

NATIONAL  
COUNCIL  
FOR THE  
AGED

**RETIREMENT AGE:  
FIXED OR  
FLEXIBLE?**

*SEMINAR PROCEEDINGS*

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## Introduction

In December 1982 the National Council for the Aged published a discussion document entitled. *Retirement: A General Review*. The document raised a number of important issues including that of flexible retirement. It pointed out that, "One of the remarkable aspects of retirement is the extent to which 65 became accepted as the normal age of retirement. This has never been satisfactorily explained. There are no economic, social, gerontological or other reasons for the selection of this particular age."

The practice of compulsory retirement at a fixed age is now being questioned and the principle is gaining acceptance that people should be given the maximum opportunity to choose their time of retirement within reasonable limits. In December 1982 the EEC issued a recommendation to member states on the principles of a Community policy with regard to retirement age.

It was against this background that the Council decided to hold a seminar on the theme *Retirement Age: Fixed or Flexible?* to examine the question of the retirement policy best suited to Irish economic and social conditions having regard to the EEC Recommendation

The seminar was held on Friday 18th February, 1983, at the St. John of God Conference Centre, Granada, Stillorgan, Co. Dublin, and over 70 participants attended.

The Council hopes that the publication of the papers given at the seminar will be an important contribution to further discussion on the issue of flexible retirement.

## National Council for the Aged

The National Council for the Aged was established by the Minister for Health in June 1981. The Terms of reference of the Council are: *'To advise the Minister for Health on all aspects of the welfare of the aged, either on its own initiative or at the request of the Minister'*.

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## Opening Address

Mr. Barry Desmond, T.D.,  
Minister for Health and Social Welfare

May I congratulate the National Council for the Aged for organising this seminar on retirement age. This is an important initiative following the publication of the Council's valuable discussion document on the subject of retirement which I was happy to be presented with recently.

The subject of retirement is a key element in overall social policy. In the development of such policy, the emphasis must be placed on the needs of the elderly as individuals and as full members of society. Retirement is a crucial turning point for people when they cease work in a job in which they have spent most of their lives. I welcome the modern trend towards wider individual choice of retirement age. I am confident that the detailed consideration which you will give to the problems associated with retirement at a national level will be a valuable input to future policy making in this area.

### **SOME FACTS**

It might be helpful to again consider some facts relevant to the question of our retirement age. Pension age in our social insurance system is at present 66. At that age liability for social insurance contributions ends and contributory old age pension is payable. It is not necessary to give up work in order to get this pension. Retirement pension, on the other hand, is payable at age 65 subject to retirement from insurable employment. When contributory old age pension was first introduced in 1960 the pension age was 70. With the progressive reduction of pension age there is now little difference, apart from the retirement condition, between the contributory old age pension scheme and the retirement pension scheme.

Social assistance schemes form a significant part of the social security system in this country because of the high proportion of self-employed in the labour force, who are not, as yet, covered by social insurance and must, accordingly, rely on social assistance. The pension age for the non-contributory old

age pension, like that for the contributory old age pension, is 66 but of course it is subject to a means test which means that unlike the contributory pensioner the non-contributory pensioner cannot normally continue at work.

There are some 230,000 persons with over 50,000 dependants at present in receipt of old age contributory pension, retirement pension and old age non-contributory pension. There is no flexibility in regard to the age at which these social security pensions may be drawn in the sense that no provision is made for pension in advance of the fixed pension age or for increased pension when the claim is made at a later age. There is, however, some flexibility in the public service pension schemes and also in a number of private occupational pension schemes.

## **DEMOGRAPHIC TRENDS**

The prevailing demographic trends and the sharply rising costs of social services are important factors to be considered in the area of retirement policy. From 1971 to 1979 the total population increased by 13% to 3.4 million. This increase can be attributed both to a reversal of emigration and to a rising rate of natural increase. The effects of emigration are seen particularly in the high dependency ratio in the population. In 1979 persons over age 65 represented 10.7% of the population while persons under 15 amounted to 30.6%. The aging of the population is a process that has characterised many countries in recent years as a result of the rise in life expectancy. However, by comparison with other Member States of the EEC, Ireland has a smaller proportionate number of over 65s — a result again of the impact of emigration. The dependent age groups as a whole constitute 70.4% of the active age groups compared to an EEC average of about 56%.

Thus the problem of providing adequately for the social and income maintenance needs of both young and old is compounded by the relatively small active group in the population. The present exceptionally high level of unemployment is a further constraint in this regard. These are particular difficulties which must be faced by the Government and by the community as a whole.

Looking ahead to the end of the century it is interesting to note from the recent population projections published by the

National Economic and Social Council that while young dependency and old dependency are projected to decline, the population aged 75 and over is projected to increase at a much faster rate than the population as a whole.

