



# **Labour Market Issues for Older Workers**

**Forum Report No. 26**

**February 2003**



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PUBLISHED BY THE NATIONAL ECONOMIC AND SOCIAL FORUM

Copies of the Report may be obtained from the  
GOVERNMENT PUBLICATIONS SALES OFFICE  
Sun Alliance House, Molesworth Street, Dublin 2.

or

THE NATIONAL ECONOMIC AND SOCIAL FORUM  
16 Parnell Square, Dublin 1.

Price €9.00

(PN 12535)

ISBN-1-899276-30-0



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# Section I

## **Overview and Executive Summary**



# Overview and Executive Summary

## Overview

- 1.1 This Report examines labour market participation issues for older workers. As a group, these workers have been the subject of recent discussions in Ireland and at EU and international levels, both from a labour market as well as from an active ageing perspective. While the focus of recent research has been on the over 55s, there is value also in looking at in-work supports for workers from their mid-40s on as a means of ensuring that they do not become discouraged and marginalised later on in life. With this in mind, the Forum's Project Team concentrated on those in the age range 45-64.
- 1.2 The present Report is linked to work the Forum undertook previously (NESF, 2000) where older workers were identified as a valuable source of labour supply in the then context of labour shortages<sup>1</sup>. The Forum considers that it is now an opportune time to consider and plan actions in this area. With ageing populations, the position of older workers is important in many European countries and will also be so here over the coming decade.
- 1.3 In this opening Section we briefly outline the social and economic background to the discussion which is beginning to come to the fore about ageing in the workforce and we present a contextual overview of labour market issues involved under the following headings:
  - Scope of the Report;
  - Why a Focus on Older Workers?
  - Building on the Research Base;
  - Policy Implementation Issues; and
  - Project Overview and Methodology.

## Scope of the Report

- 1.4 This Report centres on enhancing the participation by older workers in the labour market. A recent analysis of labour market trends and policies (FÁS, 2002) noted that, while in the short-term, modest growth of the economy is predicted (from 2 to 3 per cent), in the medium-term the outlook is much more positive and that labour supply will have to grow significantly to meet the resulting increased demand for labour and upswing in the international economy. However, the

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1 That Report identified four key challenges to employment policy; the labour market situation of the least skilled, supporting older people in the labour market; addressing barriers to women's employment and the right to work of people with disabilities. The Report also looked at the employment of non-nationals.

challenge involved in further increasing the labour supply is intensified because the main contributors to growth over the last ten years - namely outflows from the education system, rising participation rates for women, increased immigration and reduced unemployment - are set to decline in importance. As a result, the need and the opportunity will open up for groups like older workers to play a more significant role in our economy<sup>2</sup>.

- 1.5 Throughout the Report we use the terms ‘older workers’ and ‘workers in midlife’ to refer to the specific grouping that we are interested in, namely those aged 45-64 years. These are generally referred to as the ‘older worker’ in the EU and international literature (OECD, 1995; Walker, 1997). These workers now occupy a more central position in discussions about labour supply.
- 1.6 The basic reason why the issue of age barriers in employment has in recent years moved up the European policy agenda is that in many countries, in parallel with a reduction in the availability of labour supply from the younger age groups, there has been a fall-off in the participation of older workers. Quite radical measures have been introduced since the mid 1990s in some European countries to address these problems. Many of these measures are designed to create disincentives to early retirement through reform of the pension, tax and social welfare systems. As the situation is not so immediately pressing in the Irish context (see Section II), throughout this Report we adopt the view that incentives to retention/participation are preferred to such disincentives.

## European Policy Developments

- 1.7 The French Presidency of the European Council in June 1995 saw the first political declaration at EU level on the need for special actions for older workers. A Resolution on the Employment of Older Workers (European Council, 1995) proposed actions to be taken by national governments and/or the social partners. These included raising awareness among employers of the consequences of making older workers redundant, promoting the reintegration of older unemployed workers and eliminating possible legislative barriers to the employment of older workers. More recently, the European Commission (2002c) has proposed joint initiatives by government/social partners to retain workers longer in employment.
- 1.8 At the wider international level (OECD, 1998, 1999, 2000) and more recently at EU level (European Commission, 2002a), much of the policy focus has been on the low levels of participation by the ‘older worker’ and the need to increase labour force participation rates. The European Councils at Lisbon and Stockholm have set an ambitious target for raising employment rates for older workers (defined as those over 55 years) from an average of 38.5 per cent (in 2001) to 50 per cent by 2010.

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2 Other potential sources identified by FÁS (2002) include the unemployed, the economically inactive who are not unemployed and immigrants.

Ireland's rate of 47.3 per cent (2002 figures) compares favourably with other European countries in meeting this target (see Section II).

## Why a Focus on Older Workers?

1.9 The world of work is changing rapidly and our understanding of its significance to our lives has changed much over the last few decades. For some older workers change and adaptability can be more difficult, so we need to focus on the barriers that impact on their participation in and access to employment. Residual negative attitudes towards older workers by employers and a focus in previous decades on early retirement have impacted adversely on their participation in the labour force. While these workers have not posed the same challenges to policy as they have in other EU countries (see Section II), competitiveness, in the longer term, will be positively influenced, however, by an adequate supply of labour, diversity in the workplace and an improved quality of life at work for everybody. For these to become realities in the Irish context, the specific needs of older workers will have to be considered.

1.10 The Forum's interest in older workers stems from four main policy developments in recent years. In summary these are:

- Changing demographics have resulted in ageing populations in many EU countries. Today for each pensioner in Europe there are, on average, 3.5 workers who contribute to the retirement income of that pensioner. By 2020, this ratio is expected to disimprove to 2.5:1. In Ireland, the current ratio is 5 people of working age to every 1 pensioner aged 65 years and over. However, by 2025 this ratio will fall to 3:1. Such changes are raising fundamental questions about the sustainability and future costs of pensions and other health and social services provision for those who are retired. In response to these developments, there has been an important shift away, in a number of major European economies, from encouragement of early retirement towards a more active promotion now of longer working lives. In the Irish policy context, the recent Programme for Government (Government of Ireland, 2002) makes specific reference to this:

*“We will review ways in which older people can be encouraged, where they so wish, to extend their working lives without financial penalty and in conditions which suit their personal lifestyle wishes”.*

- At the same time, the continuing decline in the number of younger people entering the labour market has led employers to now look at older workers to see how their contribution as a potential labour source can be enhanced or extended. This effectively marks a change since the 1970s and 1980s, when employers provided opportunities and incentives to older age groups for early retirement as part of a strategy of company restructuring in the private sector,

as a cost-saving mechanism in the public sector and also as a job creation strategy.

- Linked to their higher levels of participation in the labour force, there is also a growing interest in promoting the human capital potential of workers in midlife which has been neglected. up to now. Human capital refers to the education, competence, knowledge and skills that individuals contribute to the labour force. The link between this and our striking economic performance in recent years is widely acknowledged. For example, the Economic and Social Research Institute (ESRI) in its Medium Term Review (FitzgGerald *et al.*, 1999) points out that improvements in human capital leading to increased “labour quality due to rising educational levels, particularly in the 1980s and 1990s, accounted for almost 20 per cent of total growth in output”. The implications of lifelong learning (see also Section III) and of education and training across one’s career is of particular importance to the development of older workers’ human capital.
- Finally, the consequences of an ageing workforce are important at both the level of the individual and society. Greater emphasis is being placed on active ageing and the encouragement of continuing participation in a range of areas, not least of which is employment. Active ageing raises the quality of individual lives and at the same time, at societal level, contributes to higher growth, lower dependency and cost savings in pensions and health (European Commission, 2002b). In support of this approach, the recent United Nations World Assembly on Ageing, which took place in Madrid in April 2002, adopted an International Plan of Action on Ageing which is built on three policy directions:
  - older people and development, which focuses on the need for societies to adjust their policies and institutions to promote the growing older population;
  - advancing health and well-being into old age; and
  - promoting policies oriented towards family and community to provide the basis in caring for the ageing population.

## **A Focus on those 45 Years and Over**

1.11 Our concern with those in midlife, that is those aged 45 years and over, must also be complemented by targeted measures at younger age groups who are in employment. The problems faced by older workers can often be traced back to earlier stages of their lives, particularly in the transition to work and these are compounded as workers get older. A more proactive, holistic approach is, therefore, required:

*“Policies for employment and training need to take a ‘whole of life’ perspective both because of the importance of earlier life phases for later employment opportunities and because the traditional division of life into education-employment-retirement no longer fits”* (EFILWC, 2002).

- 1.12 In this respect, the Forum’s work differs somewhat from the recent Irish research which focused on those who are over 50 (Equality Authority) or 55 years in the case of Forfás and the National Council for Ageing and Older People (NCAOP) (see below). Our key premise is that early intervention, aimed at improving retention and employability will deter – or at least delay – discouragement and lack of motivation as this group gets older.
- 1.13 The main focus of our work then is on retention in employment, which we argue is easier to achieve than to encourage back to work, those who have already left. However, from a social inclusion perspective, and with a view to increasing labour supply, we are also concerned with the reintegration of those who are currently outside the labour market. The Report concentrates, therefore, not only on those in work but also on those who are presently unemployed and/or discouraged from active labour market participation<sup>3</sup>. In this regard, we address the needs of women returners who have been identified as a group for consideration in previous research (see NESF, 2000; PACEC, 2001, Russell, *et al.*, 2002) and more especially older women workers who may be doubly disadvantaged because of their absence from the labour market for periods of time due to childrearing or other caring responsibilities. For this group there are also difficulties in relation to tax and social welfare, as well as the lack of skills and/or confidence caused by being out of employment for a long time.
- 1.14 In its consideration of policy issues, the Project Team recognises that workers in midlife are not a homogenous group. Those in the 45-54 age group are still very much part of the labour market, but for many of them, skills development and supports either within the workplace or to help them to return to the workplace are needed. From 55 years onwards the nature of participation often changes and, for those in the pre-retirement years, factors relating to pension provision and to gradual retirement and flexibility in the workplace are more relevant.
- 1.15 The key concept underpinning much of the discussion in this Report is that of *choice*. The Project Team is of the view that workers should have a greater degree of choice about when to retire, about flexible working arrangements and a more supportive work environment provided by the employer with access to better training and progression at work. For this to become a reality, the current policy environment and employment practices will, however, have to be adapted so that the legitimate expectations of an ageing workforce are more effectively supported by employers, both in the private and public sectors, and by society generally.

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3 NESF (2002) cites studies of older workers, women returners and men in receipt of disability payments which confirm that a status outside the labour force was not their direct choice but instead, was the end of a process of drift from displacement, through discouragement and disillusionment to detachment from the workforce.

## Building on the Research Base

- 1.16 This Report builds on the growing body of research about ageing workers in this country and internationally. The Organisation for Economic Cooperation and Development (OECD) has recently initiated a review that is aimed at enhancing job prospects for older workers. This review followed on from the extensive work already completed on pension systems and incentives to early retirement (see Section VI). It acknowledges that while pension reform can remove incentives to early retirement, other policy measures including training, work accommodation issues and combating age discrimination are also required to encourage workers to remain longer in work, if they so wish<sup>4</sup>.
- 1.17 This Report takes its cue from two seminal Irish studies that were produced in 2001; one for Forfás by Public and Corporate Economic Consultants (PACEC, 2001) and one for the National Council for Ageing and Older People (NCAOP, 2001). Prior to their publication, there was very little work undertaken in this country. We summarise the main findings of this research below.

## The Existing Research in Summary

- 1.18 The focus of the PACEC study undertaken for the Expert Group on Future Skill Needs and Forfás was how best to increase participation in the labour market for those aged over 55 years and the barriers facing those who want to participate. The Report examined current participation rates for this age group and compared them with figures from other OECD countries. It recommended that the older age-groups should be tapped into more effectively as a source of labour supply. The study concluded that the scope for increased participation was greater for older women than for older men, due to the former's already low levels of participation; and was greater for those living outside Dublin than for those in Dublin, again because activity rates are lower in the regions.
- 1.19 The PACEC study highlighted a number of policy areas that need to be tackled if increased participation of the over 55s is to be realised. These are:
- measures to address the drift from redundancy or semi-voluntary retirement to long-term unemployment, benefit dependency and discouragement;
  - opportunities for downshifting (working fewer hours or doing a less demanding job);
  - increased take-home pay for those at the lower pay levels;
  - education, adult literacy and training;

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<sup>4</sup> Eight countries – Belgium, Canada, Japan, Korea, Spain, Sweden, Switzerland and the United Kingdom are being reviewed in 2002-2003 and a further 11 in 2003, with a final report available at the end of 2003.

- employment practices that eliminate age discrimination; and
  - flexibility in relation to pensions and social security provision. In particular, the study recommended that early retirement should be examined and the Pre-Retirement Allowance should be reviewed (this was also recommended in the NESF's Report on Labour Shortages (NESF, 2000)).
- 1.20 The NCAOP study (2001) on the other hand, centred on older people's preferences for employment and retirement and emphasised the need for choice on the part of the 55-69 age group in relation to the labour market. It found that health and financial incentives were key triggers to early retirement and that older people would like to have the option of flexible retirement arrangements. The main reasons for early retirement among the over 55s were highlighted in terms of both push and pull factors.
- 1.21 The most common reason for early retirement is illness or disability (29 per cent) followed by financial incentives offered by employers or that they could afford to do so (27 per cent). Another point of interest is the relatively high percentage that said they took early retirement because work was too demanding or stressful (13 per cent). This report and others (Walker and Taylor, 1997) note that the high incidence of those who exit the labour market early because of illness could be reduced if workers could be moved to jobs that would accommodate declining health. This has also been mooted in the development of health promotion strategies for the workplace and is taken up in our discussion of work life balance issues later in this Report.
- 1.22 The main factors that were identified by those who had already retired were:
- a lack of part-time jobs;
  - skills mis-match;
  - age discrimination;
  - lack of self-confidence on the part of the older people; and
  - low levels of participation in training.
- 1.23 Since the publication of the above two studies, other research (Equality Authority, 2002a; Equality Authority, 2002b forthcoming) has also attempted to identify labour market issues for the older age groups and to identify public policy responses. The NCAOP commissioned a qualitative follow-up to its work because the issue is of major interest to them (NCAOP, 2003, forthcoming). The Equality Authority's Report *Implementing Equality for Older People* (Equality Authority, 2002a) examined employment as part of an equality strategy for older people. As another Project Team in the Forum is examining the findings of this Report, we do not address it in detail here. However, where recommendations are relevant to older workers these are referred to, where appropriate, in this present Report.

## Policy Implementation Issues

1.24 Early on in its work, the Team agreed to prioritise the four key policy areas that have emerged from the research to date. It considers that, if the changes it proposes are acted on, the working lives and conditions of those involved will be greatly enhanced and benefits will accrue to the employer, the employee and the wider society. In summary these policy areas cover:

- (i) **Attitudes of Employers.** Those with the longest serving records are often those encouraged to take up redundancy opportunities because of their age. Employers may also value more the recent qualifications of younger workers above the knowledge-base that the older worker has accrued. The main challenge to policy here is to change the attitudes of employers and their expectations for their ageing employees. This will require education and raising awareness about the needs of older workers as well as dissemination of models of good practice that have been successfully introduced, both here and elsewhere.
- (ii) **Training in and for the Workplace.** Many workers, particularly those in low skilled jobs, require upskilling and reskilling to adapt to changes in the workplace. Equally, those who are currently marginalised need the relevant skills to access employment. The main barriers to training for those in midlife at present are:
  - low levels of training generally;
  - lack of clarity about responsibility for training provision, particularly among the State training providers;
  - access to and take-up of opportunities for training by those in midlife; and
  - lack of provision that is specifically geared to the needs of groups within the older age cohorts, including women returners and older long-term unemployed men.
- (iii) **Work-Life Balance.** Flexibility is needed to allow workers in midlife to move from full-time employment to more flexible arrangements, including reduced hours or reduced responsibilities (referred to in the literature as ‘downshifting’). This is important in a number of respects. First, family obligations may change for some older people who may have caring responsibilities for ageing parents/partners and who seek to combine work and caring more flexibly. Second, as noted earlier, from a health promotion point of view, older workers may stay in the workforce for longer where they have opportunities to work less hours or do less strenuous work. This needs to be taken account of in planning for future employment (for more detailed discussion see Campbell, 1999; EFILWC, 2001; NCAOP, 2001). FÁS in its recent

review of Irish labour market trends (FÁS, 2002) recommends that measures to encourage ‘downshifting’ among older workers who might otherwise retire early should be considered.

(iv) **Pensions/Social Security Provision.** The interaction of pensions and other benefits plays an important role in decisions to retire from paid employment (FitzGerald, 2001a). For the older worker, gradual retirement is often expressed as a means of lessening the shock that is often experienced when someone moves from a position of active work to that of retirement, quite literally over night. The NCAOP’s work (NCAOP, 2001) found that of those aged 55-69 years, and still in work, 57 per cent anticipated that they would miss the social aspect of employment and that a gradual process of disengagement from full-time working is preferred. With regard to pensions provision the main concerns are:

- lack of opportunities for gradual retirement (and associated with this is the lack of pre-retirement planning that exists); and
- the extent to which changes in the current system will provide incentives/disincentives to remain in work longer.

1.25 In the remainder of the Report we address these four policy issues in more detail drawing on case studies, where appropriate, to highlight implementation difficulties and/or areas of good practice.

## Overview and Methodology

### *The Project Team*

1.26 The Project Team was established by the Forum in May 2002. Its terms-of-reference is presented in Annex 2. Membership of the Team was as follows:

Seamus Bannon	Forfás/Expert Group on Future Skills Needs
Eric Conroy	Irish National Organisation of the Unemployed
Tadgh Curtis	Association of Municipal Authorities
Kevin Halligan	Department of Enterprise, Trade and Employment
Constance Haniffy	General Council of County Councils
Jackie Harrison	Irish Business and Employers Confederation
Áine Mc Donagh	Forfás
Catherine Maguire	Irish Business and Employers Confederation
Betty Murphy	Irish Farmers' Association
Martin Naughton	SIPTU
Fiona Nolan	Northside Partnership
Aileen O' Doherty	Irish Association of Older People
Michael O' Halloran	Irish Senior Citizens Parliament
Ronan O' Reilly	Department of Enterprise, Trade and Employment
Chairperson	Professor Jerry Sexton, ESRI
Secretariat	Sarah Craig

### *Project Methodology*

1.27 The key methods used in compiling the Report were:

- (i) analysis of existing research and policy documents on older workers;
- (ii) interviews with and presentations to the Project Team by organisations/individuals who have an interest in older workers and/or labour market issues (Annex 3 lists those consulted);

- (iii) the Central Statistics Office carried out special runs on its Quarterly National Household Survey for 1998 and 2002 so that the Team could examine in more detail the participation of older workers by age, gender, economic sector and by occupational status (see Section II); and
- (iv) a survey of employers in the retail, construction and industrial sectors to assess their attitudes to those aged over 45 years in their employment. This survey was commissioned by the Project Team from the ESRI as part of its monthly survey of these sectors. Data were collected in October 2002.

### *Outline of the Report*

1.28 This present Section has already presented an overview of the Report and the rationale for undertaking the work. Section II presents a profile of workers in midlife and examines participation rates for Ireland as well as making EU comparisons. Section III explores employer attitudes and their views about older workers. Section IV presents an overview of training in and for the workplace and identifies the issues relevant to the older worker and Section V examines work-life balance arrangements in the workplace for the ageing workforce. Finally Section VI presents an overview of pensions and the effect of current policy on retention rates.

### *Acknowledgements*

1.29 The Project Team would like to thank all of those who participated in the work, especially those who took part in the consultations undertaken by the Team. In particular, we would like to acknowledge the very valuable role played by our Chairperson, Professor Jerry Sexton of the ESRI. We also wish to thank Eithne FitzGerald who compiled a policy paper on pensions for the Team, which greatly assisted it with its deliberations, as well as Ann Clarke for her role in the finalisation of the Report. Finally we are very grateful to the Central Statistics Office for preparing and making available some of the data on older workers that features in the Report and which has not been published up to now.

**Box 1.1 Summary of Project Team’s Main Recommendations**  
(The number references are to corresponding paragraphs in the Report)

**Employer Attitudes to Older Workers**

- 3.24 & 4.26 The Department of Enterprise, Trade and Employment in conjunction with IBEC and ICTU should more actively explore avenues to promote the benefits of in-work training and retraining, particularly for older workers.
- 3.24 IBEC and ICTU should disseminate good practice in the provision of supports to older workers, particularly in relation to flexible working, reduced working hours, retraining, etc.

**Training in and for the Workforce**

- 4.9 The Department of Enterprise, Trade and Employment, in consultation with the Expert Group on Future Skills Needs, should put in place a strategy as a matter of priority to implement the recommendations of the Task Force on Lifelong Learning.
- 4.17 The remit of the National Training Advisory Committee (NTAC) should be broadened to include the design and development of a work-based training package that takes account of the specific needs of older workers. In consultation with the Expert Group on Future Skills Needs, and State training agencies, some of the surplus in the National Training Fund should be used to develop and disseminate this package.
- 4.25 The Department of Enterprise, Trade and Employment in consultation with the NTAC should draw up a National Framework for the delivery of in-work training that identifies more clearly the specific roles and responsibilities of FÁS, Enterprise Ireland and the Skillnets initiative. Consideration should be given to improving co-ordination mechanisms between them and the National Centre for Partnership and Performance.
- 4.27 The recommendation of the Expert Group on Future Skills Needs that FÁS, Enterprise Ireland and Forfás should examine how best to undertake a regular company-level survey of training should be expedited and should specifically identify the training needs of older workers.
- 4.30 The Department of Education and Science should give greater consideration to the specific needs of older workers, including opportunities for progression and the recognition of prior experiential learning. This should apply to programmes like the Vocational Training Opportunities Scheme (VTOS), which provide education opportunities for the unemployed.

- 4.32 The model developed by the Department of Education and Science, NALA and the Local Authorities, 'Return to Learning Initiative', should be mainstreamed and promoted more widely at national, regional and local levels throughout the public sector generally.
- 4.33 The Information Society Commission, through its advisory group on lifelong learning, should consider the development of a series of guidelines for employers in relation to older workers and IT.
- 4.35 Building on the success of the Fast Track to IT (FIT) concept, a tailored programmed geared towards the needs of older workers should be developed by the main training agencies and delivered on a pilot basis, through Skillnets and/or in a selected number of workplace settings.
- 4.43 The Employment Action Plan re-engagement process should be extended to those aged over 55 and to those not on the Live Register but currently out of work, such as older women returning to the labour force.
- 4.49 FÁS is currently piloting the model developed by the Northside Partnership on 'Expanding the Workforce Programme'. On the basis of the pilot results, this model should be more widely mainstreamed for groups such as women returners, the long-term unemployed and people with a disability and with the active involvement of employers and the Local Employment Service.

