

Promoting Choices for Older Workers

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Abstract

Rapid economic growth in Ireland, beginning in the mid-90s, led to a reversal of the earlier trend in the declining labour force participation of older people. Ireland is one of the few countries in Europe to have reached the Stockholm target of 50% of older workers in employment. Nevertheless, a number of barriers to the participation of older workers have yet to be overcome. Lack of flexible or part-time hours, lack of appropriate skills and education, low take-home pay, concerns about reductions in pensions income and benefits as a result of taking up paid employment and age discrimination are among the principal barriers. Some progress has been made in addressing each of these. In particular through its equality legislation Ireland is to the fore in Europe in outlawing age discrimination. However, much remains to be done to ensure that older people have equal access to and opportunities in employment.

1. Older People and the Labour Market

Over the last ten years Ireland has seen rapid economic growth and the so-called *Celtic Tiger* has brought a lot of benefits in its wake, particularly in the area of employment, with approximately two million people currently employed. Older workers have also benefited from the upturn in the economy and Ireland has now exceeded the Stockholm target set for 2010 of 50% employment rate of older workers aged 55-64.

Compared to the rest of Europe, the Irish population is relatively young and therefore the demographic changes brought about by ageing have not been as marked in Ireland as elsewhere. Nevertheless, the dependency ratio is increasing and in the future there will be more older people dependent on fewer workers. Yet, little has been done to encourage older workers to remain longer in the workforce or increase their employment opportunities if made redundant.

One area where Ireland has taken a lead in Europe is in relation to its equality legislation, which includes the age ground. Although the legislation is relatively new, it has undoubtedly challenged stereotypical perceptions of older people and made employers more aware of their obligations under law not to discriminate on the basis of chronological age. At least with this foundation in place, it will be possible to develop more strategic approaches to employing older workers and increasing their participation in the labour market.

1.1. Older People in Ireland

The proportion of people in Ireland aged 65 years or older is due to increase by 60% over the next 20 years, from 436,001 in 2002 to 698,000 in 2021 (Connell/Pringle 2004:62). In recent years the working age population in Ireland has also expanded, so the increase in the older population has not had a major influence on the old age dependency ratio, i.e. the numbers over 65 compared to the working age population aged 15-64. The ratio in 2002

stood at 16.4% and is projected to increase to 23.2% in 2020, levels that have already been reached in 2002 by the UK, Spain and Italy.

It must be noted that life expectancy for older people in Ireland is the lowest in Europe falling below both the EU 15 average and the EU 25 average for both males and females in 2002 (See table below). This has implications for the length of time people spend in retirement, but as healthcare improves so too will the life expectancy.

Life expectancy at age 65

Area	Males	Females
Ireland	15.4	18.7
EU 15	16.3	19.9
EU 25	16.0	19.6

(CSO, Irish Life Tables No. 14, 2001-2003)

1.2. The Irish Labour Market

From 1993–2003, unemployment decreased from 15.7% (220,100) to 4.4% (82,100) while the number of persons in employment increased by over 50% from 1,183,100 to 1,793,400. From 1994-2003 the employment rate for women rose by 40%; for men the increase was 15%. In 2003, approx. 42% of those at work were female and approx. 66% of all those at work were employed in the Services sector (CSO 2004).

By 2005, the employment figure had risen to 1,929,200, while the total labour force exceeded the 2 million mark for the first time (CSO 2005). The potential labour supply could increase the labour force figure by another 7.5% if those unemployed or marginally attached or not in education who want to work are added in.

1.3. Older Workers

The Labour Force Participation Rate for Older Workers is higher for men than the EU average but lower for women, although for women under 30 the

female participation rate is higher than the EU average. Rapid economic growth beginning in the mid-90s led to a reversal of the earlier trend in the declining labour force participation of older people. The chart below shows the participation rates for older workers in 2006. The Stockholm target is 50% employment rate for older workers (55-64) by 2010 and as of Q1 2006 the overall participation rate for this population cohort in Ireland was 54.4%. The rate for females was 39.7% while the rate for males was 68.8%.

