



# Employment and labour market policies for an ageing workforce and initiatives at the workplace

## National overview report: Ireland

**Situation of older workers in Ireland**

**Role of public actors in fostering active ageing in Ireland**

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**Conclusions**

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## Situation of older workers in Ireland

### Development of employment/activity rates of older workers by gender

Table 1: *Employment ('000) by Age and Gender, 2000, 2003 and 2006*<sup>1</sup>

Age	2000			2003			2006		
	Total	Men	Women	Total	Men	Women	Total	Men	Women
15-44	1178.1	665.8	512.3	1236	687.8	548.1	1374.2	772.4	601.8
45 plus	493.4	326.9	166.5	556.9	352.9	204	642.8	389.6	253.2
Total	1671.5	992.7	678.8	1792.9	1040.7	752.1	2017	1162	837

Source: *Quarterly National Household Survey (QNHS)*

The total number of people aged 45 years or older who were at work in the Irish labour market in the Spring of 2006 was 642,800 out of a total employment aggregate of 2,017,000 or just under 32 per cent. Approximately 60% (389,000) of these were men, and 253,200 were women. Table 1 also shows data over time, for the years 2000, 2003 and 2006. Overall, the table shows continued expansion in employment, with the total number at work in the economy increasing by 346,000 over the six year period.

Older people as a proportion of the overall active labour force have increased at a rate of about half a percent between 2000 (29.5%) and 2003 (31%), and one per cent from 2003 to 2006 (32%). Differences were observed in the trends for men and women aged 45 and over for the years in question. The proportion of men aged 45 and over in the labour force grew by 0.2 per cent between 2000 and 2003, and then dropped by 0.4 per cent between 2003 and 2006, giving an average growth rate of -0.1 per cent. In contrast, the proportion of women aged 45 and over in the work force grew at a steady rate of 1.3% from 2000 to 2006.

### Development of average exit age by gender

The QNHS does not provide specific data on exit from the workforce, however Russell and Fahey<sup>3</sup> drew on the panel element of the Living in Ireland survey for their exit data, for the years between 1994 and 2000.

Over the period in question, of 510 transitions out of employment, 54% were men and 46% were women. It is interesting that these are not particularly clustered around age 64-65, however, if the number of exits is viewed as a proportion of individuals who are in employment at that age, then the age at exit is more structured. Viewed this way, exits peak at age 64 and remain high between the ages of 65 and 68. See Table 2.

<sup>1</sup> All figures related to the Spring period (March to May) for the years in question.

<sup>2</sup> The QNHS is a large-scale, nationwide survey of households in Ireland conducted by the Central Statistics Office (CSO). It is designed to produce quarterly labour force estimates that include the official measure of employment and unemployment in Ireland.

<sup>3</sup> Russell, H. and Fahey, T (2004). *Ageing and Labour Market Participation*. Dublin: The Equality Authority.

Table 2: *Proportion exiting employment by age*<sup>4</sup>

Age	Exit	Stay	N
50	6.8	93.2	488
51	6.5	93.5	465
52	4.1	95.9	434
53	8.0	92.0	402
54	6.6	93.4	377
55	7.9	92.1	354
56	9.4	90.6	341
57	9.7	90.3	290
58	8.6	91.4	279
59	12	88	258
60	14	86	222
61	13.1	86.9	206
62	10.1	89.9	199
63	15.2	84.8	184
64	24.4	75.6	156
65	22.9	77.1	131
66	19.2	80.8	99
67	22	78	82
68	20	80	60
69	9.8	90.2	61

The EU labour force survey also investigated labour force inactivity across the EU 25. The survey found that for all Member States the inactivity rate is higher for women than for men, the disparity averaging around 16 percentage points for the EU 25. In Ireland, the disparity is approximately 22 percentage points.

Inactivity rates are much higher across the EU 25 for young people (aged 15-24) and older people (55-64) compared to the population of prime working age (25-54). Thirty-two per cent of the inactive labour force are aged between 55 and 64. In Ireland, 22 percent of the inactive labour force are in the 55-64 age group.

Retirement is the second-most important reason for inactivity across the EU15, next to education and training. Retirement accounts for 58 per cent of the inactive population aged 55-64.