### Work-Life Balance

- 5.12 & 5.25 The Department of Enterprise, Trade and Employment in conjunction with IBEC and ICTU should put in place a dissemination strategy for the guidelines and training that have been developed by the European Foundation and others on work-life balance issues.
- 5.19 A national Workplace Health Co-ordinator should be put in place as recommended in the National Health Promotion Strategy. He/she should have specific regard for the needs of older workers.
- 5.22 Earned income disregards under the Carer's Allowance should be calculated using *net* rather than *gross* weekly income as an incentive for more women to take up part-time work.
- 5.27 The National Framework Committee on Family-Friendly Policies should broaden its remit to include older workers and should fund specific pilot initiatives for them as a policy target group. At the same time, the Departments of Enterprise, Trade and Employment, Health and Children and Social and Family Affairs, should collaborate more effectively to streamline and integrate their work on older workers.

- 5.29 Opportunities for downshifting should be considered for older workers. In particular, their possible role as mentors within the workplace should be developed.

### Pensions

- 6.59 Given the limitations that apply to pension benefits in Ireland, there are very few options to encourage people back to work or to remain in work longer, using pensions as a policy option, apart from raising the low maximum age limits for retirement that apply to certain groups of workers in the public sector, e.g the Gardaí.

## Section II

# **Labour Market Profile of Older Workers**



# Labour Market Profile of Older Workers

## Introduction

2.1 This Section provides an overview of the labour market situation of older workers in Ireland. The main areas that we address are:

- An overview of labour force involvement;
- Older workers in different sectors and occupations;
- Comparing Ireland and other EU countries;
- Population Projections; and
- Summary.

For the most part, the Section is based on previously unpublished data, which have been very kindly provided to the Project Team by the Central Statistics Office from its Quarterly National Household Survey (QNHS) for the years 1998 to 2002.

## Overview of Labour Force Involvement

2.2 The total number of people aged 45 years or more who were at work in the Irish labour market in Spring 2002 was 537,000 out of a total employment aggregate of 1,749,000, i.e., just under 31 per cent (see Table 2.1)<sup>5</sup>. Up to 65 per cent (344,000) of the former total were men, leaving some 193,000 women to make up the balance.

**Table 2.1 Employment ('000) by Age and Gender, 1998 and 2002**

Age	1998			2002		
	Total	Men	Women	Total	Men	Women
15-44	1,063.9	605.2	458.7	1,212.2	673.1	539.1
45+	430.6	294.8	135.8	536.6	343.8	192.8
Total	1,494.5	899.9	594.6	1,748.8	1,016.9	731.9

<sup>5</sup> Except where otherwise stated, all the employment and unemployment figures quoted in this text are defined according to International Labour Office (ILO) definitions. All the figures relate to the Spring period (March-May) for the years in question.

- 2.3 Table 2.1 also shows national employment data classified according to both age and gender for 1998 as well as for 2002. The period in question was one of phenomenal employment expansion, with the total number at work in the economy increasing by over 254,000, a rise of 17 per cent. In the case of older workers as defined in this study (i.e. those aged 45 years or over), the increase was even more rapid, the total rising from 431,000 to 537,000 over this four-year period, a rise of just under 25 per cent. A more detailed breakdown by age group of some of the data presented in this Section is given in Annex 4 of the Report.
- 2.4 Unemployment levels, as conventionally measured, tend to be relatively low among older workers. Table 2.2 shows that less than 20 per cent (15,000 in numerical terms) of the overall unemployment total of 77,000 in Spring 2002 were aged 45 years or over. The unemployment rate for this group was 2.7 per cent, compared with nearly 5 per cent for those aged 15 to 44 years and 4.2 per cent for the labour force overall. While the low rate for older workers can be mainly attributed to generally favourable labour market conditions, it must also be borne in mind that in the event of job loss many such workers simply retire or otherwise withdraw from the labour market and become part of what is termed the “economically inactive” population.

**Table 2.2 Numbers Unemployed ('000) by Age and Gender, Spring 2002**

Age	Total	Men	Women	Unemployment Rates (%)		
				Total	Men	Women
15-44	62.5	39.0	23.5	4.9	5.5	4.2
45+	14.9	10.0	4.9	2.7	2.8	2.5
Total	77.4	49.0	28.4	4.2	4.6	3.7

- 2.5 Returning to employment trends, it is important to note that part of the jobs increase associated with older workers can be attributed to underlying demographic effects. The population in the older age categories is rising at an increasingly rapid pace. Relative changes in employment for different age categories are thus best interpreted in terms of the variations in the *Employment/Population Ratio* (EPR) for these age groups in order to take account of this underlying influence. The EPRs are also more relevant in the case of older workers than other more conventional measures (such as the unemployment rate) as, for the reasons outlined above, retirement and exclusion from the labour market in this instance are much more likely following the loss of a job. It is thus more appropriate to view employment changes in the context of the total population for the particular age group involved.

2.6 The ratios in question are shown in Table 2.3 for 1998 and 2002. While it is not surprising that the EPRs are lower for the older 45 years plus age group, the data reveal that they have also increased more rapidly than for the younger population.

**Table 2.3 Population/Employment Ratios, by Age and Gender, 1998 and 2002**

Age	Total	1998		Total	2002	
		Men	Women		Men	Women
15-44	0.624	0.707	0.539	0.667	0.738	0.596
45+	0.370	0.531	0.223	0.426	0.571	0.294
Total	0.521	0.638	0.407	0.569	0.672	0.469

For the older age group under study, the EPR rose from 0.370 in 1998 to 0.426 in 2002, an increase of over 15 per cent. This compares with a rise of 7 per cent for the population aged 15 to 44 years, for which the EPR increased from 0.624 to 0.667 over the same period. Broadly speaking, these trends indicate that between 1998 and 2002 older workers fared somewhat better in employment terms than their younger counterparts, a feature which can be partly attributed to increasing demand allied with a growing scarcity of younger workers, according as the age structure of the population continued to change.

2.7 There is a significant difference between the observed trends for men and women. The employment/population ratio for women aged 45 years and over rose by no less than 32 per cent between 1998 and 2002, compared with a corresponding increase of only 7.5 per cent for men (see Table 2.4). The reasons for the larger rise in the case of women relate not only to demand factors, but also to an increasing tendency towards greater participation by them in the work force generally. This has its origins in a variety of influences, both social/behavioural and legislative. Since the employment/population ratio calculation for women reflects a much wider range of factors, the increase of 7.5 per cent recorded in the EPR for men aged 45 years and over is of particular significance as it provides a more unambiguous indicator of changing demand patterns insofar as these relate to older workers. In the case of women the demand influences, while still undoubtedly present, tend to be submerged by the impact of socio-behavioural factors.

**Table 2.4 Changes in Employment/Population Ratios  
by Age and Gender, 1998-2002**

Age	Total	Men %	Women
15-44	+7.0	+4.4	+10.5
45+	+15.3	+7.5	+31.8
Total	+9.2	+5.3	+15.1

## Older Workers in Different Sectors and Occupations

2.8 Table 2.5 shows an age and gender classification of older workers employed in different sectors in 2002. The data (which are given in percentage form) indicate that there is a concentration of workers aged 45 years and over in the public sector. Over 25 per cent of these workers are engaged in activities related to public administration and defence, education, health and social work. More than 14 per cent are in manufacturing and a further 12 per cent in agriculture. The figures for women show a much greater degree of concentration. Almost 45 per cent were engaged in public service activities broadly defined, and a further 12 per cent in the retail sector. Thus, these two areas account for not far short of 60 per cent of total employment for women aged 45 years or over. These figures also show, for both men and women, a greater degree of sectoral concentration than is evident for younger workers.

2.9 It is also of interest to examine the proportions of workers *within* industries. This is done in Annex 4, Table 4.4. Not unexpectedly, the highest share of older workers (55 per cent) is in the agricultural sector. This is followed by the public sector categories and transport and communications, with shares of between 35 and 40 per cent. The lowest proportions of older workers are in business and financial services, catering, retailing and in high technology manufacturing, all with shares of less than 25 per cent. The lowest share recorded is for the last mentioned category, high-technology industry, where the proportion of older workers in employment was just over 19 per cent in early 2002. This result is not entirely unexpected given the nature of the enterprises involved (many of which are multinational) and also the fact that many are of relatively recent origin. The data in this Table do not reveal any major differences when viewed from a gender perspective.

**Table 2.5 Distribution of Employment in 2002 by Age, Gender and Sector**

Sector	15-44			45+			All Ages		
	Total	Males	Females	Total	Males %	Females	Total	Males	Females
Agriculture	4.5	7.3	1.0	12.4	17.3	3.6	6.9	10.7	1.7
High-Tech Manufacturing	9.7	11.4	7.7	5.2	6.2	3.4	8.3	9.6	6.6
Other Manufacturing	8.9	11.4	5.8	9.1	11.1	5.4	9.0	11.3	5.7
Construction	10.9	18.6	1.3	9.1	13.8	0.9	10.3	16.9	1.2
Wholesale Trade	2.9	3.8	1.9	2.7	3.4	1.6	2.9	3.6	1.8
Motor Vehicles	2.2	3.1	1.0	1.7	2.2	0.8	2.0	2.8	0.9
Retail Trade	9.9	6.5	14.2	7.3	4.5	12.4	9.1	5.9	13.7
Transp. And Comm.	6.0	7.2	4.4	7.1	9.5	2.7	6.3	8.0	3.9
Finance, Insurance	4.6	3.1	6.5	2.7	2.2	3.5	4.0	2.8	5.7
Other Business Services	9.7	8.9	10.9	7.1	7.1	7.0	8.9	8.3	9.8
Hotels and Restaurants	6.6	5.2	8.3	4.6	2.8	8.0	6.0	4.4	8.2
Other Services	4.8	3.4	6.5	5.2	4.1	7.0	4.9	3.6	6.6
Public Admin. & Defence	4.9	4.4	5.6	6.1	6.3	5.9	5.3	5.0	5.6
Education	5.5	2.5	9.4	8.4	5.3	14.0	6.4	3.4	10.6
Health and Social Work	8.8	3.3	15.7	11.3	4.2	23.9	9.6	3.6	17.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

2.10 Table 2.6 shows a classification of those in employment in the year 2002 according to age, gender and occupation, the method of presentation being similar to that used above in the case of sectors. In this instance, however, unlike the sectoral figures, the data do not indicate significant differences between older and younger workers. The distribution of employment among the different occupations for those aged 45 years or more is broadly similar to that for younger workers aged between 15 and 44 years, a feature that applies to both men and women.

**Table 2.6 Distribution of Employment in 2002 by Age, Gender and Occupation**

Occupation	15-44			45+			All Ages		
	Total	Males	Females	Total	Males %	Females	Total	Males	Females
Farmers etc.	3.1	5.2	0.4	10.7	15.3	2.4	5.4	8.6	1.0
Managers etc.	11.3	11.8	10.8	14.3	16.1	11.0	12.2	13.2	10.8
Professional	10.7	9.6	12.2	10.8	9.9	12.3	10.8	9.7	12.3
Associate Professional	9.1	6.7	12.0	8.3	5.7	13.0	8.8	6.4	12.3
Clerical and Secretarial	13.9	5.7	24.1	10.2	4.4	20.5	12.8	5.3	23.2
Craft and Related	13.6	23.2	1.6	11.0	16.3	1.6	12.8	20.9	1.6
Operatives	10.6	14.3	6.0	10.1	13.6	4.0	10.5	14.1	5.5
Army, Gardaí, Other Security	1.8	2.9	0.5	2.0	2.9	0.3	1.9	2.9	0.5
Personal Service	8.2	4.6	12.8	6.6	3.2	12.6	7.7	4.1	12.6
Sales	9.3	6.2	13.2	5.9	3.8	9.7	8.2	5.3	12.3
Other Occupations	8.3	9.8	6.4	10.2	8.9	12.5	8.9	9.5	8.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

2.11 When the employment position is viewed from a “within occupation” perspective, categories such as farmers and managers have the highest shares of older workers, while occupations related to activities such as personal services, clerical workers and sales workers are associated with low proportions of such workers (see Table 4.5, Annex 4).

## Comparing Older Workers in Ireland and in other EU Countries

2.12 Finally, in this profile it is of interest also to compare the situation of older workers in Ireland with that in other EU Member States and in the European Union as a whole. Again this is best done in terms of assessing employment/ population ratios for which relevant EU data are already published. However, the definition of older workers generally used in an EU context relates to those aged 55 to 64 years, as distinct from those aged 45 years or over as adopted in this Report. The available data for the EU tend to be configured in terms of the above definition and information classified in terms of alternative age bands is not readily to hand. Nevertheless, it is useful to present some comparisons using the

EU definition in order to obtain at least a broad picture of the differences involved.

2.13 Table 2.7 shows employment population ratios for the fifteen EU Member States for 2002, both in terms of the overall active-age population aged 15 to 64 years and for the “older” group aged between 55 and 64 years. Looking first at the more global data for the 15-64 age group, the EPR for Ireland, at 0.649, is slightly greater than the EU average of 0.643. When viewed against individual countries it is, however, much lower than the ratios for Denmark, the Netherlands, Sweden and the UK all of which exceed 0.70. However, it is significantly greater than for countries such as Spain and Italy which show ratios of about 0.55.

**Table 2.7 Employment/Population Ratios (EPRs) for EU Countries, 2002**

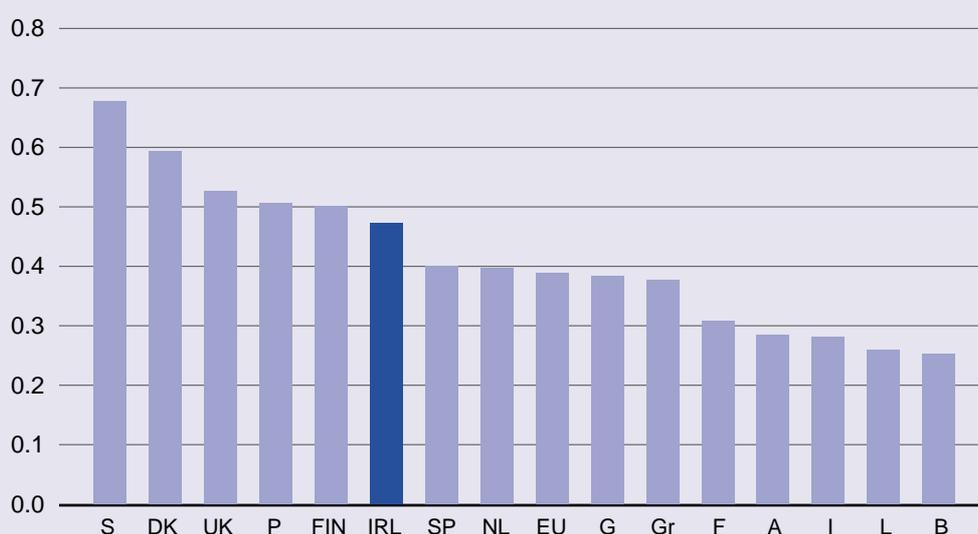
Country	Age 15-64			Age 55-64
	Men	Women	Total	Total
Belgium	0.690	0.505	0.599	0.253
Denmark	0.799	0.718	0.760	0.594
Germany	0.725	0.592	0.659	0.383
Greece	0.709	0.415	0.558	0.377
Spain	0.717	0.433	0.573	0.401
France	0.705	0.568	0.636	0.308
Ireland	0.747	0.551	0.649	0.473
Italy	0.688	0.421	0.554	0.282
Luxembourg	0.739	0.509	0.625	0.259
Netherlands	0.827	0.657	0.743	0.397
Austria	0.759	0.601	0.680	0.284
Portugal	0.766	0.613	0.689	0.506
Finland	0.713	0.656	0.685	0.501
Sweden	0.728	0.703	0.717	0.678
UK	0.782	0.651	0.717	0.526
EU	0.730	0.555	0.643	0.389

*Source: EU Commission (2002). Employment in Europe 2002. Recent Trends and Prospects.*

2.14 Turning to the figures for the 55-64 age group, which is of more direct relevance to this Report, the data show that the Irish ratio of 0.473 is significantly greater than the EU average, which is just under 0.39. However, the data show considerable variability. The highest EPRs are for Denmark and Sweden (broadly speaking 0.60 or over) while the lowest relate to Belgium, Italy, Luxembourg and Austria which tend to lie in the range between 0.25 and 0.30. The ratio for France

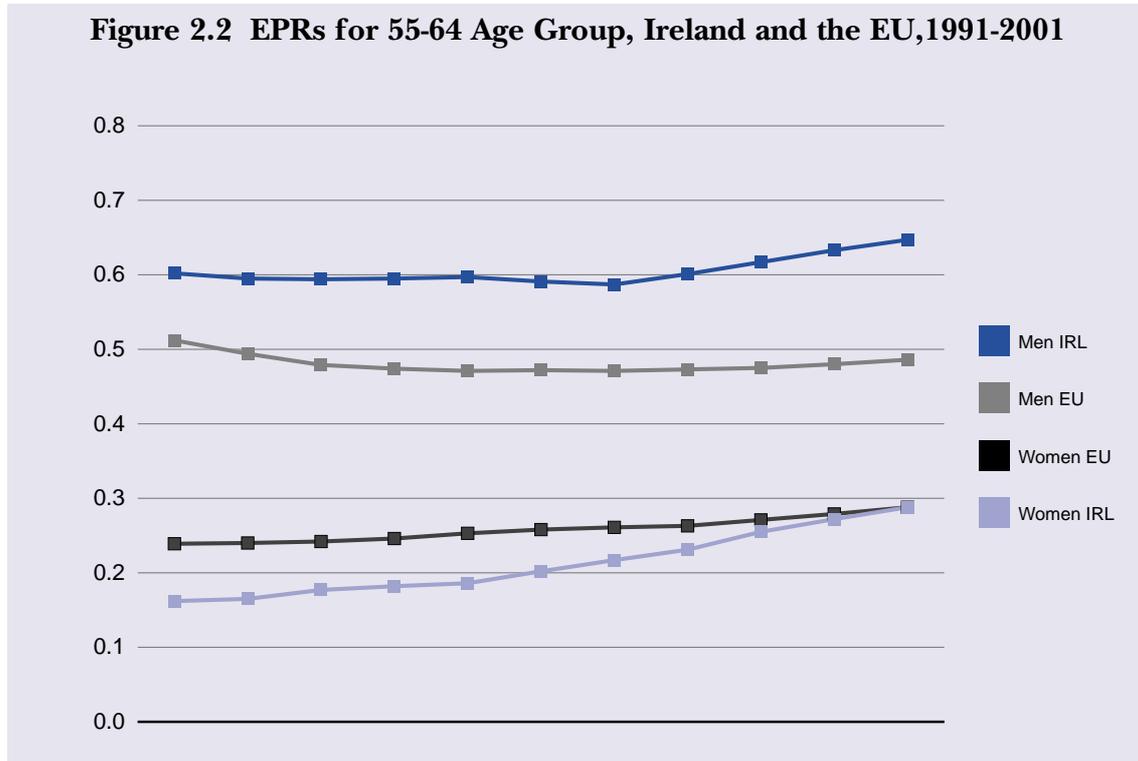
is also relatively low at just over 0.30. The figures for Denmark and Sweden are not altogether unexpected, as Nordic countries generally have tended to have older retirement ages than those in other European countries. The low figures for countries such as Belgium, Austria and France would tend to reflect the relatively generous pension provisions which apply in these countries, and which can also apply at a relatively early age in the form of pre-retirement options. The EPRs for the “older” 55 to 64 year group are also shown graphically in Figure 2.1, with the figures for the different countries presented in decreasing order of magnitude.

**Figure 2.1 EU Employment/Population Ratios in 2002 for 55-64 Age Group**



2.15 It should be noted that the EU uses employment population ratios in many policy applications. One of the targets in the European Employment Strategy, as set out in the National Employment Action Plans, is to achieve an EPR for the 15 to 64 year age group of 0.67 in each Member State by 2005. The current (2002) figure for Ireland, when calculated on this basis is just under 0.65, compared with 0.60 in 1998 (see Annex 4, Table 4.2). A feature of more relevance to this Report is that there is also an EU 2010 target of 0.50 for older workers aged between 55 and 64 years. As already indicated, the corresponding Irish figure, which is rising, is now close to this at over 0.47.

2.16 It is also of interest to view comparative trends in the EPRs for older workers over a more extended period. Relevant data are given in Table 2.8 which shows annual figures for the EPR measure over the period from 1991 to 2001, for both men and women aged 55 to 64 years. These data are perhaps more easily interpreted in graphical form as shown in Figure 2.2.

**Figure 2.2 EPRs for 55-64 Age Group, Ireland and the EU, 1991-2001**

2.17 The results for men are of particular interest as, for the reasons already stated, these tend to reflect influences more directly related to the age factor. The EPRs for older males in Ireland declined slowly but consistently from 1991 to 1997<sup>6</sup> but then rose markedly in the following years to reach a level of 0.647 by 2001, compared with 0.587 in 1997. This may seem a small rise when viewed in numerical terms, but it does represent a 10 per cent increase in this ratio over a relatively short period. The ratios for the EU are consistently smaller but also followed a downward trend in the period up to 1997. However, the trend in the EU levelled off thereafter and the figures do not show a significant upturn as happened in Ireland. The difference is, in all likelihood, attributable to the tightening labour market situation in this country which resulted in more older people being retained or drawn into employment, a feature which does not appear to have occurred to the same degree across the Union generally.

<sup>6</sup> These ratios would, of course, have been in long-term decline before this period.

**Table 2.8 Employment/Population Ratios for 55-64 Age Group, 1991-2001**

Year	Men		Women	
	Ireland	EU	Ireland	EU
1991	0.602	0.512	0.162	0.239
1992	0.595	0.494	0.165	0.240
1993	0.594	0.479	0.177	0.242
1994	0.595	0.474	0.182	0.246
1995	0.597	0.471	0.186	0.253
1996	0.591	0.472	0.202	0.258
1997	0.587	0.471	0.217	0.261
1998	0.597	0.473	0.234	0.263
1999	0.617	0.475	0.255	0.271
2000	0.633	0.480	0.272	0.279
2001	0.647	0.486	0.288	0.288

Source: EU Commission (2002). *Employment in Europe 2002. Recent Trends and Prospects*.

2.18 The trends for women are also of special interest, but in this instance one must bear in mind that factors other than age tend to be involved. At the beginning of the specified period in 1991 the EPR for women in Ireland, at 0.162, was significantly less than that for the European Union as a whole, which at that time was almost 0.24. However, over the ten year span in question the two series converged, the figure for both Ireland and the EU being just under 0.29 in 2001.

## Population Projections

2.19 The previous paragraphs have examined historic trends in the profile and labour force participation of older workers. Projections made by the CSO on future trends in the population and labour force for different age categories indicate that older people, i.e. those aged 45 to 64, will represent an increasing proportion of the population as a whole. Table 2.9 shows that the numbers of older people is forecast to rise by 76 per cent over the period 1996 to 2026, compared to 3 per cent for younger age groups. By 2026, older people will account for 42.1 per cent of the population aged 15 to 64, compared with 29.9 per cent in 1996.

**Table 2.9 Population Projections for the Active Age Categories, 1996-2026**

Year	15-44	45-64 (000)	15-64	Share of Older People %
1996	1649.0	703.8	2352.8	29.9
2001	1785.2	801.3	2586.5	31.0
2006	1820.3	914.2	2734.5	33.4
2011	1816.3	1003.5	2819.8	35.6
2016	1807.7	1064.5	2872.2	37.1
2021	1769.3	1150.6	2919.9	39.4
2026	1704.7	1241.7	2946.4	42.1

*Note. The projections are based on the MIF2 assumptions which involve continuing but decreasing net immigration and moderately declining fertility.*

*Source: CSO (1999). Population and Labour Force Projections 2001-2031.*

The above projected change in the profile of the Irish population will, of course, have serious implications for labour market policies and for recruitment and employment practices.