ILO Labour Force Participation Rates				
	45-54	55-59	60-64	65+
Male	89.2	76.8	58.8	14.0
Female	64.6	47.2	30.4	3.4
Total	76.9	62.1	44.7	8.0

CSO 2006Q1

Figures from the OECD also show that

- Nearly half of older men (50-64) in employment are in manual occupations.
- The share of part-time employment among older women exceeds 45%.

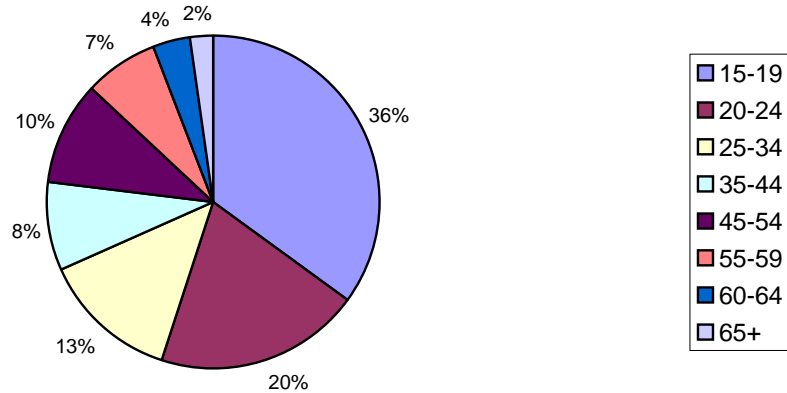
1.4. Unemployment

Unemployment rates in Ireland were higher than the EU average up until 1997 but have fallen remarkable and now stand at 4.4% (CSO unadjusted figure for June-Aug 2005, numbering 88,200 persons), which compares to the EU average of 7.9%. (These figures do not include part-time workers, i.e. those who work up to three days a week, seasonal or casual workers, all of whom are entitled to Unemployment Assistance or Benefit and appear on the live register. In June 2006, the live register figure was 160,300). The long-term unemployment rate was 1.4% in 2004, which compares to the EU average of 4.1%.

Of those unemployed, 7% are aged between 55-59 years and 4% are aged between 60-64. (Approximately 5,100 older workers aged 55-64 fall into

these categories). This compares to 8% of those unemployed in the age range 35-44 and 13% in the age range of 25-34.

ILO Unemployment @ age cohorts 2006



ILO Unemployment rate as percentage of age group				
	45-54	55-59	60-64	65+
Male	3.7	2.7	1.3	0.8
Female	2.8	3.2	1.5	0.4
Total	3.3	2.9	1.3	0.7

CSO 2006Q1

However, of the unemployed older men, two-thirds of whom are actively seeking work, only a small proportion of them actually expect to be successful.

Also there are significant numbers of older married women in home duties aged 55-64 who are not in the labour market. Overall, of the 130,000 people age between 55 and 64 who were outside the labour force in 2001, approximately 85,000 of these were women (McGivern 2001:17).

1.5. Retirement

In 2001, Ireland had the highest exit age from the labour force in the EU at 62.8. However, this has dropped back since then. In 2002 it was 62.4, the third highest in Europe. Part of the reason for dropping back is the overrepresentation of older workers in declining manufacturing industries. The Barcelona target is for a progressive increase of about five years in the effective average age at which people stop working in the European Union by 2010, which would increase the average exit age across the EU25 to 65.4 years by 2010.

The most common reasons for early retirement are: (a) illness or disability, (b) financial reasons: good redundancy packages or people could afford to do so, and (c) work being too demanding or stressful (NCAOP, 2001).

On average, those in occupational pension schemes tend to retire earlier, although those who start a pension late are likely to retire late. Other factors influencing early retirement are manual work, lower education, civil service job, redundancy threat, care responsibilities, home ownership, and part-time work. Factors that tend to influence later retirement are self-employment, better education, high skills, interesting work, a late start to working life, and a spouse at work. (NESF, 2003:83-84)

For men outside the workforce aged 60-64, retirement is cited as the main reason for their inactivity, while for women the main reason is related to family (OECD, 2005:53).

