

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

IRELAND (situation mid-2012)

In 2011, the employment rate for the population aged 50-64 in Ireland was 1.7 percentage points lower than in 2005 and 4.2 percentage points below the OECD average. Further statistical information about the labour market situation for older workers in Ireland is presented in the scoreboard in Table 1.

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Ireland since 2005 are described in this Note. A summary assessment of the extent to which Ireland has followed the OECD's recommendations in the report *Ageing and Employment Policies: Ireland* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Ireland in 2005 – action taken

Increase incentives to retire later

The state pension age will increase to 66 years for everyone in 2014, and will then be increased to 67 in 2021 and to 68 in 2028. This decision was set out in the National Pensions Framework, published in 2010. The necessary legislation was provided in the Social Welfare and Pensions Act 2011.

Rationalise contribution-based public pension schemes and reward work beyond the age of 65

The state pension transition will be ceased in 2014. This will standardise the state pension age for all from that year.

Allowing people the option of postponing receipt of their state pension beyond state pension age and receiving an actuarially increased pension at a later date is under active consideration. Also being scrutinised are arrangements to allow those with contribution shortfalls at pension age to continue paying pension contributions (if they remain in employment or self-employment), so that they may qualify for a higher benefit at a later date. This measure will remove the retirement condition from the state pension system.

Strengthen work incentives in the contributory pension scheme

The minimum paid contribution requirement will be increased from 260 credits (5 years) to 520 credits (10 years) in 2012. The National Pensions Framework will also introduce a “total contributions” approach (in 2020) to replace the current “yearly average test”. Under the new arrangements planned, the level of pension paid will be proportionate to the number of social insurance contributions a person makes over their working life. A total of 30 years’ contributions will be required for a maximum pension. Ten years’ contributions will be required to qualify for the minimum rate (one-third of the maximum). A person will accumulate one-thirtieth of a pension for each year of contributions, up to the maximum for 30 years.

Increase flexibility for combining pensions with work income

An exemption from employment earnings of EUR 100 per week was introduced into the means test for the non-contributory pension in 2006. That amount was increased to EUR 200 per week in Budget 2007.

Review the rules governing occupational pension plans

A number of changes have been made to reduce the tax reliefs available to private pensions. Budget 2011 and the Finance Act 2011 contained a number of measures in this regard, such as; social insurance and the universal social charge no longer offer built-in entitlements to relief on pension contributions; lifetime tax-free pension lump sums have been capped at EUR 200 000; the earnings limit for calculating maximum allowable contributions for pension purposes is reduced from EUR 150 000 to EUR 115 000 per annum.

Strengthen job-search requirements for persons aged 55 and over, and abolish the Pre-Retirement Allowance

In 2007, the Pre-Retirement Allowance (PRETA), a means-tested payment for people in Ireland aged 55 and over who have left the labour force, was discontinued for new entrants. The phase-out is in line with efforts to encourage and facilitate working up to and beyond pension age. A new National Employment

and Entitlements Service, now being established by the Department of Social Protection, will enhance employment service engagement with all jobseekers, including older persons. A rights and responsibilities code is central here: in return for welfare support, jobseekers must actively seek employment or engage with employment or training services.

Shift the focus of disability benefits to remaining work capacity and away from determining the degree of incapacity

The Social Welfare Act 2010 provided for the introduction of a Partial Capacity Benefit scheme. Formally launched in February 2012, the scheme is open to people receiving an Invalidity Pension (IP) or who have been receiving Illness Benefit (IB) for a minimum of six months. Participation in the scheme is voluntary. Participants will be given an assessment of their residual work capacity and on that basis receive a commensurately adjusted income support payment.

The scheme was prompted by the findings of the 2008 OECD study on barriers to employment for people with disabilities. It represents a wider shift in policy thinking, away from a system of passive income support and towards an active incentive system that responds more accurately to the situation of disabled people. Those assessed to have an employment capacity that is restricted compared to the norm can now avail themselves of employment opportunities while continuing to receive an income support payment.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Ireland in 2005 – action taken

Improve awareness of rights and responsibilities with respect to age discrimination legislation

Accessible summaries of rights and duties under equality and employment rights legislation are provided and promoted by the Citizens Information Service. The Equality Authority and the National Employment Rights Authority recognised the need for accessible and accurate information on employment rights, equality and family leave legislation for both employers and employees. Consequently, in consultation with the social partners, these authorities produced the Employment Rights Rule Book in 2010. The Rule Book's launch and promotion through a national poster and billboard campaign in summer 2010 resulted in an increase in the level of calls to the Equality Authority.

An Equality Mainstreaming Approach activity, managed by the Equality Authority and involving the social partners, is facilitating and supporting institutional change within providers of vocational education and training, labour market programmes, and small to medium-sized enterprises. It aims to achieve this by strengthening the capacity of such organisations to combat discrimination, promote equality, and accommodate diversity. The activity was formed under the European Social Fund (ESF) Human Capital Investment Operational Programme 2007-13.