## Summary

- 2.20 This Section examined the participation of older workers in the labour force and made some international comparisons. Older or midlife people (i.e. those aged 45 years or over) at work in the Irish economy numbered more than half a million in Spring 2002, over 30 per cent of the overall employment total of 1,750,00. Almost two-thirds of this group were men.
- 2.21 The group has also been increasing more rapidly in size than their younger counterparts. This trend is evident when the employment data are considered either in absolute or numerical terms, or in the form of employment/population ratios (EPRs). The latter measure for older people as defined, rose from 0.22 to 0.29 between 1998 and 2002, an increase of 15 per cent – more than twice the rise for younger people over the same period. One of the factors underlying these trends derives from the increasing demand for workers according as the labour market has tightened. A parallel influence has been the decline in the supply of younger workers due to demographic change. A more rapid increase is also evident in the employment participation of women, an outcome which is due to a wider range of socio-economic factors.

- 2.22 Older people in Ireland show a greater tendency to be in employment than their EU counterparts. The employment/population ratio here for people aged 55-64 years was 0.47 in 2002, compared with a ratio of 0.39 for the Union as a whole. A point of further interest in this regard is evidence that, following a long period of decline, this indicator has increased more rapidly in Ireland in recent years than in other EU countries. This can be attributed to a more favourable labour market environment in this country, which allied with a growing scarcity of younger workers, gave rise to a higher level of demand for older workers.
- 2.23 When viewed across the economy, older workers tend to be more concentrated in certain sectors, particularly in agriculture and the public sector broadly defined. Some 45 per cent of women aged 45 years and over in employment are engaged in public sector activities. Alternatively, when sectors are viewed individually, the highest proportions of older workers *within* sectors are again to be found in agriculture and the public sector, and the lowest in services and high-technology manufacturing.

## Section III

# **Employer Attitudes to Older Workers**



# Employer Attitudes to Older Workers

## Introduction

3.1 Age discrimination affects not only the individual worker but it can also have negative effects for the economy as a whole. To assume that someone is too old to do a job is to waste talent and potential in the workplace. At a time when, in most OECD countries, populations are ageing, the economic cost of age discrimination is set to grow. One of the key concerns is that employers should seek to reflect age diversity in the workplace and thereby achieve a better mix of younger and older workers. This Section focuses on employers' attitudes and is divided into five parts:

- Understanding Age Discrimination;
- Employer Attitudes and Practices;
- Project Team Research on Employer Attitudes;
- Developing Age Diversity in the Workplace; and
- Summary.

## Understanding Age Discrimination

3.2 By age discrimination, in the present context, we mean lack of access to opportunities in the workplace because of one's age. Recruitment, selection and promotion are often areas where discrimination is reported. Recent research on legislative approaches to age discrimination (Hornstein, 2001) showed that in countries like the United States, Canada and Australia where legislation has been in place for 10 years or more, this has made an impact on discrimination in these countries (in particular in relation to advertising vacancies and selection for promotion). However, the research also shows that there is no clear evidence that there has been a shift in attitude of employers and society to older workers and that this is likely to be a much longer process which will require innovative approaches that are developed over time.

3.3 In this country, policy in this area is currently being driven by equality and anti-discrimination legislation. There are three pieces of legislation which relate directly to the workplace situation:

- The Employment Equality Act (1998);

- The Redundancy Payments Acts (1967 and 1991); and
- The Unfair Dismissals Act (1977 and 1993).

- 3.4 In addition, the Equal Status Act makes it illegal to discriminate on nine grounds, one of which is age, in the provision of goods and services. Alongside that, commitments in the *Programme for Prosperity and Fairness* to develop Equal Opportunities Policies at the Level of the Enterprise also have a bearing on policy. A policy on equality of opportunity entitled ‘Diversity in the Civil Service’ was produced this year to raise awareness of the issues in the public service.
- 3.5 EU countries have committed themselves to legislate against age discrimination in employment for the first time by signing up to a recent European Union Directive. This Directive which was passed in October 2000 requires EU governments to introduce equality in their employment legislation. It sets broad minimum requirements obliging countries to prohibit age discrimination in the labour market, including access to training as well as to jobs. The Directive also states that age discrimination must be eliminated in member countries by 2006 and that most countries should be moving towards this by 2003.
- 3.6 Before the introduction of this Directive, most countries adopted strategies for encouraging employers to operate good practice on a voluntary basis. For example, the UK’s active ageing strategy is focused on increasing the recruitment and retention in employment of the over 50s. It encourages all employers to adopt age positive employment practices in the years leading up to the implementation of age legislation by 2006. This work is seen as critical to overcoming inefficiencies in the employment market caused by unjustified policies and practices, and also helps to ensure that the employment market evolves to meet the future demographic challenge of an ageing population.
- 3.7 An Age Positive Campaign in the United Kingdom has been established and is strongly promoting the Code of Practice on Age Diversity in Employment through awards, advertising initiatives and events. The Code highlights the business benefits of an age diverse workforce and sets standards of good practice in recruitment, selection, training, promotion, redundancy and retirement. An evaluation of the impact of the Code indicates that it has improved employer policies on age, but there is still more to be done to help smaller employers understand the benefits and adopt non-ageist practices. Box 3.1 below summarises this Code of Practice, which is a voluntary set of standards to help employers recognise the business benefits of an age-diverse workforce.

### **Box 3.1 Code of Practice on Age Diversity in Employment in the United Kingdom**

The Code encourages employers to make decisions that do not discriminate on age through six aspects of the employment cycle:

1. **Recruitment** – recruit on the basis of the skills and abilities needed to do the job.
2. **Selection** – select on merit by focusing on information about skills and abilities and on performance at interview.
3. **Promotion** – base promotion on the ability or demonstrated potential to do the job.
4. **Training and Development** – encourage all employees to take advantage of relevant training opportunities.
5. **Redundancy** – base decisions on objective, job-related criteria to ensure the skills needed to help the business are retained.
6. **Retirement** – ensure that retirement schemes are fairly applied, taking individual and business needs into account.

*Source: Age Positive (UK), 2001.*

- 3.8 In the Netherlands, an Older Workers Task Force has been established to encourage a change in mentality on both sides of industry. The Task Force consists of representatives of employers' and employee organisations, the private sector, minorities, senior citizens' organisations, academia, the political world and the media. It is to present its findings in mid-2003 in the form of recommendations to the Minister of Social Affairs and Employment (for other EU models see Annex 5).
- 3.9 In November 2001, Age Action Ireland organised an older workers' forum, a model, which the Project Team considers could be usefully developed. The forum was attended by older workers, retirees, Age Action Members, employers, union representatives and policy makers. Its aim was to debate issues affecting older workers which included:
  - retirement planning and early exit;
  - age discrimination;
  - pensions;
  - skills training; and
  - the contribution of older workers.

## Employer Attitudes and Practices

- 3.10 Research conducted by Public and Corporate Economic Consultants (PACEC) (2000) identified the main barriers to participation in the labour force by those aged over 55 internationally. These included the absence of suitable jobs, lack of flexible working time and the existence of age discrimination. These barriers were shaped by negative attitudes and existed among workers as well as employers. Contributory factors included displacement of older workers through redundancy or early retirement since the 1970s; discouragement on the part of older workers due to both the lack of suitable jobs open to them and appropriate tailored training programmes, and the use of social security benefits as retirement pensions.
- 3.11 Respondents to the survey of over 55s in Ireland carried out by PACEC identified similar barriers, notably lack of flexible or part-time work, inadequate take-home pay, age discrimination, concerns over reductions in pension income and benefits, and lack of appropriate skills and education. The PACEC study also found that because of negative attitudes on the part of employers, many had not made adjustments to their employment and recruitment practices in order to meet the needs of older workers. The Project Team supports the recommendation made by PACEC that measures be introduced to increase awareness among employers as they will be increasingly dependent on these workers in the future.
- 3.12 Recent positive developments by employers include the Proage project initiated by employer federations in Ireland (IBEC), Germany (BDA), Denmark (DA) and the Netherlands (AWVN). This project aims to promote information exchange and to increase awareness of the need to promote active ageing, to keep older workers in the labour market longer and to improve their employability.
- 3.13 During the first international Proage seminar, held in Dublin in June 2002, findings from an employer's attitude survey in Sweden were presented. These showed that only 11 per cent of employers there had positive attitudes towards hiring older workers (aged over 55). Half of the respondents considered the skills of younger workers to be more relevant and half regarded older workers as inflexible. Sixty per cent considered age a relevant factor for employment.

## Project Team Survey of Employer Attitudes

- 3.14 In September 2002, the Project Team commissioned the Economic and Social Research Institute (ESRI) to undertake, on its behalf, a survey of employers to assess their attitudes to older workers. The survey was part of a monthly panel survey of employers in the services, retail, construction and industrial sectors and was carried out in October 2002. Questions centred on:

- trends in employment in the last two years;
- perceived characteristics of older workers;
- training of older workers; and
- supports for the retention of older workers.

From a sample of just over 2,000, a response rate of 42 per cent was obtained, or over 50 per cent if the construction sector is excluded. The results are presented below. Care must be taken in interpreting some of the data due to small response samples. The data were analysed by sector, company size and region (Dublin and the Rest of the Country). While there were differences between sectors and company size, regional variances were slight. Annex 6 provides more detailed tables on the survey. The following paragraphs provide a summary of the main findings.

### **Trends in Employment in the Last Two Years**

- 3.15 Employers were asked to indicate the trend in employment of workers aged over 45 during the last two years. The vast majority (83 per cent) indicated that there had been no change in the proportion of employees aged over 45. Eleven per cent of companies indicated that the proportion of older workers had risen. When viewed across sectors, the proportion indicating that there had been a rise in the numbers aged over 45 was small, other than for the industrial sector where 20 per cent of respondents noted a rise. A comparison by company size revealed that larger companies were more likely to have experienced an increase in the number of older employees.
- 3.16 The main factor contributing to this rising trend by sector and company size was natural ageing of the workforce. This was particularly notable for the construction, retail and services sectors and for larger companies. A higher proportion of smaller companies indicated that the increase in older workers was due to a shortage of skilled younger workers. While regional variances were small, it is of note that a much higher proportion of companies outside of Dublin, (71 per cent compared to 49 per cent for those in Dublin), indicated that the increase in older workers was due to natural ageing, while a higher proportion of companies in Dublin, (36 per cent compared to 26 per cent for those outside Dublin), indicated that the increase was due to a shortage of skilled younger workers.
- 3.17 The number of companies indicating that the proportion of older workers had declined in the last two years was also small (6 per cent). The main reasons for such a decline were retirement in the industrial sector and in larger companies. The construction sector and, to a lesser extent, smaller companies, had also targeted younger workers.. One third of larger companies had also made older workers

redundant. The main regional variances were a higher proportion of companies in Dublin with staff retiring, (40 per cent compared to 30 per cent for those outside Dublin) or made redundant (20 per cent compared to 5 per cent for those outside Dublin).

## Perceived Characteristics of Older Workers

3.18 The survey also asked employers to highlight the main characteristics they associated with older workers. Generally, the findings were positive and similar frequencies emerged across sectors and by company size. Larger companies appear to particularly value the good influence that older workers can have. Annex 6 provides more details. Table 3.1 sets out the key characteristics identified in order of frequency. The most important were experience; reliability; loyalty to the job; maturity, and good influence on younger staff.

**Table 3.1 Characteristics of Older Workers Identified by Employers – Frequency of Responses**

Characteristic	Frequency	% of Respondents
Experience	674	89%
Reliability	528	70%
Loyalty to the job	498	66%
Maturity	420	56%
Good influence on younger staff	290	39%
Outdated skills, especially in new technology/computers	159	21%
More expensive to employ	152	20%
Slow to adapt to change	126	17%
Difficult to retrain	67	9%
Prone to ill health	56	7%

3.19 Just over half of respondents indicated no preference for employing either younger or older workers. On average, 29 per cent indicated a preference for employing younger workers than older workers. This rose to 43 per cent for the construction sector and 35 per cent for the retail sector (see Table 3.2). One-third of companies outside of Dublin also indicated a preference for younger workers, compared to 23 per cent for Dublin-based companies.

**Table 3.2 Preference for Employing Older or Younger Workers by Sector**

Preference	Sector				
	Services	Retail	Construction	Industry	Total
Preference for employing more older than younger workers	14%	20%	23%	21%	18%
Preference for employing more younger than older workers	26%	35%	43%	17%	29%
Neither of the above	60%	44%	34%	63%	53%
Total	100%	100%	100%	100%	100%

3.20 Table 3.3 shows that the distribution by company size was more even, ranging from 28 per cent for companies employing less than ten people to 38 per cent for companies employing 20-50 people. On average, 18 per cent of companies indicated a preference for employing more older workers than younger workers, with the lowest proportion for the services sector (14 per cent) and highest for companies employing less than ten people (19 per cent).

**Table 3.3 Preference for Employing Older or Younger Workers by Company Size**

Preference	Company Size (number of employees)				
	1-10	11-19	20-50	51+	Total
Preference for employing more older than younger workers	19%	12%	12%	8%	18%
Preference for employing more younger than older workers	28%	31%	38%	29%	29%
Neither of the above	53%	57%	50%	63%	53%
Total	100%	100%	100%	100%	100%

## Training of Older Workers

3.21 Responses to questions on formal structured training for all employees, irrespective of age, indicated that just under half of companies (46 per cent) had formal training in place. Of particular note within this finding was the high proportion of retail companies with no formal training (60 per cent) and the comparatively high proportion of construction companies (54 per cent) with formal training. There also appears to be a direct correlation between company size and the presence of formal training (see Table 3.4), with small companies showing the lowest proportion (42 per cent), rising by each size category up to the

highest for companies employing 51 or more employees (83 per cent indicated they had formal training in place).

**Table 3.4 Formal Structured Training by Company Size**

	Company Size (number of employees)				Total
	1-10	11-19	20-50	51+	
Company has formal training in place	42%	55%	71%	83%	46%
Company does not have formal training in place	58%	45%	29%	17%	54%
Total	100%	100%	100%	100%	100%

3.22 Only 8 per cent of companies indicated that they actively encourage more older workers than younger workers to participate in training, while one third encourage participation for younger workers, most notably by the construction sector (65 per cent) and smaller companies.

## Supports for the Retention of Older Workers

3.23 Few companies (12 per cent of respondents) provide special supports aimed at workers aged over 45, irrespective of company size or sector (see Table 3.5). Of those that do provide supports, three-quarters provide flexible working, 41 per cent provide retraining in new areas of work and 12 per cent give exemptions from shift work. None of the respondents provide partial or gradual retirement options.

**Table 3.5 Provision of Special Supports for Older Workers by Employers**

	Sector				Total
	Services	Retail	Construction	Industry	
Special supports are provided	11%	11%	10%	17%	12%
Special supports are not provided	89%	89%	90%	84%	88%
Total	100%	100%	100%	100%	100%

3.24 Given the importance of training and retraining in human resource development in general and specifically for older workers, companies need to be encouraged more to view training and support in a positive light. The Project Team, therefore, recommends that the Department of Enterprise, Trade and Employment in conjunction with IBEC and ICTU should more actively explore avenues to promote the benefits of in-work training and retraining, particularly for older workers, with employers and workers. The Project Team also recommends that IBEC and ICTU

disseminate good practice in the provision of supports to workers, particularly in flexible working, reduced working hours and retraining etc.

## Developing Age Diversity in the Workplace

3.25 One of the main issues in the workplace is the need to develop age management strategies, which will accommodate older workers. The Project Team supports the Equality Authority's recommendation (Equality Authority, 2002a) that equality training in the workplace should include age awareness training. In the UK a programme aimed at raising awareness of age discrimination in employment has been developed for use with SMEs (Age Concern/Employers Forum on Ageing, 2001) and this could be adapted for use in the Irish context. The programme outlines the business benefits of a mixed-age workforce (see Box 3.2) which should be actively promoted with employers.

### **Box 3.2 Business Benefits of a Mixed-Age Workforce**

- Best person for the job
- Wider pool of experience/skills
- Reduce costs, absenteeism and wastage
- Increase productivity and competitiveness
- Reflect wider customer profile
- Greater customer satisfaction
- Positive corporate image
- Enhance funding prospects
- More flexible training budget
- Improve career progression and motivation.

*Source: Age Concern/Employers Forum on Ageing, 2001.*

3.26 Good practice case studies have been highlighted in recent research for the Framework Committee on Diversity at the level of the Enterprise which was established under the *Programme for Prosperity and Fairness*. Box 3.3 below sets out some of the findings of this research within the retail sector.

### Box 3.3 Good Practice on Age Diversity in the Retail Sector

The Cluster on Recruitment and Retention of Older Workers was funded under the Equal Opportunities at the Enterprise Level initiative. The Cluster was led by IBEC and initially involved seven large organisations from the retail sector. It was supported by the relevant trade unions, Mandate and SIPTU. The key issues identified were the existence and effectiveness of specific initiatives, e.g. recruitment, application processes, etc. and the factors that helped to retain older people in the work place. A dual approach to the issues identified was proposed which would involve building on existing retail **training provision** to take account of needs identified and creating a **promotional campaign** to encourage older workers to re-enter or enter the workforce. Cluster members undertook to establish the views of existing older workers and to reflect on what would be required to recruit, select, train and retain these workers.

The main benefits of the Cluster process included:

1. the opportunity for employers to network and to explore good practice in recruitment and employment procedures and processes;
2. changes made by employers to specific aspects of their recruitment and employment procedures, particularly in relation to older workers; and
3. identification of issues related to the recruitment, training and retention of older workers and potential ways to overcome barriers to employment and retention at a sectoral level.

*Source: McNally and Hegarty, 2002.*

- 3.27 The Team's view is that much more needs to be done to encourage diversity within the workforce. It urges that, when available, IBEC's Guide to the Employment of Older Workers (IBEC, 2003, forthcoming) should be widely disseminated, particularly in the SME sector.

## Summary

- 3.28 This Section examined age discrimination and attitudes of employers towards older workers. International research findings highlight similar issues regarding barriers to participation in the labour force for these workers. These include absence of suitable jobs, lack of flexible working time and the existence of age discrimination. These barriers were shaped by negative attitudes and exist among workers as well as employers. Policy in Ireland on age is being driven by anti-discrimination legislation such as the Equal Status Act, the Employment Equality Act, the Redundancy Payments Acts and the Unfair Dismissals Act.
- 3.29 The Project Team's survey of employer attitudes in Ireland suggests that while companies overwhelmingly identified positive attributes for older workers, yet there was a the lack of positive discrimination in favour of these workers or

programmes to meet their needs. While the majority of employers expressed no preference for employing older or younger workers, 29 per cent expressed a preference for hiring younger workers (notably in construction and retailing), while only 18 per cent expressed a preference for hiring older workers. Companies experiencing a rising trend in the proportion of employees who were older workers put this down mainly to natural ageing of the workforce.

- 3.30 The findings suggest that the majority of companies do not have structures or practices in place to cope with an ageing workforce. Less than half of those surveyed had formal structured training for all workers, with only a very small number (8 per cent) actively encouraging participation by older workers. More companies (one-third) actively encouraged younger workers to participate in formal training. The number of companies providing specific supports for older workers was also extremely small (12 per cent), the main support being flexible working. None of the respondents had gradual or partial retirement schemes.
- 3.31 As the workforce will age considerably (see Section II), particularly after 2006, awareness raising is urgently needed to be put in place now to adjust corporate culture, recruitment and employment practice, career paths, incentives and back-up programmes to support older workers to remain in the workforce longer.



## Section IV

# **Training in and for the Workplace**



# Training in and for the Workplace

## Introduction

4.1 In this Section we discuss training in and for the workplace for older workers. The focus is on the needs of those who are at the younger end of the age spectrum (45-54 years) and how, at mid-career point, many of them require updating of existing skills. Our concern with workplace training relates to its direct link with productivity and employment, as the skills level of the workforce and the ability of the education system to respond flexibly to emerging economic needs and opportunities is a vital determinant of competitiveness (National Competitiveness Council, 2002). It is in this context that we explore current provision and the specific barriers that exist for older workers. We also note the need for improvement in the quality of jobs and the potential that training offers in this respect. The Team also explores the training needs of those who are not, at present, economically active.

4.2 The Section is organised as follows:

- Overview of in-work training;
- Current policy and provision;
- Key policy issues;
- Identifying and addressing the barriers for older workers;
- Training needs of older workers not in the labour market; and
- Summary.

## Overview of In-Work Training

4.3 In-work training (other terms which are used interchangeably in this Section include ‘employee development’ and ‘work-based training’) applies to a range of activities that are provided by agreement between employers and employees, either at the workplace or financed through the workplace. Such training may be offered on an individual basis, or as an element in the conditions of employment negotiated between unions and management. For work-based training to be successful, there has to be a recognised ‘mutual benefit’ (Forrester, *et al.*, 1995) to both employer and employee. The Project Team considers that employers have not sufficiently recognised these benefits to date and have tended to see training only in terms of its cost to the company.

4.4 A distinction is often made between specific skills training that employees need to do their job more effectively, and the wider area of education and learning which, while not impinging directly on one's job specification, can improve worker flexibility, adaptability and employability. The Project Team here regards in-work training as a spectrum of provision from basic education - including literacy and numeracy tuition – to specific job skills development to the more general provision of further/continuing education and lifelong skills.

## Current Policy and Provision

4.5 Historically, this country has not had a strong tradition of skills training and development at the level of the enterprise. Many critical reports over the years (NESC, 1993, O'Connell and Lyons, 1995) pinpointed the skills gaps here, particularly in indigenous companies, compared to other countries and to the associated under-investment and inadequacies in relation to in-work training. In essence, such training is influenced by two major factors:

- (i) the role played by the State in the support for and provision of education and training for the labour force; and
- (ii) the active involvement of employers and trade unions.

4.6 For the most part, in-work training in this country has been left to State agencies, with limited direct provision by individual employers. In more recent times there has been a greater recognition of the contribution that in-work training can make to improve competitiveness. The *Programme for Prosperity and Fairness* (Government of Ireland, 2000), for example, argues for enhanced skills development in the workplace to facilitate rapid technological change, while the *National Development Plan (2000-2006)* provides for greater investment in the skills and competences needed to cope with the constantly evolving world of work. The employers' organisation, Irish Business and Employers Confederation (IBEC), also accepts that upskilling for those in employment must be a key priority if we are to retain and attract higher value-added employment in Ireland (IBEC, 2002a). More recently, the European Commission has called on the Government and the Social Partners here to expedite the long-awaited lifelong learning strategy and also to intensify efforts to promote in-company training, in particular for older workers (European Commission 2002e).

## Lifelong Learning

4.7 Commitments to lifelong learning at EU level (European Commission, 2001b) are now being taken up at national level (Department of Education and Science, 2000; Government of Ireland, 2000). The recent report of the Task Force on Lifelong Learning (2002) outlined, as one of its critical areas, workplace learning/

upskilling. The Project Team strongly endorses the recommendation of the Report that upgrading the skills of people at the lower end of the spectrum must be a key priority. Many of the Task Force recommendations are relevant to older workers. Box 4.1 below presents a summary of these as they relate to the workplace.