The Social Welfare Reform and Pensions Bill 2006 abolishes the Pre-Retirement Allowance. Previously, The Pre-Retirement Allowance (PRETA) was available to people in Ireland aged 55 and over and allowed them to leave the labour force and no longer have to sign on or be available for work.

1.6. Pensions

The State Pensions Board in 1998 recommended that the minimum retirement income for state social welfare pensions should be 34% of Gross Average Industrial Earnings (GAIE). Currently, the state pension stands approximately 32% of GAIE. The government is committed to increasing the amount of the pension to at least €200 by 2007. Also 1% of GNP is being put aside each year (until 2055 at least) into a special national pension reserve fund which will part-finance the Exchequer cost of social welfare and public service pensions from 2025 onwards, when the State's pensions bill is expected to rise significantly with the progressive ageing of the population.

The government has also set a target of 70% coverage for occupational pensions for all workers. In 2003 Personal Retirement Savings Accounts (PRSAs) were introduced to encourage greater uptake of pensions by those who did not have access to an occupations scheme. According to a CSO Quarterly National Household Survey of pensions-related coverage carried out in 1st Quarter 2004, 59.1% of all persons in employment over the age of 30 had pension coverage (Pensions Board 2004).

1.7. Legislation

The Employment Equality Act 1998 covers 9 grounds of discrimination, including age. The Equal Status Act 2000 deals with discrimination in the provision of goods and services. The Equality Bill 2004 further augmented these acts and significantly, in relation to age, has removed the upper age limit of 65 from The Employment Equality Act 1998 such that those over 65 are now covered by the Act.

In a number of cases taken by the Equality Authority, which is an independent body set up under the Employment Equality Act 1998, age discrimination is one of the grounds that has received high profile. One such case concerned an advertisement by *Ryanair* seeking "a young and dynamic professional" (*The Irish Times*, 25 Feb 2000). The Director of Equality Investigations found in favour of the Equality Authority and together with compensation, the company had to review its equal opportunities policy, equality proof its

recruitment and selection guidelines and publish a statement of equal size and prominence to the offending advertisement making a clear commitment to equal opportunities.

During 2005, 12.5% of the casefiles of the Equality Authority under the Employment Equality Acts related to the age ground, almost exclusively involving older people.

The government removed the upper age for retirement for most public service jobs in 2004 for new entrants but under the EU age directive, which comes into force in Oct. 2006, compulsory retirement ages should be abolished in all sectors, with just a few exceptions allowed, e.g. for defence force personnel and the Gardai. Under the new legislation, the onus is clearly on the employer to make a case for an exemption. However, there are some countries that resisted the directive. The UK wanted to give employers until 2011 to make the necessary adjustments. By contrast, countries outside the EU such as Australia, New Zealand and the USA have outlawed mandatory retirement for many years, except for such categories as police and fire fighters. In the US the Age Discrimination in Employment Act came into force in 1967 and prohibits discrimination from the age of 40 upward.

1.8. Conclusion

The fact that participation rates for older workers in Ireland are relatively high compared to the rest of Europe is not an excuse for complacency, as this achievement owes more to the success of the economy than to specific interventions on behalf of older workers. And while Ireland has taken a lead on equality legislation, which includes age as one of the grounds covered in its employment legislation, cases of age discrimination in employment are still a cause of concern.

2. Barriers to Participation

In 2000 the Expert Group on Future Skills Needs and the National Competitiveness Council commissioned Public and Corporate Economic Consultants (PACEC) to carry out a study of the participation rates of the over 55s in the Irish Labour market. The study found that about 25% of those over 55 who are retired or engaged in home duties are interested in participating in the labour force, provided certain barriers to their participation are overcome (McGivern 2001:18-19). These include:

- Lack of flexible or part-time hours
- Lack of appropriate skills and education.
- Low take-home pay
- Concerns about reductions in pensions income and benefits as a result of taking up paid employment
- Age discrimination

The new partnership agreement, *Towards 2016*, contains commitments to increasing the participation of older people. Among its proposals are:

- 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. 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.

