average life expectancies were significantly shorter than today) to 62.6 for women and 65.4 for men. The fact that the average retirement age is lower than the State pension age indicates that many retirees, through financial planning or otherwise, are in a position to make their own arrangements and have sufficient funds or alternative (perhaps limited) temporary bridging funds, available to cover the period between their retirement and the time when they become eligible to receive a State pension. This group includes those in receipt of other forms of social welfare payment such as a jobseekers or illness payment. A survey conducted by the Department of Social Protection of claims made in 2015 suggests that, of those who currently qualify for a State Pension (contributory), about half come from other social welfare payments, with a further 30% either coming from employment or self-employment (a figure which may include some people whose income was from investment properties).

Figure 3: Average Effective Retirement Rates Over Time, Ireland, OECD and EU[2]



[2] Source: Pensions at a Glance 2015 – OECD and G20 indicators (OECD, 2015)

It is also noted from Figure 3 that Ireland's average effective retirement age for both men and women in 2014 compares favourably with the comparable averages for both the EU and OECD.

There is no statutory retirement age for employees in the private sector, but the Employment Equality Acts and Unfair Dismissals Acts do not prohibit the imposition of a compulsory retirement age in a company. The upper age limit for bringing claims under the Unfair Dismissals Act was abolished by the Equality Act 2004.

A retirement age can only be enforced if an employer can give reasonable and proportionate grounds for doing so, for example for health and safety reasons or to create opportunities for apprentices to move up the ranks of an organisation. Details of legislative changes introduced in 2015 to bring Irish Law into line with European jurisprudence are set out in Section 5 (b) below.

While there is no definitive data available, IBEC informed the Interdepartmental Group that the majority of private sector companies set out a retirement age in either contract form or on the basis of custom and practice arising from the pension date established in the relevant occupational pension documentation. Only a very small number of private sector companies have, to date, adjusted their retirement date to align with the new State Pension Age of 66.

Fixed Term Contracts beyond normal retirement age

One of the tools available to employers to provide for an employee seeking to work beyond the normal retirement age is the provision of a fixed term contract arrangement. Some concern was raised by IBEC that legislative changes introduced via the Equality (Miscellaneous Provisions) Act 2015 had created practical difficulties for employers seeking to provide this facility.

The Group has considered this issue in some detail. Where an employer chooses to offer a fixed term contract to an employee to work beyond the normal retirement age, the justification underpinning this decision should be driven by considerations which are different to those considerations underpinning the overall normal retirement age in the firm.

In this way, (a) retirement and (b) awarding of a fixed term contract prior to and following reaching retirement age are two separate issues which are separated in time as distinct decision-making processes. Rather than being two (contradictory) assessment processes running in parallel and simultaneously, these two assessments should, in reality, take place at different times. The decision on a fixed retirement age is made at recruitment and forms part of the contract of employment. However, the employer either on their own initiative or by agreement with the employee concerned can at a later date decide, rather than reopening the original contractual term, or invalidating the reasoning that led to its inclusion in the employment contract, nonetheless decide to offer a fixed term contract after the employee has reached the retirement age.

In other words, the objective justification underpinning the normal retirement age will take place at the "macro level", while the objective justification for the awarding of a fixed term contract will take place at the "micro level". These need not be contradictory.

An employer in such an instance would also of course have to take account of the principle of fairness in terms of equal treatment for a cohort of other employees of that organisation who do or do not want to continue to work after their contractual retirement age and have a legitimate and objective justification for different approaches in relation to different employees or different classes of employees.

The Group agreed that clear guidance to employers on this issue would be helpful.

Public Service

In Q4 2015 there were 154,680 public service pensioners. This represents an increase of over 38,000 since 2010. The expected cost of public service pensions in 2016 is €2.9bn.

The rules governing the ages at which public servants may be compelled to retire on age grounds vary both across sectors and by reference to the date of recruitment of the individual. These retirement ages are, for the most part, set down in primary legislation – namely the Civil Service Regulation Act 1956, the Public Service Superannuation (Miscellaneous Provisions) Act 2004 and the Public Service Pensions (Single Scheme and Other Provisions) Act 2012. Current arrangements are as follows:

- Those recruited prior to 1 April 2004, for whom retirement is compulsory at 65 (excluding Gardai/Prison Officers/Defence Forces/Firefighters).
- Those who joined between 1 April 2004 and 31 December 2012, and who, under the terms of the Public Service Superannuation (Miscellaneous Provisions) Act 2004, have no obligation to retire on age grounds but can retire at 65 (but would not be entitled to full State pension until 66) at present, rising to 67 in 2021 and 68 in 2028).
- Those who joined from 1 January 2013, who are members of the Single Public Service Pension Scheme; their minimum pension age rises in line with changes to the State Pension age, with a maximum retirement age of 70.

The majority of public servants that were recruited prior to April 1995 are in the modified social insurance category, so that their pension cost is met in full by their employer. They are, therefore, unaffected by any changes to the State Pension age. Those who were recruited after April 2004 have the option of working until State Pension eligibility age. The issue in relation to eligibility for the State Pension element of public service pensions arises, therefore, mainly in respect of “full PRSI” employees who were recruited to the public service from April 1995 to April 2004.

Currently, the difference between what a fully insured public service pensioner receives in pension and social welfare benefits and what a modified PRSI person (pre 1995) receives can be addressed by payment of a discretionary supplementary pension under the relevant pension scheme, which will bring the pension up to the amount which would be payable if the pension was not integrated with the State Pension. The supplementary payment does not fully match the difference between Jobseekers Benefit and the State Pension for those who do not have full service. For this cohort, planned further increases in the State Pension age will mean there is a requirement for supplementary payments for a longer period of time. The supplementary pension is only payable where the individual, through no fault of their own, does not qualify for social welfare benefits or qualifies for less than the maximum personal rate. It is therefore necessary to claim any available social welfare benefits before any discretionary supplementary pension becomes payable.

Because the retirement ages in the public service are legislatively based, there is very little flexibility to allow people to stay on beyond normal retirement age on an ad hoc basis. While there is currently some leeway for retention of certain staff beyond normal retirement age, this is limited and subject to strict criteria. Any general change to compulsory retirement age in the public service would need to be introduced by way of amending primary legislation. This would have to apply consistently across the public service, other than in respect of Gardai, Prison Officers, Defence Forces and Firefighters for whom separate arrangements apply. Considerations in relation to the drafting of such legislation would need to take account of operational issues, including workforce planning, industrial relations and performance management.

4. Key policy considerations

Work characteristics and sectoral variations

While noting that Ireland's overall average effective retirement age compares favourably with OECD and EU rates, statistics from the Quarterly National Household Survey for 2015 show that, in certain sectors, retirement at a lower age may be more prevalent. Table 3 below shows that the number of people working in certain occupational sectors reduces significantly when comparing the 55-59, 60-64 and 65+ categories[3].

Table 3: Breakdown of employment of older age groups by sector

Sector	55-59	60-64	65+
Agriculture, Forestry, Fishing	13,900	13,000	22,600
Industry	20,500	11,600	3,500
Construction	9,800	8,800	3,500
Wholesale/retail	19,600	11,100	7,300
Transportation and Storage	12,100	7,800	3,900
Accommodation & Food Service	4,700	4,300	NA
Professional, Scientific, Technical	8,700	6,600	3,700
Administration	5,700	3,900	NA
Public Administration/Defence/Social Security	13,000	5,900	NA
Education	40,900	23,300	3,000
Human Health and Social Work	27,900	20,200	5,900
All	**170,000**	**112,000**	**63,700**

Source: QNHS

It is also notable that there is a marked difference in the numbers at work in the 45-54 category, at 454,000, to those in the 55-64 category, at 282,000. There are particularly significant drops in the numbers working in the industry sector, from 57,600 to 32,100; the construction sector, from 33,100 to 18,600; and the education sector, from 40,900 to 23,300. It is also noted that the numbers joining the Invalidity Pension scheme each year are also concentrated in these age groups (see Table 4 below). This may be particularly relevant for sectors which involve physically demanding work, such as construction.

Table 4: Numbers in receipt of invalidity pension by age group January 2016

Age	45-49	50-54	54-59	60-64
Number	4,771	8,114	12,929	18.966

[3] Clearly, the entirety of the reductions cannot be attributed to retirement. Reductions could be a result of e.g. mortality or transfer to another sector.

The occupational sectors which provide the highest levels of employment for older workers in 2015 are: Agriculture, Forestry and Fishing; Wholesale and Retail Trade; Human Health and Social Work Activities. It is also noted that, during the recession period from 2007 to 2012, the total number of employed older workers, in the age groups 55-59 and 60-64, increased in the following occupational sectors; Wholesale and Retail Trade; Public Administration and Defence; Education; Human Health and Social Work Activities; Other Services Activities. Generally, what is being observed is a 'greying' of the public sector whereas many areas in the private sector continue to see a fall-off in the number of workers reaching older age categories.

It is worth noting that those working at age 65 or over made up 3.2 % of the workforce in 2015. However, 35% of these workers were in the Agriculture, Forestry and Fishing Sector, yet the sector accounted for 5.3% of employment across all ages in the same year.

Training and reskilling of older workers

It must be recognised that older workers in certain occupations e.g. trades/heavy physical work may not have the same potential to continue with the same job role as they grow older and less physically able. Research has shown that working conditions play an important role in retirement decisions and 'blue collar' workers are more likely to retire early than 'white collar' workers. Measures are needed to reverse this trend and to support the continued participation of such workers in the labour market through workplace adaptation or re-skilling.

As a general rule across the European workplaces, training is skewed towards the earlier part of the career cycle. To mitigate against the potential lower cost/benefit 'payback' to employers as older workers will be closer to retirement, this could include a possible role of the State to supporting the provision of training to employed older workers through direct provision or State subvention.

Self-employment can be particularly well suited to the preferences of older workers as it allows for a more personal organisation of working time and effort and can be adapted more easily to work capabilities. At 59.7%, Ireland has one of the highest rates in the OECD of self-employment among for people aged 65 and over[4]. Therefore, focused measures to support older works to start their own business would be valuable in terms of supporting fuller working lives.

Intergenerational equity

Considerations of longer working need to be balanced against ensuring adequate employment opportunities for young adults and preserving pathways for career advancement and progression.

That said, the argument is frequently made that the amount of work in an economy is fixed so therefore one more job for an older person means one less job for a younger person ('lump of labour' theory) – the belief that older persons are 'crowding out younger workers from jobs. However, the Group noted that research has shown this theory to be a fallacy and observes that the number of jobs in an economy is elastic and not finite, labour markets are dynamic and economies adapt to labour force changes.

[4]As well as Ireland, EU countries like Greece, Italy, Spain, Portugal, Cyprus, have significant agricultural sectors which involve the employment of higher shares of self-employed older workers.

For example, the European Parliament stressed that the assumption behind early retirement schemes, whereby older workers are allowed to retire early so as to make jobs available for the young, has been proven empirically wrong and noted that the Member States displaying the highest youth employment rates also display the highest employment rates for older workers[5]. In the United States, a study conducted by the Centre for Retirement Research found no evidence to support a 'lump-of-labour' theory. In fact, the research suggested that greater employment of older people can lead to better outcomes for the young with reduced unemployment, increased employment and higher wages. The patterns also appear to be consistent for both men and women and for groups with different levels of educational qualifications[6]. Based on this and other available international studies which undertake country by country analyses of the lump of labour theory[7] there appears little evidence that increasing labour force participation of older workers reduces job opportunities of younger persons.

[5] European Parliament- Committee on Employment and Social Affairs 2012/2234(INI) (2013)

[6] "Are Aging Baby Boomers Squeezing Young Workers Out Of Jobs?" – Alicia H. Munnell and April Yanyuan Wu, Center for Retirement Research, October 2012, Number 12-18

[7] Van Dalen, Hendri P 2002 "Early Retirement Reform: Can it and Will it Work?" Ageing and Society 22: 209-231. Andrew Cinko, Michael McDonagh. 2010 "Workers of 65 Vie with Teens in Labour Market" Bloomberg (July 13). New York

5. Steps that have been taken to address position of older workers

The Group noted that a number of policy measures have been taken to alleviate the gap that arises in some cases between retirement and eligibility for the State Pension and to support fuller working lives. These are summarised below.

(a) Social Welfare Measures

In the area of social welfare, the following measures have been taken:

i. Individuals who exit the workforce prior to pension age may seek the support of either the jobseeker's benefit or the jobseeker's allowance schemes. For jobseeker's benefit recipients where an individual has at least 156 paid social insurance contributions and is 65 years of age, they continue to receive jobseeker's benefit until they reach State Pension age which is currently their 66th birthday. The provision extends the duration of jobseeker's benefit for recipients who are 65 years of age.

ii. In 2013 administrative changes were introduced for older jobseeker recipients aged 62 years or older so that, the requirement to engage with the Department of Social Protection's Intreo activation service has been eased for jobseekers aged 62 and over. While these individuals must continue to satisfy the jobseeker's requirements of being available for and genuinely seeking employment they are not required to engage with the Department's Intreo activation service. In addition, sanctions such as penalty rates are not applied should they decide they do not wish to engage. These individuals are, however, able to avail voluntarily of an array of supports, which are available from the Department if they wish to return to work, training or education.

iii. In addition, special arrangements have been made so that the majority of older people in receipt of a jobseeker's payment only have to sign on with their local office once a year and their payments are paid directly into their bank accounts.

(b) Amendment of Employment Equality Legislation

The EU Framework Employment Directive, which outlaws age discrimination in employment, was transposed into law in Ireland by the Equality Act 2004. While the Directive is "without prejudice to national provisions laying down retirement ages", the Court of Justice of the European Union (CJEU) has since stated that national provisions setting retirement ages could be regarded as discriminatory unless they are "objectively and reasonably justified by a legitimate aim including legitimate employment policy, labour market and vocational training objectives, and if the means of achieving that aim are appropriate and necessary."