**Box 4.1 Task Force on Lifelong Learning Recommendations on the Workplace**

1. A foundation qualification in workplace skills should be available to all employees.
2. To facilitate accreditation of prior learning, employers should set out the knowledge, skills and competencies associated with specific occupations.
3. Quality standards such as FÁS's Excellence through People should be promoted.
4. Initiatives should be developed to upskill IT workers.
5. Skillnets should be more widely promoted and new networks aimed at addressing workplace literacy should be considered.
6. All workplace education and training should be literacy-proofed.
7. Enterprise Ireland should develop a mechanism for identifying and supporting the skill needs of its client companies.
8. A register of approved trainers should be developed by FÁS.
9. The Department of Enterprise, Trade and Employment should build on the ADAPT Initiative to promote the training of trainers.
10. Commitments should be given to introduce statutory paid learning leave, the details of which should be developed with the social partners.

*Source: Task Force on Lifelong Learning, 2002.*

- 4.8 The Team attaches particular importance to the development of a foundation qualification in workplace skills which would include areas like social skills, literacy and numeracy and health and safety and which would be available to all employees. It also recognises the significance of the commitment to paid learning leave and urges that best practice elsewhere in Europe be looked at when implementing this recommendation (the International Labour Organisation, as far back as 1974, approved a Convention on paid education leave).
- 4.9 Overall, the Team's considered view is that, while the rhetoric of lifelong learning has underwritten many of recent policy statements on labour market training, this now needs to be put into effect and applied to all workers, irrespective of age or skills level. A strategy for the implementation of the Task Force's recommendations should, therefore, be agreed as a matter of priority by the Department of Enterprise, Trade and Employment in conjunction with the Expert Group on Future Skills Needs.

## ***Participation in In-Work Training***

- 4.10 Until recently there was very little information available on in-work training in this country. In the last number of years, however, some effort has gone into this area. For example, a Chambers of Commerce of Ireland (2000) survey on work-based training found that only 43 per cent of firms surveyed had a staff-training budget. The most recent IBEC National Training Survey (2000) and a Small Firms Association survey (MRBI, 2002) both highlighted increasing levels of, but persistent inadequacies in relation to (i) funding and (ii) training days provided for work-based training. For example, the cost of training as a percentage of payroll in the IBEC survey was just over 3 per cent which is low by standards in other countries. The number of training days provided per employee in one year (1998) was found to be 5.11 but this varies, however, from 6.57 days for managers to 3.39 days for ‘ordinary’ workers (Chambers of Commerce of Ireland, 2000). The IBEC survey (2000) also contains evidence of lower levels of training for lower-level employees.
- 4.11 European studies have shown that participation in training declines substantially for workers over 50 years (European Commission, 2002a), especially for those with very low skills levels. EU wide data show that while almost half of older workers are in firms that provide training, less than 15 per cent take part in training measures – either employer provided or private; only 7 per cent of low-skilled older workers receives training, as compared to more than a quarter of high-skilled older workers (European Commission, 2001a). These are worrying findings as the jobs of those with low skills are particularly vulnerable to the intensified competition we are facing from low-cost countries.
- 4.12 Internationally, Ireland ranks eleventh out of 24 countries – an average rating - in relation to participation rates in career or job-related training by those aged 25-54 (OECD, 1999). For older workers this rating is likely to be much lower.
- 4.13 Much of the research (O’Connell, 1999; SFA/Skillnets, 2001; CIRCA, 2002) highlights the particular difficulties for small and medium-sized enterprises (SMEs) when it comes to training. For example, training coverage in firms with fewer than 20 employees is only 15.6 per cent while in firms of 500 employees plus, it is 42.9 per cent. Differences in the organisation of training in firms of different sizes have also been highlighted (e.g. Chambers of Commerce of Ireland, 2000; MRBI, 2001).

## **Key Policy Issues**

- 4.14 The Project Team identified four issues that have a critical bearing on current and future provision of work-based training. These are:
- (i) the National Training Fund;

- (ii) FÁS and the Training Support Scheme;
- (iii) the Skillnets Programme; and
- (iv) policy coordination.

We outline each of these below and their significance for policy purposes.

### *National Training Fund*

- 4.15 The National Training Fund was introduced by legislation at the end of 2000. Its purpose is to provide a dedicated fund to train people in employment and for those who wish to take up employment. It effectively replaces the Employers' Levy/Grant Scheme<sup>7</sup> (established in 1967) and is funded by a levy (0.7 per cent of reckonable earnings) on employers. The Fund effectively provides the training budgets of FÁS and other State-run training schemes (see Figure 4.1) and is the responsibility of the Minister for Enterprise, Trade and Employment.
- 4.16 A National Training Advisory Committee (NTAC), representative of both employer and employee interests, advises on expenditures by the Fund. This provides a more accountable mechanism than in the past and is to be welcomed as such. The income, expenditure and fund surplus is shown in Table 4.1.

**Table 4.1 Income and Expenditure of the National Training Fund, 2001**

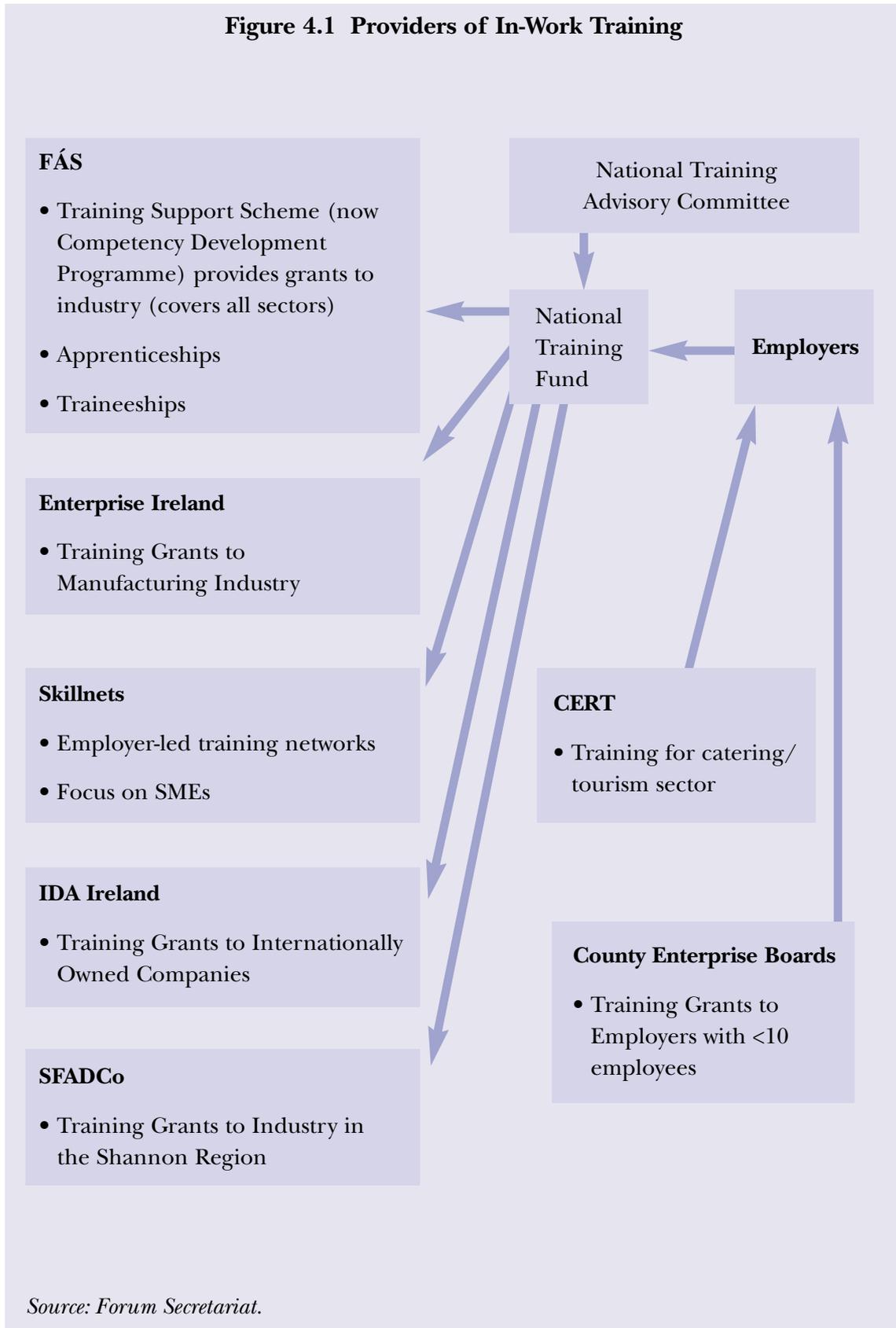
	€'000
Income	200,112
Expenditure	168,941
Fund Surplus	31,171

*Source: Department of Enterprise, Trade and Employment.*

- 4.17 The Project Team recommends that some of this surplus should be earmarked for the development of a specific work-based training package for older workers. This could be developed and delivered to provide key job-related skills, as well as soft skills in relation to confidence-building and teamwork within the workplace. We recommend that the remit of the Advisory Committee should be broadened to design and develop this training package for older workers together with the Expert Group on Future Skills Needs and in consultation with the main training agencies.

<sup>7</sup> This was a levy on employers. Those who met their training responsibilities in full were refunded nearly the full amount of the levy. Administration of the scheme led, however, to almost all employers receiving refunds, thereby making the scheme ineffective.

**Figure 4.1 Providers of In-Work Training**



### *FÁS and the Training Support Scheme*

- 4.18 FÁS as the national training agency has responsibility for training provision both for those in employment and more significantly in the past for the unemployed. It is undergoing important changes at present and its new Strategic Plan (FÁS, 2001) emphasises its role in relation to increasing employability of workers and a focus on working with both employees and employers.
- 4.19 Its main function to date in relation to in-work training was through the Training Support Scheme (TSS), introduced in 1990, which provided grants mainly to SMEs to improve the skills of existing employees. A new initiative – the Competency Development Programme - will replace the TSS and this is aimed at work-based training provision across all firms in the private sector. The Excellence through People Quality Standard also managed by FÁS covers a range of human resource development programmes and plans. The take up of the standard is at present very low and the Project Team urges that this should be more widely promoted with employers and unions by FÁS, in conjunction with the other organisations charged with the delivery of in-work training.

### *The Skillnets Programme*

- 4.20 One of the most important developments relating to in-company training is the Skillnets Programme, a National Training Networks Programme that was launched by the Department of Enterprise, Trade and Employment in 1998/9. The Programme provides for employer-led training initiatives, working with trade unions, for SMEs, initially over a three-year period. (Funding was recently approved for a further three years).
- 4.21 The Programme seeks to develop sectoral networks to bridge the skills gap, so that groups of companies can share best practice, discuss common problems and pool resources towards purchasing or developing common training solutions. It was developed in recognition of the fact that small and medium sized industries find it difficult to fund and provide programmes for upskilling workers.
- 4.22 To date, the Programme has facilitated the development of 58 training networks (50 for training and 8 for training-related research). These cover a wide range of sectors throughout the country. Each network is involved in developing and implementing training programmes specific to an industry, sector or region. Its main success to date is the development of a cooperative approach to training within and between companies. An evaluation of Skillnets (CIRCA, 2002) concluded that the combination of the training network and enterprise-led or enterprise-focused approaches had been responsible for this success. One of the networks that specifically targeted older workers is profiled later in this Section.

4.23 Much can be learned also from the experience of other EU countries in relation to in-work training, both at the general level and more specifically for the older worker. The EU Employment Guidelines stress the importance of employability and the range of training initiatives that are needed to contribute to the development of lifelong learning. The Employment Action Plans of some EU countries contain specific measures aimed at improving employability of the older worker through skills development. These are summarised in Annex 5.

### *Policy Coordination*

4.24 The Project Team's considered view is that there are inadequacies in the way work-based training has been organised and delivered. As a result, difficulties exist in the implementation of policies involving employers, employees and the State. These relate to (i) the level of resources devoted to education and training for employees which has been abysmally low over the years and (ii) duplication arising from the weak co-ordination between the main State agencies charged with the delivery of work-based training (see Figure 4.1). The Project Team's particular concerns here centre on the real difficulties, costs and inconveniences that this poses for employers. The Competency Development Programme that replaces the Training Support Scheme run by FÁS is a case in point. As noted earlier, this Programme will be available to all industrial sectors, including those currently represented by Enterprise Ireland. There is also possible overlap between the role played by FÁS<sup>8</sup> and that of the Skillnets, as both provide training for employees.

4.25 The Project Team very strongly recommends that the Department of Enterprise, Trade and Employment, in consultation with the National Training Advisory Committee (NTAC), should now address, as a matter of priority, the above issues with a view to establishing a national framework for the delivery of in-work training that identifies clearly the specific roles of FÁS, Enterprise Ireland and the Skillnets initiative. (The National Economic and Social Council's recent strategy (NESC, 2002) also recommends that the NTAC should play a central role in relation to workplace training, particularly for the low skilled). Some consideration should also be given to improving co-ordination between these groups and the National Centre for Partnership and Performance.

4.26 As well as the institutional difficulties in design and delivery, employers have also raised concerns about in-company training (Forfás, 2001). These barriers are summarised in Box 4.2 below. One of these relates specifically to older people. The Team recommends that the Department of Enterprise, Trade and Employment in conjunction with IBEC and ICTU should promote the benefits of in-work training with both employers and workers to remove some of these perceived barriers.

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8 FÁS previously operated group-funded training which is the model that Skillnets is based on.

### Box 4.2 Barriers to In-Company Training

#### Public Policy Issues

- Literacy/numeracy
- Regional location and the cost/time associated with training
- Attitudes to older people (particularly in relation to acquiring IT skills)

#### Demand Constraints

- Time to do training
- Costs

#### Organisational Issues

- Information gap (about relevance of training)
- Management understanding of training
- *Ad hoc* approach

#### Supply Constraints

- Accessibility

Source: Forfás, 2001.

## Identifying and Addressing the Barriers for Older Workers

4.27 The Team's view is that workplace training provision for older workers should be designed with their particular needs in mind. What is most important is that there should be a range of options from which to choose, that these are promoted by the company and that progression is built in. For this to happen, more investment in needs assessment is required<sup>9</sup>. The recommendation of the Expert Group on Future Skills Needs on In-Company Training (Forfás, 2001) that FÁS, Enterprise Ireland and Forfás should examine how best to undertake a regular company-level survey of training in Ireland should be expedited and should specifically identify the training needs of older workers, particularly those in low-paid, unskilled jobs.

4.28 The Team identified four problem areas that are particularly relevant to the older worker. These are:

- low levels of formal education;
- no tradition of training;
- training design and delivery; and
- attitudes of employers and employees.

We discuss each of these below.

<sup>9</sup> Needs assessment is an integral part of the Skillnets approach and Enterprise Ireland works closely with its client list to develop a strategic human resources development plan that identifies skills deficits.

### *Low Levels of Formal Education*

- 4.29 About half of our present working-age population has not gone beyond the Junior/Intermediate Certificate or equivalent in terms of education attainment (McCoy *et al.*, 2002). Many in the older age groups that are currently employed have not benefited from free education at second and third levels and, as a result, tend to have lower levels of qualifications than younger people<sup>10</sup>. Literacy and numeracy skills tend to be lower, participation rates in further/continuing education not associated with the workplace are also low and Information Technology (IT) skills are not as well developed as those of the younger age groups. This is reflected in the fact that two-thirds of those aged between 25 and 34 have at least attained the Leaving Certificate, compared to only one-third of those aged between 55-64 (McCoy *et al.*, 2002).
- 4.30 The Project Team considers that initiatives being developed at present in the adult/continuing education field could have considerable benefit for older workers. The Back to Education Initiative<sup>11</sup>, which was outlined in the White Paper on Adult Education (Government of Ireland, 2000), and came on stream in September last year, will provide for an expansion of flexible part-time options so that adults can combine a return to learning with work and family responsibilities. In this regard, the Team recommends that the Department of Education and Science should now give greater consideration to the specific needs of older workers, including opportunities for progression and the recognition of prior experiential learning. This should also apply to programmes like the Vocational Training Opportunities Scheme (VTOS), which provide education opportunities for the unemployed. One of the concerns of that Department at present is how to attract older under-educated unemployed people onto the VTOS programme.

### *Literacy and Numeracy*

- 4.31 Models have been developed internationally and more recently in Ireland (mainly in response to our poor performance in the International Adult Literacy Surveys) to improve adult literacy skills in the workplace. For example, SIPTU provides literacy training in the workplace through some of the courses it provides. One successful project in the public sector is outlined in Box 4.3 below.

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10 The NESF (2002) highlighted that the target of increasing the percentage of young people completing Leaving Certificate to 90 per cent by 2000 has not been met; 15 per cent are leaving school with Junior Certificate only and a further 3 per cent with no qualifications.

11 6,000 places are being made available this year, of which 10 per cent are exclusively for the community sector. This will increase on a phased basis with a view to having 20,000 extra places each year by 2006.

**Box 4.3 The Return to Learning Initiative:  
Workplace Project in the Local Authorities 2000-2002**

This Project was developed in partnership between the Local Authorities, the Department of Education and Science and the National Adult Literacy Agency (NALA). The focus was to ensure that Local Authority employees had an opportunity to access training in literacy, communications, computers, numeracy, personal development and job orientation skills.

The programme consisted of 4 hours tuition per week during working hours over a 20-week period. Tuition was provided by the local Vocational Educational Committee. In 2001 it was piloted in five Local Authorities; Mayo, Meath, Offaly, Tipperary South Riding and South Dublin.

The Project successfully established 25 groups who availed of workplace literacy programmes. An evaluation study concluded that it offered a very valuable model of work-place literacy tuition.

*Source: Conboy, 2002.*

- 4.32 The above approach provides a blueprint for provision of workplace basic education through cooperation between education providers and a public sector employer. More, similar innovations are required and we recommend that this particular model should be mainstreamed and promoted more widely at national, regional and local levels throughout the public sector generally (Government Departments, State Agencies, Health Boards etc). Given its overall responsibilities for education issues, the Department of Education and Science, in consultation with the Department of Enterprise, Trade and Employment should play a lead role in initiating and seeking to ensure that this initiative is effectively carried through.

***Information Technology (IT) Skills***

- 4.33 The rate of change in IT is now such that regular re-training is necessary. Although much of this takes place at the initiative of the individual company, in the Irish context, many companies are too small or lack the resources to provide it on an ongoing basis. The Project Team recommends that the Information Society Commission, through its advisory group on lifelong learning, should consider the development of a series of guidelines for employers in relation to older workers and IT. Experience to date from the CAIT project<sup>12</sup> should also be built upon.
- 4.34 To address skills deficiencies in relation to IT, the *Programme for Prosperity and Fairness* provided for an Adult Basic Information Communication Technology (ICT) Skills programme to upgrade the skills of adults with less than upper second level education but this has yet to be put in place. The Team recommends that this be expedited.

12 CAIT (Community Application of Information Technology) is an EU initiative to support technology in the wider community. One project, supported by the Cork Chamber of Commerce, has initiated work with the over 55s on the development of IT skills.

4.35 A pilot community-based model, the Fast Track into Technology (FIT) Initiative, provides a promising approach to addressing the IT skills needs of older workers. Initially designed to develop IT skills for career development among the unemployed, the FIT Initiative has just finished a three-year pilot phase. It is administered by (Dublin-based) Local Development Partnerships and the Local Employment Service (LES) and training is carried out by VECs or FÁS. An evaluation of the initiative (Eustace and Clarke, 2001) was generally positive in terms of the FIT concept. The Team recommends that, building on the success of the concept, a tailored programme geared towards the needs of older workers should be developed by the main training agencies and delivered on a pilot basis, through Skillnets and/or in a selected number of workplace settings.

### *Tradition of Training*

- 4.36 Variations exist between sectors in relation to in-work training. In the more traditional sectors, where older workers often predominate, training takes place on-the-job and there is little likelihood of investment by employers in skills training and development, and there is no tradition by workers themselves of attending or seeking out training.
- 4.37 The potential of the Skillnets Programme for older workers in these sectors has been piloted in the first round of funding under this Programme. One of the networks which specifically targeted older workers is profiled in Box 4.4 below. The importance of the training to the individual worker was particularly emphasised to the Team in its consultations.

#### **Box 4.4 The SLM Food and Beverage Skillnet**

This network targeted the lower-skilled categories in the food and beverage industry. This included, in large part, men over the age of 45 and who had been employed for long periods in the companies that were part of the network.

The core area for training was identified as food safety and hygiene. Links between the Skillnet and the trade union sector helped to secure the participation of trainees.

The main outcomes of the network were the enhancement of the technical skills of operators, craft workers and front-line supervisors as well as training for all staff in relation to teambuilding. A training room was also established and in-house trainers were trained. Both of these developments are key to the longer-term sustainability of training in the companies.

Of key importance to those who participated was the accreditation and certification awarded (NCVA), which for many older workers was the first time they had ever received any certification.

*Source: Project Team Consultations, Skillnets Directory, 2001.*

### *Training Design and Delivery*

- 4.38 Assessing the training needs of older workers tends to be driven by the above attitudes, with the result that the supply of information about training options for these workers is poor. In addition, for those who have not previously participated in formal education/training, it may be difficult to get a foothold on the certification ladder. Moreover, accreditation and progression are often not available in any case for those with low skills.
- 4.39 The *White Paper on Adult Education* (Department of Education and Science, 2000), the *Programme for Prosperity and Fairness* and the *National Development Plan (2000-2006)* all support the accreditation of workplace learning as a core part of the new qualifications framework that the National Qualifications Authority of Ireland (NQAI) was established to develop<sup>13</sup>. Indeed, the Project Team is especially pleased that the NQAI has identified older workers as a priority group for certification purposes. In this regard, the Team's view is that foundation level training should provide an unhindered entry opportunity for these workers having no formal qualifications to participate and progress towards accreditation. Recognition of prior experiential learning should be taken into account, as this is particularly relevant to the older worker.
- 4.40 Costs and convenience can also have a bearing on participation; the opportunity cost to the employee and the actual cost to the employer can determine whether training is provided or not as indeed can the training venue and times. Initiatives can be adapted in the workplace to address these issues. For example, employers could be assisted (through offsetting costs against income tax, for example) to encourage older workers to participate in training, while any cost to the employee who is aged over 45 could be waived to promote participation. Both on-site and off-site training should be facilitated as appropriate.

### *Attitudes of Employers and Employees*

- 4.41 As noted earlier, employers do not always see training as an investment, while their attitude to the training of older workers is of crucial importance (see also Section III). Models of good practice should be developed and promoted more by employer organisations, using as a basis the experience of Skillnets, FÁS and the trade unions so that individual enterprises can see the value of in-work training for older workers.
- 4.42 As well as developing a more favourable attitude by employers, workers also need to view training in a positive light. Workers often exclude themselves from training opportunities because of a lack of confidence about their ability to participate or they see it as something foisted on them by management. Special attention needs

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13 The NQAI was set up in 2000 to oversee the development of a national framework of qualifications. Its associated body, the Further Education and Training Awards Council (FETAC) makes awards previously granted by the NCVA, FÁS, CERT, Teagasc and BIM and is the main body responsible for certification of industry training.

to be given, therefore, to these factors and to the role played by workers' representatives in encouraging in-work training.