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<sup>4</sup> From Fahey and Russell (2004)

## Role of public actors in fostering active ageing in Ireland

The current government and social partners position on older workers is both enshrined in and informed by the current social partnership agreement document *Towards 2016*.<sup>5</sup> The agreement is divided into two main parts. Part One sets out the overall objective of the Agreement, the rationale for the longer-term perspective being adopted in this agreement, and outlines other key national and sectoral policy instruments and strategies in place to meet the challenges ahead. Part Two sets out the terms of the Draft Pay Agreement for the private sector and the public service. Section 32 of Part One deals with older people. In this section, the Government and social partners acknowledge that the demographic profile of Ireland is in the process of changing, and therefore a key objective of the Government and the social partners must be the maximising of opportunities for older people to participate in education, employment and other aspects of economic and social life. While some of the key priority actions under this objective are quite vague and ill-defined, focusing either on lifelong learning in general or participation in family literacy projects, two actions stand out as being of direct relevance to older workers:

- The continued participation of older people in the labour market will be encouraged and facilitated to meet the challenge of an ageing society. A cultural mindset change will be promoted among both employers and employees to encourage older workers to remain in employment. Promotion of training and upskilling of employees, particularly for low-skilled/older workers, will take place to enhance employability in the context of the impact of globalisation. The preventive process will be extended to those aged 55-64 to facilitate unemployed older workers remaining attached to the labour market. This will tie in with the phasing out of the Pre-Retirement Allowance (PRETA)
- Training and advisory services, including those provided by FÁS, will assist older people who wish to return to the workplace.

Little or no attention has been paid to older workers in terms of the media until the last month. Partly due to the intense scrutiny on long-term care for dependent retired people, most reporting of issues relevant to older people has been restricted to quality of care, lack of bed spaces in long-term care, and pensions. However, in the last month, there are signs of a shift in emphasis towards looking at ageing and older people from a different perspective. One newspaper ran a feature on positive ways of thinking about older people which included a section on older people in the workplace.<sup>6</sup> However, this section did not cover Irish older workers. In the same week, a radio programme on RTE Radio 1<sup>7</sup> devoted half its airtime to a discussion of unemployment and ageism in recruitment, and the same newspaper ran a feature article following this up a week later.<sup>8</sup> This situation illustrates the invisibility of older workers in public discourse in Ireland and the lack of attention paid to ageist practices in the recruitment and retention of older employees.

## Public initiatives for fostering active ageing

Individuals, employers, educational and training bodies and service providers and organisations responsible for the provision of employment have certain obligations under the Employment Equality Act (1998) and the Equal Status Act (2000).<sup>9</sup> These Acts aim to promote equality of opportunity and prohibit discrimination on nine specified grounds in employment, service provision and educational establishments. These nine grounds gender, marital status, family status, sexual orientation, religion, age, disability, race and membership of the Traveller community.

<sup>5</sup> Department of the Taoiseach (2006). *Towards 2016. Ten-Year Framework Social Partnership Agreement 2006-2015*. Dublin: The Stationery Office.

<sup>6</sup> New Age Dawning. *The Irish Times* Wednesday March 28, 2007: 15.

<sup>7</sup> The Tubridy Show, Tuesday, March 27th, 2002. <http://www.rte.ie/radiol1/thetubridyshow/1129272.html>

<sup>8</sup> Pernicious effects of ageism in the workplace. *The Irish Times* Saturday April 7, 2007.

<sup>9</sup> Fahy and Russell (2004).

The age discrimination provisions contained in the Employment Equality Act did not apply to people aged over 65 until 2004. The consequence of this was that people did not have the same protection at work as did people under that age.<sup>10</sup> In addition, there was a general exemption from the age clauses for the Defence Forces, the Police and the Prison Service. There was also an exclusion where acts are done in compliance with statutory requirements, provided reasonable accommodation is made to support the employee. It was not unlawful to discriminate on the grounds of age where it could be shown that 'there [was] clear actuarial or other evidence that significantly increased costs would result if the discrimination were not permitted'. Finally, it did not constitute discrimination to set a maximum age for recruitment which takes account of a) any cost or period of time involved in training a recruit to the required standard and b) the need for there to be a reasonable period prior to retirement age during which the recruit will be effective in the job.

These general exemptions did not, according to the Equality Authority,<sup>11</sup> seem to have any objective justification. The rationale behind them seemed to be based on an assumption that older people (in this case aged under 65) are not medically capable of performing the relevant jobs.