## **EXPENDITURE ON SOCIAL SECURITY**

Provision for expenditure on income maintenance services forms part of budgetary planning, the level of benefits to be paid to beneficiaries being determined, among other considerations, in the context of overall budgetary strategy. Accordingly, the financial constraints imposed by the present economic climate weigh heavily in the provision which can be made for social security services. For example, expressed as a proportion of gross national product, social security expenditure, of which old age and retirement pensions now account for roughly 30%, has increased from 7.5% in 1973 to some 14% in 1982.

Social security is therefore adopting an increasingly prominent role within the realm of public policy and this is leading to greater emphasis on the broader economic aspects of social security expenditure and the need to ensure that scarce resources are used in the most effective manner possible. Obviously, in these circumstances the financial implications of any changes in retirement age policy would have to be carefully assessed.

## **FLEXIBLE RETIREMENT AGE**

As I said earlier I welcome the trend towards greater flexibility in the retirement age. Hitherto, the age of retirement from regular employment has become more or less standardised at 65 for men and women. An examination of the retirement age used in national schemes in other countries shows a common acceptance of 65 as a retiring age, at least for men. This rigid pattern of retirement suits some people but not others. Some are perfectly happy to retire at the fixed age but others would prefer to retire earlier or would like to remain at work until a date of their own choice. Early retirement is of particular interest to people whose health is declining or who work in strenuous occupations. On the other hand, as the general health of the population improves, the number of people seeking to work after age 65 is likely to increase. In the case of

the self-employed, formal retirement at age 65 or indeed at any particular age is not a generally established feature as it is in the case of employees. Clearly, therefore, a more flexible approach to pension age would be attractive to many people.

### **EEC RECOMMENDATION**

While 65 is commonly accepted as the standard retirement age in many countries it is not uncommon for pension schemes to make special provision for early or deferred retirement. This acknowledges that apart from purely age considerations there are social, mental and physical factors which may influence an individual in his choice as to when he should retire. The recently adopted EEC Recommendation on retirement age is designed to get certain long-term commitments by Member States to introduce flexibility.

It is noteworthy that the terms of the Recommendation do not regard measures to promote early retirement in order to alleviate unemployment as forming part of a flexible retirement system. This, I understand, is to emphasise that the Recommendation is motivated by social considerations — improvement in the quality of life and greater respect for the wishes of the individual — rather than labour market considerations.

The dilemma posed by the weight of public expenditure while at the same time providing an effective modern system of social protection is undoubtedly being felt by all countries at this time. This is borne out by the fact that the EEC Commission opted in this instance for a non-binding Recommendation to secure agreement on long-term guidelines for flexible retirement while leaving it to the Member States to give effect to this having regard to particular needs and circumstances.

### **EARLY RETIREMENT WITH REDUCED PENSION**

One of the critical aspects of flexible retirement from a social security point of view concerns the level of pension payable to persons who retire before the standard age. There is no doubt that many older workers would welcome the opportunity to cease work earlier than 65 provided the financial consequences of doing so were not too severe. Many countries have arrangements under their pensions systems whereby a worker can retire after say 60 on a rate of pension actuarially reduced

to take account of the longer period for which it is likely to be payable. The amount of the reduction in the pension will obviously be a factor in the decision to retire early. From the social security point of view there is the additional consideration that the reduced level of pension would be payable indefinitely and would not change when the person reaches normal retirement age. This raises the possibility that the reduced pension so payable could give rise to the need for supplementary income maintenance payments.

### **NATIONAL PENSION PLAN**

No doubt you are anxious to know the up-to-date position regarding the development of a national income-related pension scheme arising out of the Green papers of 1976 and 1978 and the subsequent discussions on the matter. There is a commitment in the Programme for Government to initiate a national income-related pension scheme during the life-time of the Government. Much of the groundwork has already been completed and I intend to put my proposals before the Government at an early date, after the normal process of consultation with other Government Departments has been completed. In the present economic climate it would be difficult to seek increased contributions from workers and their employers to finance an improved pension system. However, we must press ahead with this fundamental reform as a matter of urgency.

### **CONCLUSION**

The needs of the retired and the elderly are symbolic of the complexity of social policy. All the more reason therefore that discussions on key areas of policy should be encouraged and facilitated by a seminar such as this. I am pleased to accept your invitation to speak at the seminar and it also provides me with an opportunity to commend the Council on the valuable work which they have already done since their establishment in 1981.

I very much hope that your deliberations will prove worthwhile not alone for the participants present here today but also for those responsible for the development of policy at all levels.

## Community Policy on Retirement Age

Mr. Aneurin Hughes,  
Chef de Cabinet to EEC  
Commissioner for Employment and Social Affairs,  
Education and Vocational Training

It gives me great pleasure to participate in this seminar and I congratulate the National Council for the Aged in Ireland for their initiative. Having said that, in preparing my remarks for today, I had the uncomfortable feeling that my presence was not really necessary. Now this audience will of course understand that a Welshman is not averse to speaking! However, when I read the discussion document produced by the National Council it seemed to cover all the points that could be included under this title "Community Policy on Retirement Age". You will forgive me therefore if I extend my remarks beyond the strict limits of this particular title, although I am well aware that many a good five minute speech has been spoiled by trying to cram it into half an hour. I thought I would therefore recapitulate Community involvement in this area, highlight the consequences of the current employment crisis, spend a little time on two recent proposals of the Commission concerning the reorganisation of working time and vocational training and hopefully give some additional pointers for what perhaps might be a more productive session at this afternoon's open forum.