## **Training Needs of Older Workers not in the Labour Market**

- 4.43 In addition to training for those in work, a range of interventions are also required to assist those who are presently outside the labour force. Traditionally, the task of providing this training has been the responsibility of FÁS. However, the consultations undertaken by the Project Team show that access to such mainstream training is not a realistic option for vulnerable groups such as long-term unemployed people, particularly those in the older age groups and women returning to work after a period of absence. The Employment Action Plan process currently provides a one-to-one approach to the reengagement of those who are unemployed. However, the Team is particularly concerned that this process does not cover those over 55 years. We recommend that this should be amended as soon as possible. A further restriction of the process is that only those on the Live Register are covered. This can act as a barrier particularly to older women returners. Again, the Team recommends that this should be addressed as an urgent priority
- 4.44 In the Team's view, tailored interventions are needed that are developed with the specific needs of the older age groups in mind. The traditional view of apprenticeships also needs to be reviewed so that a more widely applicable model of work-based training can be developed. The Traineeship model by FÁS represents one approach in this regard. The Team supports the Equality Authority's recommendation that FÁS should adapt a number of traineeships to the specific needs of older workers. In particular, the mentor/coach that is assigned to the trainee should be more widely available in the workplace, particularly for those who have been out of work for some time. (This is also discussed in Section V). Below the Team presents three case-studies which highlight ways that tailored provision has helped (i) unemployed men over 35 years, (ii) women returners and (iii) employers with training needs.

### ***Case Study (i): Unemployed Men over 35 Years***

- 4.45 As part of its remit, the Tallaght Partnership has developed a range of special initiatives to meet the needs of groups in the labour force who continue to be marginalised, despite the dramatic improvements in employment opportunities. For one of these groups – long-term unemployed men over the age of 35 – the Partnership has supported the development of a Flexible Training Unit. Box 4.5 outlines the characteristics of the target group and the work undertaken with them.

### **Box 4.5 The Flexible Training Unit in Tallaght**

#### **Characteristics of the Target Group\***

The target group includes those who are long-term unemployed and over 35 years of age. They include ex-prisoners, members of minority groups (including Travellers, refugees and asylum seekers), those recovering from depression-related illnesses and drug and alcohol addictions. A whole range of interpersonal and psychosocial problems are often presented by those who attend.

#### **Work of the Unit**

The men attend in groups of 10, 2 days a week for 26 weeks. Referral can be through other community-based providers (including the LES) or through outreach by the Unit's staff. Participants are offered 22 modules which include general skills development in relation to literacy, numeracy and group work based on reflective experience as well as specific skills training in metal work, glass work and occupational health and safety.

Individual progression planning is a core part of the Unit's programme. The options may include pre-training, education and/or pre-employment training with a view to their eventual social and economic integration. The outcomes for past-participants include Back to Work Allowance (11%), Community Employment (10%), Job Initiative (5%), FÁS training (12%) and education (8%).

\* The Unit also works with marginalised 18-24 year old men.

*Source: Project Team consultations, Murphy, 2002.*

### **Case-Study (ii): Women Returners**

- 4.46 An innovative employment intervention has been developed by the Northside Partnership to provide access to training and employment for women returners. The characteristics of this group, which are summarised in Box 4.6 below, are also shared with older long-term unemployed people.
- 4.47 The Northside Partnership's Expanding the Workforce Programme is based on intensive work with potential returners.

**Box 4.6 Characteristics of Labour Market Vulnerable Groups**  
(Adapted from Northside Partnership’s Expanding the Workforce Programme)

- Long periods absent from the labour force;
- Redundant skills and subsequent skills gap;
- A lack of confidence that they do not have relevant skills or a fear that such skills are unobtainable;
- A perception that work is for young people and not for older people;
- No knowledge or lack of knowledge of State training provision; and
- A general feeling of the lack of understanding by training organisations and employers as to what motivates older unemployed people to return to the labour market (i.e. economic/social integration).

*Source: Northside Partnership, 2001.*

The steps taken over the course of the Programme are:

- advertising and promotion;
- engagement;
- one-to-one career path planning;
- pre-work induction training;
- in-company placement; and
- placement in mainstream employment.

4.48 The model has been piloted with women returners and it is in the process of being applied to the recruitment of other target groups such as long-term unemployed people and those with disabilities. In the future, it is envisaged that the model will also concentrate on innovative in-company induction training and in-career development in the workplace.

4.49 The Team welcomes the recent incorporation by FÁS of the above Programme into its current work programme. The model is currently being piloted by FÁS in both Dublin and Limerick through the Local Employment Service, with the emphasis on a caseload approach that offers guidance and counselling to the individual job-seeker. The Team recommends that the Programme should be more widely mainstreamed. In the Team’s view, the effective mainstreaming of this Programme will require recognition of the need for specific targeting at the local level, concentrated efforts with employers and the active engagement of the Local Employment Service (Northside Partnership, 2001).

### *Case Study (iii): The Jobrotation Programme*

- 4.50 One of the difficulties which frequently faces employers, and which can act as a disincentive to invest in training for staff is the ‘vacancy’ that is created when someone goes to undertake training/education. This was identified as the single biggest barrier blocking SMEs from undertaking more training (Small Firms Association/Skillnets, 2002). One way of addressing this is the Jobrotation programme that was tested in the New Opportunities for Women (NOW) programme 1998-1999 (an example of its application here is presented in Box 4.7).
- 4.51 Jobrotation was initially developed in Denmark in the late 1980s and has become a popular tool of employment policy. It involves filling vacated workplaces with unemployed people while company employees undertake vocational/educational training. The unemployed people are specifically trained to substitute for the employed worker. (The Team accepts that this approach cannot be applied to all jobs.)

#### **Box 4.7 Jobrotation in Aer Rianta**

Recognising the changes in Duty Free and the VAT Free selling environment, the commercial section of Aer Rianta identified the need for employees to explore and learn new selling skills. Jobrotation was seen as a useful tool for the company to provide training for staff, without disrupting service provision, while at the same time supporting work placement and skills training for the unemployed.

Staff from Duty Free and Tax Free Shops were released from their work rotas to undertake training for job development and were temporarily replaced in the workplace by unemployed people. The project was independently evaluated (Farrell Grant Sparks, 1999) and the main findings were:

- The need to mainstream Jobrotation with a variety of sectors.
- With the support of all social partners, Jobrotation could be a key to labour shortages.
- In the light of the speed of technological change, Jobrotation could provide in-company training to ensure competitiveness and productivity.
- Jobrotation provides an opportunity for placement and training of unemployed people.
- It offers a mechanism for the further development of lifelong learning.

*Source: Northside Partnership, 1999, Farrell Grant Sparks, 1999.*

## Summary

- 4.52 This Section has examined training for older workers, both in and for the workplace. Our review of training has shown that Ireland generally has a poor record of provision for all employees, but especially for those in the older age groups who face even greater barriers to workplace training than their younger counterparts.
- 4.53 In-work training has generally been left to State agencies with limited direct provision by employers, particularly in the indigenous sector. Both employers and employees now need to view training in a more positive light. However, there is growing recognition of the importance of in-work training to competitiveness. The current climate presents an opportunity to invest in training for all workers but most importantly for those in the older age cohorts.
- 4.54 Provision of training for those outside of the work force has traditionally been the responsibility of FÁS. However, based on the Project Team’s consultations, access to mainstream training is not a realistic option for many unemployed people, particularly those in the older age categories and women returners. More tailored interventions are, therefore, required to meet the needs of these vulnerable groups.
- 4.55 Examples of good practice highlighted here and elsewhere show that a targeted approach to those over 45 years, aimed at meeting their particular needs, either within the workforce or outside of it, can greatly assist in skills development as well as improve economic and social integration prospects.
- 4.56 Of most importance in work-based training is the need for the Department of Enterprise, Trade and Employment to streamline current provision and to co-ordinate, at a national level the way services are presently delivered. The Expert Group on Future Skills Needs and the National Training Advisory Committee should be actively involved in this process.

## Section V

# **Work-Life Balance Issues**



# Work-Life Balance Issues

## Introduction

5.1 Most of the discussion on work-life balance in this country has been about parents of young children (Fisher, 2000; National Framework Committee, 2002, forthcoming) and the need for flexibility in working arrangements to facilitate childrearing. Much of the debate has been driven by the need to increase female labour market participation. There has been little or no consideration of groups like older workers who would also benefit from more flexible working arrangements. In this Section we look at work-life balance issues generally and then apply the discussion to workers in midlife. The following areas are addressed:

- Defining Work-Life Balance;
- Current Policy Responses;
- Specific Issues for Older Workers;
- Responding to the Needs of Older Workers;
- Building on Good Practice; and
- Summary.

## Defining Work-Life Balance

5.2 Work-life balance arrangements are:

*“...work arrangements, both formal and informal, that exceed the statutory minimum and which assist employees to combine employment with their caring responsibilities and personal life outside the workplace” (Fisher, 2000).*

5.3 This definition is relevant to all workers, including those in the older age groups. The Project Team’s view is that a healthy work-life balance should be a policy aim for *all* workers and not just those with caring responsibilities.

5.4 Work-life balance policies can be promoted:

- (i) on a regulatory basis through legislation (such as the Maternity Leave Act 1994 and the Parental Leave Act, 1998); and
- (ii) through voluntary means by employers encouraging greater use of codes of practice, information sharing and through the development of guidelines.

Recent developments in this country reflect both approaches. The Project Team’s view, however, is that more could be done to develop the voluntary approach by employers in the provision of flexible working arrangements. We discuss this below.

## **Why Work-Life Balance?**

- 5.5 The increased pace of change in the workplace and in society over the last number of years has put yet greater pressure on employees to become more adaptable and to meet the increasing levels of competitiveness and productivity. This generally requires that the individual has to balance sometimes conflicting demands of personal and family life with one's job. In addition, research has shown that stress in the workplace is on the increase. For example, research for the European Agency for Safety and Health at Work (Cox *et al.*, 2000) found that between 50 and 60 per cent of all lost working days are related to stress. The European Foundation for the Improvement of Living and Working Conditions (EFILWC, 2001) in its 2000 survey of working conditions also found that 28 per cent of workers reported stress-related problems, a figure only exceeded by muscular complaints.
- 5.6 In the Irish context, increasing pressures of travel time to and from work is a major factor in the struggle to combine work and family life<sup>14</sup>, reflecting, in part, the present inadequate supply of housing and the need for many to commute much longer distances. An increased focus on lifelong learning and opportunities within and outside work for skills development and training (see also Section IV), has also increased pressure on the individual worker to incorporate learning for the workplace into an already busy schedule (for more discussion see NESF, 2003, forthcoming report on Social Capital; and the recently-published National Spatial Strategy, 2002).
- 5.7 In recent years, there has been a growing recognition of the need for greater work-life balance. Reconciling work and family life is one of the themes addressed in the guidelines for EU Member States' employment policies, put in place under the Amsterdam Treaty, and reflected in their Employment Action Plans (see Annex 5 for some examples). As well as the objective of increasing labour market participation, there is acceptance both here (IBEC, 2002b) and at EU level (European Commission, 2002a) that work-life balance policies can contribute to economic competitiveness. The employers' organisation IBEC, in particular, acknowledges the need for greater flexibility:

*“For Ireland to continue to build on its competitive success, it is clear that we need to make the best use of the talents of as many people as possible ... managing this diversity, including family-friendly, work-life balance issues is a challenge and an opportunity for organisations”* (IBEC, 2002a).

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14 Trans-national research (Fine-Davis, *et al.*, 2002) found that commuting times to work were longer for Irish people than for those in France, Italy or Denmark due in large part to traffic congestion.

## Current Policy Responses

- 5.8 A commitment to develop work-life balance arrangements is contained in the *Programme for Prosperity and Fairness*, Annex 4 of which provides a National Framework for the Development of Family-Friendly Policies at the Level of the Enterprise. The purpose of the Framework is to identify actions to be undertaken by the social partners at national level, which would support the development of such policies in the workplace. The National Framework Committee on Family-Friendly Policies, chaired by the Department of Enterprise, Trade and Employment, was established in 2000 and is representative of the main employer, trade union and Government interests. Funding for the work of the Committee comes from the National Development Plan (2000-2006). The website of the Framework Committee outlines a number of case-studies which set out how the needs of employees for flexible working arrangements have been met by different companies (one of these case studies is outlined later in the Section). The Committee has also provided direct grant-aid to individual enterprises to put in place family-friendly working arrangements. The results of this work to date suggest that there is some good practice at the level of individual enterprises. While the Project Team acknowledges this as progress, we recommend that increased levels of provision are now needed across all sectors and industries.
- 5.9 The benefits of flexible working arrangements are set out in the documentation of the National Framework Committee as:
- “ ... [for employees] ... flexibility in the workplace which allows them to combine work and family responsibilities as well as their personal life. The benefits to the employer are that policies allow for better retention and recruitment of valuable employees which can save employers from costs associated with recruitment and training of new staff”.*
- 5.10 Recent legislative developments in the provision of flexible working arrangements include the Carers Leave Act (2001) and the Protection of Employees (Part-Time Work) Act (2001)<sup>15</sup>. Both allow for a greater degree of flexibility with regard to work and time off. A code of practice on teleworking<sup>16</sup> has also been agreed recently by the Social Partners. Overall, developments have been somewhat piecemeal but the implications will be far-reaching with regard to employment practice generally.
- 5.11 Flexible working arrangements can be developed in a number of ways within the workplace. A recent good practice guide for employers (Department of Trade and Industry, 2000) in the United Kingdom sets out the main approaches (see Box 5.1).

15 The Carers Leave Act provides for employment leave of up to 65 weeks to care for someone while the Protection of Employees (Part-Time) Act provides for part-time workers so that they may not be treated less favourably than full-time employees with regard to conditions of employment. Legislation is also being drafted by the Department of Enterprise, Trade and Employment to implement an EU Directive for Workers on Fixed-Term Contracts.

16 Teleworking is defined as a method of working using information and communication technologies, enabling work to be carried out independent of location.

The questions and policy issues outlined there effectively represent the range of options that could be made available to the employee who would like more flexible working arrangements. For example, workers can reduce the number of hours they work, how and when they work and whether or not they work on the employer's premises.

### Box 5.1 Work-Life Balance Strategies

#### How much time to work

- full-time
- part-time
- job-share
- term-time working
- over-time

#### When they work

- flexitime
- compressed hours
- annualised hours
- shift swapping
- extra hours
- self-rostering

#### Where they work

- on the employer's premises
- at home

#### Giving employees a break from work

- for a short period
- for a longer absence

#### Offering choice and security

- childcare
- health and fitness
- financial packages
- saving scheme

Source: Department of Trade and Industry (UK), 2000.

5.12 As part of its commitment to the promotion of work-life balance among its membership, IBEC has also recently published a guide for employers (IBEC, 2002b)<sup>17</sup>. The guide articulates the business argument in favour of work-life balance policies and the associated benefits which include reduced casual sickness absences, improved retention, improved recruitment and productivity, potential cost savings and enhanced corporate image. IBEC has also produced a video training pack which includes a guide, a video and a user's guide on work-life balance in the workplace. Together, these initiatives represent an acknowledgement by the business sector of the need for flexibility in the workplace. The Project Team recommends that the Department of Enterprise, Trade and Employment, as the key Government body with responsibility for issues within the workplace should develop, in conjunction with IBEC, a radical promotion and dissemination strategy for the guidelines and training that have been developed.

<sup>17</sup> IBEC has also established a National Round Table on Work-Life Balance to promote the issues with employers.

### *Extent and Nature of Flexible Working Arrangements*

- 5.13 Research by Fisher (2000) on behalf of the Equality Authority showed that 53 per cent of companies in the SME sector operate one or more family-friendly arrangements but that the number of employees availing of these is small. Childcare was the main reason given by employees for requesting family-friendly working arrangements. The main reason given by employers for not implementing flexible working arrangements was that there was no request for them from staff.
- 5.14 IBEC (2001) also looked at provision of flexible working arrangements in both the manufacturing and wholesale distribution sectors. The results (see Table 5.1) show a variable commitment to flexibility in the workplace. Other research (see McNally and Hegarty, 2002) as part of the PPF Framework for the Development of Equal Opportunities Policies at the Level of the Enterprise, for example, found good practice in the retail sector and its employment of older workers. Much can be learned from the experience of this sector with regard to the recruitment and retention of older workers (see also Section III).

**Table 5.1 Percentage of Companies Providing Flexible Working Arrangements**

Type of Arrangement	% of Companies
Career Breaks/Sabbaticals	7
Teleworking	8
Flexi-time	13
Flexible Hours	17
Shift Work	23
Permanent Part-time Work	45

*Source: IBEC, 2001.*

- 5.15 The National Framework Committee on Family-Friendly Policies commissioned work on the nature and extent of flexible working arrangements (Industrial Statistics Unit, 2002). Unlike previous studies that have tended to concentrate on employees with children, this study identified a much wider demand on the part of employees for work-life balance. It shows that from an employer perspective, organisations are increasingly aware of – although not always delivering – work-life balance policies. While it may be difficult for some employers to offer work-life balance arrangements – because of the traditional nature of some sectors or because of the limited number of staff numbers involved - the Project Team urges, nevertheless, that more imaginative solutions should be considered. As a starting point, more can be done with regard to information-exchange in individual enterprises; Fisher (2000) found that there was almost universal interest among

SME employers in finding out more information on what other employer organisations are doing.

## Specific Issues for Older Workers

5.16 When it comes to older workers, there are a number of specific issues that we need to consider. The Project Team's view is that this is important in three respects:

- healthy ageing and work;
- combining work with caring responsibilities; and
- quality of life issues.

We discuss each of these areas briefly below.

### *Older Workers and Health*

5.17 The National Council on Ageing and Older People's (NCAOP) research on older people's preferences for employment/retirement (NCAOP, 2001) highlighted that health problems can prove serious impediments to an active working life. Almost one third of the sample for that study cited illness and disability as their reason for retirement. In addition, over a quarter said that they would retire early because work was too demanding or stressful. The findings indicate that if flexible working arrangements were available, fewer of those who retired early would have had to do so.

5.18 The research findings also suggest that, associated with improved work-life balance, greater investment in health promotion and healthy ageing is needed in the workplace. Much discussion has taken place about the area of health and safety, health promotion and occupational health (see for example, NCAOP, 2001; Convery, Clinch, FitzGerald and Whately, 1998).

5.19 What is now needed, however, is action in relation to good personnel management practice on health promotion at work and good corporate responsibility by employers. The Project Team endorses the recommendation of the NCAOP's research that the Department of Health and Children in conjunction with employers should now implement the provisions of the National Health Promotion Strategy (2000-2005) and make these more widely available to older people. For example, the Strategy document sets out a number of objectives with regard to health promotion and the workplace. One area of particular relevance to our work here is the risk of accidents and injuries at work<sup>18</sup>. In this regard, the Team supports the objective of appointing a national Workplace Health Co-ordinator to implement a workplace health promotion policy. We recommend that he/she

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18 SLÁN (1999) found that the risk of accidents and injuries in the workplace are most notable among middle-aged men (35-55 years) and that these are largely preventable.

should have specific regard for the needs of older workers. The Team's view is that health promotion strategies, when combined with flexible working arrangements, would greatly improve the retention of ageing workers.

### *Older People and Caring Responsibilities*

- 5.20 The second issue for older workers with regard to work-life balance is the proportion of those aged over 45 years, particularly women, who are engaged in elder care. Research in the United Kingdom, funded by the Joseph Rowntree Foundation (Phillips, Bernard and Chittenden, 2002) found that as many as 1 in 10 employees is caring for older adults in an informal capacity but needs greater support from employers. The research also highlighted that combining work and care can be extremely difficult, given that most carers are married, have demanding jobs and are often balancing multiple responsibilities including dependent children and sometimes grandchildren.
- 5.21 The NCAOP's study also pointed to anecdotal evidence in the Irish context that, because of a lack of childcare, older women increasingly have to take up the role of minding their grandchildren while their sons and daughters are at work. This precludes them from taking up employment in their own right. For a number of them, however, the option of part-time employment and greater flexibility could make it more feasible for them to participate in the labour market.
- 5.22 Carer's Allowance and Benefit are provided by the Department of Social and Family Affairs for carers who look after those in need of full-time care and attention. This Allowance is means-tested and there is a generous earnings disregard which allows recipients to earn up to a certain threshold before the payment is cut. In this regard, the Project Team endorses the recommendation made in the Forum's Report on *Alleviating Labour Shortages* (NESF, 2000) that a carer's means should be calculated using *net* rather than *gross* weekly income (for many low paid/part-time workers there is little difference between net and gross pay) as this might act as an incentive to take up part-time work for the many women that provide this valuable service.

### *Older Workers and Quality of Life Issues*

- 5.23 The final reason for considering flexible working arrangements is to do with quality of life and the wider range of choices that should be available to the individual with regard to how he/she spends free time. As workers age, they often wish to exercise this choice. Where children are reared and the mortgage is paid off, those over 55 years often decide to reduce working hours, particularly if their partner is retired. Having more flexible working arrangements in place may in fact make the difference between one's decision to retire altogether or to remain in the workforce but to work fewer hours. (The Equality Authority also recommended

that work arrangements for older people should be made more flexible and that those who wish to work part-time or in other atypical ways should be facilitated). Recent research on the working patterns and preferences of the 45-64 age group (Lilja and Hamalainen, 2001) bears this out: 55 per cent of employed men and 39 per cent of employed women within the 15 EU Member States and Norway responded that they would like to work fewer hours.

## Responding to the Needs of Older Workers

- 5.24 For access to work-life balance opportunities to become a reality for older workers, some shift in attitude on the part of employers, trade unions and indeed workers themselves will be required. This could be facilitated through a greater sharing of experiences by those who have introduced work-life balance strategies successfully and, as noted earlier, more dissemination of good practice. One way of encouraging this is to make issues about work-life balance and the needs of groups like older workers a core part of existing Human Resources training.
- 5.25 Examples of good practice exist or are being developed in both the public and the private sector<sup>19</sup>, both here and in other countries. However, more needs to be done to put this issue on a firmer policy footing. The Department of Enterprise, Trade and Employment in conjunction with IBEC and ICTU should put in place a dissemination strategy for the guidelines and training that have been developed on work-life balance issues. In addition, the Project Team supports the four main guidelines for employers which have been identified by the European Foundation for the Improvement of Living and Working Conditions (Walker, 1997). These guidelines are set out in summary in Box 5.2 below. The Project Team recommends that they form the basis for discussion with employers and trade unions about future development of work-life balance policies.

### **Box 5.2 Good Practice Guidelines for Employers Introducing Flexible Working Arrangements**

1. **Backing from Senior Management** is needed to support initiatives being introduced.
2. The **Human Resource (HR) Environment** should actively support older workers.
3. **Commitment from the Workers Involved** and ownership of initiatives by workers themselves ensures greater success.
4. **Careful and Flexible Implementation** is needed. Education and consciousness raising among line managers; staged implementation; constant communication and assessment and feedback.

*Source: Walker and Taylor, 1997.*

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<sup>19</sup> The Civil Service here, for example, has for some time been to the forefront in developing flexible working arrangements. Career breaks and job sharing have been in place since the 1980s and more recent developments include term-time working and work sharing.