Circumstances which allow for setting of retirement ages include protection of health of others, availability of adequate alternative income in retirement, collective agreements, inter-generational fairness (i.e. allowing employment opportunities for younger people, ensuring quality of service provision and addressing age imbalances within a workforce).

The recently enacted Equality (Miscellaneous Provisions) Act, 2015 amends Irish equality legislation to bring it into line with the judgments of the CJEU interpreting the relevant provisions in EU Directives, as follows:

Section 34 of the Act of 1998 is amended by the substitution of the following subsection for subsection (4):

> "(4) Without prejudice to subsection (3), it shall not constitute discrimination on the age ground to fix different ages for the retirement (whether voluntarily or compulsorily) of employees or any class or description of employees if—
>
> (a) it is objectively and reasonably justified by a legitimate aim, and
>
> (b) the means of achieving that aim are appropriate and necessary.".

The amended legislation sets out the grounds on which employers will have to justify the setting of particular retirement ages, such grounds being underpinned by the provisions of the Employment Equality Directive.

Examples of objective justification include:

- To create opportunities in the labour market for those looking for work[8]
- To encourage recruitment and promotion of young people and prevent possible disputes on the fitness of employees to work beyond a certain age[9]
- To ensure better distribution of work between the generations[10]
- To ensure quality of service provision and address an age imbalance within a workforce[11]
- To ensure motivation and dynamism through the increased prospect of promotion due to senior staff being retired[12]

(c) The National Positive Ageing Strategy

The National Positive Ageing Strategy, published by the Department of Health, sets out the following vision:

> *"Ireland will be a society for all ages that celebrates and prepares properly for individual and population ageing. It will enable and support all ages and older people to enjoy physical and mental health and wellbeing to their full potential. It will promote and respect older people's engagement in economic, social, cultural, community and family life, and foster better solidarity between generations. It will be a society in which the equality, independence, participation, care, self-fulfilment and dignity of older people are pursued at all times."*

The Strategy contains actions under the following four national goals:

[8] Felix Palacios de la Villa v Cortefiel Servicios SA – Case C-411/05 – Judgment of the Court (Grand Chamber) of 16 October 2007
[9] Fuchs v Land Hessen – Gerhard Fuchs (C-159/10) and Peter Köhler (C-160/10) v Land Hessen – Judgment of the court (Second Chamber) of 21 July 2011
[10] Rosenbladt – Gisela Rosenbladt v Ollerking Gebäudereinigungsges mbH – Case C-45/09 – judgment of the Court (Grand Chamber) of 12 October 2010
[11] Georgiev – Georgiev v Technicheski Universitet – Sofia, filial Plovdiv (C-250/09; C-268/09) Second Chamber November 18 2010
[12] Donnellan v Minister for Justice, Equality & Law Reform, High Court, mckechnie J 25 July 2008

National Goal 1
Remove barriers to participation and provide more opportunities for the continued involvement of people as they age in all aspects of cultural, economic and social life in their communities according to their needs, preferences and capacities.
National Goal 2
Support people as they age to maintain, improve or manage their physical and mental health and wellbeing.
National Goal 3
Enable people to age with confidence, security and dignity in their own homes and communities for as long as possible.
National Goal 4
Support and use research about people as they age to better inform policy responses to population ageing in Ireland

National Goal 1 is of direct relevance to the issue of fuller working lives. It contains the following broad objectives:

- Develop a wide range of employment options (including options for gradual retirement) for people as they age and identify any barriers (legislative, attitudinal, custom and practice) to continued employment and training opportunities for people as they age.
- Promote access (in terms of affordability, transport availability, accessibility of venue) to a wide range of opportunities for continued learning and education for older people.
- Promote the concept of active citizenship and the value of volunteering, and encourage people of all ages to become more involved in and to contribute to their own communities.
- Promote the development of opportunities for engagement and participation of people of all ages in a range of arts, cultural, spiritual, leisure, learning and physical activities in their local communities.
- Enable people as they age 'to get out and about' through the provision of accessible, affordable, and flexible transport systems in both rural and urban areas.

A preliminary report on the implementation of the strategy can be found here:
http://agefriendlyireland.ie/healthy-positive-ageing-initiative-preliminary-report/

The Group noted that the Department of Health is developing a list of indicators to measure progress. It is intended that these indicators will be published in Autumn 2016 and updated twice a year thereafter.

(d) Universal Retirement Savings System

Whilst not a measure particular to older workers, the development of a system to progressively achieve universal supplementary pension coverage has been a stated goal of Irish pensions policy for a number of years. This is with reference to the need to provide for the sustainability and adequacy of retirement income provision and with regard to significantly increased life expectancy. Accordingly, individuals will have to make a greater provision to fund their retirement if they are to enjoy a standard of living in retirement similar to the standard of living they had pre-retirement.

The current rate of supplementary pension coverage in Ireland is approximately 46.7% of those in employment[13]. This coverage figure would reduce significantly further to approximately 40% when the private sector is considered in isolation.

It is for these reasons that the Minister for Social Protection has indicated a system of supplementary saving needs to be introduced to support those currently not saving to improve their provision for retirement. Deliberations are continuing regarding the development of a universal retirement savings system, the potential introduction of which would be a substantial multi-year programme of work.

(e) Fiscal incentives for longer working

International experience has shown that a lack of awareness of positive financial incentives to longer working can in itself limit the engagement of older workers.

A range of incentives are currently available to older persons who continue working (which are not available to their younger counterparts).

1. **PRSI:** Those aged over 66 are not liable for PRSI contributions on employment or pensions earnings. Incentives are also available to employers for those aged 66 and over and in employment, as they pay a reduced 'Class J' PRSI contribution of 0.5% to cover occupational injuries[14]. The combination of these two measures incentivises individuals (and their employers) to remain in work and they would benefit from the payment of a State Pension in addition to their earnings from employment. PRSI is not payable on a pension from a former employment for those aged under 66 and employed or self-employed. However, for those aged under 66, drawdowns from Approved Retirement Funds (ARFs) and vested PRSAs are subject to PRSI.

2. **Universal Social Charge (USC):** USC does not apply to State Pension or other social welfare or similar payments but does apply to occupational and private pension income. A reduced rate of USC of between 1% and 3% applies to medical card holders under 70 with aggregate incomes of €60,000 or less and to people over 70 with aggregate incomes of €60,000 or less.

3. **Tax credits:** A range of tax credits and reliefs are available to taxpayers irrespective of age. Those aged over 65[15] are also entitled to claim an Age Tax Credit of €245 for a single person or €490 for a couple and can avail of an income tax exemption where income of a single person is below €18,000 and below €36,000 for a couple. These credits and reliefs may incentivise longer working (though incentives may not be directly linked to employment).

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[13] CSO QNHS Pension Provision Q4 2015

[14] This compares to a standard employer PRSI rate of 8.5% on earnings between €38 and €356 and 10.75% for amounts in excess of €356

[15] See Revenue's IT45

6. Policy framework principles

While recognising the steps that have already been taken to support fuller working lives, it is clear that Ireland faces significant demographic challenges in the coming decades and that further action is needed. Specifically, longer life expectancies, a declining working age population coupled with medical advancements mean that longer working, where the individual's health allows, is both possible and advantageous.

It is also clear that 65 has been, and to a large extent, continues to be regarded as a *de facto* threshold between working life and retirement. These cultural 'norms' need to evolve. A framework that facilitates working to, and beyond, the State Pension age, should be the new 'norm' for both workers and employers.

The Group believes that a set of framework principles will be important to support further progress in this area. Informed by engagement with stakeholders and its examination of the issues, the Group has identified the following broad policy principles:

In line with the vision set out in the National Positive Ageing Strategy, Ireland should be a society that prepares properly for population ageing by supporting older people's continued engagement in economic and social life

As people live longer and healthier lives, there should be an acceptance by workers and employers that longer working is necessary, desirable and possible. A shift in 'cultural norms' around retirement age is therefore needed on all sides

The understanding of, and expectations around, retirement age needs to adjust at least in line with planned increases in the age for eligibility for the State Pension

In a positive ageing environment, workers should, to the greatest extent possible, be facilitated with the option to work beyond the normal retirement age in their employment

The provision of such an option must have regard to the needs of firms to have a degree of certainty and flexibility over workforce planning and operational effectiveness

Employers, workers and their representatives should engage at the firm or sectoral level as appropriate with a view to reaching an accommodation on the issue of retirement age that takes account of the points above

Where longer working needs to be facilitated through an additional employment contract, this should be on fair terms, having regard to an employee's previous terms and conditions of employment

Appropriate training and other supports for older workers are needed to enable them to remain active participants in the labour market and in communities. It is recognised that all actors have responsibilities in this area - the State, employers and workers themselves.

The social welfare system will continue to provide a safety net for those who, for health or other reasons, are not in a position to work longer.

7. Recommendations

The National Positive Ageing Strategy provides a comprehensive framework for supporting older people to contribute to economic, social and cultural life. The Group endorses this Strategy and is of the view that full implementation of the four headline national goals set out in that Strategy will be important to preparing Ireland for an ageing population and supporting fuller working lives.

The Group believes that adoption of the Framework Principles set out above at the firm or sector level will help to embed the vision and goals of the National Positive Ageing Strategy in the workplace and to regularise the concept of fuller working lives.

The Group makes the following recommendations in support of fuller working lives to complement the actions set out in the National Positive Ageing Strategy and to the reforms to pensions policy more broadly that will support income adequacy in retirement:

- ☑ **The Minister for Jobs, Enterprise and Innovation will ask the Workplace Relations Commission to prepare a Code of Practice under Section 42 of the Industrial Relations Act, 1990 around the issue of longer working. The Code of Practice should set out best industrial relations practice in managing the engagement between employers and employees in the run up to retirement, including requests to work beyond what would be considered the normal retirement age in the employment concerned.**

- ☑ **Employers should take steps to ensure that their policy on retirement age is clearly articulated.**

- ☑ **Employers and workers representatives should take measures to improve awareness among both workers and employers of options, rights and responsibilities around longer working – e.g. dedicated website or central resource for material relating to longer working, employer good practices, tax treatment and retirement income, the incentives to remain in work and the training/employment opportunities arising etc.**

- ☑ **The Department of Public Expenditure and Reform, with Public Service employers, will review the current statutory and operational considerations giving rise to barriers to extended participation in the public service workforce up to and including the current and planned age of entitlement to the Contributory State Pension**

- ☑ **The Department of Justice & Equality will ask the Irish Human Rights and Equality Commission to ensure that appropriate guidance material is made available for employers on the use of fixed-term contracts beyond normal retirement age.**

- ☑ **The Department of Education and Skills will request SOLAS and the Education and Training Boards in the context of the National Skills Strategy to develop appropriate solutions tailored to the needs of older workers in order to support them to remain attached to the workforce for as long as possible and to re-skill/up-skill from occupations in which they may no longer be in a position to remain.**

APPENDIX 1: Membership of the Interdepartmental Group

Mr. David Moloney, Department of Public Expenditure & Reform (Chair)

Mr. Colin Menton, Department of Public Expenditure & Reform

Mr. Peter Brazel, Department of Public Expenditure & Reform

Mr. Martin Shanagher, Department of Jobs, Enterprise & Innovation

Mr. Dermot Sheridan, Department of Jobs, Enterprise & Innovation

Ms. Simonetta Ryan, Department of Social Protection

Mr. Niall Egan, Department of Social Protection

Mr. Robert Nicholson, Department of Social Protection

Ms. Teresa Cody, Department of Health

Mr. Michael Keogh, Department of Education & Skills

Mr. Deaglán Ó Briain, Department of Justice & Equality

Secretariat

Mr. Garrett O'Rorke, Department of Public Expenditure & Reform

Ms. Dympna McCorry, Department of Public Expenditure & Reform

APPENDIX 2: Report of the Interdepartmental Work and Retirement Group, January 2014

PAPER ON WORKING AND RETIREMENT

January 2014

WORKING AND RETIREMENT

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TERMS OF REFERENCE
INTERDEPARTMENTAL WORKING AND RETIREMENT GROUP

To consider cross departmental policy issues that will support longer working. The Group will consider the following range of issues with a view to developing preliminary proposals;

- the general implications for older workers and employers regarding the removal of the State Pension (Transition) from January 2014 thereby increasing State pension age from 65 to 66 This begins delivery on a commitment, detailed in Ireland's National Pensions Framework, to increase the state pension age to 68 years in the period up to 2028;
- the legal position regarding retirement age and compulsory retirement. This refers to contractually obliged retirement, European Directive 2000/78/EC, the Employment Equality Acts and the position of employers/employees;
- legal and operational issues arising for pension schemes, employers and employees as a result of the increase in state pension age ;
- State, public sector and occupational/private pension issues arising;
- measures and supports which may encourage retention in the labour market of older workers and a reduction in the gap between effective retirement age and State pension age;
- general employment/workplace challenges and opportunities for older workers and employers. This is wide-ranging area, encompassing issues such as attitudes towards older workers, lifelong learning, employment contract terms and conditions and flexible working opportunities.
- improving activation and access to the labour market for older workers;
- other matters agreed by the members.

Members of the Working Group and role in the context of working and retirement

Department of Social Protection (Chair)
Department of Justice and Equality
Department of Jobs, Enterprise and Innovation
Department of Public Expenditure and Reform
Pensions Board

EXECUTIVE SUMMARY

Encouraging longer working lives has been identified as a key policy response to alleviating the impact of rapid population ageing on long term growth prospects and improving the sustainability of public finances. This paper identifies the key obstacles to retention of older workers in the labour force and seeks to identify policy measures that could begin to address these obstacles.