In December, the Council of Ministers agreed the Commission's recommendation on the principles for a Community policy with regard to retirement age which was discussed by the Standing Committee on Employment as long ago as December 1980. During the course of the numerous meetings of committees of experts, representatives of governments, etc., a broad consensus emerged to the effect that all workers should gradually be granted the right above a certain age to choose the moment of their retirement. The recommendation is in two parts. The first concerns a long term commitment to implement flexible retirement as a common goal of Member States' social policies — the free choice of all workers once they reach a certain age and whether they are employed or self-employed at the moment of their retirement. The implementing measures are to

be introduced gradually within an appropriate legal and professional framework and on the basis of the following principles which relate to a number of ILO recommendations:

1. Making the rules governing the age of entitlement to old age pensions more flexible.
2. Right of workers after a certain age to choose the moment of retirement (identical for men and women).
3. Certain alternative schemes, for example a fixed age with possibility of bringing forward or deferring application for a pension. However, the reduction in the amount of early pension should not be such that it renders the option impracticable.
4. The entitlement to a pension for long service after a given number of insurance years.
5. The entitlement to financial compensation for those elderly workers whose hours of work are gradually reduced.
6. The right to exercise a professional activity after retirement albeit to a restricted extent.
7. Making preparation for retirement schemes accessible to workers.

Measures designed to encourage the early retirement of elderly workers and which are prompted by abnormal economic circumstances should be regarded as an element of the flexible retirement system. The Commission is keen to make a distinction in this connection between voluntary flexible retirement insofar as it contributes to quality of life and early retirement which is an employment policy measure.

The second part of the recommendation allows for a period of reflection at Community level after two years have elapsed when Member States are asked to undertake an examination of their systems of retirement which will eventually form the basis of a report by the Commission to the Council. This with a view to submitting further proposals for the achievement of flexible

retirement and in particular the fixing of a minimum retirement age in all the Member States. Consideration will also be given to measures to extend the availability of phased retirement arrangements. Finally Member States are urged during the next two years to introduce measures designed to avoid an abrupt transition from full time work to retirement.

There is no body of Community legislation at the moment concerning retirement age, nor indeed concerning the wider issues of the aged. There are considerable differences between Member States and the Commission will need to proceed slowly. During the Vienna U.N. conference on the problems of the aged, the Commission noted some of the more pressing issues. The first concerned social security expenditure. In the Community we now have a situation where pensions represent between  $\frac{1}{4}$  and  $\frac{1}{3}$  of all social security expenditure depending on the country involved. This is now a major topic of examination in most Member States. Another issue concerned health costs. Over the last decade these, both in cash and kind, especially for the very old, have come to represent a high proportion of social expenditure. All Member States are seeking ways to contain these rising costs and fundamental questions concerning the nature of health care are being raised. A further consideration noted by the Commission was that industrial countries are facing a societal revolution as a result of the convergence of great medical advance, a greater degree of economic well-being, rapid technical development and an increasing number of people over 60 years of age. If one looks at population tables broken down in age bands, one sees a new category emerging between working age and real retirement. Life expectancy is also increasing even if there are considerable variations depending on the nature of a person's job. But if we are living longer we are also ageing better. We have an increasing number of permanently unemployed, roughly between the ages of 55 and 65, well off economically and enjoying excellent health with at present few prospects of ever being employed again.

A final consideration is unemployment. The most recent statistics for unemployment show that there are over 12 million unemployed in the EEC, representing almost 11% of the labour force, compared with only 6 million or 5.5% of the labour force

in 1979. We estimate that this figure will rise to 15 million by 1985. Unemployment figures are harder hitting in some regions and countries of Europe than others. In Belgium for example, unemployment has reached nearly 15% of the labour force and in the UK and Ireland it has reached 13%. In the southern part of Belgium, Walloon unemployment is now running at 19.5% of the labour force and in Northern Ireland unemployment is 21.1% of the labour force. In Strabane it currently stands at 37.4%. These figures are themselves underestimates of the real number of people who would take a job if they could find one. The figures for unemployment in most countries do not measure the number of people who would wish to work but cannot, but the number who **register** as unemployed — normally for the purposes of receiving unemployment or social security benefits.

Those workers who would not be entitled to benefits and who see little hope of obtaining work are not included in the figures. Such "discouraged" workers are particularly important amongst married women, young and old "disabled" people on the periphery of the labour market.