The upper age limit of 65 did not apply to the Equal Status Act, 2000; however, there are a number of general exceptions to the principle that discrimination is prohibited. Among the relevant exceptions are the following:

The Equality Act, 2004 aimed to implement three EU Council Directives, the Race Directive (2000/43/EC), the Framework Employment Directive (2000/78/EC) and the Revised Gender Equal Treatment Directive (2002/73/EC).<sup>12</sup>

The Equality Act made a number of changes both to the Employment Equality Act, 1998 and the Equal Status Act, 2000. The most significant change to the Employment Equality Act extended the definition of discrimination to include discrimination by association or where discrimination is imputed to the person concerned. The legislation also requires that an employer take appropriate measures to facilitate a person with a disability to enable them to have access to employment, participate or advance in employment, unless it imposes a 'disproportionate burden' on the employer.

In relation to employment, the upper age limit for age grounds claims has been abolished. There are certain exceptions, however, that will allow an employer set a compulsory retirement age and also to offer fixed-term contracts to employees above a certain age.

### Pension reforms

The influence of pensions on the decision to retire works through two different effects.<sup>13</sup>

1. The replacement rate. Studies confirm that the higher the share of pre-retirement income received, the more attractive early retirement becomes. Ireland is 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.
2. Actuarial bias. International studies show that pensions that are actuarially biased towards retirement are a more important influence on retirement behaviour.

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<sup>10</sup> Equality Authority, 2002. *Implementing Equality for Older People*. Dublin: The Equality Authority.

<sup>11</sup> The Equality Authority (2002).

<sup>12</sup> <http://www.equality.ie/index.asp?locID=90&docID=225>

<sup>13</sup> National Economic and Social Forum (2003). *Labour Market Issues for Older Workers*. Dublin: NESF.

### **Social welfare pension provisions**

In addition to relatively low levels of provision, other important features of the Irish social welfare pensions system differ from mainstream western developed economies. Social insurance coverage in Ireland was, until recently, far from comprehensive - there is no income-related pension, the minimum pension age is comparatively high (65/66) and there is no early retirement option. One in five pensions is means-tested. Many women in old age get widows' pensions rather than retirement or old age pensions. Irish 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. About 85% 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.

The Irish social welfare system has, however, quite generous contribution rules for qualifying for pensions. With less than half the number of contributions than it takes to earn a full pension, 98% of the full pension can be earned. Once this 98% has been attained, further years of insurable work may not add anything to pension entitlements. This reduces the incentive to remain at work.

This is compounded by the fact that state pensions are relatively low at 34% of the average industrial wage,<sup>14</sup> meaning that it can be difficult to afford to retire even at the State retirement age. However, if one retires early, the pension drops to 23%<sup>15</sup> of the average industrial wage.

### **Social welfare provision for the early retired**

While there is no formal early retirement option in the Irish social welfare system, many who retire early do so on the grounds of ill-health. In this regard, disability payments are the most important source of social welfare income. These payments may be received indefinitely up to pension age, provided the medical conditions are met. However, these benefits are also low, and take up is relatively low.

### **Occupational Pensions**

Only one half of the workforce is covered for a second-tier pension. Only one third of private sector workers are in a pension scheme, compared with nine out of ten public sector workers.

### **Defined benefit schemes**

Most private sector schemes in Ireland operate some form of actuarial deduction for early retirement, however up to half the major private sector schemes give favourable terms for early retirement on the grounds of ill-health. Favourable early retirement schemes are often popular with employers as well as employees as they may facilitate a reduction in the size of the workforce or the substitution of younger workers for older. There is generous tax relief for occupational pension provision.

### **Defined contribution schemes**

These 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 Personal Retirement Savings Accounts (PRSAs) are defined contribution schemes. These schemes are increasingly popular to employers as they offer certainty to the company compared with traditional defined benefit schemes.

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<sup>14</sup> The current contributory state pension is €209.30 per week for a person aged between 66 and 80. The average weekly industrial wage as at September was €600.85.

<sup>15</sup> The current contributory state pension for a qualified adult under 66 is €139.50.

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 they do not offer a guaranteed income in retirement. The move to defined contribution schemes involves a shift in risk from the corporate sector to the individual which is a major concern given volatility in the value of assets.