Projections of Ireland's future pension expenditure indicate that cost-containing measures are required including a significant lengthening of working lives and an increase in employment rates. Measures that promote longer working lives and retirement savings provision are therefore crucial to support the long-term sustainability and adequacy of pensions systems and public finances. These challenges also apply to the labour market itself as an ageing society means a shrinking working age population which can act as a drag on economic growth through labour and skills shortages.

Whilst the need for reform to State pension and early retirement systems have been recognised as an imperative to cope with some of the challenges posed by population ageing, reform in these areas alone will not be enough to deliver change in behaviour intended by these reforms. These include continued participation in the labour market of older workers and the creation and increase in labour supply and economic output in the years ahead. In Ireland, the pensionable age at 65 (rising to 66 in January 2014) is higher than the average effective retirement age at 63. Increasing the age at which the State pension becomes available provides an inducement, but no guarantee, that he effective age of retirement will increase. This is because the age of exit from the labour force is influenced not only by the pension system but by a range of other factors such as social and economic policies, labour market and working conditions, and an individual's own particular characteristics.

Ageing populations present a major challenge to the Governments of most developed economies. At an international, EU and Irish domestic level, key policy documents have recognised the need to address this challenge and confirmed that unless women and men, as they live longer, also stay longer in employment and save more for their retirement the adequacy of pensions cannot be guaranteed and the required increase in public expenditure would be unsustainable.

Within Ireland, a wide range of complementary and co-ordinated measures is required to tackle the established 'cultural norm' of perceiving retirement age to be 65, to financially incentivise longer working, to tackle age discrimination and negative attitudes to working at an older age, to improve the job skills of older people and their working conditions and to better 'activate' older workers. From the perspective of the State finances and also the individual citizen, the success of pensions policy reform and the increase in the State pension age will be significantly dependent on wider measures aimed at incentivising the labour market environment for older men and women and improving their capacity to function within it.

Based on the prevailing international policy environment regarding good labour market practice for older workers, the analysis and deliberations of the interdepartmental group and the outcomes of a Working and Retirement Forum held in December 2012, this paper provides a summary overview of measures for consideration which may support longer working beyond that State pension age and a encourage a reduction in the gap between effective retirement age and State pension age[16]. These include measures to strengthen incentives to stay in work, measures to tackle employment barriers to older workers, and measures to improve the employability of older workers.

The issues impacting on the working and retirement decision are multifaceted, complex and may depend on a number of individual and contextual factors. Whilst the need to support longer working is clear, the manner in which this is supported will require on-going work and will need a 'whole Government' integrated policy response.

[16] Measures already taken or legislated for such as the increase in the State pension age are not included here

1.1 INTRODUCTION

This paper outlines the international and domestic environment in relation to longer working and a range of challenges facing older workers in the labour market. It details factors influencing the retirement decision and identifies policy measures for consideration which may support and encourage longer working.

In recent years there has been a particular focus on the sustainability and adequacy of the pension system because of the demographic challenges Ireland faces, the associated increases in pension (and other age related) costs, and the deterioration in the public finances since the recession.

Ireland's increasing life expectancy and reducing birth rates bring very specific challenges for government policy regarding the reform of pensions systems and the need to support longer working amongst our population. The longer a person lives, the longer that person will receive a pension, and the more it will cost to provide this pension. A direct implication of the significant increase in overall life expectancy without a corresponding increase in the length of working lives is that the cost of funding retirement rises significantly for all concerned.

In addition to the age at which a State pension becomes available, the factors influencing the retirement decision of individuals may include physical health, labour market conditions and regulations, generosity and tax treatment of retirement income, private savings, family obligations, spousal labour supply, and attitudes in workplaces to older people. Given the range and complexity of issues involved, from a public policy perspective, Government action in relation to longer working will require co-operation across these policy areas if an environment is to be created that fosters the retention and participation in the workplace of older workers.

In this context, in mid 2012 an *Interdepartmental Working and Retirement Group* was established to consider cross departmental policy issues that may support longer working and thereby improve the sustainability and adequacy of pensions systems. The Terms of Reference of the group required that it consider the broad range of issues impacting on the labour market participation of older workers and thereafter prepare preliminary proposals detailing measures and supports which may encourage retention in the labour market of older workers[17]. This included consideration of policy that would reduce the gap between effective retirement[18] age and State pension age.

This paper is also informed by the prevailing international policy environment regarding good labour market practice for older workers. It reflects the analysis and deliberations of the interdepartmental group and reflects the outcomes of a Working and Retirement Forum, held in December 2012, to obtain the views of a range of representative bodies and stakeholders on the broader societal, equality and structural labour market issues which influence longer working and retirement.

Whilst the need for reform is clear, the challenges involved should not be underestimated. The destructive consequences of Ireland's economic collapse and subsequent recession is reflected in employment figures. Between 2000 and 2007 Ireland's unemployment rate averaged 4.4% per annum (an environment which would have been an environment more conducive to

[17] For the purposes of this paper, older workers are taken as those in the labour force aged over 55. The age of 55 is not meant to be a watershed in and of it self in terms of defining who is old and who is not. Perceptions about being 'old' are inherently subjective and only loosely connected to chronological age.

[18] The effective retirement age is the age at which women and men *actually* withdraw from the labour market into retirement. In Ireland this is well below the age of 66 (which will be the standardised State pension age from January 1st 2014).

successfully absorbing reform). However, with the onset of recession, the level and rate of unemployment has increased substantially to its present rate of 12.4[19]%. As such and given a much tighter labour market, the potential difficulties for achieving reform (at least in the short term) that sees older people remaining in the labour force for longer have also proportionately increased.

A number of the reform issues arising relate to challenges which must be addressed over the medium and longer term as the age at which a State pension becomes available increases to 67 in 2021 and 68 in 2028. Other challenges arising are more immediate in nature and are brought to the fore by the abolition of the State pension (transition) and the standardisation of State pension age at 66 from 2014. For example, this would include raising awareness in relation to; changing entitlements to the State pension; employment and equality issues around contractual agreements and compulsory retirement ages; clarifying any issues in occupational pension schemes which may require members to retire at 65 or which are integrated with the State pension.

1.2 Background

In general terms, the task of financing increased pension spending will fall to a diminishing share of the population as demographic projections indicate the ratio of working age to pensioners will decrease from 5.3/1 at present to 2.3/1 by 2050. The number of older people will increase from 12% of the population being over 65 in 2012 to an estimated 23% in 2050. The key driver of the ageing of the population is increasing life expectancy which is not mitigated by increases in fertility rates which are projected to remain below the natural 'replacement' rate of 2.1 throughout the period to 2060.

Table1: Irish Demographic Projections[20]

		2010	2020	2030	2040	2050	2060
Life Expectancy at 65	**Male**	16.8	18	19.1	20.1	21.2	22.2
	Female	20	21.2	22.4	23.5	24.5	25.5
% Share of Older Population (Aged 55-64)		16.7	19.8	20.9	22.7	17	19.8
Old Age Dependency ratio*		5.3 : 1	3.9 : 1	3.2 : 1	2.7 : 1	2.3 : 1	2.4 : 1

*** Population Aged 65+ as a % of Population Aged 20-64**

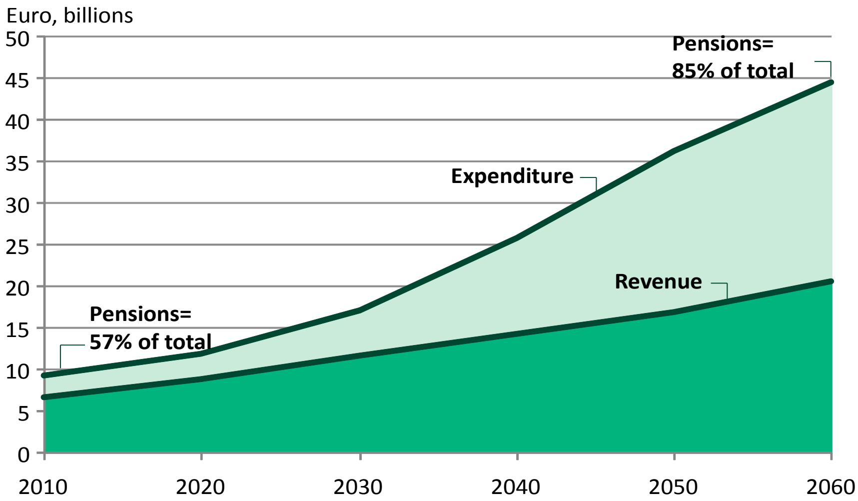
In the mid-1990s, life expectancy for males was 73 and for females, 78.5. It can be seen from Table 1 that average life expectancy for those aged 65 today is approximately 82 years for men and 85 for women. By 2030 this figure will have risen to 84.1 and 87.4 respectively.
From a public finance perspective, Ireland's social insurance fund (SIF), which funds the State pension (contributory), had a deficit of some €1.315 billion in 2013 (provisional estimate). It is projected that without action to tackle this shortfall, this deficit will increase significantly over the medium to long term to €3bn for 2019 and € 25.7bn for 2066[21]. Expressed as a percentage of GNP, this equates to a rise from 1.1% of GNP in 2011 to 2% in 2019 to 5.7% by 2066. The main driver of this increase in both the level and proportion of pensions related SIF expenditure is Ireland's rapidly ageing population structure. As detailed in Table 2, the portion

[19] Source – CSO January 2014
[20] Source – Actuarial Review of the Social Insurance Fund 2012
[21] These are per annum figures. Source – Actuarial Review of the Social Insurance Fund – KPMG 2012

of expenditure of the SIF used for pension related benefits is projected to rise from 57% in 2011 to 85% in 2066.

Taking all pensions spending in to consideration, it is estimated that the cost to the State of funding the pensions of an ageing population (including public sector occupational pensions) will increase from approximately 7.5% of GDP in 2010 to 11.7 % in 2060. This does not include other increasing costs which will arise as a result of an ageing population such as healthcare, social care etc.

Table 2: Trend of Pensions Expenditure as a Percentage of Overall SIF Spend



Concerns in relation to the sustainability of the pensions system featured in negotiations which led to the 2010 bailout agreement between the Irish Government and the Troika (EU/ECB/IMF)[22]. As part of the agreement to provide financial support, Ireland committed to "*accelerate the process of placing the pension systems on a path consistent with long-term sustainability of public finances*". This included an undertaking that structural reform would include not increasing the nominal value of the State pension over the period of the programme.

1.3 Policy Areas Influencing the Longer Working and the Retirement Decision

The need for reforms to State pension and early retirement systems have been recognised as an imperative to cope with some of the challenges posed by population ageing. However, recent and pending reforms in these areas will not in themselves be enough to support and encourage later retirement. To support the change in behaviour that is intended by reforms in pensions policy, measures are also required to tackle the established 'cultural norm' of perceiving retirement age to be 65, to tackle age discrimination and negative attitudes to working at an older age, to improve the job skills of older people and their working conditions and to better 'activate' older workers.

[22] EU/IMF Programme of Financial Support for Ireland – December 2010

It is recognised that the factors influencing the retirement decisions, which are particular to each individual, are complex and multi-faceted. The broad policy areas which may impact on the retirement decision are outlined below[23].

- **Health Policy** There is a direct correlation between an older individual's state of health and their ability and propensity to continue in the labour force (see section 2.3).

- **Education and Training Policy** There is a direct correlation between an older individual's educational/skills level and an improved ability and propensity to continue in the labour force (see section 2.3). This includes access to life-long learning opportunities and education/skills training for those both in employment and those seeking work.

- **Welfare and Pensions Policy** – may include such measures as removal of early exit pathways (from the labour market) to other forms of social welfare benefits, encourage participation in full/part time work through incentives to obtain improved State pension provision, development of complementary occupational/private retirement savings to enhance retirement incomes, flexibility for final salary occupational pension schemes that encourages continued working.

- **Enterprise, Employment and Equality Policy** may include activation supports for the unemployed, positive enterprise and employer practices regarding older workers, labour and equality law and regulatory protections regarding discrimination on the basis of age.

- **Revenue and Taxation Policy -** tax incentives for retirement savings and tax treatment for those in receipt of pensions. May include tax treatment for those in receipt of pensions after pensionable age and tax treatment for those in receipt of occupational/private pensions in advance of the State pension age. Rules regarding earliest and latest age of drawdown (at present between 60 and 75 depending on pension type).

- **Social and family –** Other issues such as family status (e.g. childcare costs - as older persons often look after grandchildren) and spousal employment.

Factors linked to the policy areas detailed above will impact on each individual's particular circumstances in different ways. Whilst all, to varying degrees have the capacity to impact on the retirement decision, this paper concentrates on those areas of public policy more immediately related to labour force participation[24].

[23] This is for the purposes of providing an indicative indicator only and is not intended to be a definitive list

[24] Areas such as the provision of healthcare, housing etc. whilst material, are not considered in significant depth in this paper.

2.1 LABOUR MARKET PARTICIPATION OF OLDER WORKERS IN IRELAND

The sustainability of the pensions system depends on the degree to which it is underpinned by contributions, taxes and savings from people in employment. The latest CSO figures confirm that Ireland's total labour force participation rate is 59.5%[25]. The employment rate is 59.3% and the unemployment rate is 13.7%. The participation rates for those aged 55 to 59 is 66.3% (unemployment 12%), for those aged 60 to 64 is 45.7% (unemployment 10.2%) and for those aged 65 and over is 9%.