The post-war programme of the Swedish labour movement contained the following statement: "Unemployment is the greatest form of wastage in modern society in times of peace. In the present circumstances we can afford such wastage even less than we could hitherto. If we want to be able to guarantee decent living standards every conceivable production possibility must be utilised to the full. This is essential for the continuation of democracy. Experience has shown that people cannot stand the repression and mental stress which persistent mass unemployment entails. This stress is a danger to democracy. It poisons the social climate at all levels, people's attitudes become more egocentric and they are less willing to allow one another work, income and equal rights. They tend more and more to protect their own interests in a manner which presents a threat to society as a whole".

In my view these words are equally true of the situation today. Ladies and Gentlemen, all these considerations suggest that we are moving in the direction of a far greater flexibility in our conception of employment and the work ethic. And I believe

that before too long we will arrive at the situation where there will be far fewer people in full employment at the age of 60 or 65, but also where far greater numbers of people are working beyond the age of 65.

I referred to your document which as I indicated reflects very much the position of the Commission. We have to have a new perception of retirement, we have to prepare people for retirement, retirement must be flexible, phased or gradual. There is a great need for much more research and transmission of much more information to older people but also and more important to the populace at large. Where perhaps the Commission would not be in entire agreement is to the suggestion that early retirement would not necessarily increase youth employment.

The development of solidarity contracts in France and some major collective agreements in Holland have shown that it is possible to secure agreement among the social partners for early retirement to be linked to increased job opportunities for young people coming on to the labour market.

In our view reorganisation of working time including early retirement and flexible retirement will make a contribution to reducing unemployment levels and will alleviate the situation of youth unemployment which currently represents 40% of the total. Clearly young people coming into the labour market are not going to have the necessary skills to perform the work of what has been called the "lost generation" of 50-60year olds". The tragedy is that, however, these skills are no longer in demand because they were largely concentrated in the old industries of the Community which have suffered immense restructuring.

As regards employment the demographics of the situation will improve towards the end of the decade in most countries of the Community. In France, for example, there will almost be a reversal of the current situation which has approximately 700,000 young people coming into the labour market annually and roughly half that number leaving it. In Ireland of course you will continue to have the youngest population in the Community. We do not, however, see the question of reorganisation of working time as merely a necessary short-term palliative. We

are convinced that society has changed dramatically in the last 20 years and that the old rigidities concerning schooling, work and retirement must be abandoned. No doubt some of you here will be aware of the Commission's proposals regarding vocational training and the transition of young people from education to working life. These reflect the view that in future the workforce at large will not be in a situation of full employment on a permanent basis. The new technologies and rapid introduction of the new information technology will require an almost continuing learning process, some of which will be in work and some of which will be out of work. This, in the Commission's view, means that life will be seen not to be divided into prescribed boxes any longer and that the problems we recognise today for people entering pensionable age will probably have disappeared by the end of the century.

Mr. Chairman, it would be easy for many to accuse me of being an optimist, I plead guilty. I am such an optimist that I shall be going to Murrayfield tomorrow even after the debacle against the English at Cardiff Arms Park two weeks ago.

## The Employers' Viewpoint

Mr. Robert G. Clarke,  
Personnel Director,  
Irish Industrial Gases Ltd.

There is probably one initial inhibition to talking on a policy of flexible retirement at the present time. We are currently experiencing the effects of a deepening recession, partly generated through external forces, and unemployment, particularly youth unemployment is at a virtual crisis point. Redundancies are announced daily and the collapse of apparently substantial businesses is now a regular feature of the Irish experience. In so far as one aspect of flexible retirement may involve employees remaining in employment over and above the traditional and accepted termination date, it could well be regarded as highly irrelevant to speak seriously on this point given the current economic environment. However, I personally am thankful to the National Council for the Aged for the opportunity to reflect with you on certain issues that are bound up in the question of flexible retirement age and I feel that there should be no point of departure between those things that are felt desirable from a management point of view and those aims in this connection which the trade union movement voice. Difficulties in emphasis should only occur when consideration is given to the best time to commence a programme with a view to achieving such aims.

### 1. RETIREMENT AGE —WHY 65?

The convention is growing over the years that men should retire from employment at 65 and women at 60 (although this latter discrepancy is now being confronted on the basis of the need to establish equality).

It cannot be said that human faculties suffer marked deterioration at age 65 and indeed the historical precedent would suggest to us that many individuals produce significant work after reaching the age of 65.

The second great contribution which General de Gaulle made to the French nation commenced on his 68th year.

Sir Adrian Boult continued orchestral conducting of a very high standard until his 90th year.

Both Verdi and Richard Strauss maintained creative output until their late 70's or early 80's.

In our own country, Sean MacBride now close to his 80th year, is maintaining a very high level of involvement in issues of national and worldwide importance.

These examples, I hope, are sufficient to indicate that the cut-off point at age of 65 is a totally arbitrary one.

## **2. THREE KINDS OF EMPLOYEES**

There are those who in the midst of their working life long for retirement either for positive or negative reasons, i.e. to pull out from the work situation or to move into another activity which is regarded as more congenial.

There are other employees who are fearful at the prospect of retirement from gainful and customary employment either because the work they are engaged upon is of great and absorbing interest or alternatively because they have no developed reserves to combat and master the enforced leisure which retirement brings about.