- 5.26 By way of setting good example, the Human Resource Management aspect of the Strategic Management Initiative (SMI) in the public service should examine how groups like older workers can be better accommodated in future work-life balance policy developments. The Employers' Guide to the Employment of Older Workers, which is currently being drafted by IBEC, should also be widely circulated when finalised to ensure that there is a wider acceptance of the issues which relate specifically to this group.
- 5.27 The Project Team considers that, along with improvements in employer attitudes to work-life balance for older workers, Government Departments and agencies also need to come together with employers and trade unions to develop more effective approaches. As a basis for the development of a more integrated approach, the National Framework Committee on Family Friendly Policies should broaden its remit to include the older worker and should allocate funds to undertake specific pilot initiatives for them as a policy target group. At the same time, other Departments, notably the Departments of Enterprise, Trade and Employment, Health and Children and Social and Family Affairs, should collaborate to streamline and integrate more effectively their work on older workers.
- 5.28 One of the most important initiatives that the Team considered for those close to retirement is the provision of gradual retirement options (we discuss the pensions implications of this in Section VI of the Report). While recognising that it is difficult to significantly alter pensions arrangements, the Teams considers that much can be done to improve flexibility in relation to retirement, and that those who wish to should be supported to continue in the workplace having reached retirement age. In both Denmark and Germany, for example, legislation has been introduced by Government for pre-retirement part-time work (see Annex 5). The Equality Authority's Report on Older People (Equality Authority, 2002a) recommended that collective bargaining should include measures to facilitate phased retirement, a view that is supported by the Team.
- 5.29 Associated with gradual retirement is the need to offer opportunities for downshifting. The Team, in considering this, was aware of the range of sensitivities involved in proposing this. Our view is that while it is neither possible nor desirable to be prescriptive about the tasks that older workers should do, more incentives should be offered for older people to train, for example, as mentors/coaches to new recruits and to those who need on-the-job training. The Dutch model, in particular, provides valuable learning in this regard as it allows for phased retirement for the older worker but allows them to proactively feed back their knowledge and experience of the job to their younger counterparts. The Team, therefore, recommends that consideration should be given to the older worker as 'workplace mentor' and a training programme for older workers should be developed in mentoring skills. The approach should build on the experience of the

Traineeship mentor role<sup>20</sup>, the mentor role developed as part of the Jobrotation programme (see Section IV) and the ‘training the trainers’ work within the Skillnets programme (see also Section IV).

## Building on Good Practice

5.30 The Project Team looked at a number of initiatives, both here and in other countries that have been established to develop work-life balance opportunities for older workers. We present three of these here in case-study format to highlight the range of possible options for consideration by Government, employers and by employees themselves.

### *Case Study (i): The Finnish Programme on Ageing Workers (1998-2002)*

5.31 This Programme was put in place to contribute to the development of a competent workforce, the well-being of employees in the workplace and good industrial relations in ensuring success for the national economy. It was implemented jointly by the Ministries of Social Affairs and Health, Education and Labour. Quality of life issues including workplace development; working environment and working conditions; proficiency, know-how and skill and flexible working hours and working arrangements were deemed to be most important to the Programme.

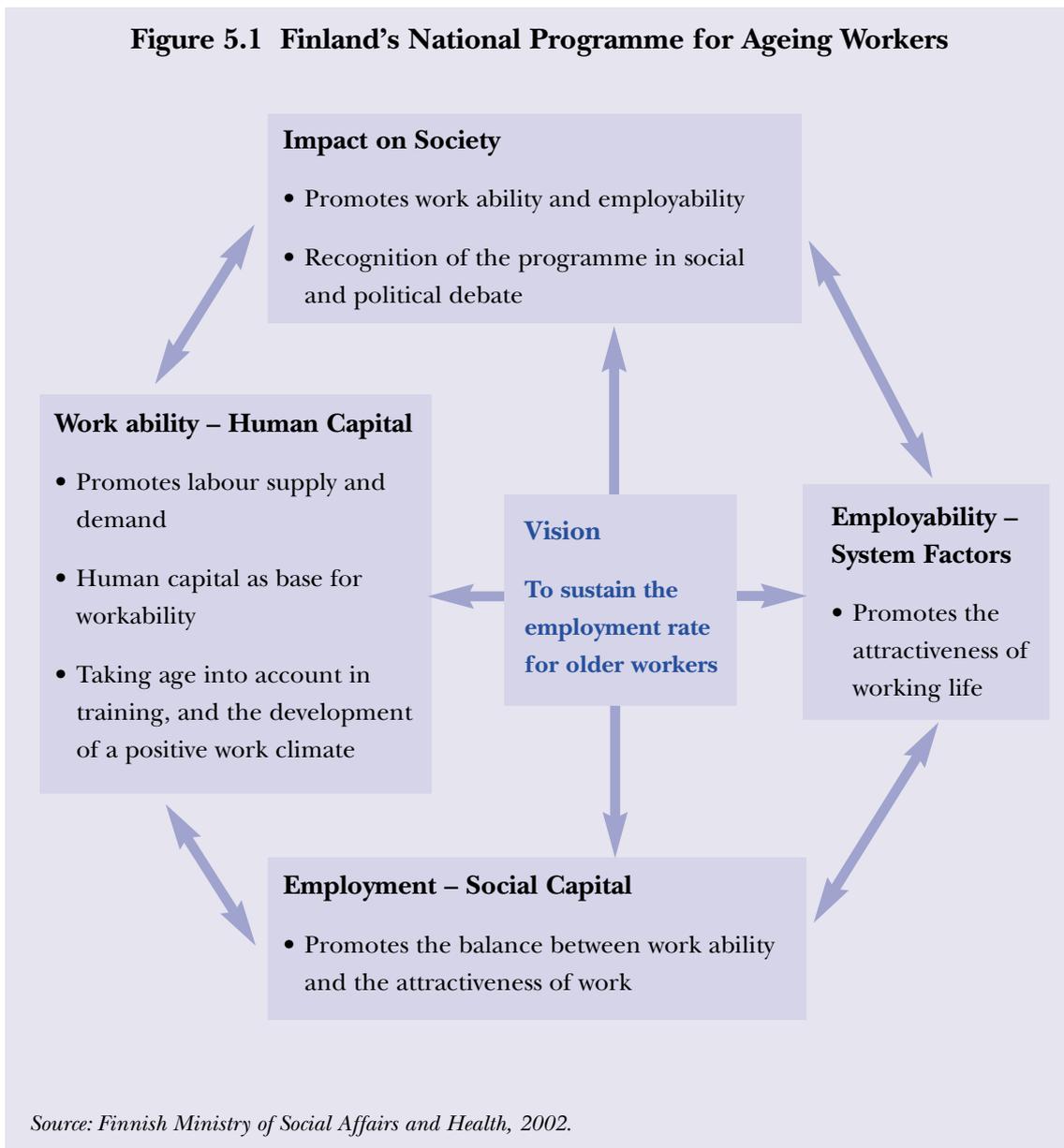
5.32 As part of the Programme, the Finnish Government has developed the National Programme for Ageing Workers (over 45 years) which was designed to encourage ageing and older workers to stay in work, be better equipped for work and have better opportunities to find work when unemployed. Figure 5.1 below highlights the key objectives of the Programme.

5.33 The five-year Programme (1998-2002) covered three main areas:

- (i) Legislative amendments and a media campaign to inform the public about the Programme;
- (ii) Research and development; and
- (iii) Management training and development of workplace communities.

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20 The mentor/coach in the FÁS Traineeship programme focuses on the certification process. Our recommendation focuses more on the support function played by the older worker.

**Figure 5.1 Finland's National Programme for Ageing Workers**

5.34 The emphasis of the work undertaken was to improve employability, workability and the employment prospects of older workers which, in turn, would provide some overall benefit to society. The central vision of the Programme which was to sustain the employment rate for older workers has been realised (see Table 5.2); labour force participation rates for older workers (55-64 years) in Finland at 45.7 per cent are considerably higher than the EU average (see also Section II).

**Table 5.2 Labour Force Participation Rates for Workers (55-64 years) in Finland**

Year	%
1999	39.0
2000	42.0
2001	45.7
2001 (EU 15)	38.5

Source: Ministry of Social Affairs and Health (Finland), 2002.

- 5.35 Under the three main areas of the Programme, noted above, a wide range of initiatives were put in place including training with employers on age management in the workplace, and occupational health and safety programmes, with the aim of discovering how ageing is taken into account in the workplace. The emphasis in the Programme was on the creation of incentives for older workers to remain in the workforce. In addition to that, however, legislative amendments were also introduced which reduced the level of pension support available to those retiring early as well as raising the early retirement age from 58 to 60.
- 5.36 While not expressing a viewpoint on its detailed provisions, the Project Team welcomes the fact that a national programme for the retention of older workers was developed and it recommends that the same level of commitment should be considered in the Irish context to bring together the range of *ad hoc* measures that are currently being pursued by Government and the Social Partners into a more integrated and streamlined approach.

### *Case Study (ii): The Flexiwork Project*

- 5.37 The Project Team also welcomes the work that is taking place at a more modest level under the Flexiwork Project as part of the EU EQUAL initiative. This Project is funded by the European Social Fund under the Equal Opportunities theme of the EQUAL programme and is co-ordinated by Trinity College Dublin.
- 5.37 A Management Committee has been established consisting of Trinity College, IBEC, FÁS, ICTU, Age Action Ireland and Aware. The Project's main focus is to promote work-life balance among working parents/carers, older people and people with mental health problems. Over the next three years, research will be undertaken on ways of retaining and/or reintegrating older workers through more effective policies and practices in relation to work-life balance and guidelines will be drawn up for employers. The main outputs and anticipated outcomes of the Project are listed in Box 5.3.
- 5.38 The Project Team supports the work underway in the Flexiwork Project as it represents one of the few initiatives, in this country, that are designed to include the specific needs of older workers in the consideration of work-life balance.

### Box 5.3 The Flexiwork Project

The proposed outputs of the Project are:

- Research into ways of retaining/and or reintegrating older workers through more effective policies and practices in relation to work-life balance for older people and careers;
- Pilot projects to test out ways that older workers and carers might achieve work-life balance; and
- Guidelines for employers on promoting retention/reintegration of older workers in employment.

The long-term outcomes are:

- Attitude change for human resource personnel; and
- Greater accommodation of older workers through flexible working arrangements.

*Source: Project Team Consultations.*

### Case Study (iii): Eircom's Work-Life Balance Strategy

- 5.39 Family-friendly working arrangements in Eircom are part of its “Diversity 2000 Programme”. This Programme resulted from a staff survey which focused on employees’ views, opinions and experiences in relation to equality and diversity within the company. Eircom also conducted a work-life needs assessment, which involved focus groups of employees and interviews with senior management. This research was geographically spread and included a cross-section of employees from different business units.
- 5.40 While traditionally the company’s predecessor, Telecom Éireann, had a history of family-friendly policies, Eircom has broadened the agenda to include work-life balance issues. The work-life balance strategy is currently being developed in partnership with the trade unions and its main features are outlined in Box 5.4.

### Box 5.4 Main Features of Eircom's Work-Life Balance Strategy

- Guides to flexible working;
- A self-assessment for prospective teleworkers;
- Guides for teleworkers and their managers;
- Research and information on carer's roles (e.g. awareness on new entitlements and parent and eldercare guides);
- A work-life needs assessment - exploring how employees manage their work and personal lives;
- A work-life balance policy;
- Diversity intranet web-site (which includes information on stress management, managers’ guide on flexible working, parent's page, carer's page); and
- Parent packs for new parents.

*Source: [www.familyfriendly.ie](http://www.familyfriendly.ie)*

5.41 The interesting features of Eircom’s strategy are that it addresses diversity in the workplace and is not just limited to provision for parents with children but also covers those with elder care responsibilities, which may be of particular relevance to the older worker. It is also encouraging that the package has been developed following consultation with workers about what would be the most useful and appropriate approach.

## Summary

5.42 In this Section, we have given a brief overview of work-life balance and why this aspect of policy is relevant to the older worker. Expectations regarding productivity and competitiveness has meant that there are increased pressures on workers to be adaptable and flexible. There is also, however, growing recognition domestically and internationally of the need to develop greater work-life balance for health, economic and social reasons.

5.43 Specific issues that need to be considered with regard to older workers are healthy ageing and work, combining work with caring responsibilities and quality of life, e.g. choices regarding free time and working time. Areas that should be explored more include the provision of flexible working arrangements, the provision of gradual retirement options and opportunities for downshifting.

5.44 There needs to be a greater degree of commitment at national level to the development of flexible working arrangements and a more specific focus on the older worker. The successful implementation of these arrangements will require greater co-operation between employers, trade unions and relevant Government Departments and a greater shift in attitude by all concerned towards better work-life balances.

## Section VI

# **Effects of Pensions and Social Security Provisions**



# Effects of Pensions and Social Security Provisions

## Introduction

6.1 This Section reviews the international evidence on links between earlier retirement and the design of pension schemes and the scale of such influences on trends towards earlier retirement in this country. It presents:

- Current Pension Provision;
- Feasibility of Redesign to Reduce Bias towards Early Retirement;
- Policy Options; and
- Conclusions.

6.2 In Ireland, in common with other developed countries, people now retire significantly earlier than they did a generation or two ago. The increasing trend towards earlier retirement may also signal a change in people's preferences for more leisure time over higher incomes (see also Section V). Unlike the situation in a number of European countries, the burden of our ageing population is, however, still quite light, but from the 2020s on this will rise sharply.

## Current Pension Provision

### *International Evidence on Retirement Influences*

6.3 International findings (e.g. Ruhm, 1995, Quinn *et al.*, 1998; Antolin and Scarpetta, 1998; Miniaci and Stancanelli, 1998; Mein *et al.* 2000) show that a range of factors influences retirement age (other things being equal) (see Box 6.1). While on average, those in occupational pension schemes tend to retire earlier<sup>21</sup>, people are also influenced by any build-up of extra pension benefits. Thus people in a pension scheme are less likely to retire before 60, and those who start a pension late are more likely to retire late (Hurd, 1990; Ruhm 1996; Miniaci, 1998).

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21 Miniaci and Stancanelli (1998) found UK men with an occupational pension had departure rates almost 40% higher than the average.

### Box 6.1 Factors Influencing Retirement Age

#### Factors in earlier retirement

- poor health
- manual work
- lower education
- civil service job
- redundancy threat
- pension from job
- care responsibilities (women)
- home ownership
- part-time work

#### Factors in later retirement

- self-employment
- better education
- high skills
- interesting work
- late start to working life
- spouse at work

### *Pension provision and the decision to retire*

6.4 The influence of pensions on the decision to retire works through two different effects:

- *Replacement rate*

It is easier to retire where income in retirement is close to net disposable income when at work. Studies confirm that the higher the share of pre-retirement income received (or *replacement rate*) the more attractive earlier retirement becomes. Ireland is highly unusual among developed countries in not having an income-related social security pension. In addition, half of those at work have no second pension. Thus replacement rates here are low by international standards<sup>22</sup>.

- *Actuarial bias*

While replacement rates influence early retirement, international studies show that pensions which are actuarially biased towards retirement are a more important influence on retirement behaviour.

6.5 The US National Bureau of Economic Research (Gruber and Wise, 1997) and the Organisation for Economic Co-operation and Development (OECD, 1998) have shown consistent links between actuarial bias and early retirement. These studies also found social security early retirement provisions are actuarially biased and linked to an increased incidence of early retirement by older men. However, because Ireland's social welfare pension system is less generous than in other developed countries, its influence on early retirement behaviour is muted.

<sup>22</sup> *Securing Retirement Income* shows Ireland in 1997 with the lowest State pensions as a proportion of average earnings out of 17 developed countries (Table H1). The US, Sweden and Japan also have low retirement incentives.

- 6.6 Social security systems that offer an early retirement option, e.g. France, Germany, the US, usually have a peak of workforce exits at the minimum retirement age. However Ireland's minimum social insurance pension age is 65 (Retirement Pension).
- 6.7 Other US studies (Samwick, 1998; Anderson Gustman and Steinmeier 1999) concluded that changes in pension and social security cover account for about a quarter of the decline in older men's participation in work. In Germany, one study (Börsch-Supan, 2000) calculated that pension incentives explain a third of the rise in early retirement. In short, pension systems explain only some of the change in retirement behaviour, however, and most of this change is due to other factors.

### *Effects of a Neutral Welfare System*

- 6.8 Labour force participation in developed countries could rise by amounts ranging from 1 to 4 percentage points if social security pensions moved to actuarial neutrality, according to OECD simulations (Blöndal and Scarpetta, 1998). For Ireland, these simulations suggest that men's labour force participation in the 55-64 age group would be about 3.5 percentage points higher if our welfare pensions were fully neutral. That would raise the numbers at work by about 6,000.
- 6.9 The above international studies suggested that older workers may undergo less rigorous assessment for disability and unemployment payments, particularly if their job chances are in any event poor. In Ireland, as elsewhere, disability and redundancy are significant causes of early retirement. Our welfare payments in respect of disability and unemployment are higher than an actuarially adjusted early retirement pension would be. However to offer lower rates of benefit would cut across the central objective of the welfare system of preventing poverty. (Indeed, the NESC recently recommended (NESC, 2002) that the position of people dependent on State pensions relative to average living standards should be kept under review). Moreover, to remove any bias that these benefits have towards retirement would only raise, as the OECD study suggests, employment among men aged 55-64 by about 6,000.

### *Trends in Early Retirement*

#### *Men and early retirement*

- 6.10 Ireland traditionally had a pattern of very late retirements<sup>23</sup> for men up to the 1970s, before the old age pension age came down from 70 to 66, and the retirement pension at 65 was introduced.

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<sup>23</sup> This was also associated with a high number in farming.

- 6.11 The decline in participation by men under 65 also dates from the 1970s. Today over one in five men have retired by the age of sixty, and over two in five aged 60-64 are retired. If participation rates had remained at their peak 1971 level, there would be 50,000 more men aged under 65 in the labour force.
- 6.12 For men, single status is associated with significantly earlier retirement. Over a quarter of single men aged 45-54 in 2002 were out of the labour force. This may be associated with poorer health status or a higher incidence of unemployment for single men. However, further study is needed in this area as well as into the reasons why the figures are even starker for single women (see the next paragraph).

*Women and early retirement*

- 6.13 Older single women have an even higher rate of early drop-out from the workforce than single men, and about half of single women have retired before the age of 60. Overall, women’s labour force participation up to the age of 60 has been rising steadily over time, from a low base. Increasing numbers of women now combine work (full or part-time) with raising a family, and more women are returning to work when children are older. Almost half of all women in their early fifties, and a third of women in their late fifties are now at work. The large number of women returning to work can mask underlying trends in early retirement. These patterns can be seen by looking at what proportion of a given age group at work have retired from the workforce five years later – the exit or departure rate (see Table 6.1).

**Table 6.1 Exit Rates from the Workforce for Men and Women Aged 55-64**  
 (% exit rates over the five year period of those in the workforce five years earlier)

Years/age	Men	Women	Men	Women
	%	%	%	%
	55-59	55-59	60-64	60-64
1961-66	2.1	-1.8	7.3	7.8
1966-71	2.4	-4.8	6.3	7.6
1971-75	7.4	2.3	17.3	19.5
1975-81	8.6	5.4	15.9	15.0
1981-86	8.8	8.0	20.3	23.3
1986-91	11.5	2.8	26.7	25.7
1991-96	14.3	6.4	31.4	35.1
1996-2001	11.3	2.5	24.9	28.6

*Note: The figures for 1971-75, and 1975-81 have been rescaled to their five-year equivalents*

*Source: CSO, Labour Force Surveys and Quarterly National Household Surveys.*

6.14 Between age 60 and 65, the exit rate for men and women has been very similar. It rose steadily from the 1970s and fell back from the mid 1990s. The net exit rate for women in their late fifties is now much lower than for men. This may be because women who have returned to the workforce may largely cancel out the numbers retiring early.

### *Job Losses and Early Retirement*

6.15 The trend towards earlier retirement was partly triggered by the redundancies and job losses that took place throughout the 1970s and 1980s, with a particularly sharp fall in participation by older men in 1987-1990. This coincided also with the public service early retirement programme. The statistical link between higher unemployment levels and earlier retirement was confirmed in an OECD study (Blöndal and Scarpetta, 1998) in the period 1971 to 1995 across 15 member countries. This link was much greater in Ireland than the average, and it accelerated in the 1980s (see Table 6.2).

**Table 6.2 Estimated % Fall in Male Participation Rate Aged 55-64 for every 1% Rise in Unemployment Rate for Men Aged 25-54**

	%
Average, 15 countries	0.6-0.9
Ireland, 1971-95	3.9
Ireland, 1985-95	4.7

*Source: Blöndal and Scarpetta, 1998.*

6.16 The 1998 OECD study also estimated the contribution of different factors towards male labour force participation in each country. Ireland's participation rate for men aged 55-65 has been consistently above the OECD average. Key explanations for this are our high standard retirement age and our low replacement rates relative to other countries.

6.17 As an increasingly income-rich but leisure-time-poor society, it is not surprising that a strong desire to retire earlier would emerge. Many more people nowadays want more time to enjoy life while still in good health. For example, in a recent Ark Life survey (2001), about two thirds of those who expressed a preference wanted to retire at 60 or earlier.

## Feasibility of Redesign to Reduce Bias toward Early Retirement

### *Social Welfare Pension Provisions*

- 6.18 In addition to relatively lower levels of provision, other important features of our social welfare pensions system are also different from mainstream western developed economies. Social insurance coverage here until recently was far from comprehensive, there is no income-related pension, minimum pension age is comparatively high (65/66) and there is no early retirement option. These features minimise any tendency towards earlier retirement, putting it on a much lower scale than elsewhere. Any measures that might discourage early retirement must be evaluated, therefore, in the context of pension provision, which is already below the norm.
- 6.19 One in five pensions is means-tested. Many women in old age get widows' pensions rather than retirement or old age pensions (see Table 6.3).

**Table 6.3 Proportion of People Aged Over 65 on Different Welfare Payments, 2001**

	<b>Men</b>	<b>Women</b>	<b>Total</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Contributory retirement/old age pension	64	23	41
Non-contributory old age pension	20	21	21
Widow(er)'s pension	2	34	20
Qualified adult on partner's payment (est.)	1	15	9
Other welfare payments	5	3	3
No welfare payments	8	4	6
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>

*Source: Statistical Information on Social Welfare Services 2001; CSO Population estimates.*

- 6.20 Our social welfare pensions replace a low proportion of pre-tax earnings and replacement rates on this scale do not give any major incentive to retire. As half of the workforce has no top-up pension (CSO, 2002), any lowering of the replacement rates would run counter to the National Pensions Strategy (1998) target of 34% of average earnings, would lead to a rise in poverty rates among the elderly and as such is out of the question as a policy option.
- 6.21 About 85 per cent of the current workforce is insured for pensions under the social insurance system. The remainder are mostly public servants, most of whom will receive a State-funded pension. However, this reasonably comprehensive coverage of the workforce is of fairly recent origin.