Between 1998 and 2013 the participation rates of older workers grew for those aged 55 to 59 from 52.2% to 66.3% and for those aged 60 to 64 from 35.5% to 45.7%. The main reason for this has been the participation of women during this period which increased from 30.4% to 56.4% for those aged 55 to 59 and from 18.1% to 36.6% for those aged 60 to 64[26].

Table 3: 2013 Q1 Labour Force Participation Rates[27] by Age band and Gender

All ages	%	Male	%	Female	%
15 - 19 years	13.8	15 - 19 years	13.2	15 - 19 years	14.5
20 - 24 years	61.4	20 - 24 years	63.9	20 - 24 years	59
25 - 34 years	81.7	25 - 34 years	87.2	25 - 34 years	76.5
35 - 44 years	81.1	35 - 44 years	91.3	35 - 44 years	71
45 - 54 years	77.7	45 - 54 years	87.3	45 - 54 years	68.1
55 - 59 years	66.3	55 - 59 years	76.2	55 - 59 years	56.4
60-64 years	45.7	60 - 64 years	55.9	60 - 64 years	35.6
65 years and over	9	65 years +	14.4	65 years +	4.4
Total	**59.5**		**66.9**		**52.7**

Despite these improving participation levels of older workers in recent years, as detailed above, there is, nonetheless, a significant withdrawal of older persons from the labour force in the period before the age at which the State pension may be payable.

This determined and gradual withdrawal from the labour force is detailed in depth in Table 4 which provides Census 2011[28] year on year labour force participation and unemployment rates for those aged 55 to 70. Again a marked withdrawal from labour force can be identified as ageing occurs. It is interesting to note that as the participation rates of older workers reduce, the corresponding unemployment rates of those older persons remaining in the labour force increases up to the period before a State pension becomes available.

Table 4: Labour Force Participation Rates and Unemployment Rates for Older Workers 55-70

[25] Source – CSO QNHS Q1 2013 – released May 2013. These rates are based on the International Labour Organisation classification. The participation rate is the number of persons in the labour force expressed as a percentage of the total population aged 15 or over. The employment rate is the number of employed aged 15 to 64 expressed as percentage of the total population aged 15 to 64. The unemployment rate is the number of unemployed expressed as a percentage of the total labour force.
[26] www.cso.ie/en/media/csoie/qnhs/documents/calendar/tableS2.xls and CSO QNHS Q4
[27] The labour force participation rate is calculated by expressing the labour force (i.e. those at work, looking for first regular job and unemployed) as a percentage of the total aged 15 years and over.
[28] Census 2011 figures provide somewhat different returns to those detailed in the QNHS as the QNHS uses the International Labour Organisation (ILO) classification, which has a much wider range of questions on the labour force.

Gender	Ages	Labour force participation rate	Unemployment rate	Gender	Ages	Labour force participation rate	Unemployment rate	Gender	Ages	Labour force participation rate	Unemployment rate
Male and Female	55 years	73.8	16.6	Male	55 years	83.5	19.2	Female	55 years	64.3	13.2
	56 years	71.8	17.2		56 years	82.1	19.8		56 years	61.6	13.9
	57 years	68.8	17.3		57 years	79.5	19.6		57 years	58.1	14.0
	58 years	65.7	18.0		58 years	76.8	20.3		58 years	54.6	14.8
	59 years	62.3	17.9		59 years	73.7	20.0		59 years	50.8	14.9
	60 years	58.1	19.1		60 years	69.2	21.3		60 years	46.7	15.7
	61 years	53.9	19.8		61 years	65.4	22.1		61 years	42.4	16.3
	62 years	50.1	19.9		62 years	61.4	22.2		62 years	38.8	16.3
	63 years	45.9	19.9		63 years	57.5	21.9		63 years	34.3	16.6
	64 years	41.1	19.1		64 years	51.9	20.9		64 years	30.1	16.1
	65 years	24.0	8.5		65 years	31.6	8.3		65 years	16.3	9.0
	66 years	17.1	4.6		66 years	22.7	3.5		66 years	11.5	6.5
	67 years	15.0	4.1		67 years	20.4	2.9		67 years	9.6	6.6
	68 years	14.0	3.6		68 years	19.5	2.5		68 years	8.7	6.0
	69 years	12.1	3.9		69 years	16.6	2.8		69 years	7.8	6.0
	70 years	9.9	3.7		70 years	14.5	3.1		70 years	5.4	5.5

2.1.1. Female Participation Rates

As detailed in Table 3 and 4, the participation rates of female population still lags some distance behind that of males (and is some way behind the OECD average), notwithstanding the fact that in recent years Ireland has made considerable progress in facilitating the participation of women in the labour market. In the mid-1980's, the gender gap in employment between women and men exceeded 50 percentage points. Since then it has narrowed considerably. However, although the labour force participation rate of older women (35.6% for those aged 60-64) has improved it would still be significantly less than the corresponding rate for men (55.9% for those aged 60-64).

Taken in the overall, it can be seen that women participate in the workplace for a shorter period, have an effective retirement age of less than the State pension age and live longer. In the absence of measures to moderate this trend, this may have an increasing impact on retirement incomes of women in the years to come due to an amended and more demanding contributory based State pensions system.

Previous German research considered effects of a reform in 2007 which increased the State pension age from 65 to 67 and showed the reform resulted in better educated male workers remaining longer in the workforce whilst there were less successful results for women[29]. Women may encounter additional challenges regarding working generally and the retirement decision given they generally have less consistent career paths and a resulting lesser capacity to make supplementary pension provision.
Thus, when formulating policies to mobilise the potential labour supply of older people, reflection on the policy areas aimed at increasing participation may require an additional gender specific dimension to address the particular needs of women.

2.2 Effective Retirement Age

[29] Coppola and Wilke (2010) How sensitive are subjective retirement expectations to increases in the statutory retirement age? The German case. MEA discussion paper series No 10207.

Within Ireland, it might be said that a 'cultural norm' has been established within the wider public consciousness which regards the standard retirement age as being 65. This is likely influenced by the fact that 65 was the age at which the State pension (transition) became available (until January 2014). To link with the State pension age of 65 pre 2014, a common practice developed whereby contracts of employment and occupational pension scheme rules may have terms that require individuals cease the employment in question at aged 65. However, and notwithstanding the fact that 65 was the age at which a State pension may have become available, it should be noted that there is not a prescribed statutory retirement age in Ireland. Individuals may elect to work to any age[30]. Where a prescribed retirement age exists in particular areas of employment, this is a matter for agreement within in each contract of employment and the employer/employee relationship.

As detailed, the State pension (transition) has been discontinued from 2014 which standardises the State pension age at 66. Thereafter, the State pension age will increase to 67 in 2021 and 68 in 2028. However, contrary to popular belief and notwithstanding the age at which an individual becomes eligible to claim a State pension, the average employee in most EU countries leaves the labour force before they reach the eligible age to claim this pension. This is known as the *'effective retirement age'*. Table 5 highlights the average *effective retirement age* in Ireland is approximately 63.3 (63.3 for males/63.5 female) compared to the EU average of 61.1. This has increased from 2.7 years before pensionable age to 3.7 years as the State pension (transition) has now been discontinued.

There has been a clear and gradual trend which has led to a significant reduction in Ireland's average effective retirement age from approximately 74 in 1970 (when average life expectancies were significantly shorter than today) to its present level. The fact that the average retirement age is lower than the State pension age indicates that many retirees, through financial planning or otherwise, are in a position to make their own arrangements and have sufficient funds or alternative (perhaps limited) temporary bridging funds, available to cover the period between their retirement and the time when they become eligible to receive a State pension. This group includes those in receipt of other forms of social welfare payment such as a jobseekers or illness payment. In this regard, it is interesting to note that of the 11,130 applying for and awarded the State pension (transition) in 2012, only 15% joined from work (51% transitioned from other forms of welfare benefits and 15% from 'retirement'). Of the 27,868 who reached age 66 and obtained a State pension (contributory) in 2012, 18,758 (63.3%) came directly from another social welfare payment and 5,910 (21.2%) came from employment. These figures would appear to reflect low levels of employment and participation of older workers, and increased reliance of State payments and provide a backdrop to Ireland's average effective retirement age of 63.3.

As the State pension age increases in the coming years, unless addressed, so too will the gap between average retirement age and the age at which individuals receive that pension. This will present an obvious challenge to the income adequacy of retirees, may pressurise State finances and therefore demands consideration is given to policies which increase effective retirement age.

Table 5: Average Effective Retirement Ages[31]

[30] Notwithstanding the fact that an individual may be compelled to retire from certain sectors/jobs at a particular age, they may continue to work through availing of alternative employment opportunities.
[31] Source OECD – 2011 Average Effective Age of Retirement Data

	1970	1975	1980	1985	1990	1995	2000	2005	2006	2007	2008	2009	2010	2011
Men	*73.1*	*70.3*	*68.2*	*66.1*	64.0	63.2	65.2	64.9	64.9	65.3	65.0	63.7	63.4	63.3
Women	*74.6*	*72.8*	*70.0*	*67.5*	63.8	64.5	66.0	65.3	65.2	64.6	64.4	63.7	63.8	63.5
EU Average											61.2	61.1	60.8	61.1

2.3 The Longitudinal Study on Ageing (TILDA)

The Longitudinal Study on Ageing (TILDA) examined the factors that determine the labour market status of women and men aged 50 to 64. It found that health seems to be very strongly correlated with employment with an employment rate of 59% amongst those male respondents who report excellent/very good/good health compared to just 17% for those reporting poor health. A similar pattern was seen amongst the study’s female participants. The study also found that a clear education gradient exists with more educated respondents more likely to be in employment. It also found that there is a consistent positive association between employment and wealth – particularly among women. Higher rates of employment were evident amongst those with a higher life satisfaction.

Looking at the behaviour of people before reaching State pension age, TILDA offers the following:

- Labour supply of older adults aged 50 to 64 in Ireland is concentrated amongst the healthiest, most educated, wealthiest and those most satisfied with life. For example, 53% of men and 28% of women with primary or no education are employed, compared to 70% of men and 62% of women with tertiary or higher education;

- In the poorest quartile of the survey population, 34% of women and 38% of men are at work compared to 59% of women and 71% of men in the richest quartile;

- The average number of hours worked decreases as workers move closer to age 65, suggesting some form of ‘wind-down’ in advance of retirement;

- Around 25% of male and female employees expect to retire before State pension (transition) age (65). Retirement expectations are different for different education groups, with the more highly educated expecting to retire earlier;

- Of female employees, 41% are not covered by an occupational, PRSA (Personal Retirement Savings Account) or private pension scheme compared to 20% of male employees;

- Pension coverage varies by group. Among higher professionals, 78% are covered by an occupational pension, compared to 32% of unskilled workers.

TILDA concludes that the determinants of longer working are multi factorial. It is not simply that State supports encourage early exit from the workplace. The evidence suggests that better health allows people to remain at work for longer and it is also possible that work contributes to mental and physical health through its impact on social interaction or physical activity.

It can be seen that both health and education are positive indicators for labour market participation and occupational pension coverage. Therefore it would seem reasonable to assume that as Ireland's population ages and becomes increasingly well educated and healthy as a whole, the capacity to remain within the workforce for longer will proportionately improve. Notwithstanding other active measures aimed at improving older worker participation, the numbers of older workers in the labour market may therefore be expected to increase somewhat. A challenge for public policy will be to support and enhance this growth and limit policy that would impede it in any way.

2.4 Eurobarometer Report on EU Active Ageing

In 2012 the European Commission released a 'Eurobarometer' report[32] detailing citizens' views and attitudes towards older people, the contribution of older people in the workplace and society, and how best to promote an active role of older people in society. In relation to Ireland specifically the report found:

- 53% of Irish respondents think the retirement age needs to increase by 2030 (compared to an EU average of 33%);
- 46% of Irish respondents (compared to EU average of 33%) would like to work past the State pension age;
- The option to combine part-time work and a partial pension is appealing to the majority of EU citizens (65%). At 78%, Ireland was amongst those nations where this option was most popular;
- Of all Member States, at just 14%, respondents in Ireland reported the lowest level having witnessed or suffered age discrimination in the workplace;
- Taking a range of qualities into account, respondents in Ireland tend to be most positive of all EU members states about the characteristics of older people compared to younger people in the workplace;
- The average age up to which Irish respondents feel they will be capable of working in their current job was 62.3 (compared to average of 61.7);
- Lack of opportunities to retire gradually, exclusion from training and negative perceptions of older people among employees are perceived to be the main obstacles stopping people aged 55 years and over from working;
- 74% of respondents (compared to EU average 70%) felt that a reason why people aged 55 and over stop working was that as people get older they are more likely to be excluded from training in the workplace;
- 64% of respondents (compared to EU average of 70%) felt that a reason why people aged 65 and over stop working was that they were not viewed positively by employers.

It is worth considering the rationale behind the references in the Eurobarometer report to older workers being excluded from training. It could be argued that employers seeking to optimise 'pay back' for training investment and the resulting productivity improvement, may seek to target investment at younger workers who, all else remaining equal, will remain with the company for longer. Indeed individuals themselves may tend towards undertaking the majority of their training and education at a younger age to enable them to benefit for longer in the form of improved career progression/salaries. Therefore, as longer working becomes a reality in the years ahead, so too should the attraction of training provision to a proportionately older workforce.

[32] Active Ageing Report – Special Eurobarometer 378. EU DG Employment , Social Affairs and Inclusion

However, in the short term a more active approach to supporting lifelong learning at enterprise level could be taken to improve levels of training delivery and uptake and thereby encourage longer working. This could involve a role for the State in either providing direct training or alternatively some form of subvention for workplace training for older workers that an employer may not otherwise consider economically efficient.