2.1 Recruitment

According to the NESF, it is more difficult to move back into employment if one has been out of work for over one year and for those aged 55-64 they are only half as likely to return to work compared to those aged 35-54 (NESF 2006:8).

The OECD has noted that the relative hiring intensity rate in Ireland for older workers aged 50-64 is 0.37, while the OECD average is 0.41.

An Equality Authority report published in 2004 found that older people entering the workforce are almost five times more likely to take up low-paid jobs than professional positions. Two thirds were employed for less than 15 hours per week. (Russell & Fahey, 2004)

2.2 Retention

According to the OECD report on older workers in Ireland, retention rates up to age 49 are higher than the OECD average, but fall back from the age of 50 onward (estimated on the basis of those who were in the same job 5 years later).

2.3 Training

For older workers, training and upskilling are important issues. As many as 50% of those aged 65 and over never went beyond primary education and 61% of those aged 50-64 never completed secondary education. In terms of lifelong learning, the incidence of training and education uptake by older workers aged 50-64 is 5% compared to 8.5% for workers aged 25-49, although the figures for both are relatively low, 3 times lower in fact, than in the UK (OECD 2006). Nevertheless, where companies adopt a life-course approach to training, specific interventions later on in an older worker's career to reduce disadvantage may not be required.

2.4 Flexible work arrangement

Balancing work with caring responsibilities is one of the most challenging issues for workers today and it affects not only those caring for young children

but also those who have to care for a dependent adult at home. The Carers Leave Act has sought to ease the burden for carers by allowing up to 24 months time out from work without affecting one's pension entitlements. Coupled with this is the Homemaker's scheme, which allows up to a maximum of 20 years pension credits for caring for children under the age of 12, or over 12 if he/she is incapacitated.

2.5 Pay & Pensions

There are still a number of outstanding issues concerning income and the loss of benefits that could occur if one returns to the labour force. There are schemes that enable people who are long-term unemployed to return to work and retain a proportion of their social welfare benefits, including medical cards. But, for those in work there may not be any extra benefits in terms of their pension if they remain working beyond 65. Where compulsory retirement ages have been removed, (as in many public service jobs for new entrants), workers now have a choice to remain at work, but there are those who continue working because they cannot afford to retire. Ultimately, what workers want are real choices that are not overly influenced by financial concerns.

2.6 Retirement Options

In a survey carried out in 2001 for the NCAOP by the ESRI, 70% of workers aged between 55 and 59 expressed a preference for gradual retirement and 44% of those who had retired said in hindsight they would have preferred to retire over a period (NCAOP 2001). However, in a survey carried for the NESF by the ESRI in 2002, only 12% of companies surveyed indicated that they provided special supports aimed at workers aged over 45, such as flexible work options, and none provided partial or gradual retirement options (NESF 2003, Report no.26: 40).

2.7 Discrimination

Participation by older people in decision-making is the key to removing the barriers they face in employment and in entering /re-entering the workforce. One of the actions for governments set out in the UN International Plan on

Ageing (Madrid 2002) was to increase the employment opportunities for all older persons who want to work. Employment policies therefore need to be age-proofed to ensure equal opportunities for older people with due regard to their differences.

2.8 Conclusion

Legislation is part of the solution to age-discrimination. But, in order to deal with ageist attitudes, society as a whole must remove the notion that older people are a 'burden' and begin to deal with the reality that society is made up of all ages.

3. Creating a More Inclusive Labour Force

According to the National Economic And Social Forum (NESF: 8):

The number of people in the 45 – 64 year age group is projected to increase by 56% over the period 2001-2021. The main challenges to support their retention at work will be to change the attitudes and expectations of employers; raise awareness of the benefits and need for training; and increase the number of companies providing flexible working and other work-life balance supports.

An Equality Authority report put forward a number of recommendations for overcoming the barriers to the participation of older people in the labour force (Equality Authority, 2003).

- a) Giving some form of accreditation for past experience
- b) Developing training programmes specifically for older people
- c) Providing financial incentives
- d) Encourage employers to consider flexible hours
- e) Addressing negative stereotypes.

Some examples of best practice are emerging.