- 6.22 Women who left work to care for young children also have had gaps in their social insurance records, and women typically receive payments in old age linked to their marital status as wives or widows rather than pensions earned in their own right. From 1994, women with young children can apply to have their caring years disregarded in calculating pension rights, but this is not retrospective.
- 6.23 In compensation for patchy insurance records, our social welfare system has quite generous contribution rules to qualifying for pension. With less than half the number of contributions that it takes to earn a full pension, 98 per cent of full pension can be earned. Once this 98 per cent has been attained, further years of insurable work may not, therefore, add anything to pension entitlements. This reduces the incentive to remain at work. Table 6.4 shows the link between contributions and entitlement to pension.

**Table 6.4 Contribution Record and Pension Entitlements**

Average yearly contributions, weeks	% of full pension	% of full Qualified Adult Allowance
<b>Old Age Contributory Pension</b>		
48+	100	100
20-47	98	100
15-19	75	75
10-14	50	50
<b>Retirement Pension</b>		
48+	100	100
24-47	98	100

*Source: Review of Qualifying Conditions for Old Age (Contributory) & Retirement Pensions.*

- 6.24 Only those on the cusp of a change in average contributions stand to gain extra pension rights from remaining longer in the workforce. For example, in the band ranging from 20 to 47 average weekly contributions, it is only at the boundary between 47 and 48 that there is any incentive to stay on at work for a better pension. Weighing the cost of social insurance contributions against the 2% higher pension that might be earned if one reaches 48, even this incentive is marginal<sup>24</sup>.
- 6.25 The system does retain real incentives for those where staying on at work could raise their contribution average to 10, 15, or 20 provided reaching the next pension band is achievable. Although the numbers at these potential turning points are probably very small<sup>25</sup>, many are likely to be women returning to work after a break.

24 For example, take someone aged 60 who has a yearly average of 30 contributions over his/her working life. By staying on at work to age 65, the yearly average would rise to 32.4, but would not reach the next pension band and no extra pension would be earned.

25 In 1999, there were 93,000 contributory pensioners with 48+ contributions, 38,000 between 20 and 47, 3,000 at 15 to 19, and 4,000 at 10 to 14.

6.26 If pension benefits were directly proportional to weeks of contribution, there would be an incentive throughout the whole of working life to stay on at work and add to pension rights. However, that approach was rejected by the Review of the Qualifying Conditions for Old Age and Retirement Pensions, as it would penalise those whose intermittent social insurance records reflect past anomalies in the coverage of social insurance. Moreover, the lower pensions that would ensue could be below the non-contributory pension, and there would be the administrative difficulty of coping with requests for top-up pensions.

### *Postponing Retirement beyond 65*

6.27 Retirement pension at age 65 is subject to a retirement condition, while old age pension at exactly the same rate is payable at age 66 without a retirement condition. There are minor differences in the yearly average contribution conditions as shown above. While there is a commitment in the current Programme for Government to examine the 65/66 issue, two features may limit incentives to stay on at work after 65 - the requirement to retire to draw a pension at 65, and the absence of any bonus to those who defer retirement beyond 65.

### *Abolishing the Retirement Condition*

6.28 The effect of abolishing the retirement condition for Retirement Pension, which is paid at 65, would be equivalent to reducing the age for Old Age Contributory Pension from 66 to 65 (ignoring the minor difference in contribution conditions between the two). About 6,000 more people would now get a pension at 65 not 66. The annual cost of personal rate pensions would be around €46m., plus the cost for qualified adults.

6.29 While abolishing the retirement condition might encourage some of those now on retirement benefit to postpone retirement, the numbers not yet retired by age 64 are quite small, and the impact on overall participation is likely to be low. From a labour market perspective, it is likely that an investment of €46m. in encouraging deferred retirement would give a greater impact if put into measures which would discourage 60 year-olds (with at least five more productive years) from retiring than in encouraging 65 year olds to defer retirement to age 66.

### *Higher Pension Option for Delayed Retirement*

6.30 In principle an actuarially fair scheme should cost nothing - it would spread the same lifetime pension income over fewer years. However, there would be a deadweight cost as no bonus is currently paid to those who already defer their retirement. It is estimated that the year 1 deadweight cost of a pension bonus of €6 a week for those postponing retirement from 65 to 66 would be €2m. if the bonus

only applied to those newly retiring. Over time, that annual deadweight cost would build up - effectively all those otherwise coming on to Old Age Contributory Pension at 66 would move to the higher rate.

- 6.31 It might be difficult to confine any pension bonus to the newly retired. The currently retired who had delayed claiming pension to 66 could feel aggrieved at being left on the standard rate. If all currently on Old Age Contributory Pension, who are assumed to have deferred claiming to 66, were to get the bonus, the total cost would be about €27m. While the principle of actuarially adjusted higher pensions for those who retire later is fair, interventions earlier on in the working life may, however, be more cost-effective in terms of the goal of increasing labour market participation.

### *Social Welfare Provision for the Early Retired*

- 6.32 While there is no formal early retirement option in the Irish social welfare system, many who retire early do so on grounds of ill-health. In this regard, disability payments are the most important source of social welfare income for early retired men. These payments may be received indefinitely up to pension age provided the medical conditions are met. Unemployment Benefit lapses after 15 months, but it is possible to requalify after a further 13 weeks' work. The Pre-Retirement Allowance (PRETA) payable from age 55 is not strictly an early pension but a facility for long-term unemployed people to get the equivalent of unemployment assistance without the requirement to show availability for work. As a means-tested payment, it is not particularly attractive. and a relatively small proportion receive it.
- 6.33 A sizeable minority of retired men in their early sixties do not draw social welfare at all, while for those in their late fifties, the proportion out of the labour force coincides roughly with the proportion on social welfare (see Table 6.5). For women, there is no clear link between non-participation and receipt of unemployment or disability-type payments.

**Table 6.5 Social Welfare Dependence and Non-participation in the Labour Force, 2001** (*excluding payments for lone parenthood and widowhood*)

Age	Men		Women	
	% non-participation	% on social welfare	% non-participation	% on social welfare
45-49	7.5	16.9	41.7	14.3
50-54	10.6	20.8	53.0	16.5
55-59	21.3	23.9	65.1	17.8
60-64	42.9	29.0	80.1	17.7

*Source: CSO, Average industrial earnings series, July 2002, calculations based on prevailing tax/PRSI and social welfare rates.*

6.34 Unemployment and disability payments are higher than an actuarially fair early pension would be (FitzGerald, 2001b). To the extent that people who opt to retire early might qualify for such payments, they offer some incentive to retire earlier. In this scenario, remaining on at work means foregoing alternative welfare income, and the loss of potential welfare income may be seen as an additional “tax” on continued work, as illustrated in the Table 6.6 below. The scale of the disincentive to work is highest for those on low incomes, and for married couples.

**Table 6.6 Implied “Tax Rate” for Delaying Retirement Beyond 60, 2001**

Net Present Value (NPV) of social welfare income to 65	Single €	Married €
- retiring at 60	25,853	42,182
- retiring at 61	20,641	34,237
Difference	4,869	7,945
<i>Difference as % of disposable income</i>	%	%
2/3rds average earnings	28.3	43.0
average earnings	20.6	29.3
twice average earnings	12.0	17.9

**Notes:**

- 1 Eligibility for full Disability Benefit from the date of retirement until age 65 is assumed.
- 2 Social welfare wealth is calculated to age 65. With credits, pension wealth after 65 is unaffected by the date of retirement.
- 3 The discount rate applied is 3%.
- 4 Average earnings are taken as €30,470.

6.35 As already mentioned above, a case does not exist for reducing the levels of disability and unemployment payments in order to limit any possible incentives towards earlier retirement. Although the risk of poverty among households headed by those who are sick or disabled and those who are unemployed is high (Nolan *et al.*, 2002), the recommendations of the Social Welfare Benchmarking and Indexation Group, that personal welfare rates for under 65s be set at 27 per cent of gross average industrial earnings, have not, however, been accepted.

## Occupational Pensions

### Coverage

6.36 Only half the current workforce is covered for a second-tier pension (see Table 6.7), well below the 70 per cent recommended in *Securing Retirement Income* (1998). Only a third of private sector workers are in a pension scheme, compared with almost nine out of ten public sector workers.

**Table 6.7 Personal and Occupational Pension Coverage, 1995 and 2002**

	ESRI 1995 %	QNHS 2002 %
Private sector employees	38	35
Public sector employees	83	87
All employees	52	52
Self-employed	27	44
All workers	46	50

Source: ESRI survey, Table 3.1 "Securing Retirement Income"; QNHS 2002.

6.37 Public servants and men in higher-skilled full-time jobs in large private sector companies are the most likely to be in a pension scheme. Women workers, part-timers, younger workers and those in sales and services are least likely to have pension cover. Only 41% of women employees are in a pension scheme. Under 17% of those working under 19 hours a week, mainly women, are in a pension scheme. Women who return to employment in their forties or fifties after a break to rear a family would find it difficult to earn an adequate pension because of the missing years.

### Type of pension

6.38 About 450,000 workers are in *defined benefit* pension schemes (Table 6.8). About half are public servants, and about half work in the private sector or commercial State companies. In the private sector, the ratio between membership of defined benefit and *defined contribution* schemes has changed dramatically over the last decade. Virtually all new pension schemes are defined contribution ones, while membership of existing defined benefit schemes is frequently closed for new recruits.

**Table 6.8 Members of Private Sector Pension Schemes by Type, 1992 and 2001**

	<b>Defined Benefit</b>	<b>Defined Contribution</b>	<b>Ratio</b>
1992	207,000	53,000	3.9:1
2001	229,000	215,000	1.1:1

*Source: National Pension Board, Annual Reports.*

6.39 Those currently in employment have made their savings arrangements based on the pension schemes currently in force. If these schemes were to be altered in mid-stream, it would be difficult for people half way through their working lives to make up the shortfall through faster saving because of the short period remaining to retirement. Any changes in pension arrangements need, therefore, to be phased in over a very long period, for example by applying them to new entrants. However, this limits any effect on participation rates to the very long term, up to forty years ahead.

#### *Defined Benefit Schemes*

6.40 In principle, defined benefit schemes can be either actuarially biased or actuarially neutral. Most private sector schemes in Ireland operate some form of actuarial deduction for early retirement, but up to half may do so on actuarially favourable terms<sup>26</sup>, similar to the proportion of actuarially favourable schemes in the US. Up to half the major private sector schemes give favourable terms for early retirement on grounds of ill health. Favourable early retirement terms are often popular with employers as well as employees since they may facilitate a reduction in the size of the workforce or the substitution of younger workers for older.

6.41 There is generous tax relief for occupational pension provision. There may be some scope for fine-tuning such tax relief to favour pension arrangements that are actuarially neutral. For the reasons outlined earlier, any alteration that might disimprove pension cover should be limited to those entering into pensions for the first time or those at an early stage in their pension scheme when compensatory adjustments can be made in the rate of personal savings. In the case of defined benefit pensions, it appears that few if any new schemes are being created.

<sup>26</sup> See Commission on Public Service Pensions, paragraphs 8.14.1 and 8.15.3.

### *Defined Contribution Pensions*

- 6.42 Defined contribution pensions are likely to continue to increase their share of the pensions market. They offer portable pensions for people who change jobs, Most personal pensions as well as the new Personal Retirement Savings Accounts (see below) are defined contribution ones. These schemes are increasingly popular with employers as they offer certainty to the company compared with traditional defined benefit pensions. New accounting standards are also cited as a reason for the move towards defined contribution pensions although this is controversial.
- 6.43 In these schemes, contributors get back the actuarial value of the contributions made on their behalf, and there is no built-in incentive towards earlier retirement. However, a downside of these pensions is that, unlike defined benefit pensions, they do not offer a guaranteed income in retirement. The move to defined contribution systems involves a shift in risk from the corporate sector to the individual which is major concern given volatility in the value of assets, e.g. the stock market.

### *Personal Retirement Savings Accounts*

- 6.44 The Pensions Act (2002) provides for the introduction from 2003, of Personal Retirement Savings Accounts (PRSAs), which are portable personal pensions of a defined contribution type. It will be obligatory for employers to offer such pension products to their employees, but participation in a pension scheme and employer contributions will not be mandatory.
- 6.45 The introduction of PRSAs may further accelerate the trend towards defined contribution pension instruments. However, on the evidence, it is not clear that a voluntary instrument will succeed in the goal of raising pension coverage from 50 per cent to 70 per cent of the workforce (Securing Retirement Income, 1988). Experience with similar instruments in the US - suggests that the main effect is to switch the form in which pension saving is held, rather than to increase pension coverage (Engen *et al.*, 1996). Closer to home, John Douglas of Mandate has reported that in virtually identical pension schemes, the mandatory one in Superquinn covers all the relevant workers, while the voluntary one in Tesco has fewer than 20 per cent membership.<sup>27</sup>

### *Public Sector Pensions*

- 6.46 While individual public service pension schemes differ in their detail, most schemes share common basic features but some build in an actuarial bias towards early retirement. Generally in the public service, minimum retirement age is 60 and maximum is 65, but average civil service retirement age is 61.5.<sup>28</sup>

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<sup>27</sup> Paper to Council for Social Welfare Conference on Pensions, November 2001.

<sup>28</sup> Commission on Public Service Pensions data for 1997.

## ***Retirement age***

- 6.47 Some public service groups have the opportunity to retire significantly earlier than the standard 60 to 65. Compulsory retirement ages were set, mainly in the 19th century, for specific categories of public sector workers, generally jobs seen as requiring peak fitness. Today, advances in technology and the opportunity to redeploy staff to physically less demanding duties suggest that these compulsory retirement ages could be raised. The experience when the upper age limit for the Gardaí was relaxed to 60 between 1989 and 1992, was that many remained on in employment.
- 6.48 A major review by the Commission on Public Sector Pensions (2000) has made 57 recommendations. Among the recommendations made for new public service entrants, are a single standard pension age of 65, cost-neutral early retirement from age 55, a modification of early retirement concessions and raising the compulsory pension age for groups such as the Gardai, fire-fighters and members of the Defence Forces. The effect of these changes when fully in place would be to eliminate the pension incentives towards earlier retirement and ensure those who opted to retire early would carry the cost. The Commission also recommended transfer to less demanding duties before retirement without loss of accumulated pension rights.

## **Policy Options**

### ***Influencing participation v. adequate pensions***

- 6.49 Ireland's pension arrangements are out of line with the rest of the OECD in the degree to which Irish workers have their previous living standards protected into old age. The low influence of pension provision on early retirement choices here reflects a pension system which is hardly generous by international standards. The basic purpose of pension provision is to provide income security into old age. Much of the modest scope for increasing participation by adjusting pension arrangements could only be achieved by reducing or restricting our already low standard of pension provision and this clearly is not an acceptable option for policy consideration<sup>29</sup>.

### ***Difficult to alter pension systems for existing workforce***

- 6.50 Any attempt to re-engineer existing pension provision should recognise that people make long-term plans and commitments on the basis of the pension systems as they stand. Many would not have enough time left between now and retirement

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<sup>29</sup> Another option might be to remove the structural disincentives within the tax system on pension schemes' rules so as to have more flexibility in the retirement age.

to reconfigure their pension saving sufficiently to counterbalance any such change. The best scope seems to lie, therefore, with altered terms for those now starting on a pension. However, that would only yield results in terms of incentives over a very long period.

### *Social Welfare Pensions*

- 6.51 A social insurance system where benefits were proportional to length of insured working life would offer an improved incentive to stay at work compared with the present contribution/benefit structure. However, because so many people have large gaps in their social insurance records, reflecting the slow development here of comprehensive social insurance, it would be unfair to apply a proportionate system except for new entrants to the workforce.
- 6.52 There is no actuarial bonus rate of social welfare pension paid to those who defer retirement beyond 65 or 66. There are complications given two near-identical pension schemes, one at 65 and one at 66. The deadweight cost of introducing bonuses at 66 could range from €2m. upwards. If the bonus were given to existing pensioners who had delayed retirement until 66, it could cost €27m. Fewer complications would arise in offering actuarial bonuses for delaying retirement to 67 or beyond. However, measures targeted at the under 60s to prevent earlier retirements, might be more cost-effective than measures targeted at the over 65s.
- 6.53 While relaxing the retirement condition might encourage some additional participation at age 65, it would be equivalent to lowering the qualifying age for Old Age Contributory Pension to 65, and would be expensive. Whatever its merits as an income maintenance measure, this would be a very expensive way, with a high deadweight, to encourage higher participation.
- 6.54 The safety net of disability or unemployment benefits may offer some inducement towards earlier retirement. However, that is best addressed by applying uniform standards of eligibility across all age groups. It is not recommended that any reduction be made in the level of benefits paid, as this would exacerbate the risk of poverty.

### *Early Retirement Pensions*

- 6.55 Early retirement pensions set at actuarially neutral levels should not in principle bias the retirement choice. However, such pensions would be financially much less attractive than current welfare payments. It could then be open to the recipient of an early pension to seek a means-tested top-up. Where top-up payments were received, the combined level of welfare income would no longer be actuarially neutral but would lean towards the retirement choice.

### ***Occupational Pensions***

- 6.56 There may be modest scope to fine tune tax concessions in respect of defined benefit pensions schemes to favour those that are actuarially neutral. These pensions will however continue to decline in importance, with few new entrants.
- 6.57 While defined contribution pensions do not incentivise early retirement, they can have other real drawbacks in their lack of a guaranteed income on retirement. It is, therefore, not recommended that tax relief be fine tuned to further accelerate the move towards defined contribution pensions.
- 6.58 Only 20 per cent of workers in their twenties are in a pension scheme. An earlier start to contributing towards a pension scheme would offer more options in the later years. In this regard, the Project Team supports the recommendation made in the NESF's Opinion on Pensions (NESF, 1997) that an extensive awareness campaign should be undertaken to highlight the need to invest in provision for retirement.

### ***Public Service Pensions***

- 6.59 If the recommendations of the Commission on Public Service Pensions to alter the pension and retirement terms for new entrants to the public service are implemented, that would ultimately end the incentives towards early retirement built-into the current arrangements, but this would only yield results forty years hence. In the meantime, it is recommended that the maximum age limits for retirement applying to particular groups of workers, e.g. the Gardaí, should be raised with more immediate effect.

### **Conclusions**

- 6.60 This Section has reviewed current pension provision in Ireland, the international evidence on links between early retirement and the design of pension schemes and the feasibility of redesigning these schemes to reduce any bias towards early retirement. The evidence suggests that these effects are also present here, but on a more modest scale. In summary, the main features of the Irish system are:
- only a small minority of workers stand to earn a better social welfare pension through choosing to remain at work to 65;
  - there is no pension bonus for delaying retirement beyond 65;
  - half of retired men aged 60-65 do not draw any welfare payment; to the extent that there may be a grey area between voluntary early retirement and forced withdrawal from work due to illness or disability, there is some degree of bias to retire early built into our social insurance system; where qualified to draw

welfare, this incentive to retire early is highest for the low-paid, who are also the most likely to suffer forced retirement through ill-health;

- a fully-neutral social security system might raise workforce participation by about 9,000;
- about one in five workers (about 225,000 in the public sector and 115,000 in the private sector) are in defined benefit pension schemes which tilt the incentives towards earlier retirement; as the move from defined benefit to defined contribution schemes continues, the number of private sector workers with incentives to retire early will decline; and
- Personal Retirement Savings Accounts may accelerate the trend towards more defined contribution schemes but are unlikely, on international experience, to significantly increase the extent of pension cover.

- 6.61 Overall, the findings point to a relatively lower level of pensions provision in Ireland under the social welfare system when compared internationally and a relatively higher participation rate in the labour force for older workers, the latter partly reflecting the buoyant demand for labour in recent years. Opportunities to redesign pension schemes to reduce any bias in favour of early retirement are, therefore, practically non-existent.
- 6.62 With regard to occupational pensions, the trend towards defined contribution pensions, which have no in-built incentive to early retirement, is likely to continue to grow. Savings arrangements by those in employment have been made based on the pension schemes currently in force and any alterations to these schemes mid-stream would unfairly impact on the ability of these people to make up any shortfalls for the remainder of their working lives. Any changes, therefore, would need to be phased in over a long time period with altered terms for those now starting a pension and would not yield any effect on participation rates for up to forty years ahead.
- 6.63 With regard to social welfare provision, there is no early retirement option in current provision in Ireland. Our pension arrangements are not generous by international standards and are out of line in terms of the degree to which workers have their previous living standards protected into old age. Scope to increase labour force participation rates by adjusting pension arrangements is, therefore, limited to reducing or restricting what is an already low standard of pension provision.
- 6.64 While coverage of the workforce through the social insurance system, State-funded pensions or occupational pensions is reasonably comprehensive, women who left work to care for young children have gaps in their social insurance records. While women with young children can now apply to have their caring years disregarded in calculating their pension rights, this is not retrospective.

6.65 Finally, and given the labour market response to improved economic conditions of the late 1990s, it is recommended that any changes made to the system should offer the carrot rather than the stick approach. Policies to improve training, work satisfaction and health outcomes as recommended earlier on in this report may offer more cost-effective solutions to raising participation than tinkering with the pensions system.

# Annex 1

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## Annex 2

# Project Team's Terms of Reference

### Rationale for the Project

The impetus for undertaking work on older workers arose largely from the need to follow-up on some of the issues which were raised in the NESF's Report No. 19 on *Alleviating Labour Shortages* (2000). In that Report and in other research it has been suggested that ageing populations have meant that the labour market position of older workers is now of key importance in many European countries and is likely to be so in the Irish context in the future. Participation rates by those in the older age groups are high in Ireland by comparison with other EU countries. However there is a need, in the medium- to long-term, to engage in actively addressing the needs of those who are considered older within the workforce to ensure retention as well as the reengagement of those who are presently marginalised from the work force.

### Defining Older Workers for the Study

While the focus of recent research has been on the over 55s there is value in looking at in-work supports for workers from their mid-40s on as a means of ensuring that they do not become discouraged and marginalised. With this in mind, it is proposed that the Project will concentrate on those in the age range 45-64. This would mean that the Project would not explicitly look at those over 65 years and in receipt of a State or retirement pension. However, it would include looking at pension arrangements and provision as part of a broader range of issues for older workers.

With this in mind the four key issues for the study will be:

1. In-work training and skills development (access, provision, relevance to the older worker)
2. The work-life balance (downshifting, flexible hours, innovative developments in the workplace, gradual retirement, caring responsibilities)
3. Attitudes to older workers in the labour market (employer attitudes, recruitment, human resources policies, age discrimination issues, awareness raising)
4. Financial incentives to work/disincentives to retire early.

The proposed focus is on those in employment (given that it is easier to retain these workers rather than to reintegrate those who have already left). From a social inclusion perspective some consideration also needs to be given to women in home duties/with caring responsibilities, those in receipt of PRETA and those who are over 45 years and

unemployed (most likely long-term unemployed) and what their needs are in relation to the labour market. Issues here will centre on:

1. Information and access to training (role of LES, tailored training, the social economy)
2. Job seeking (specific strategies for older people)
3. Recruitment issues.