As an overall observation it would appear from this Eurobarometer research that Ireland is in a comparatively positive position in relation to the perceptions of older workers by the wider population. Intergenerational solidarity in Ireland was amongst the most positive in Europe which indicates an environment which may be more conducive and receptive to structural labour market changes required to increase the participation of older workers in the coming years.

2.5 The 'lump-of-labour' theory

Those advocating public policy supports and initiatives aimed at encouraging the retention of older workers in the labour force often have to respond to concerns, particularly in times of economic difficulty and high unemployment, that longer working leads to fewer jobs being available to younger workers. This perception is derived from the "*lump-of-labour*" theory and is based on the assumption that the amount of work in an economy is fixed so therefore one more job for an older person means one less job for a younger person. In short this leads to a belief that older persons are 'crowding out younger workers from jobs. However, research has shown this theory to be a fallacy and observes that the number of jobs in an economy is elastic and not finite, labour markets are dynamic and economies adapt to labour force changes.

The European Parliament recently stressed that the assumption behind early retirement schemes, whereby older workers are allowed to retire early so as to make jobs available for the young, has been proven empirically wrong and noted that the Member States displaying the highest youth employment rates also display the highest employment rates for older workers[33].

In the United States, a study was conducted recently by the Center for Retirement Research which analysed the variation across states in the labour force activity of both old and young for the period 1977-2011. Detailed questions about wages, demographic information and health status were also included. This study, which also considered any particular impacts resulting for the word recession in the period following 2007, found no evidence to support the 'lump-of-labour' theory. In fact, the research suggested that greater employment of older people can lead to better outcomes for the young with reduced unemployment, increased employment and higher wages. The patterns also appear to be consistent for both men and women and for groups with different levels of educational qualifications[34].

Based on this and other available international studies which undertake a country by country analyses of the lump of labour theory[35], there appears little evidence that increasing labour force participation of older workers reduces job opportunities of younger persons. Nevertheless it should be recognised there are inherent challenges arising from a wider public acceptance of the incorrect, though intuitive, presumption that more older people in the labour market would naturally crowd out younger workers. There are dangers that should this assumption take root in the general public consciousness, particularly given the severe

[33] European Parliament- Committee on Employment and Social Affairs 2012/2234(INI) (2013)
[34] "Are Aging Baby Boomers Squeezing Young Workers Out Of Jobs?" – Alicia H. Munnell and April Yanyuan Wu, Center for Retirement Research, October 2012, Number 12-18
[35] Van Dalen, Hendri P 2002 "Early Retirement Reform: Can it and Will it Work?" Ageing and Society 22: 209-231. Andrew Cinko, Michael McDonagh. 2010 "Workers of 65 Vie with Teens in Labour Market" Bloomberg (July 13). New York

recession in Ireland and increased unemployment rates, it may impede a trend towards longer working.

2.6 Employment of Older Workers by Occupational Sector

The table in Appendix 2 details the number of workers in Ireland employed by occupational sector and age band for the 4th quarter 2007 and 2012[36]. As well as providing insights into those occupational sectors where older workers are well/less well represented, comparison between the 2007 data and 2012 data can also provide insights in to the impact of the economic collapse on the employment older workers in their own right and also compared to other groups. Whilst it should be noted that detailed analysis of this data would be required to draw comprehensive conclusions, the following headline observations can be made:

- The occupational sectors which provide the highest levels of employment for older workers in 2012 are; Agriculture, Forestry and Fishing; Wholesale and Retail Trade; Human Health and Social Work Activities;
- During the recession period 2007 to 2012, the total number of employed older workers, in the age groups 55-59 and 60-64, increased in the following occupational sectors; Wholesale and Retail Trade; Public Administration and Defence; Education; Human Health and Social Work Activities; Other Services Activities;
- During the recession period 2007 to 2012, the total number of employed older workers, in the age groups 55-59 and 60-64, decreased in the following sectors; Agriculture Forestry and Fishing; Industry; Construction; Transportation and Storage; Financial Insurance and Real Estate;

Whilst no detailed analysis of the above figures has been undertaken, it would appear that those sectors which have seen an increase in the employment rates of older workers would be more heavily linked to the public sector and a general 'greying' of that permanent workforce as employees age. Conversely, those sectors with the biggest decreases in the rate of older workers would appear more aligned with the public sector.

2.7 Older Working and Health and Wellbeing

As policy reform takes place, from a social policy perspective it can be anticipated that debate will take place regarding the rationale for measures that encourage longer working and the implications of these measures for workers generally and for particular groups. For instance, employees often look forward to their retirement and may oppose measures that interfere with what they perceive to be a right (or earned ability) to retire at the age they had anticipated. Employers and employees in certain occupational sectors may have concerns regarding what may be a diminished capacity for longer working for some as compared to others. This might include those in heavy manual occupations where an individual's ability to operate effectively or redeploy to other less physically demanding areas of work may reduce with age. In addition the less well-off have lower life expectancies than the better off and men have a lower life expectancy than women. Measures such as the increase in State pension age or other measures that encourage a move towards longer working may therefore be subject to an accusation that they have a disproportionate impact on the less affluent, those less well educated or adaptable and men (given the shorter life expectancy of males).

[36] Source – Provided on request by the CSO and derived from QNHS Q4 2017 and 2012

On the one hand such contentions can be balanced against a purely economic argument in considering the basic need to ensure the financial sustainability of the current system. However, there is also a need for a more expansive public discourse on, and understanding of, the possible health and wellbeing benefits of longer working for many. Several studies have identified negative health and wellbeing outcomes for retirees as compared to those who remain in employment. A recent report analysing the retirement pattern of 9,000 individuals across Europe[37] found retirement increased the probability of suffering from clinical depression by 40%, decreased the likelihood of being in 'very good' or 'excellent' health by about 40% and increased the probability of having at least one diagnosed physical condition by about 60%.

A previous study of 12,000 US citizens between 1992 and 2005 found similar results[38]. Depression and levels of physical illness increased after retirement. The report found that there are a range of reasons why health declines after retirement but mental and social stimulation are a large factor. Poor health may also arise due to a reduction in income that may result in poorer attention to health (due to cost) and the purchase of poorer quality foods.

Whilst it is not suggested that such arguments negate the concerns older workers may have regarding what they may feel is a compulsion to work longer, they do point towards the need for a more expansive and informed debate regarding positive and negative impacts of longer working in general and the need to consider creative workplace solutions that support longer working.

[37] Work Longer, Live Healthier – The relationship between economic activity, health and government policy. UK Institute of Economic Affairs Discussion paper No. 46 - May 2013

[38] The Effects of Retirement on Physical and mental Health Outcomes - Dhaval Dave Working Paper 12123 http://www.nber.org/papers/w12123

3.0 INTERNATIONAL AND DOMESTIC POLICY AND LONGER WORKING

Ageing populations present a major challenge to pension systems not just in Ireland but throughout the EU and most developed economies. On an international as well as Irish level, it has been recognised that unless women and men, as they live longer, also stay longer in employment and save more for their retirement, the adequacy of pensions cannot be guaranteed as the required increase in public expenditure would not be sustainable.

3.1 European Union Policy Perspective

In detailing EU and national government policy priorities, the European Commission's White Paper on Pensions[39] confirms that due to increased life expectancy, early retirement and low birth rates, reforms of pensions systems and retirement practices are essential national government priorities and are required to restore confidence in government finances. The White Paper highlights that the success of retirement reforms in Member States will affect the EU's ability to achieve targets of the 'Europe 2020' strategy (which includes specific reference to using older workers to raise the overall employment rate to 75% and a reduction in the number of people at risk of poverty by 20 million). The EU also underlines the importance of tackling pension issues in a holistic way and optimising synergies across policy areas. In focusing strongly on the need to keep older workers longer in the labour market the White Paper advocates;

- linking the retirement age with increases in life expectancy;
- restricting access to early retirement schemes and other early exit pathways;
- supporting longer working lives by the adaption of workplaces and work organisation, the promotion of lifelong learning, cost-effective policies aiming as reconciling work, private and family life, measures to support healthy ageing and combatting gender inequalities and age discrimination;
- supporting the development of complementary retirement savings to enhance retirement incomes.

Importantly, the White Paper stresses the need for wider (non-pensions) policy responses to the ageing challenge to support longer working lives.

3.2 OECD Policy Perspective

For its part, the OECD has similarly recognised the challenges posed by demographic aging both in Ireland and across its Member States. In advancing policy responses it has set out a three pronged strategy for helping achieve a balance between adequacy and sustainability within pensions systems. This involves 1) longer working lives, 2) greater private pension savings and 3) more targeted State retirement provision at those most in need.

In April 2013 the OECD completed a review of long term pension policy in Ireland. The OECD highlights that more flexible labour markets and the extension of working lives is required to reflect social and economic changes. The following is taken from the report's main findings and recommendation regarding the State pension and the OECD's consideration of longer working issues[40]:

[39] An Agenda for Adequate, Safe and Sustainable Pensions – EU White Paper 2012
[40] OECD 2013 – Review of the Irish Pension System

- The State pension scheme could be modernised to encourage longer working in line with the prevailing international trend;
- The long term pensionable age, which at 68 is relatively high in international comparison, could be linked to life expectancy after 2028 in order to ensure that improvements in life expectancy do not significantly extend the duration of retirement;
- To provide incentives for workers to remain in the labour market longer and on the other hand provide more flexibility in making the retirement decision, increments and decrements in the State pension could be introduced for early and later retirement;
- More flexibility could also be provided in allowing retirees to combine work income and pension receipt; this could also ensure better adequacy of retirement income.

In its 2005 and 2012 papers analysing Irish policies regarding ageing and employment[41], the OECD noted barriers to work for older persons and advocated public policy actions to address these barriers in the following areas;

- On the supply side by ensuring older workers are given stronger financial incentives to carry on working longer by increasing flexibility for combining pensions with work income, rewarding work beyond the age of 65 and more generally, strengthening work incentives for the contributory pension system and shifting the focus of disability benefits to an emphasis on remaining work capacity supported by rehabilitation.
- On the demand side by improving the employability of older workers through training and activation, re-integration measures for older workers, changes to employer practices and attitudes that will foster greater retention and hiring of workers including greater awareness of rights and responsibilities with respect to age discrimination measures, The OECD noted that in this respect, the practice of mandatory retirement (see section 4.2) is not consistent with strategies to address the challenges of population ageing.

3.3 Ireland's National Positive Ageing Strategy

The Government's **National Positive Ageing Strategy** was launched in April 2013 to recognise older people and to support and enable them to live independent full lives. Goal 1 of the Strategy relates to the removal of barriers to participation and provision of more opportunities for the continued involvement of older persons through the use of policies in the areas of employment, retirement, education and lifelong learning. In relation to employment and retirement specifically, the Strategy highlights that Government departments (and their Agencies) have responsibility for the development of policies or actions to drive the implementation of a wide range of employment options (including options for gradual retirement) for people as they age by;

- Promoting the development of age-friendly workplaces to accommodate those wishing to continue to work;
- Promoting a favourable attitude among employers to the productivity capacity of older workers and their continued employment;
- Eliminating age barriers in the formal labour market;
- Promoting the principle of flexible retirement policies and practices;
- Removing disincentives to working beyond retirement age;

[41] OECD 2005 – Ageing and Employment Policies in Ireland – ISBN-92-64-03622-9. Also OECD 2012 Thematic Follow-up Review of Policies to Improve Labour Market Prospects for Older Workers

- Supporting workers in making informed decisions about the potential financial, health and other impacts of a longer participation in the workforce;
- Promote access to a wide range of opportunities for continued learning and education for older people;
- Raise the awareness of employers and workers organisations of the value of retraining of older workers;
- Promote adequate, secure and sustainable pensions to deliver security, equity, choice and clarity for the individual.

The Strategy details that working to an older age has positive physical and psychological effects. This may be due to the world of work being an opportunity for active engagement. It suggests that some evidence indicates that a workers' productivity does not necessarily decline with age because a decline in physical capacity may be compensated by qualities and skills acquired through experience. Health rather than age is the key factor determining productivity levels. For this reason the influence of health factors in some sectors may decline due to increased longevity and the less physical nature of jobs. However, conversely they may also increase in other sectors for instance those which are increasingly dependent on cognitive ability.

Research detailed in the strategy has found that early retirement was common but often unplanned, with the most common cause (accounting for one-third of early retirements) being illness and disability. The second most common cause of early retirement was access to a redundancy package or pension that made early retirement affordable. A strong preference for gradual retirement was also noted, with approximately 7 out of 10 of those currently at work and aged 55 - 69 citing a preference to retire more gradually than is normal in the present system. Some also indicated a strong preference for flexible retirement, allowing them to retire at a different age that that allowable (for them) at that time.

3.4 Irish Pensions Policy Reform

The National Pensions Framework 2010[42] builds on the Green Paper on Pensions 2007[43] and includes the objective to maximise opportunities for older people to participate in education, employment and other aspects of economic and social life. It suggests older people will be further encouraged and supported to access further and higher education and that the continued participation of older people in the labour market will be encouraged and facilitated to meet the challenge of an ageing society.

The Green Paper on Pensions confirms that as the concept of retirement shifts and becomes more active, support systems and structures may also need to adapt. It confirms that sustainability considerations may mean that increasing retirement age should play and increasing role in pensions strategy.

A number of reforms to pensions policy are underway to address the adequacy and sustainability challenge. In order to provide for sustainable pensions and to facilitate a longer working life, the Government legislated for the increase in State pension age in three separate stages. From January 2014, the State pension age has been standardised at 66 (through the abolition of the State pension (transition) previously available at age 65). This will be increased to 67 in 2021 and 68 in 2028. Although the change to State pension (transition) means that the

[42] Government of Ireland 2010 – National Pensions Framework
[43] Government of Ireland 2007 – Green Paper on Pensions 2007

minimum age from which a pension is available is 66 rather than 65, it is worth noting that of those applying for and awarded the State pension (transition) in 2012, just 12% or approximately 1,400 of recipients joined directly from work[44]. This would indicate that although 2014 may mark an initial structural change in the move towards longer working, wider policy supports are required to support a more sustained shift to longer working in the period to 2021 when the pension age moves to 67.