Encourage more flexible work arrangements

The National Framework Committee for Work/Life Balance Policies had as a role to support and facilitate the development of a package of practical measures to introduce flexibility, primarily through a consultancy scheme to assist small businesses in adapting their work routines. The Committee was disbanded in 2010 due to budgetary constraints.

Research published in 2011 analysing the results of the 2009 National Workplace Survey showed that by 2009, 30% of employees worked flexible hours and 25% worked part-time. Some 12% regularly worked from home during normal working hours, and 9% were job-sharing. This represents a marked increase in flexible working arrangements since the last such survey in 2003. Rates of personal

involvement in part-time work and working from home were higher in the private sector, while rates of personal involvement in flexitime working were almost identical in both the public and private sectors in 2009. Having more flexible working arrangements available in an organisation was associated with higher job satisfaction and increased output innovation.

B.2. OECD recommendations to Ireland in 2005 – no action taken

Abolish mandatory retirement

There is no single fixed retirement age for employees in Ireland. Some contracts of employment have a mandatory retirement age, usually 65 years. However, as stated above, the universal state pension age is to increase to 66 years in 2014, and later increase to 67 and 68.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Ireland in 2005 – action taken

Improve overall skills and training among all workers, especially those in mid-career

The National Skills Strategy was launched in 2007. A key objective for the strategy, intended to support a sufficiently well-educated and highly skilled labour force, was that by 2020 an additional 500 000 individuals – including older people – would be required to go up one level on the National Framework of Qualifications. In order to minimise drifts into very long-term unemployment, priority is accorded those with low skills; those on the Live Register² for longer than one year; those under 35 years of age; and those formerly employed in declining sectors.

A number of initiatives are established to provide training and skill updates. The national training and employment agency, FAS, provides modular-based training: participants can pick those modules they most require to improve their skills and ultimately increase their employability, while maintaining a close link to the labour market. In addition, training courses are being delivered in flexible, innovative formats such as online, “blended” learning and night courses.

There are no upper age restrictions on individuals accessing FAS mainstream training programmes. Older individuals have the opportunity to up-skill and re-skill to enhance their employability in the same way as younger workers. In particular, participants over the age of 55 are eligible for a maximum of six years’ overall participation in Community Employment, whereas those under 55 are eligible for a maximum of three years. Persons in receipt of any of the four disability-linked social welfare payments may be eligible for one additional year’s participation.

Education provisions that include older people among their target groups are:

- The Back-to-Education Initiative (BTEI), which enables adults to access part-time education options.
- Adult Literacy (AL) for adults with specific needs in basic skills areas, with English included as a second language provision.
- Community Education (CE), providing informal and non-formal education for hard-to-reach adults

²

The Live Register figures are published by the Central Statistics Office (CSO) at the start of every month and are acquired by collating information from returns made by directly to the CSO by each of the local offices of the Department of Social Protection. The Live Register is not designed to measure unemployment. It includes part-time workers (those who work up to three days a week), seasonal and casual workers entitled to Jobseeker’s Benefit or Allowance. Unemployment is measured by the Quarterly National Household Survey.

In 2010, approximately 21% of AL and 18% of BTEI participants were over 55 years of age. Older people also participate in classes funded by the CE programme.

Move the lifelong learning (LLL) agenda forward

Provision of adult and further education and training is part of the lifelong learning journey, and so special measures have been introduced to provide information and advice about learning opportunities. The Back-to-Education Initiative (BTEI) mentioned above offers part-time provision of up to 400 hours per year, leading to certification through the National Framework of Qualifications. The aim is to facilitate adults' access, transfer and progression to other education or employment. The Adult Education Guidance Initiative provides a free nationwide service for adult learners before, during and after their participation in adult education programmes.

Improve the delivery and accountability of the National Training Fund

A significant portion of the National Training Fund (NTF) allocation provided to FAS, the national training and employment agency, is disbursed to private training providers or organisations through a tendering process. All of the funding allocated to enterprise agencies – Industrial Development Agency, Enterprise Ireland, Shannon Development – is carried out in accordance with guidelines and priorities.

The European Globalisation Fund (EGF) is an EU initiative to respond to sectors affected by major shifts in world trade patterns; funding comes from the EU and from the national budget. The first application from Ireland was approved in 2009; the national funding portion of the EGF is provided by the NTF. The funding is meant to help workers made redundant as a result of the global and financial crisis to re-enter the workforce. A review of the way the EGF programmes were developed and managed is now under way.

The Labour Market Activation Fund, begun in 2010, was expressly designed to promote innovative, market-led activation measures for improving the employability of jobseekers by providing support for up-skilling and re-skilling. A recently published evaluation report found that the innovative, project-based approach furnished the flexibility necessary to address a very changed employment environment.

Make employment services more effective for older jobseekers

In 2009, a number of initiatives aimed at strengthening the labour market activation process were approved. The objective of the revised National Employment Action Plan (NEAP) is to achieve more efficient organisation within employment services, as well as increasing the mix of appropriate interventions. This includes increasing activation and clarifying and reinforcing mutual obligations of the unemployed relating to job search and availability.