Finally, there are those employees who are indifferent either way — they are neither apprehensive at the prospect of retirement nor do they long for this eventuality. This indifference may spring from complacency or from confidence in their ability to cope with the retirement situation.

In so far as there are significant numbers of people who wish, for whatever reason, to leave the employment situation early, and since these numbers are somewhat paralleled by numbers of employees who wish to continue beyond the customary retirement age, I feel, it is proper from a human and social basis, to give serious thought as to how these divergent wishes could be accommodated and to identify what the problems will be in reaching such accommodations.

### 3. EARLY RETIREMENT

The single most grave restriction to the conveying of an option on early retirement is the pension problem. Most pension schemes have provision made for the exercise of an option on early retirement in the circumstances of certified illness. The broadening out of this option to embrace a voluntary exercise has clear financial and cost implications. Where the established retirement is at age of 65, a person wishing to retire at 60 will find, unless the pension scheme has included within it specific provisions, that the drop in income will be of such steepness as to dissuade most who might wish to consider this option. Quite obviously, the employer cannot generally be expected to make good the difference between potential pension at 65 and actual entitlement at age 60. Most firms just could not contemplate the high capital cost involved.

Therefore, a longer look should be taken. Why not an arrangement whereby from age 50 onwards employees forego part of the conventional annual pay increase and sanction the allocation of this sum to the purchase of additional pension rights which will fund early retirement?

Whether this foregoing of the full impact of pay adjustment norms can be matched by the employer will, of course, vary from company to company and from industry to industry. The real trouble here is that while the trade unions are most assiduous in protecting the employment rights of their members and in securing the best possible wage adjustments, the same trade unions have displayed a remarkable lack of interest in pension issues. In this failure the trade unions, I believe, reflect fairly accurately the broad requirements of their members who are indifferent to pension issues until such time as each man experiences the imminence of retirement age.

Imagination is required on both sides, management and the trade unions, in order that pension issues are given their proper significance. Unless such imagination is forthcoming we must inevitably be left with the impression that the social partners are interested only in the pay and conditions during the working life and are apathetic to the income of the employee or the member during the 15/20 years following retirement.

#### 4. DEFERRED RETIREMENT

The assumption inherent in the conventional retirement age of 65 is that thereafter the person has no further useful contribution to make. Historical precedence, as you will have seen, condemn that insulting assumption which violates Shakespeare's commentary —

"and that which should accompany old age is honour,  
love and obedience and troops of friends."

We frequently hear of the loss to society that is embodied in the unemployment of young people. This loss is both real and of gigantic proportions. There is another loss of a more insidious impact and that is the loss, to industry, commerce and society generally, resulting from the forced retirement, of people who can continue to make a contribution and wish to so make this contribution. However, there are serious difficulties involved in facilitating the quite desirable achievement of giving some flexibility to persons to remain on, if they so wish, in their occupation.

Would the retention of such persons block the employment and promotional prospects of younger people? There is some evidence to suggest that this apparent result would not in fact take place but let us assume that the full time retention of a further 3/5 years of employment of notionally retired people does create a blockage, then perhaps the best way to alleviate the situation would involve two strands:—

- The person who wishes to remain on beyond retirement age could do so on a part-time basis for up to 3/5 years.
- Since the employment of someone to fill the vacancy which the retirement would produce would save the Exchequer considerable unemployment benefit, perhaps the State then should consider subventing part of the cost to the employer of the payment of the part-time emoluments.

Quite clearly there would be serious administrative difficulties involved in this but, in the era of computerisation such administrative details could be overcome. The intervention of the State would ensure two worthwhile results:—

- The removal from the unemployment register of a person who is seeking work, and
- the continuation, although in a reduced fashion, of the contribution which an elderly employee can make to the organisation.
- There would also be the continuation of self-esteem and personal well-being.

## 5. FURTHER INFORMATION REQUIRED

- (a) We need to know what the potential cost would be in a variety of enterprises where the facility of early retirement on a year by year basis below normal retirement age is contemplated. This cost must include the additional expenditure needed to secure an acceptable pension. If this information is available, then the increment of the annual wage adjustment which would have to be yielded up could be identified.
- (b) As of now we can only guess the numbers of employees who might be interested in deferring pensionable age and in continuing working since we do not know what numbers are involved we cannot as yet say what would be involved, cost-wise, in a programme designed to meet this need. Again enterprise by enterprise, this desire should be surveyed and assessed.
- (c) Since people are living longer, therefore, the preparation of the actual non-working life as against the notional working life increases. Accordingly, the emotional significance of the working life should be somewhat reduced. The achievement of this proper balance will not come about unless a more concerted endeavour is made to prepare people to carry on useful lives, full of self-esteem and developing interests, in the post retirement period.

The work of the Retirement Planning Council of Ireland, in this regard, is deserving of the very fullest support. A national but decentralised campaign, to make more vehement the impact of the Council, should secure the demonstrable sponsorship of

the various Government Departments, i.e. the Department of Health and the Department of Labour. Education for retirement can make retirement a more pleasurable new venture. The State should encourage at enterprise level, the introduction of various approaches to this, including the gradual reduction in working activity for some years before actual retirement age.