### Personal Retirement Savings Accounts (PRSAs)

The Pensions Act (2002) provided for the introduction, from 2003, of PRSAs. These are portable personal pensions of a defined contribution type. It is obligatory for employers to offer such pensions to their employees, but participation in a pension scheme and employer contributions are not mandatory.

### Influences of EU-policies/programmes

In 2002, the European Commission proposed joint initiatives by governments and the social partners to retain workers longer in employment.<sup>16</sup> Much of the policy focus at EU level has been on the low levels of participation by older workers and the need to increase labour force participation rates. The European Council at Lisbon and Stockholm set an ambitious target for raising employment rates for older workers (defined as those aged 55 and older)<sup>17</sup> from an average of 38.5% in 2001 to 50% in 2010. Ireland compares favourably with other European countries in meeting this target, however, this has been more due to push factors (inadequate pension arrangements and the high cost of living) rather than due to an age-friendly labour environment.

### Actions of Social Partners/Collective agreements

Social Partnership in Ireland describes an approach to government where interest groups other than elected representatives play an active role in decision-making and policy-making. The social partners are able to enter discussions with government and negotiate national agreements that provide direction on national policy.<sup>18</sup> The four social partners are:

- Trade unions
- Employers and business organisations
- Farmers organisations
- The Community and Voluntary Pillar.

To date, there have been seven social partnership agreements including the current agreement. The current agreement has been discussed above, therefore this section will focus on previous ones from the year 2000 onwards.

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<sup>16</sup> European Commission 2002a. *Report from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. Increasing Labour Force Participation and Promoting Active Ageing*. Brussels: European Commission.

<sup>17</sup> National Economic and Social Forum (2003). *Labour Market Issues for Older Workers*. Dublin: NESF.

<sup>18</sup> <http://www.cwc.ie/work/sp.html>

### **Programme for Prosperity and Fairness 2000-2003**

The Programme for Prosperity and Fairness (PPF) consisted of five operational frameworks:

1. Living standards and workplace environment
2. Prosperity and economic inclusion
3. Social inclusion and equality
4. Successful adaptation
5. Renewing partnership

Under framework one, the PPF provided for the permission of positive action in relation to people over fifty years old. In addition, the agreement specified that all employment policies and practices were to be in line with the provisions of the Employment Equality Act, 1998. Under framework three, the section on older people had the overall goal of ensuring that all retired people, have an adequate income to enable them to live in dignity and to share the benefits of economic growth.

### **Sustaining Progress 2003-2005**

The overall goal of Sustaining Progress was to continue progress towards the realisation of the National Economic and Social Forum (NESF) vision for Irish society, in a context of considerable economic uncertainty and to do this by sustaining economic growth and maintaining high levels of employment and securing living standards for all, while strengthening the economy's competitiveness and thereby its capacity to resume trend growth in more favourable international conditions.

## **Conclusions**

The situation of older workers in Ireland is set against a context of increasing employment, with the proportion of older workers also increasing. There has not been much public discourse about older workers in the State, and what there is based on the latest social partnership agreement. Very recently, more attention has been paid to the issue of ageism in the workforce, and it is expected that the issue will become more visible over the next year.

The Employment Equality Act (1998) and the Equal Status Act (2000) underpin all activity in this area. Paradoxically, the nine grounds identified under the law have acted to restrict the development of initiatives targeting any one particular group, for fear of the initiative being found to be discriminatory, i.e. if one actively seeks to recruit older workers, one could be found to be discriminating against younger workers. Hence, it is often reported that a HR policy is open to all, regardless of age, gender, ability and so on. This can mean that no account is taken of the institutional barriers that face different people in different ways, or of the particular needs of different groups of people. This situation explains the paucity of examples of good practice in the area in Ireland.

Social welfare pension provision in Ireland is relatively low compared to the EU 15. Regarding private pension schemes, the defined benefit system is gradually being replaced by defined contribution schemes, including PRSAs. These offer more security for employers but do not guarantee future income for employees. The NESF<sup>19</sup> concluded that, given the

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<sup>19</sup> National Economic and Social Forum (2003).

labour market response to improved economic conditions in Ireland, any changes to the system should focus on policies to improve training, work satisfaction and health outcomes as these could prove to be more cost effective ways of improving labour market participation.

Overall, a combination of high employment levels and low pension provision operates to keep older workers in employment in the absence of specific incentives or initiatives to support and maintain them in work.

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