Further State pension reform measures to strengthen the financial incentives to remain in work came into effect in 2012, include the raising of the minimum contribution required to qualify for a State contributory pension (from 260 to 520 contributions, translating into approximately ten years employment), and a change in the number of payment rate bands to align contributions made over a working life more closely to payment received.

This measure supports the change to a 'total contribution approach' (rather than yearly average test) the Government has confirmed will be introduced whereby State pension provision will be directly linked to contributions made over a working life. In doing so it addresses calls in the EU Pensions White Paper to closely link pension benefits to years worked and contributions made (actuarial fairness) to ensure that working more and longer pays off by having an improved pension. A total of 30 years' contributions will be required for a maximum pension. Ten years' contributions will be required to qualify for the minimum rate (one-third of the maximum).

To support the provision for adequate income in retirement, the position in relation to supplementary occupational and private pensions coverage is also being examined. Most recent figures indicate that only half of workers aged between 20 and 69 years have a supplementary occupational or private pension. The Government has highlighted that this relatively low coverage is a major concern. To prevent an overreliance on the State pension, as part of the Programme for Government, the Government is seeking to progressively achieve universal coverage of pensions, with a particular focus on lower paid workers and to provide for greater flexibility for those who wish to retire on a phased basis. In this regard, consideration is presently being given to the development of a National Employment Savings Scheme based on an auto-enrolment approach. From an adequacy viewpoint, any worker enrolled in such a scheme would benefit from longer periods in employment contributing to a private pension. In its recent review of the Irish pensions system, the OECD has taken a similar position to the Irish Government in expressing the view that the main policy goal of reforming the pension system should be to improve pensions adequacy and coverage[45].

3.5 Forum on Working and Retirement

On the 12th December 2012 the Interdepartmental Group held a '*Working and Retirement Forum'* in Croke Park. The purpose of the Forum, which was Chaired by the Department of Social Protection, was to gather together those with an interest and involvement in the extensive and diverse range of issues affecting working and retirement, to systematically identify these issues prior to the development of any possible policy proposals that would support longer working.

Attendance at the Forum included employer and trade union organisations, representative groups for older persons, the pension industry, academic/policy specialists and relevant government departments and agencies (see Appendix 1). Whilst a broad range of views were

[44] The remainder came from other social welfare benefits 51 %, retirement 15% and other 22%

[45] OECD 2013: OECD Review of the Irish Pension System

expressed and recommendations received, the following summarises common themes arising:

General issues

- There is a need for a 'whole Government' integrated policy response to longer working;
- There needs to be a change in national cultural mind-set regarding retirement at 65;
- There should be on-going communication with the public/employers/employees/ trustees of occupational pension schemes in relation to the various issues.

Legal issues

- Clarity is required in relation to Unfair Dismissals Acts and Employment Equality; Acts legislation regarding retirement age and there is a need to work with reference to 2000/78/EC European Directive;
- Consideration should be given to developing a Code of Practice and/or guidelines relating to objective justification and the setting of retirement ages.

Pensions Issues

- Increase coverage levels of supplementary pensions;
- Improved certainty and confidence in state and occupational pensions is required;
- Consideration should be given to including options for actuarially adjusted State pension to facilitate flexible working and allowing persons to defer access to the State pension;
- Guidance is needed for schemes\trustees and employees with regard to implications for pensions following the abolition of SPT;
- Amendment to the 1990 Pensions Act to simplify phasing when adjusting occupational scheme pensions.

Enterprise (also including employment/legal matters)

- Policy that facilitates enterprise in addressing workplace issues and incentivising longer working;
- Improve attitudes to, and the attitudes of, older workers;
- Clarity in relation to Unfair Dismissals Acts and Employment Equality Acts legislation regarding retirement age and need to 'dovetail' with reference to European Directive 2000/78/EC;
- Training and education of workplace managers, human resources staff etc. regarding broad issues of an ageing workforce;
- Mechanism for assessment of issues in advance of mandatory retirement.

Other

- Change in revenue/taxation framework to allow flexible working past State pension age;
- Improved activation/training and employment supports;
- Help people stay in the labour market longer through improved health and education services.

4.0 FEATURES OF THE RETIREMENT DECISION

4.1 Combining Retirement, Work and Pensions

The timing of an individual's exit from the workforce can be heavily influenced by pension rules and by personal preferences for working hours and flexibility in the work schedule. As has been shown, older workers in good health may prefer a gradual transition into retirement rather than stopping work entirely on a particular date. A key issue here is the willingness of employers, the adaptability of the workplace and the degree to which fiscal/tax arrangements permit and/or encourage part-time working during a period between a full-time employment and full retirement.

The OECD has highlighted there are three main reasons for the reluctance of employers to hire or retain older workers these being negative perceptions about the adaptability and productivity of older workers, labour costs which rise with seniority or age and strict employment protection regulations[46]. In light of this, the OECD expressed the view that measures to encourage employers to understand the benefits of an age-diversified labour force should be included in Irish policy measures to support longer working.

It has also been observed that a key factor in an individual's retirement decision is awareness around the conditions applying to, and benefits of, longer working. In Denmark, lack of awareness was found to be one of the reasons for the low take up of measures to incentivise work and pension combinations[47]. In terms of communication and provision of information, the Netherlands offer good practice in this area with the dedicated website for those considering working beyond the age of 65 www.65pluswerkt.info, which provides information on all relevant matters to both employees who are considering working after their retirement and employers who consider hiring retirees.

4.2 Employers Perspectives Regarding Productivity and Retirement

In considering any debate around the suggestion that the use of mandatory retirement ages should be prohibited, it is appropriate to first ask what was the original rationale behind facilitating the use of mandatory retirement. Those defending the use of mandatory retirement ages would suggest that a worker's productivity declines from an approximate age and mandatory retirement is an appropriate way to deal with this reduced productivity. This is because generally speaking, the typical wage pattern throughout a working life increases with experience and improved productivity. From an employer's perspective, if productivity then reduces due to the ageing process, then the unit cost of the employee exceeds value and a younger person may achieve the same level of productivity for a lesser cost. As such, implementation of a uniform retirement age addresses this issue whilst also preventing discrimination issues in terms of judging the productivity decreases between one worker and another. It may also be argued that it prevents workplace malaise that might arise through reducing the wages of older workers in line with productivity reductions.

However, a counter argument to these points may be that employers are compelled to assess the productivity of all workers on an on-going basis and regularly differentiate between workers in areas such as promotions and wage rates. In addition, there is little available evidence to conclude that a workforce subject to a mandatory retirement is a more harmonious

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[46] OECD 2006 – OECD Employment Outlook, Boosting Jobs and Income
[47] (Larsen and Ellerbaek 2012 –Evaluation of Job Plan.

workforce than a workforce that is facilitated in working to an older age albeit subject to pay reductions due to a decline in productivity.

It would appear self-evident that, taken in the whole, maintaining wage rates for older workers that have risen beyond productivity may negatively affect the employment levels of these workers. It would seem reasonable to suggest therefore that practices in this area should be reviewed including pay patterns based on age and length of service and rotation of older workers to more suitable roles in the workplace. However, whilst potentially beneficial to employers and older workers, progress in this policy area would not be without significant hurdles to overcome not least in the area of equality/discrimination legislation.

4.3 Employment and Equality Law and Retirement Age

As highlighted previously, notwithstanding the age at which a State pension becomes available, Ireland does not have a default statutory retirement age at which employees must retire and those receiving the State pension (contributory) are entitled to work whilst receiving the pension[48]. The setting of retirement age in Ireland remains a matter between employers/employees and the employment contract.

Whilst recognising the importance of encouraging longer working and identifying a number of ways this could be achieved, Ireland's Green Paper on Pensions noted that, in most cases, workers do not have any choice when it comes to retirement and observed that most in employment have a compulsory retirement age at 65.

In order to allow optional later retirement the Green Paper raised for consideration the prohibiting of the imposition by employers of any mandatory retirement age or any mandatory retirement age below a certain age. Recent OECD labour market studies have also encouraged the consideration of abolishing the use of mandatory retirement ages both in OECD countries and Ireland specifically[49]. This has not yet been reflected in terms of development of Irish labour market policy or employment law.

Measures which may support longer working include encouraging employers (or actively precluding through stronger legislation) to closely consider the use of mandatory retirement ages in employment contracts thereby allowing older workers stay in employment beyond the companies 'traditional' retirement age. One of the main challenges raised by employer, trade union and legal sector representatives at the Working and Retirement Forum 2012, was the perceived need for clarity in this area with regard to Irish legislation on the retirement age and the European Directive 2000/78/EC.

Directive 2000/78/EC established a general EU framework for equal treatment in employment and includes age in this framework. The directive recognises that differences in treatment on the grounds of age may be justified by Member States under certain circumstances and as follows;

- it must be objectively and reasonably justified by a legitimate aim within the context of national law;

[48] Whilst the calculation and payment of the State pension (contributory) is in no way impacted by employment status at age 66 and over, an individual in receipt of a means tested non-contributory State pension may have their payment reduced depending on their level of means (i.e. income from employment will be considered in assessing means).
[49] OECD – Older Workers: Recent Policy Initiatives and Labour Market Developments 2012 . See also OECD Ageing and Employment Polices Ireland 2005.

- refers to legitimate employment policy, labour market and vocational training objectives.

In Ireland, Directive 2000/78/EC is accommodated by the Employment Equality Acts 1998 to 2011. The Act prohibits discrimination on the grounds of age. However Section 34(4) of the Act provides that it is not unlawful for an employer to fix a compulsory retirement age for employees. The Equality Tribunal in recent decisions has interpreted the Employment Equality Acts in light of CJEU rulings, and sought objective justification of mandatory retirement ages set by employers. In a number of cases employees have successfully challenged the retirement age set by their employer.

Under the Unfair Dismissals Acts 1997 – 2007, there is an entitlement (Section 2 (1) (b)) on the part of an employer to rely on an employee having reached the 'normal retirement age' applicable in that employment to justify a termination of employment. Employees who have reached 'normal retiring age' in a workplace (if such an age exists) are not eligible to take a case under the acts. Normal retiring age may be a matter of custom and practice that has developed in a particular sector or workplace. Where there is no normal retiring age in a particular workplace, there is no upper age limit for taking an Unfair Dismissals case. Cases heard under the Unfair Dismissals Ac. are processed through the Employment Appeals Tribunal or Rights Commissioner (as opposed to the Equality Tribunal).

EU Court of Justice decisions have raised the prospect of further age discrimination cases in Ireland where employees do not accept a compulsory retirement age. The precise implications of these decisions are not entirely clear. Employer, trade union and legal profession representatives have raised concerns in relation to a lack of clarity and understanding at industry/enterprise and possible disconnect between the operation of EU law in the form of Directive 2000/78/EC and Irish law in the form of the Equality Acts and the Unfair Dismissals Acts.

The view has been expressed[50] that legislative clarity is required in this area to ensure Irish legislation is made more clearly compliant with Directive 2000/78/EC. Given the limited case law and guidance available to inform employers, it has been suggested that legislation which permits mandatory retirement, will be challenged on the grounds that it is in breach of the Directive. However, as it has not been demonstrated that legislation is not in compliance with EU law, no amendments to this legislation have been proposed.

4.4 Financial Implications and the Retirement Decision

In relation to financial implications for longer working, it is commonly accepted that if taxes and social contributions on incomes earned on top of pensions are high, the incentive to continue working may be low. As was highlighted previously, international experience has shown that a lack of awareness of positive financial incentives to longer working can in itself limit the engagement of older workers. It can be seen from the details below, that a range of incentives are available to older persons who continue working (which are not available to their younger counterparts). However, there is no existing research material confirming the degree to which older workers are aware of these individual incentives, or importantly the resulting benefit that would accrue from them.

[50] The Law Society of Ireland

In Ireland, those aged over 66 are not liable for **PRSI** contributions on employment or pensions earnings which should act as an incentive to longer working. Incentives are also available to employers for those aged 66 and over and in employment, as they pay a reduced 'Class J' PRSI contribution of 0.5% to cover occupational injuries[51]. However, at present, those employees who do not have enough PRSI contributions at age 66 to obtain a full State pension, cannot choose to add contributions after that age or retrospectively pay PRSI contributions[52]. Allowing those who have not built up sufficient contributions for a full State Pension to continue making PRSI contributions to qualify for State Pension only may act as an incentive to continue working.PRSI is not payable on a pension from a former employment for those aged under 66 and employed or self-employed. However, for those aged under 66, drawdowns from Approved Retirement Funds (ARFs) and vested PRSA's are subject to PRSI.

The **Universal Social Charge (USC)** on a scale of between 2% and 7% is currently paid on all income if gross income is more than €10,036 per year. It does not apply to State pension or other social welfare or similar payments but does apply to occupational and private pension income. A reduced rate of USC of between 2% and 4% applies to medical card holders under 70 with aggregate incomes of €60,000 or less and to people over 70 with aggregate incomes of €60,000 or less.

A range of **tax credits and reliefs** is available to those aged over 65[53] which may incentivise longer working (though incentives may not be directly linked to employment). This includes an Age Tax Credit of € 245 for a single person or €490 for a couple.

4.5 Working and the State Pension

In relation to the State pension in Ireland, the January 2014 abolition of SPT removes the retirement condition which acts as an incentive for people to leave the workforce and has been widely criticised as a barrier to older people remaining in employment. The State pension (contributory) is taxable and those in receipt of the payment can continue to work without affecting their entitlement. For the purposes of calculation of income tax, income from the SPC is combined with any income from work.