Full flexibility in approaching the issue of retirement age cannot be achieved until such time as the scandal of pension transferability is confronted. In previous times it was customary for most employees to remain with the one employer during the whole of the working life and therefore pension entitlement related to one employment only. However, in this era of either forced or voluntary mobility, the final employment prior to retirement may only account for a proportion of the actual working life. Early retirement is thus virtually impossible with a significant number of workers because of the fact that transferability of pension rights from the previous employment is not taking place. The case is really incontestable for the compulsory transferability of accrued pension rights accompanying the physical transfer of an employee from one employment to another. Any withholding of so called discretionary pension rights is but a form of legalised theft.

## **The Trade Unions' Viewpoint**

Mr. Peter Cassells,  
Labour Legislation Officer,  
Irish Congress of Trade Unions.

### **INTRODUCTION**

The Irish Congress of Trade Unions welcomes the EEC Recommendation on the progressive introduction of flexible retirement. We consider that within an age bracket, say 55 to 70 years, retirement should be voluntary and the rules governing the age from which a retirement pension may normally be drawn should be made flexible. To this end Congress has asked the Minister for Labour to undertake a review of our retirement pension system so that employed persons would be free to choose the age from which they could take their retirement pensions. With a view to easing the transition from full-time employment to retirement, Congress has also asked the Minister to examine the feasibility of introducing phased or gradual retirement.

The Congress demand for more flexibility in the age of retirement and more opportunity to retire gradually, probably reflects the changing attitude of people generally to the role of the elderly in society.

### **ROLE OF THE ELDERLY**

Ageing is not simply a physical process but a state of mind, and today we are witnessing the beginning of a revolutionary change in that state of mind. In the past ageing implied enforced retirement, loss of physical functions and mental capacity, accompanied all too often with isolating the individual from the normal activities of society.

The image of the aged person as one who is tottering towards the grave, battered by illness and maimed by disease, beyond the capacity for doing a good day's work, using his or her mind creatively, carrying on loving relations and playing an active role in the community, is false. Therefore the stereotype of the

old as helpless and useless must be discarded. Mandatory retirement at a fixed age is one of the factors contributing to this negative image.

Attitudes regarding a fixed pensionable age and retirement age are, however, changing under the influence of medical, economic and social considerations. Most of us now have a clearer appreciation of the individual ageing process. Not everyone ages at the same pace and there is often a big difference between chronological and biological age. Some people are young at seventy and others are old at fifty. The reasons why some people age more quickly than others are partly due to generic factors but are also connected with conditions of work and life. It appears perfectly legitimate to me that a person who has aged prematurely because of arduous or unhealthy working conditions or indeed the monotony of their job, should wish to retire early. It is equally legitimate that persons who have retained their capacity and interest for work should wish to remain in employment after the so-called normal retirement age.

A fixed retirement age, paradoxically, can in itself be a cause of more rapid ageing by the suddenness of the change it involves in a person's way of life, particularly if the consequences of such a change have not been planned for sufficiently in advance.

### **FLEXIBLE RETIREMENT**

For the vast majority of Irish workers retirement is compulsory at age 65. Under our social welfare code one must have reached age 65 to qualify for a retirement pension and age 66 for an old age pension. A recent survey of occupational pension schemes by the Irish Association of Pension Funds showed that 96% of pension schemes had a normal retirement age of 65. For female salary earners, 51% of schemes had a normal retirement age of 60.

The demand of Congress that we move away from the present rigid limits towards a more flexible system of retirement has therefore implications for (a) the cost of our social welfare system and of occupational pension schemes, (b) employment opportunities, (c) conditions of employment.

The increased costs to our social welfare system and our occupational pension schemes will normally occur where workers opt for early retirement. Workers opting to take up their right to early retirement would have to be guaranteed an adequate pension. In this context, it should be noted that over 50% of workers in the private sector are not covered by an occupational pension scheme. Our flat rate social welfare pensions are inadequate and it is currently estimated that over 25% of our old age pensioners are living in poverty. With regard to occupational pension schemes, the vast majority do not provide the option of voluntary early retirement. Where the option is provided, the pension is based on service to the date of early retirement and on salary at that date, with an actuarial reduction. To ensure that there is genuine freedom to decide when to retire, reductions in pension payments made to persons opting for early retirement should not jeopardize their right to take advantage of this facility. A strategy for the introduction of flexible retirement will need to ensure that early retirement does not mean commitment for the rest of one's life to a sub-standard income and poverty.

With regard to persons who wish to retire after normal retirement age, the increased costs should be marginal. At present the conditions for eligibility for a social welfare old age pension do not require a person to retire (a person must retire to qualify for retirement pension). Also some pension schemes provide for an increased pension for a person who continues after the normal retirement age.