NEAP will further develop within the framework of the new National Employment and Entitlements Service (NEES). The objective is to combine the unemployment payment elements provided by the Department of Social Protection and the employment services heretofore provided by FAS into a single service.³ This would offer users a high level of personalised employment support and more intensive support for those on the Live Register who are identified as being most at risk of long-term unemployment. A key element of NEES will forging closer contact with all (including older) jobseekers, where necessary increasing the frequency of engagement with those identified as requiring more assistance.

³

FAS employment services staff transferred to the Department of Social Protection from 1 January 2012.

From 2011, JobBridge, the National Internship Scheme, provides internship opportunities of six or nine months for unemployed individuals in organisations in the private, public, community and voluntary sectors. Participation in the scheme is available to all individuals who have been in receipt of Jobseekers Allowance or Benefit or who have signed on for Jobseekers [credit at least 78 days over the previous six months.

Develop guidelines for improving working conditions for an age-diverse workforce

The great majority of employees surveyed by the 2005 Forum on the Workplace of the Future reported that they were aware of the existence of a diversity policy in their workplace, although there are significant variations across sectors and organisations. Various measures have been taken over the past years to increase awareness and remove barriers. The National Workplace Strategy from 2005 has, however, expired and not been replaced; the primary focus is on keeping people at work and addressing the needs of the priority cohorts of unemployed, to minimise their drifts into very long-term unemployment and social exclusion.

Projects developed and implemented to date under the Equality Mainstreaming Approach activity (see above) include guidelines and audit tools to enable employers to assess their internal employment documents and practices against current legal requirements and best practice in relation to equality and diversity.

Research published in 2011 by the Equality Authority, referencing the 2009 National Workplace Survey, examined the incidence and impact of equality policies and flexible working arrangements in Ireland's workplaces. It concluded that 84% of employees were working in an organisation with a formal equality policy, and that having such a formal policy impacted positively on workers' well-being and perceptions of workplace fairness.

Strengthen evaluation mechanisms

Skillnets is a state funded, enterprise-led support body dedicated to the promotion and facilitation of training and up-skilling as key elements in sustaining Ireland's national competitiveness. Skillnets supports and funds networks of enterprises to engage in training under the Training Networks Programme (TNP). These networks, now referred to as "Skillnets", design, manage and deliver specific training programmes across a broad range of industry and service sectors nationwide. Skillnets will provide training for up to 40 000 individuals in 2011.

Skillnets commissioned an independent evaluation in 2010 to assess the impact of training programmes, and to ascertain if its network model is effective. The results of the evaluation indicate that Skillnets is having a significant impact even within the current economic environment. Twelve per cent of the trainees were in the age group 50-59.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Ireland			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	54.3	58.7	57.1	55.6	58.4	61.2
<i>of which</i> 50-54	65.1	70.3	67.6	71.8	73.7	76.1
55-59	54.9	58.5	59.3	55.9	59.9	64.8
60-64	37.1	42.8	41.4	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	46.9	51.6	50.8	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	14.8	14.6	16.8	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	21.7	25.6	32.4	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	2.9	2.3	6.5	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.40	1.31	1.54	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t-5</i>)	59.2	59.5	50.3	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t-1</i>)	9.9	12.2	4.9	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	65.0	64.9	63.3	63.1	63.3	63.9
Women	65.4	65.3	63.5	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	2.5	3.0	9.0	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	46.3	45.3	66.4	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	11.5	16.7	21.5	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	4.1	5.0	3.8	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	0.46	0.60	0.58	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings., 2000, 2004 and 2009.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2000, 2005 and 2010.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2000, 2005 and 2010.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month; 2002, 2005, 2011.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. Ageing and employment policies: Ireland (situation mid-2012)

OECD's recommendations to Ireland in 2005	Action taken
A. Strengthening financial incentives to carry on working	
<i>Increase in the incentives to retire later</i>	+
<i>Rationalise contribution-based public pension schemes and reward work beyond the age of 65</i>	+
<i>Strengthen work incentives in the contributory pension scheme</i>	+
<i>Increase flexibility for combining pensions with work income</i>	+
<i>Review the rules governing occupational pension plans</i>	+
<i>Strengthen job-search requirements for persons aged 55 and over, and abolish the Pre-Retirement Allowance</i>	+
<i>Shift the focus of disability benefits to remaining work capacity and away from determining the degree of incapacity</i>	+
B. Tackling employment barriers on the side of employers	
<i>Improve awareness of rights and responsibilities with respect to age discrimination legislation</i>	+
<i>Encourage more flexible work arrangements</i>	/
<i>Abolish mandatory retirement</i>	/
C. Improving the employability of older workers	
<i>Improve overall skills and training among all workers, especially mid-career workers</i>	++
<i>Move the lifelong learning (LLL) agenda forward</i>	+
<i>Improve delivery and accountability of the National Training Fund</i>	+
<i>Make employment services more effective for older job seekers</i>	+
<i>Develop guidelines for improving working conditions for an age-diverse workforce</i>	+
<i>Strengthen evaluation mechanisms</i>	+
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2005), <i>Ageing and Employment Policies: Ireland</i> and answers to the follow-up questionnaire from Ireland.</p>	