## **Terms of Reference**

The Terms of Reference for the work will be:

*“To focus on mobilising the participation/continued participation of older workers in the labour market. The Project will, through a consultation process, identify barriers to their participation and make recommendations on how these barriers can best be tackled”.*

July 2002

## Annex 3

# List of Those Consulted

Anne Vaughan	Department of Social and Family Affairs
Eileen Lennon	FÁS
Breda Power/Maureen O' Sullivan	National Framework Committee on Family Friendly Policies, Department of Enterprise, Trade and Employment
Dr. James Wickham	Employment Research Centre, Trinity College
Gemma Lynch/Helen Ryan	National Adult Literacy Agency
Mary Beggan	FÁS
Mary Sheehan	Flexible Training Unit
Maura Hunt	Skillnets
Mick Mc Hugh	SLM Skillnets
Paul Cunningham	Department of Social and Family Affairs
Paula Carey	ICTU
Robert Anderson	European Foundation for the Improvement of Living and Working Conditions
Roger Fox	FÁS
Frank Nugent	FÁS
Tom Kelleedy	Enterprise Ireland
George Ryan	FIT Initiative
David Barry	Department of Enterprise, Trade and Employment
Sean Gorman	Department of Enterprise, Trade and Employment

## Annex 4

# Profile of Older Workers: Additional Tables

**Table 4.1 Employment by Age and Gender, 1998 and 2002**

Age	1998			('000)	2002		
	Total	Men	Women		Total	Men	Women
15-34	701.7	386.5	315.2		800.8	434.5	366.3
35-44	362.2	218.7	143.5		411.4	238.6	172.8
45-54	270.3	177.1	93.2		335.6	202.2	133.4
55-59	78.7	55.4	23.3		108.5	72.6	35.9
60-64	47.7	35.5	12.2		57.7	41.0	16.7
65+	33.9	26.8	7.1		34.8	28.0	6.8
Total	1494.5	899.9	594.6		1748.8	1016.9	731.9
55-64	126.4	90.9	35.5		166.2	113.6	52.6
15-64	1460.6	873.2	587.4		1714.0	988.9	725.1

**Table 4.2 Population/Employment Ratios, by Age and Gender, 1998 and 2002**

Age	1998				2002		
	Total	Men	Women		Total	Men	Women
15-34	0.587	0.641	0.532		0.626	0.672	0.578
35-44	0.709	0.866	0.556		0.766	0.898	0.637
45-54	0.615	0.798	0.428		0.705	0.849	0.561
55-59	0.485	0.676	0.291		0.554	0.733	0.371
60-64	0.337	0.505	0.171		0.381	0.542	0.221
65+	0.081	0.148	0.030		0.080	0.148	0.028
Total	0.521	0.638	0.407		0.569	0.672	0.469
55-64	0.416	0.597	0.234		0.473	0.650	0.305
15-64	0.596	0.710	0.482		0.649	0.747	0.551

**Table 4.3 Change in Employment/Population Ratios, 1998-2002**

Age	Total	Men %	Women
15-34	6.6	4.9	8.7
35-44	8.0	3.8	14.6
45-54	14.7	6.3	31.2
55-59	14.3	8.5	27.8
60-64	13.1	7.3	28.9
65+	-0.8	-0.2	-6.7
Total	9.2	5.3	15.1

**Table 4.4 Proportions of Employed People aged 45 years or more within Sectors (descending order), 2002**

	Total %		Males %		Females %
Agriculture	55.0	Agriculture	54.9	Agriculture	55.6
Education	40.3	Education	52.6	Health & Social	35.2
Health& Social	36.2	PAD*	42.0	Education	34.8
PAD*	35.3	Transp. and Commun	40.2	Other Services	27.8
Transp. and Commun.	34.5	Health & Social	39.6	PAD*	27.2
Other Services	32.4	Other Services	38.5	Hotels and Rest.	25.6
Other Manufacturing	31.0	Oth. Manufacturing	33.2	Other Manufacturing	24.9
Wholesale	29.1	Wholesale	31.4	Retail Trade	23.9
Construction	27.1	Other Business Services	29.0	Wholesale	22.8
Motor Vehicles	25.3	Construction	27.5	Motor Vehicles	21.4
Retail Trade	24.7	Finance, Insurance	26.6	Construction	19.3
Oth. Business Services	24.3	Motor Vehicles	26.2	Oth. Business Services	18.8
Hotels and Rest.	23.8	Retail Trade	26.1	Transp. and Commun	18.4
Finance, Insurance	20.5	High-Tech Manuf.	21.9	Finance, Insurance	16.3
High-Tech Manuf.	19.1	Hotels and Rest.	21.3	High-Tech Manuf.	13.5
Total	30.7	Total	33.8	Total	26.3

\*PAD=Public Administration and Defence

**Table 4.5 Proportions within Occupations of Employed People aged 45 years or more (descending order), 2002**

	<b>Total %</b>		<b>Males %</b>		<b>Females %</b>
Farmers etc.	60.6	Farmers etc.	60.2	Farmers etc.	64.8
Managers etc.	35.9	Managers etc.	41.2	Other	41.3
Other	35.2	Professional	34.6	Associate Prof	28.1
Security	31.8	Security	34.0	Managers etc.	26.9
Professional	30.8	Operatives	32.6	Professional	26.6
Operatives	29.7	Other	31.5	Personal Service	26.3
Associate Prof	29.0	Associate Prof	30.2	Craft	26.1
Craft	26.4	Clerical	27.9	Clerical	23.5
Personal Service	26.2	Craft	26.4	Sales	20.9
Clerical	24.5	Personal Service	26.0	Operatives	19.5
Sales	22.0	Sales	23.8	Security	15.0
Total	30.7	Total	33.8	Total	26.5

## Annex 5

# Summary of Initiatives for Older Workers in Other EU Countries

### In-Work Training

- United Kingdom** National policy on vocational education and training centres on a set of agreed national education and training targets (NETTs) against which to monitor activity by government, educational institutions and employers. The idea was first mooted by the CBI, the employer's organisation back in 1989. The targets have been set at foundation and lifetime learning levels.
- Sweden** To stimulate training among older workers, study grants are available to those aged 51-55 years for vocational training courses where there is a shortage of trained labour.
- Austria** Further education benefits have been raised to the level of individual unemployment benefit entitlements to promote education and training of older workers (45+) who take up educational leave.

### Work-Life Balance

- Austria** Since October 2000, working hours may be reduced for older workers by 40 to 60 per cent of normal working hours and may stay reduced for up to six and a half years. In 2001, approximately 10,000 older workers opted for this scheme.
- Germany** New regulations on part time work and fixed-term contracts which came into force in 2001 improve the employment possibilities for older workers in fixed-term contracts.
- United Kingdom** The Employers' Forum on Age recently published findings from a project on 'Flexible Working Practices including Progressive Retirement'. The project identified good practice case-studies of gradual or flexible retirement practices to help older people to stay in work longer.
- Sweden** Measures are being taken to improve the work environment, combat work-related illness and create the pre-requisites for lifelong learning.

Denmark	<p>Agreements are being draw up between employers and employees concerning part-time employment to improve flexibility in employment for older workers.</p> <p>‘Senior’ policy initiatives have been developed to ensure that older workers stay longer at work. Three initiatives have been developed:</p> <ul style="list-style-type: none"><li>● Financial support may be granted to initiatives which promote the labour market integration of unemployed seniors;</li><li>● Senior networks have been developed to offer assistance to the over-50s with job search activities; and</li><li>● A senior consultancy scheme has been established to offer advice and assistance from a number of experienced consultancy firms.</li></ul>
Austria	<p>Employers need not pay any insurance contributions when recruiting workers aged 50 plus.</p>
United Kingdom	<p>An Age Positive Campaign has been developed (see Section III).</p>
Finland	<p>National Programme (1998-2002) on Ageing Workers (see Section V).</p>

## Gradual/Partial Retirement

Germany	<p>The Gradual Transition to Retirement Act was introduced in 1996, enabling those of 55 and over to halve their working hours in return for a partial pension. Employers replacing those opting for the scheme by someone unemployed are entitled to a refund of social contributions.</p>
Denmark	<p>A partial retirement scheme was introduced in 1995 with the same conditions applying as for full early retirement to people in the same age group, 60-67.</p>
Finland	<p>A partial pension scheme was introduced in 1987 and in 1997 agreement was reached with the social partners for employers to try and arrange part-time work for employees wishing to take partial retirement; the minimum age for eligibility was lowered to 56 years.</p>
Belgium	<p>A partial career break scheme was introduced in 1985 which entitles employees over 50 to work part-time for up to 3 years and from 1993, from 55 onwards until they reach 60 and full retirement. Employers have to offer a job to an unemployed person in order to receive a subsidy.</p>

Source: *National Employment Action Plans, 2001, various countries; Walker and Taylor, 1997; Jepsen et al., (eds.) 2002.*

## Annex 6

# Additional Tables from the Project Team’s Survey of Employer Attitudes

**Table 6.1a Trend in Older Workers as a Proportion of Workforce  
Over the Last Two Years, by Sector**

<b>Trend</b>	<b>Services</b>	<b>Retail</b>	<b>Construction</b>	<b>Industry</b>	<b>Total</b>
Increased	7%	11%	12%	20%	11%
Remained unchanged	87%	86%	79%	74%	83%
Decreased	6%	3%	9%	6%	6%
Total	100%	100%	100%	100%	100%

**Table 6.1b Trend in Older Workers as a Proportion of Workforce  
Over the Last Two Years, By Company Size**

<b>Trend</b>	<b>Company Size (number of employees)</b>				<b>Total</b>
	<b>1-9</b>	<b>10-19</b>	<b>20-50</b>	<b>51+</b>	
Increased	10%	15%	18%	25%	11%
Remained unchanged	85%	77%	73%	63%	83%
Decreased	5%	8%	10%	13%	6%
Total	100%	100%	100%	100%	100%

**Table 6.2a Reasons for Increase or Decrease in Older Workers as a Proportion of Workforce, by Sector**

	Services	Retail	Construction	Industry	Total
<b>Reasons for Increase:</b>					
Natural ageing of workforce	67%	75%	77%	47%	63%
Shortage of skilled younger workers	13%	15%	23%	53%	29%
Other	21%	10%	-	-	8%
Total	100%	100%	100%	100%	100%
<b>Reasons for Decrease:</b>					
Retirement	21%	20%	33%	78%	36%
Targeting of younger workers	-	-	67%	11%	20%
Redundancy package	26%	20%	-	-	13%
Other	53%	60%	-	11%	31%
Total	100%	100%	100%	100%	100%

**Table 6.2b Reasons for Increase or Decrease in Older Workers as a Proportion of Workforce, by Company Size**

	Company Size (number of employees)				Total
	1-9	10-19	20-50	51+	
<b>Reasons for Increase:</b>					
Natural ageing of workforce	58%	64%	71%	100%	62%
Shortage of skilled younger Workers	33%	27%	14%	-	29%
Other	9%	9%	14%	-	9%
Total	100%	100%	100%	100%	100%
<b>Reasons for Decrease:</b>					
Retirement	32%	20%	25%	67%	33%
Targeting of younger workers	21%	20%	25%	-	20%
Redundancy package	15%	20%	-	33%	15%
Other	32%	40%	50%	-	33%
Total	100%	100%	100%	100%	100%

**Table 6.3a Characteristics of Older Workers (frequency), by Sector**

Characteristics	Sector				
	Services	Retail	Construction	Industry	Total
Experience	90%	91%	88%	87%	89%
Slow to adapt to change	15%	16%	29%	13%	17%
Loyalty to the job	65%	73%	61%	64%	66%
Difficult to retrain	6%	11%	17%	7%	9%
Maturity	59%	57%	46%	55%	56%
Prone to ill health	6%	3%	9%	14%	7%
Reliable	70%	78%	73%	60%	70%
More expensive to employ	23%	19%	12%	22%	20%
Good influence on younger staff	39%	38%	41%	38%	39%
Outdated skills especially in new technology/computers	20%	22%	14%	27%	21%
Total	41%	22%	15%	21%	100%

**Table 6.3b Characteristics of Older Workers (frequency), by Company Size**

Characteristics	Company Size (number of employees)				Total
	1-9	10-19	20-50	51+	
Experience	89%	90%	94%	93%	89%
Slow to adapt to change	16%	22%	23%	24%	17%
Loyalty to the job	66%	63%	75%	75%	66%
Difficult to retrain	8%	12%	13%	11%	9%
Maturity	55%	54%	66%	54%	56%
Prone to ill health	8%	5%	5%	6%	7%
Reliable	69%	70%	78%	77%	70%
More expensive to employ	19%	26%	28%	28%	20%
Good influence on younger staff	37%	35%	51%	56%	39%
Outdated skills especially in new technology/computers	21%	20%	29%	20%	21%
Total	83%	8%	5%	3%	100%

**Table 6.4 Formal Structured Training by Sector – All Workers**

	Services	Retail	Construction	Industry	Total
Formal structured training present	47%	40%	54%	44%	46%
No formal structured training	53%	60%	46%	56%	54%
Total	100%	100%	100%	100%	100%

**Table 6.5a Active Encouragement to Participate in Training, by Sector**

	Services	Retail	Construction	Industry	Total
Company encourages more younger workers to participate than older workers	26%	35%	65%	10%	31%
Company encourages more older workers to participate than younger workers	9%	6%	11%	4%	8%
Neither of the above	66%	59%	24%	86%	61%
Total	100%	100%	100%	100%	100%

**Table 6.5b Active Encouragement to Participate in Training, by Company Size**

	Company Size (number of employees)				Total
	1-9	10-19	20-50	51+	
Company encourages more younger workers to participate than older workers	33%	30%	25%	20%	31%
Company encourages more older workers to participate than younger workers	8%	5%	7%	-	8%
Neither of the above	59%	65%	68%	80%	61%
Total	100%	100%	100%	100%	100%

# Annex 7

## Additional Tables and Graphs on Pensions

**Table 7.1 Long-term Trends in Labour Force Participation**

Age	Men 45 - 69				
	45-49	50-54	55-59	60-64	65-69
Year	%	%	%	%	%
1961	97.3	95.5	92.2	85.5	69.6
1966	97.2	96.3	93.5	85.5	65.6
1971	97.1	96.0	94.0	87.6	63.9
1975	95.1	94.6	90.3	81.0	50.3
1981	93.9	90.5	84.8	73.1	36.5
1986	93.5	89.9	82.5	67.6	28.7
1991	93.5	88.7	79.6	60.5	26.9
1996	93.1	88.7	76.1	54.6	n.a.
2001	92.5	89.4	78.7	57.1	n.a.

*Sources: Censuses 1961-96, Labour Force Survey 1975, QNHS 2001; all Principal Economic Status*

**Table 7.2 Long-term Trends in Labour Force Participation**

Born in/age	Women 45 - 69				
	45-49	50-54	55-59	60-64	65-69
Year	%	%	%	%	%
1961	20.1	22.0	23.0	22.1	18.9
1966	19.7	20.8	22.4	21.2	17.2
1971	20.1	21.5	21.8	20.7	15.9
1975	22.6	23.0	21.1	18.4	10.4
1981	24.4	23.7	21.5	17.3	8.2
1986	26.6	25.2	21.8	16.5	6.4
1991	33.2	29.8	24.5	16.2	6.6
1996	41.2	35.8	27.9	15.9	n.a.
2001	58.3	47.0	34.9	19.9	n.a.

*Sources: Censuses 1961-96, Labour Force Survey 1975, QNHS 2001; all Principal Economic Status*

**Table 7.3 Male Labour Force Participation Rates at ages 45 and over,  
1971 and 2001**

<b>Year</b>	<b>1971</b>	<b>2001</b>
<b>Age</b>	<b>%</b>	<b>%</b>
45-49	97	93
50-54	96	93
55-59	94	79
60-64	88	57
65+	44	15

*Sources: Central Statistics Office: Census of Population, Labour Force Surveys, QNHS*

# Terms of Reference and Constitution of the Forum

1. The main task of the Forum will be:
  - to monitor and analyse the implementation of specific measures and programmes identified in the context of social partnership arrangements, especially those concerned with the achievement of equality and social inclusion;
  - to do so through consideration of reports prepared by teams comprising the social partners, with appropriate expertise and representatives of relevant Departments and agencies and its own Secretariat;
  - with reports to be published by the Forum with such comments as may be considered appropriate; and
  - to ensure that the teams compiling such reports take account of the experience of implementing bodies and customers/clients, including regional variations in such experience.
2. The Forum may consider such policy issues on its own initiative or at the request of the Government.
3. Membership of the Forum will comprise representatives from the following four strands:
  - the Oireachtas;
  - employer, trade unions and farm organisations;
  - the voluntary and community sector; and
  - central government, local government and independents.
4. The terms of office of members will be for an initial period of at least two years during which alternates may be nominated. Casual vacancies will be filled by the nominating body or the Government as appropriate and members so appointed shall hold office until the expiry of the current term of office of all members. Retiring members will be eligible for re-appointment.
5. The Chairperson and Deputy Chairperson of the Forum will be appointed by the Government.
6. The Forum will decide on its own internal structures and working arrangements.
7. The Forum will be under the aegis of the Department of the Taoiseach and funded through a Grant-in-Aid which will be part of the overall Estimate for that Department. The annual accounts of the Forum will be submitted for audit to the Comptroller and Auditor General.
8. Finally, the staffing and conditions of employment of the Forum's Secretariat will be subject to the approval of the Department of the Taoiseach.

# Membership of the Forum

**Independent Chairperson:**

Maureen Gaffney

**Deputy Chairperson:**

Mary Doyle

**(i) Oireachtas**

*Fianna Fáil:*

Noel Ahern T.D.  
Seán Haughey T.D.  
Beverley Cooper-Flynn T.D.  
Michael Kitt T.D.  
Senator Margaret Cox  
Senator Pascal Mooney

*Fine Gael:*

Gerry Reynolds T.D.  
Paul McGrath T.D.  
Bill Timmins T.D.  
Senator Mary Jackman  
Senator Therese Ridge

*Labour:*

Derek McDowell T.D.  
Senator Joe Costello

*Progressive Democrats:*

Senator Jim Gibbons

*Independents:*

Michael Lowry T.D.

**(ii) Employer/Trade Unions**

**(a) Employer/Business Organisations:**

**IBEC:**

Jackie Harrison  
Heidi Loughheed

**Small Firms Association:**

Pat Delaney

**Construction Industry Federation:**

Mirette Corboy

**Chambers of Commerce/**

**Tourist Industry/Exporters**

**Association:**

Carmel Mulroy

**(b) Trade Unions:**

Eamonn Devoy  
Blair Horan  
Jerry Shanahan  
Manus O’Riordan  
Paula Carey

(c) *Agricultural/Farming Organisations:*

Irish Farmers Association:	Betty Murphy
Irish Creamery Milk Suppliers Association:	Pat O'Rourke
Irish Co-Operative Organisation Society:	Seamus O'Donoghue
Macra na Feirme:	Eileen Doyle
Irish Country Womens Association:	Breda Raggett

(iii) **Community and Voluntary Sector**

<i>Womens Organisations:</i>	Gráinne Healy Susan McNaughton Joanna McMinn
<i>Unemployed:</i>	Eric Conroy Joan Condon Mary Murphy
<i>Disadvantaged:</i>	Joe Gallagher Frances Byrne Janice Ransom
<i>Youth:</i>	Valerie Duffy
<i>Older People:</i>	Paddy Donegan
<i>Disability:</i>	John Dolan
<i>Environment:</i>	Jeanne Meldon
<i>Others:</i>	Fr. Seán Healy Audry Deane

(iv) **Central Government, Local Government and Independents**

(a) *Central Government*

*Secretary-General, Department of Finance*  
*Secretary-General, Department of Enterprise, Trade and Employment*  
*Secretary-General, Department of Social and Family Affairs*  
*Secretary-General, Department of Community, Rural and Gaeltacht Affairs*  
*Secretary-General, Department of the Environment and Local Government*

(b) *Local Government*

<i>General Council of County Councils:</i>	Councillor Constance Hanniffy Councillor Tom Kelleher Councillor Patsy Treanor
<i>Association of Municipal Authorities:</i>	Councillor Tadhg Curtis
<i>County and City Managers Association:</i>	Donal O'Donoghue

(c) *Independents*

Professor Gearóid Ó Tuathaigh, National University of Ireland, Galway  
Ms. Marian Vickers, Northside Partnership  
Ms. Helen Johnston, Surg Equipment Ltd.  
Mr. Niall Fitzduff, Rural Communities Network  
Ms. Noreen Kearney, Trinity College, Dublin

**Secretariat**

Director:	Seán Ó hÉigearthaigh
Policy Analysts:	Sarah Craig Tom Healy David Silke Gerard Walker
Executive Secretary:	Paula Hennelly

# Forum Publications

## (i) Forum Reports

Report No	Title	Date
1.	<i>Negotiations on a Successor Agreement to the PESP</i>	November 1993
2.	<i>National Development Plan 1994 – 1999</i>	November 1993
3.	<i>Commission on Social Welfare - Outstanding recommendations</i>	January 1994
4.	<i>Ending Long-term Unemployment</i>	June 1994
5.	<i>Income Maintenance Strategies</i>	July 1994
6.	<i>Quality Delivery of Social Services</i>	February 1995
7.	<i>Jobs Potential of Services Sector</i>	January 1996
8.	<i>First Periodic Report on the Work of the Forum</i>	June 1995
9.	<i>Jobs Potential of Work Sharing</i>	January 1996
10.	<i>Equality Proofing Issues</i>	February 1996
11.	<i>Early School Leavers and Youth Employment</i>	January 1997
12.	<i>Rural Renewal - Combating Social Exclusion</i>	March 1997
13.	<i>Unemployment Statistics</i>	May 1997
14.	<i>Self-Employment, Enterprise and Social Inclusion</i>	October 1997
15.	<i>Second Periodic Report on the Work of the Forum</i>	November 1997
16.	<i>A Framework for Partnership – Enriching Strategic Consensus through Participation</i>	December 1997
17.	<i>Enhancing the Effectiveness of the Local Employment Service</i>	March 2000
18.	<i>Social and Affordable Housing and Accommodation: Building the Future</i>	September 2000
19.	<i>Alleviating Labour Shortages</i>	November 2000

20.	<i>Lone Parents</i>	July 2001
21.	<i>Third Periodic Report on the Work of the Forum</i>	November 2001
22.	<i>Re-integration of Prisoners</i>	January 2002
23.	<i>A Strategic Policy Framework for Equality Issues</i>	March 2002
24.	<i>Early School Leavers</i>	March 2002
25.	<i>Equity of Access to Hospital Care</i>	July 2002

**(ii) Forum Opinions**

<b>Opinion No.</b>	<b>Title</b>	<b>Date</b>
1.	<i>Interim Report of the Task Force on Long-term Unemployment</i>	March 1995
2.	<i>National Anti-Poverty Strategy</i>	January 1996
3.	<i>Long-term Unemployment Initiatives</i>	April 1996
4.	<i>Post PCW Negotiations – A New Deal?</i>	August 1996
5.	<i>Employment Equality Bill</i>	December 1996
6.	<i>Pensions Policy Issues</i>	October 1997
7.	<i>Local Development Issues</i>	October 1999
8.	<i>The National Anti-Poverty Strategy</i>	August 2000

**(iii) Forum Opinions under the Monitoring Procedures of Partnership 2000**

<b>Opinion No.</b>	<b>Title</b>	<b>Date</b>
1.	<i>Development of the Equality Provisions</i>	November 1997
2.	<i>Targeted Employment and Training Measures</i>	November 1997