Given the costs involved it may be possible to introduce selective provision in advance of any long-term changes in the direction of flexible retirement, where early retirement is indicated by the general conditions of employment — e.g. seamen, miners, construction workers etc. Also it may be possible to lower the pensionable age for older workers who have been unemployed for a prolonged period, when all attempts at re-employment have failed. It is known that older workers are particularly vulnerable to long-term unemployment in that they come up against age limits when applying for jobs and in that they are less adaptable than younger workers to the occupational mobility required by technological change. Nevertheless, while a lowering of the pension age might have certain advantages for

individual cases, great care must be taken to ensure that it is not used to force older workers out of the employment market.

With regard to employment opportunities, I am opposed to compulsory early retirement as a means of reducing unemployment. Any lowering of the age of retirement should be on a voluntary basis and should take account of the needs and capabilities of the individual. Flexible retirement should be introduced as part of a policy for full employment and not as a measure to exclude more and more people from the workforce regardless of individual needs and wishes.

With regard to conditions of employment, it should be noted that younger workers may resent their promotional outlets being blocked by older workers continuing after the normal age. This will be balanced, to some extent, by early retirements. Also it may be resolved by the introduction of provisions dealing with gradual retirement.

## **GRADUAL RETIREMENT AND RETIREMENT PREPARATION**

Older workers find it very difficult to adapt to the sudden switch from a full-time job to retirement, even when the age at which the transition takes place is based on their personal requirements and may even be of their own personal choosing. This problem is particularly acute in countries, such as Ireland, where production and labour are highly rated, so that workers going into retirement inevitably feel that they have lost some of their social status. In addition, there is usually a sharp drop in income. There are two methods for making the transition easier: preparation for retirement and gradual retirement.

Experience has shown that pre-retirement programmes can greatly improve the ability of people to plan successfully for retirement. Programmes aimed specifically at providing assistance in preparing for retirement can dispel uncertainties, provide useful information and help people to come to terms with their situation in advance.

We need an extensive programme of pre-retirement education. According to the National Council for the Aged "very few

retiring in Ireland get the benefit of a pre-retirement course or pre-retirement counselling to help them to adjust to a new lifestyle". Although the Civil Service and a number of industrial concerns have developed courses, much of what is provided reflects little more than a series of talks given very close to retirement date when their capacity to influence may be little more than marginal. Congress has, therefore, asked its affiliated unions to negotiate with employers the introduction of pre-retirement courses. These could be organised by employers on an in-company basis, on a group basis or by giving paid time-off to attend general courses.

The main difficulty that retirement preparation programmes attempt to alleviate is the sudden switch from an active life to inactivity. One way of tackling this is to offer workers the option of entering retirement gradually. This can be done by reducing the time actually spent at work in the final months or years before retirement while at the same time maintaining the person's income. This arrangement eases the transition to retirement and allows time during which interests and activities can be developed.

Finally I think we should all realise that ageism is taboo. The Grey Panthers in America have succeeded in having compulsory retirement under the age of 70 outlawed and are championing the rights of the elderly in other areas. We should be looking for a shift of attitude concerning the unassailable rights of our elderly citizens concerning their place and contribution to our society. One of those unassailable rights is the right to choose when to retire.

# Retirement Age: An Overview

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## THE DEMAND FOR NEW POLICIES ON RETIREMENT AGE

There is not much point at this time of day in spending effort to prove that there is a demand for new policies on retirement age. The evidence from Europe and North America is overwhelming: there is a popular demand for flexible and gradual retirement, and for opportunities to retire earlier than has been possible, in particular, in these islands. There is also increasing pressure to equalise pension ages for men and women in those countries, such as Britain, where this is still relevant.

The situation is confused at the moment because of the pressures of depression and unemployment. Many older workers have simply been squeezed out of the labour market into formal or effective retirement. In Britain, as recently as the late 1970's, most men aged 60-64 were still effectively in the labour market. By 1980, though only those with occupational pensions could be said to be formally retired, there was approaching an equal balance between those still in work or effectively seeking it and the number actually or formally retired. There is strong pressure from both unions and management to get the old people out, in employers' case because this is from their point of view the cheapest and at least apparently the most socially responsible way in which to slim workforces down. As a member of two local authorities, and so a fairly large scale employer, I may as well own up to having myself helped to save the ratepayers quite a packet of money in this way over the last three or four years. Country after country in Europe has responded to unemployment either by generally reducing the age of retirement or by putting in special schemes for early retirement conditional on job replacement.

But even without the pressures of unemployment and depression, the demand for flexible, gradual, and usually earlier

retirement would be there. Right across Europe, the effective age of retirement has dropped below, and usually well below, what is still normal in Ireland, or even what is now in practice found in Britain; and this dates from well before the depression reached its present depths. Where, as in Sweden, there is formal provision for gradual and flexible withdrawal from work on part-pension, the take-up has been high, perhaps even embarrassingly so from the point of view of the Swedish scheme's original sponsors. In Britain a series of surveys, of which the most recent is one by the Henley Forecasting Centre, shows that a majority of people would like to be able to retire earlier than they do now, but also that there is a minority, perhaps one in five or six of full time workers approaching retirement age, who expect to be compelled to retire, but would like to be free to work on. In the British Civil Service, for example, where the basic and at present the normally enforced retirement age is 60, there is a particularly large proportion of women who would like to be able to go on because they are late entrants or have broken careers and need to earn extra pensionable years. In any case, the surveys show a strong preference among older workers for changing if they can to part time.