4.6 Working and Occupational/Private pension

In most circumstances, those receiving an occupational pension may work or be self-employed while receiving that pension. Income arising from pensions is subject to taxation under the Pay As You Earn (PAYE) system. For income tax purposes, the total income from pension (State and private) and employment is combined in the calculation of income tax liabilities with tax credits applied in the normal way. Occupational/private pensions are not subject to social insurance contributions (PRSI).

As with the State pension, those in receipt of a pension income from a retirement annuity or Approved Retirement Fund (ARF) can combine this income, State pension income and the income arising from employment for income tax purposes.

For those in receipt of public sector pension, there are *abatement* rules which mean that should they recommence employment within the public service post retirement, pensions are reduced to ensure that individuals do not earn more between the pension and the income from employment than the individual would have earned had they remained in employment.

[51] This compares to a standard employer PRSI rate of 4.25% on earnings between €38 and €356 and 10.75% for amounts in excess of €356

[52] This matter is currently being considered by the Department of Social Protection

[53] See Revenue's IT45

However, those on a public service pension can work in the private sector without their pension being affected in the same way.

The decision to continue working in the same employment past an intended retirement age on a part time or reduced hour basis can be influenced by the type of pension an individual receives. In Ireland approximately 528,000 employees are in Defined Benefit (DB) schemes[54]. The rules of these schemes, be they final salary or career average schemes, would effectively penalise part-time working at the end of a career as the reduced salary could be reflected in reduced pension entitlements. This issue would not arise in a Defined Contribution (DC) scheme where the benefits payable are determined solely by reference to the contributions paid into the scheme and the investment returns earned on these contributions[55].

The rules regarding retirement age and age limits for draw down of a pension vary depending on whether a person contributes to an occupational scheme, a PRSA or a Retirement Annuity Contract (RAC). An occupational pension scheme must provide for retirement at a specific age generally between 60 and 70. A PRSA or RAC must provide for withdrawals to begin not earlier that 60 and not later than 75. To remove these anomalies (which would support longer working and provision of retirement savings), the 2009 Commission on Taxation Report recommended the removal in the treatment of different retirement ages and an upper age limit of 75. The Commission further noted that the various ages specified in the legislation governing the time at which benefits must begin to be taken date back to 1972 and warrant being reviewed and conformed in light of increased life expectancy since then.

[54] Pensions Board 2013 – The Pensions Board 2012 Annual Report. Of this figure, approximately 338,000 are civil and public service employees.

[55] Pensions Board 2012 indicates 239,150 members of Occupational DC schemes. This does not include a further approximately 200,000 DC PRSA contracts, DC Retirement Annuity Contracts (c. 100,000) or DC Executive Pension Plans (c50,000) (see Department of Social Protection's 2012 Report on Pension Charges).

5.0 MEASURES TO INCREASE LABOUR MARKET PARTICIPATION OF OLDER WORKERS

Based on the prevailing international policy environment regarding good labour market practice for older workers, the analysis and deliberations of the interdepartmental group and the outcomes of a Working and Retirement Forum held in December 2012, the following provides a summary overview of measures for consideration which may support longer working beyond that State pension age and a encourage a reduction in the gap between effective retirement age and State pension age[56]. However, it should be recognised that these measures reflect initial discussions and consideration of the issues relating to longer working. Ongoing work and co-operation across Government will be required to improve understanding of the complex and multi-faceted issues impacting on longer working and retirement practices. As this understanding develops and expands, so too should capacity of the various interests to identify and develop a wider range of suitable policy responses.

Some of the measures highlighted are applicable to any labour market whilst others have been identified in relation to Ireland. For the purposes of this paper they specifically relate to the need to address early retirement and support adequate and sustainable public pension provision in to the future[57].

5.1 Possible Measures to Strengthen Incentives to stay in Work:

Short Term

- Communications: To improve communications and information provision with those considering continuing in, or seeking, employment at an older age and employers who consider retaining or hiring retirees/older workers. This might include the use of a dedicated website or central resource for material relating to longer working, employer good practices, tax treatment and retirement income, the incentives to remain in work and the training/employment opportunities arising etc.
- To support the retirement decision of older workers, use evidence based research to promote an wider understanding and awareness of the identified social, health and wellbeing benefits of continued working (whilst recognising this would not be a practical or appropriate option for all).

Medium Term

- Limiting unintended access to State welfare occupational schemes and other unwarranted early exit pathways that may encourage early retirement. Experience has shown that when entry requirements to one scheme are refined, another may take its place e.g. long term unemployed older workers availing of disability benefits;
- Linked to the point above and to limit drift away from the labour market, greater use of vocational/occupational experts in assessing capacity to work when considering applications for disability type benefits. Thereafter the use of focused rehabilitation and employment support programmes for the purposes of active reintegration to the labour market;
- Incentivise longer working by allowing continued PRSI contributions past normal pensionable age for both those who would, due to insufficient contribution periods, not

[56] Measures already taken or legislated for such as the increase in the State pension age are not included here

[57] EU White Paper on Pensions 2012, OECD Older Workers – Recent Policy Initiatives and Labour Market Developments, OECD Pensions at a Glance 2011, OECD Ageing and Employment Policies Ireland 2005, Ireland's Green Paper on pensions 2007, National Pensions Framework 2010, Long Term Pensions Policy in Ireland DSO 2012

qualify for any State pension (contributory) and for those who wish to build up higher level of entitlement to the State pension.

- Allow those who wish to work longer and postpone drawing down the State pension, or make PRSI contributions whilst working beyond pensionable age, receive an actuarially adjusted pensions when they do decide to retire (thereby improving labour market participation rates and the adequacy of pensions);
- Increase lifetime contribution period/levels of contributions required to obtain a full State pension (As detailed in section 3.4, *Ireland has introduced recent changes to the contributory based pension system increasing required contributions and an amended rate banded pension. A planned switch to a total contributions approach will mean that contributions over the course of a working life will be considered when calculating pension entitlement which it is anticipated will encourage greater lifetime attachment to the labour market);*
- Offer workers the possibility of deferring a claim to an occupational pension while continuing to work and make contributions. This could include the civil and public service.
- Increase flexibility for combining pensions with work income; allow greater flexibility in working and drawing on an occupational pension.
- Rules regarding minimum and maximum retirement ages for pension drawdown vary (generally allowing access between 60 and 75) depending on the pension type (occupational, PRSA, RAC etc.). Consideration should be given to conforming the various ages specified in the legislation governing the time at which benefits may be drawn down;;
- Reducing employer supported workplace early retirement schemes;

Measures to Tackle Older Worker Employment Barriers with Employers
Short Term

- Improve awareness of rights and responsibilities with respect to age-discrimination legislation. Tackle embedded employer attitudes towards older workers through awareness campaigns. This includes generalisations that older workers may not have the skills sets required, may not be as productive or flexible, are not as ambitious and younger workers and take more sick leave (It should be noted that many employers and employees would consider older workers to be loyal, reliable and rich in experience);
- Encourage (or actively preclude through stronger legislation) discontinuation of mandatory retirement ages in employment contracts where appropriate;
- Encourage employer provision of flexible working arrangements and work practices facilitating a graduated transition to retirement;
- Support longer working lives by providing better access to lifelong learning. In Ireland training and up-skilling available to, and utilised by, older workers is far lower than in other EU countries[58]. As a general rule across the European workplaces, training is skewed towards the earlier part of the career cycle. To mitigate against the potential lower cost/benefit ‘payback’ to employers as older workers will be closer to retirement, this may include a role of the State to support provision of training to employed older workers through direct provision or State subvention.

Medium Term

- Self-employment can be particularly well suited to the preferences of older workers as it allows for a more personal organisation of working time and effort and can be adapted

[58] Ageing and Employment Practices in Ireland – OECD 2005

more easily to work capabilities. At 59.7%, Ireland has one of the highest rates in the OECD of self-employment among for people aged 65 and over[59];

- Facilitate co-operation between the social partners in developing best practice for age management in the workplace. Produce guidelines and proposals for developing innovative work arrangements and job design and improving work environment for older workers;
- There is a limited, and given the range of influencing factors involved, dispersed understanding of the factors which impact on the retirement decisions in Ireland. Therefore targeted research should be undertaken to identify factors influencing the longer working and retirement practices of older persons and identify evidence based measures that may support longer working and an increase in the Ireland's effective retirement age.
- Review pay practices including those based on age or length of service e.g. if wage rates are strongly influenced by age and the cost of employing older workers rises more steeply than productivity does, employment of older workers will be negatively affected.

Measures to Improve Employability of Older Workers

Studies have shown a direct correlation between the health and education levels of individuals and their participation in the workplace[60]. Those with poorer health and/or education levels tend to retire earlier and be more dependent on State benefits.

Therefore, raising the pensionable age must be accompanied by measures that help people stay longer in the labour market through health, work place and employment measures. In the absence of these, the impact on public finances could be much less beneficial as other forms of benefit are utilised i.e. unemployment, invalidity, social assistance etc.;

Short Term

- Re-orientate the broad cultural disposition and expectation to retire at 65 or earlier as 'the norm'. These expectations have been reinforced by historical practices and availability of State pension. It is interesting to note the OECD report[61] on Ireland which details ¾ of males aged 60-64 citing 'retirement' as a reason for their inactivity (as opposed to them being unemployed);
- Consider tailored/targeted employment guidance and vocational training services to address the particular needs of older workers. These reforms should be centered on the 'mutual obligations' approach of welfare and employment services provision. In this context, as the State pension age increases amend the National Employment Action Plan referral system to accommodate those aged up to 66 (and over the longer term to 67, 68) to guidance and activation services. Ensure the commitment of both parties to job search requirement.

Medium Term

- Further utilise incentivised employment support schemes that may prevent older workers exiting the labour market early through disability benefits disabilities e.g. Back to Work Allowance, Employee Retention Grant Scheme, Wage Subsidy Scheme to support reintegration to the workforce and encourage employers to recruit/retain

[59]As well as Ireland, EU countries like Greece, Italy, Spain, Portugal, Cyprus, have significant agricultural sectors which involve the employment of higher shares of self-employed older workers.

[60] Barrett, A 2011 – Fifty Plus in Ireland 2011; First Results from the Irish Longitudinal Study on Ageing, TILDA.

[61] Ireland Ageing and Employment Policies – 2005 OECD

individuals with a disability (of which older workers would constitute a significant cohort);
- Recognise older workers in certain occupations e.g. trades/heavy physical work may not have the same potential to continue with the same job role as they grow older and less physically able. Research has shown that working conditions play an important role in retirement decisions and 'blue collar' workers are more likely to retire early than 'white collar' workers. Therefore encourage measures to facilitate re-jobbing and workplace adaptation.

When formulating policies to mobilise the potential labour supply of older people, reflection on the policy areas aimed at increasing participation may require an additional gender specific dimension to address the particular needs of women.

6.0 INTERNATIONAL EXAMPLES OF TARGETED MEASURES FOR OLDER WORKERS

The following details provide examples of targeted measures aimed at supporting and increasing the participation of older workers in the labour force. It is important to state that it is not generally possible to draw definitive conclusions on the relative success or otherwise of these initiatives in increasing participation rates as they would form part of the wider dynamics of the labour market and economic conditions prevailing in each country.

Several countries, including Australia, Finland, France, the Netherlands, Norway and the UK, have introduced public-information campaigns and/or legislation designed to tackle ageism in the workplace. These campaigns help provide employers with tools and information for managing an older workforce and put a strong emphasis on managing age diversity to avoid stigmatising older workers[62]. However, it should be noted that such measures have not always demonstrated effectiveness. Among the countries that have taken a strong public stance against age discrimination (through legislation or public-information campaigns or both), there were fewer reports of ageism at work in Finland and the United Kingdom in 2005 than earlier, but the Netherlands recorded an increase. Similarly, there have been significant declines in perceived age discrimination in Spain and Portugal despite the fact that government action in the period in question was limited.

France (from 2020) will increase the contribution period required to receive a full State pension from 40.75 years to 43 years. This measure is to ensure the contribution period increases in line with increased life expectancy and to ensure a direct impact on the labour force by increasing the effective retirement age. Given that the result of this measure will be longer working lives, it will also have a beneficial effect in terms of increased contributions to, and later drawdown of, public sector and private sector supplementary pension savings. Similar systems are in place in many other EU countries including Spain, Denmark, Finland, Sweden, Greece, Bulgaria, Portugal.

France used legislation to introduce a sanction for firms which have not adopted a company level plan and action to promote the employment of older workers. As from the first quarter of 2010, firms of more than 50 workers that are not covered by a collective labour agreement or an action plan promoting the employment of older workers have to pay a fine of 1% of total earnings.

Finland The fixed retirement age of 65 was abolished in 2005 in the earnings-related pension scheme. As of 2005, the insured employee has been able to retire on old-age pension at a time of their own choice between the ages of 63 and 68. This was paralleled with an incentivised higher accrual State pension rates for those in the 63 to 68 category.

In effect, an individual may retire at 63 but to do so may result in the receipt of an actuarially reduced pension compared to those who retire later. As a result, whilst employment rates in the total population have decreased between 2008-2010, the employment rates in the elderly groups continue to improve (or at least did not deteriorate). For the age group 60-64, the employment rate has increased from 29.2% in 2004 to 41.8% in 2011.

Denmark It is possible to defer the State pension for up to 10 years. The increment for deferring pension for a year is the ratio of the period of deferral to average life expectancy at

[62] OECD Pensions at a glance 2011

the time the pension is drawn. For example, population projections in Denmark show life expectancy for a 68 year old to be 17.1 years. Thus, the increment for deferring for a year from age 67 would be 1 / 17.1 = 5.8%.