3.1 ARROW

An initiative by the Chambers of Commerce of Ireland, begun in 2003, is the ARROW programme (*Assisting the Recruitment and Retention of Older Workers*) that supports and subsidises the training of both managers and older workers. Training for older workers includes IT skills, customer service skills, communication skills and occupational health and safety. For HR managers, it includes the training, motivation and recruitment of older workers.

3.2 Flexi-Work

An initiative undertaken to deal with the issue of flexibility is The National Flexi-Work Partnership project, funded through EQUAL, which aims to promote work-life balance of working parents/carers, older people and people with mental health problems. An outcome of the project is *An Employers Guide to the Employment of Older Workers* (Maguire 2003).

3.3 Flexible training

Tallagh Partnership runs a 26-week course for men over the age of 35 in long-term unemployment. Individual progression planning is a central part of the programme and participants are offered general skills such as literacy and work based skills such as metal work, glass work and occupational health and safety. Northside Partnership also has one-to-one career path planning for older women distant from the labour market and also offers in-company placements. (NESF, 2003:63)

3.4 Job rotation

Initially developed in Denmark, the tool has been successfully deployed in companies such as Aer Rianta to allow staff training with minimal work disruption as unemployed people fill the temporary 'vacancies' for the duration of the training. Not only does it provide opportunities for unemployed people to train on the job but it offers a mechanism for the further development of lifelong learning. (NESF, 2003:63)

3.5 Skillsnet

Skillsnet was set up in April 1999 and is built around training networks where companies and organisations get together to decide what training they want, how it will be delivered and who will deliver it. Support is provided by the National Training Fund through the Department of Enterprise trade and Employment.

3.6 National Centre for Partnership & Performance

The NCPP was established by Government in 2001 to support and drive change in the Irish workplace. Its remit is to enable organisations in the

private and public sectors to manage change and promote workplace innovation and improved performance through partnership. It launched a National Workplace Strategy in 2005 focused on five areas - Workplace Innovation, Capacity for Change, Developing Future Skills, Access to Opportunities and Quality of Working Life.

3.7 FAS's One Step Up Programme

Launched by the government in 2005, its aim is to give workers accredited skills and qualifications, which will be portable from one employment to another. The focus is on lifelong learning so as to respond to changing market conditions.

3.8 FÁS Wage Subsidy Scheme

Also launched in 2005, this scheme aims to boost the participation in the workforce of people with a disability. It offers financial support to employers, outside the public sector, to encourage them to employ individuals with a disability who work more than 20 hours per week, and is intended to cover productivity shortfalls that may arise and supervisory costs. (There are a number of other employment supports and grants available to assist employers gain and retain employees with a disability, cf. www.basis.ie Employment and Disability Supports).

3.9 Other benefits and initiatives

Some companies offer specific benefits targeted toward mature workers. ASDA, the UK's largest retailer, has recognised the value of attracting mature workers on a part-time basis and has over 20,000 employees who are over 50 years old, representing 19 percent of its workforce. They provide mature workers with such benefits as Benidorm leave and Grandparent leave.

Others are developing alternative work arrangements to try to hold onto employees before they leave the company. One organisation that has made a commitment to retaining workers after they reach retirement age is the Aerospace Company, a U.S. defense contractor. Retirees can work there on

a project-consulting basis for up to 1000 hours per year and earn roughly the same base salary they earned prior to retirement. This program keeps expertise around and helps transfer it to others.

Bosch, a German provider of automotive, industrial and consumer products, introduced an interesting method for retaining critical knowledge in the organisation. Prior to retirement, these employees fill in a form about the knowledge they gained during their careers. This information is synthesised and captured in a database used by project managers around the world. If these project managers have a difficult project that requires specialist knowledge, they can search the database to determine if there are retired workers that fit their needs. These people are asked to work for a short period of time during the project and support the team by bringing in knowledge gained during the time they have worked with the company.

Conclusion

Ireland has had very successful employment policies in recent years that have enabled older workers to participate more fully in the workplace. Ireland has also been to the forefront in protecting the rights of workers through its Equality legislation. It does not yet have a national strategy for older workers but demographic changes may yet demand one.

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