In 2008 a 'Job Plan' was introduced for those aged over 65. To encourage deferment of full exit from the workforce, working pensioners with a state retirement pension were given an extra basic income tax deduction of DKK 30,000 per year (€ 4,000). Less strict employment requirements for people who receive a higher pension were introduced. Disability pensioners were free to work as many hours as they wished without this affecting their pension.

As part of welfare reform, the right to prolonged unemployment benefits for those aged over 55 was abolished and replaced with a right to a 'seniors' job. This is a job in the area where a person lives.

Iceland Since January 2007**,** persons aged 67 and over can delay collecting their State pension for up to five years, until the age of 72. The amount of benefits increases by 0.5% for every month pension payments are deferred. This would add 6% per year or 30% for the five year period to the pension. However, albeit from a high base, the effective retirement age has either remained largely constant or declined marginally between 2007 and 2011 for men (69.5 to 68.2) and women (65.5 to 65.7)

A higher tax credit for workers over the age of 56, which increases with age. Workers older than 62 are additionally entitled to a bonus, which varies with age and income and is paid out at the end of every year of work.

Spain In 2010, a retention subsidy for workers aged 59 and over with at least four years of tenure in the same firm was introduced. This subsidy provides for a 40% reduction in the employer's social security contribution for a maximum of one year. Workers aged 45 and over have to be considered as a priority group for ALMPs (Active Labour Market Programmes).

Germany Introduced the programme Perspective 50plus in 2005 which targets long-term low and semi-skilled unemployed persons above the age of 50. Under the programme the Ministry for Labour and Social Affairs sets incentives for public and private sector organisations to establish pacts to help the long-term unemployed aged 50 and over back into work. Targets are negotiated and funding provided is based on these.

Netherlands In 2009 the Dutch government introduced a work-continuation bonus seeking to delay the retirement of older workers. The 'doorwerkbonus' was applicable to individuals who continued working after the age of 62 and involved a discount on taxable income. It has been shown that average, after the reform, older workers expect to retire approximately one year and seven month later than younger workers.

Austria A national action programme was launched in 2006 to raise employment and improve workability of older people with training courses, integration subsidies and an in-work benefit scheme.

The 'NESTOR' Competition has been introduced to raise employers' awareness regarding the special value and importance of older workers, and to ensure a timely response to the demographic challenges of the next decades. The competition awards prizes to employers who show particular commitment to older employees aged 45 and over, and who design their working environment to meet the needs of ageing[63].

United Kingdom – Those working beyond the statutory pension age in the UK are exempt from paying social insurance contributions. An Age Positive Initiative was introduced to maximise the impact of removing the DRA; it works in partnership with leading business organisations to drive forward sustained change in employer practices towards increasing the employment and retention of older workers. To date, this initiative has secured the active commitment of over 100 leading business 'champion' organisations in the largest nine sectors[64].

Canada As of January 2012, individuals under the age of 70 who work while receiving their State pension i.e. Canada Pension Plan (CPP) retirement pension can increase their pension by continuing to contribute to the CPP in order to earn the new Post-Retirement Benefit. Each year of additional contributions generates a new PRB the following year which will be added to the CPP. The PRB is fully indexed and payable for life[65].

Targeted Initiative for Older Workers (TIOW) was introduced in 2006 to assist unemployed older workers in small vulnerable communities affected by significant downsizing, closures or high unemployment through programmes aimed at reintegrating them into employment or improving their employability

In 2007, amendments to income tax regulations allowed phased retirements under defined benefit pension plans. The changes allow individuals to receive 60% of their pension while at the same time continuing to accrue pension benefits through the same plan. The changes also provide more flexibility to retain older workers.

Australia Introduction in 2011-2013 of a new element of Experience +, the More Help for Mature Age Workers initiative to assist workers aged 50 and over with trade relevant skills but no formal qualification to have their skills assessed and formally recognised. The aim is to ensure older workers have better job security.

The Australian State pension is a means tested payment for all. A 'Work Bonus' was introduced in 2009 as part of overall pension reform. This is an income test exemption that allows age pensioners to keep more of their pension whenever they resume work. Pensioners are now able to earn up to AUD 250 every two weeks from employment, without that amount being assessed as income under the income test. They can accumulate any unused amount of the fortnightly exemption up to a total of AUD 6500 to offset future employment income.

An 'Investing in Experience Employment Charter and Tool Kit', being distributed to employers nationally, outlines better practice principles and guidelines for the recruitment and retention of mature age people. A Productive Aging Package was released in 2010 and this includes a Corporate Champions project, through which employers have agreed to demonstrate leadership in recruitment and retention of mature age people. These employers receive support to measure their practices against the Investing in Experience Employment Charter to establish goals; and to achieve these goals over a 12- to 18-month period[66].

[63] OECD Thematic Follow-Up Review Of Policies To Improve Labour Market Prospects For Older Workers: Austria
[64] OECD Thematic Follow-Up Review Of Policies To Improve Labour Market Prospects For Older Workers: United Kingdom
[65] OECD Thematic Follow-Up Review Of Policies To Improve Labour Market Prospects For Older Workers: Canada
[66] OECD Thematic Follow-Up Review Of Policies To Improve Labour Market Prospects For Older Workers: Australia

Belgium Measures were introduced to gradually restrict retirement at 62 or after 40 years of employment and to restrict early retirement benefits. Introduced hiring subsidies for disadvantaged older workers i.e. those aged 50 and over who are unemployed for more than 6 months.

In January 2012, in an effort to help raise companies' awareness of the value of older workers and the economic benefits of age diversity, the government agreed that every company should implement an annual plan to recruit older workers, which should comprise practical measures tailored to the company's size. Every year companies with at least 20 employees would have to draw up a plan to recruit workers aged 45 or over and each company would have to give workers' representatives an account of the efforts made to keep these employees in work or in some cases to recruit more of them. The scale of the programme would be more limited for companies with fewer than 50 employees[67].

Italy Since 2009, employers who hire workers who have paid 35 years or more of social insurance contributions receive a reduction in their social security contribution for each such worker. This was subsequently extended to cover (for 2 years) workers over 50 who become unemployed and re-join the workforce on a salary which is at least 20% less that their previous employment.

Portugal As part of the Employment Initiative for 2009 and 2010, employers were exempted from paying social security contributions for three years when hiring permanently unemployed aged 55 and over.

6.1 BMW - A Case Study of Good Employer Practices and Older Working[68]

In Germany the car manufacturer BMW has redesigned factories for, and with the input of, older workers. In 2007, the head of BMW's plant in Bavaria decided measures were required to address what was considered to be an inevitable decline in productivity as a result of an ageing workforce. However, rather than encourage early retirement and recruit younger workers, as a company who placed a high emphasis on the skills and expertise of their existing workforce and on their reputation as a quality employer, BMW choose to consider other solutions.

The company started a pilot programme with an assembly line made up of a higher number of older workers and worked with these staff, senior managers and technical specialists to develop productivity improvement changes such as managing healthcare, enhancing workers skills and the workplace environment, introducing part-time policies and change management processes. Changes included measures such as replacement of rubber flooring with wooden flooring to allow less stain on joints when swivelling in work, job rotation across work stations to balance demands on the body and keep minds sharp and engaged, limited periods on 'high strain' machinery and use of ergonomic chairs/tables that allowed work whilst sitting down for periods,

Results have shown that not only has the project led to older workers output matching that of younger workers, older workers actually outperform their younger colleagues. The direct investment cost only €20,000 but the 70 changes introduced increased productivity in 1 year

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[67] OECD Thematic Follow-Up Review Of Policies To Improve Labour Market Prospects For Older Workers: Belgium
[68] Havard Business Review 2009 – How BMW is Defusing the Demographic Time Bomb

by 7% initially. The assembly lines target was improved from 500 units to 530. In the period since the same plant has reduced absenteeism from 7% to 2%. The target for performance defects stands at 10 units per million but the plant has achieved a standard of 0 defects. Based on this success, follow up projects took place and the outcomes were repeated in other BMW plants in Germany and in the US.

Appendix 1

Working and Retirement Forum – 12th December 2012 Attendees – Representative Groups
Department of Social Protection
Department of Justice and Equality
Department of Jobs, Innovation
Department of Public Expenditure and Reform
Pensions Board
Age Action Ireland
Association of Pension Lawyers in Ireland
IBEC
ICTU
Irish Association of Pension Funds
Irish Senior Citizen’s Parliament
ISME
National Youth Council of Ireland
Older and Bolder
Society of Actuaries in Ireland
The Law Society

APPENDIX 2

EMPLOYMENT (ILO in '000) BY OCCUPATIONAL SECTOR BAND AGE BAND 2007 and 2012

	Age 15-19		Age 20-24		Age 25-34		Age 35-44		Age 45-54		Age 55-59		Age 60-64		Age 65+		Total	
	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012	2007	2012
Agriculture, Forestry and Fishing	[2.0]	*	4.1	[3.6]	12.8	10.5	23.7	13.7	27.4	22.6	13.5	9.9	11.8	10.9	19.1	17.5	114.3	90
Industry	4.7	[2.5]	27.8	11.9	90.3	68.5	80.6	75.8	52.4	52.4	17.7	14.7	9.8	8.7	[2.1]	[2.6]	285.4	237.2
Construction	12.4	*	44.9	4.7	84.3	27	59.6	29	38.6	24.1	14.2	8.5	9.9	6.7	[2.3]	*	266.2	103.2
Wholesale & Retail trade; Repair of motor vehicles and motorcycles	27.1	11.3	58.8	33.6	89.4	81.9	61.4	61.3	48.8	50.5	16	16.3	10.8	11.9	4.6	6.7	316.8	273.4
Transportation & Storage	*	*	6.1	*	22.3	16.4	27.1	26	23.7	25.9	9.7	9.4	6.3	5.9	[2.0]	[3.0]	98	89
Accomodation & Food service activities	10.6	7.6	27.6	21.4	43.2	39.1	24.5	25.1	16	14.8	5	5.2	3.8	[3.5]	*	*	132.2	118.3
Information & Communication	*	*	7.5	[3.8]	26.9	28.7	20.2	29.1	11.3	14.6	[2.3]	4.4	*	*	*	*	70.7	83.2
Financial, Insurance and real estate activities	*	*	15.4	[3.8]	41.2	39.4	22.8	31.1	17.5	18.7	4.4	6.3	2.6	*	*	*	105.4	102.8
Professional, Scientific and Technical Activities	*	*	13.1	5.2	41.8	35	28.2	30.3	19.3	18	5.6	7.3	3.7	[3.6]	[2.1]	[2.5]	114.6	102.2
Administrative & Support Service Activities	[2]	*	10.7	[3.6]	25.6	19.9	19.1	16.5	14	12	4.6	6.1	4.2	[3.4]	*	*	81.5	63.2
Public Administration and Defence; Compulsory Social Security	*	*	5.3	*	23.7	21.6	28.9	27.1	33.5	29.5	8.7	10	3.5	4.9	*	*	104.5	96
Education	*	*	10.4	7.3	36.4	36.8	35.6	39.1	38.2	38.1	11.9	14.9	6	6.5	[2.5]	[2.4]	141.5	145.3
Human Health and Social Work Activities	*	*	16	10.4	58	57.5	57.3	69.4	53.2	63.3	20	25.6	11.9	14.3	4.3	4	222.1	245.7
Other Services Activities	5.6	[2.5]	14.3	11.2	25.7	27.9	19.5	21.5	15.9	18.6	6.7	6.5	4.2	4.5	3.6	[3.4]	95.5	96.2
All	**70.3**	**18.9**	**262.9**	**124.7**	**623.7**	**511.1**	**510.1**	**495.9**	**410.9**	**403.6**	**140.9**	**145.3**	**90.2**	**89.3**	**46.9**	**49.3**	**2156**	**1848.9**

* Estimates for numbers of persons or averages where there are less than 30 persons in a cell are not produced as estimates are too small to be considered reliable;

Parentheses [ ] indicate where there are 30-49 persons in a cell, estimates are considered to have a wider margin of error and should be treated with caution;

Source: Quarterly National Household Survey, Central Statistics Office, Ireland.;

APPENDIX 3: Section 42 of the Industrial Relations Act, 1990

The legislative underpinning for a Code of Practice, as recommended by the Group, is Section 42 of the Industrial relations Act, 1990 which provides as follows:

42.*—(1) The Commission shall prepare draft codes of practice concerning industrial relations for submission to the Minister, either on its own initiative or at the request of the Minister.*

(2) Before submitting a draft code of practice to the Minister, the Commission shall seek and consider the views of organisations representative of employers and organisations representative of workers, and such other bodies as the Commission considers appropriate.

(3) Where the Minister receives a draft code of practice from the Commission he may by order declare that the code, scheduled to the order, shall be a code of practice for the purposes of this Act.

(4) In any proceedings before a court, the Labour Court, the Commission, the Employment Appeals Tribunal, [Director General of the Workplace Relations Commission] or a rights commissioner], a code of practice shall be admissible in evidence and any provision of the code which appears to the court, body or officer concerned to be relevant to any question arising in the proceedings shall be taken into account in determining that question.

(5) A failure on the part of any person to observe any provision of a code of practice shall not of itself render him liable to any proceedings.

(6) The Minister may at the request of or after consultation with the Commission by order revoke or amend a code of practice.

(7) Every order made under this section shall be laid before each House of the Oireachtas as soon as may be after it is made and, if a resolution annulling the order is passed by either House within the next twenty-one days on which that House has sat after the order has been laid before it, the order shall be annulled accordingly, but without prejudice to the validity of anything previously done there-under.

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