### **PRACTICAL CONDITIONS FOR NEW POLICIES**

But here I come to the real point of what I want to talk about. There is no question about the demand for flexible, gradual, and usually earlier retirement, but what about the practical conditions for meeting this demand with success? In a country with relatively poor pension levels such as Britain — and, though Irish social security pensions compare better with earnings, I would expect to find the same here — the condition which common sense and survey evidence puts overwhelmingly at the top of the list is money. If you ask British people whether they would like to retire earlier, the predictable answer is "yes, if the money is right", and this is true of the higher as well as the lower paid. We ran for example a PSI survey on redundant executives, and so far as the older executives were concerned there was a clear and simple distinction. Those with good pensions might say that, if an interesting job turned up, they would look at it, but in general they were not looking for work very hard. Those without good pensions went battling on. One can also turn this the other way round. The condition of those effectively early retired who have only social security benefits is

in fact pretty grim, even where their social security is at least nearly equivalent to a social security pension. American data on those who take early retirement for reasons like ill health, or discouragement through long unemployment, show a similar picture. In the discussions and the mass of evidence of the recent House of Commons Select Committee on Social Services report on *Age of Retirement*, which I sat through as the committee's special adviser, there was absolute unanimity, from the TUC across to and including the Conservatives, that one thing that is **not** acceptable is to precipitate more people into that state of financial depression.

### **"CAPACITY TO COPE"**

Before I come to the money, however, there are also some other conditions to think about. If I were talking about the later stages of retirement I would have a lot to say about building a world fit for the elderly to live in: anything from home insulation or a transport and community environment in which the elderly can actually get around, to home helps, better residential institutions or better support for family members responsible for the care of the very elderly. But since we are actually talking about the young-old I concentrate on another condition which applies both to them and to the very elderly. Let me call it "capacity to cope", a term which I owe to certain counsellors of the Catholic Marriage Advisory Council. Some years ago we ran for them a client survey in which among other things counsellors identified what they saw as their clients' underlying problems, as distinct from those which they mention when they first come in at the door. Top of the list, ahead of any of the more specific problems of sex or marital or family relations, came this factor which they called "capacity to cope": the ability to adapt to new situations and to handle new problems. Such, for example, as the problems of adapting to a new way of life on retirement and of getting the most, in retirement, out of the individual and social resources which people actually have available.

One of the best demonstrations of this, so far as the elderly are concerned, was a study some years back by Dr. Anne-Marie Guillemard of the retired members of one of the French pension funds. She looked at their whole way of life and classified them into six main groups. One-third to two-fifths were in the fullest sense socially active and engaged. Some of these were what

she called the people of the "third age", with a wide range of interests and activities, often followed out with commitment and professional skill; these people were likely to have high life satisfaction. Others might be called the challengers and claimants, often with a background of trade union or other activity, the "gray power" people, as you might say: less satisfied with the world around them, often with less material resources, but generally living a lively and effective life and eager to kick the world around.

Then there was a second group of about the same size, not specially active in the sense of acquiring new expertise or fighting on in politics or pensioners' organisations, but with a strong family and or social network and plenty of interests in their homes, and again living a very satisfying life.

Finally, however. Dr. Guillemard found that 25-30 per cent of her pensioners came into the two categories of "spectators" (high on television watching, for one thing) or "withdrawn": eating, sleeping, worrying about their health, and sitting in front of the television waiting for death. It is that last category, the people who may be short of material resources but are short above all of "capacity to cope", which really worries me. If you live to my age you have seen it happening with young-old contemporaries, let alone the very elderly, and it is not a pretty sight.

In the European Values Study for Ireland in 1980 we did not get as detailed a picture of the elderly as Dr. Guillemard obtained for France, or as Mark Abrams (who is himself not far off eighty) has been building up for Britain in his studies for Age Concern. But there is enough in the EVS to suggest that here too, the Guillemard results are a good point to start from. In some ways they are very encouraging as regards "capacity to cope" in the transition to retirement, as are the Irish data. But one is still left with the question: how does one make sure that as few people as possible drift into being "spectators" or "withdrawn", and generally that people are helped to move as far as possible up the scale of "capacity to cope"? As she put it herself: the "possessions" of the elderly, such as their income, their housing and community environment, and provision for their health are unquestionably important, but what does one do to

maximise the even more vital factor of their "potential" for using them?

Her own answer takes one much further back into middle and even early adult life than, for example, the age range for pre-retirement education. I stand strongly for the value of pre-retirement education, and for starting it back in people's fifties rather than when retirement is approaching. But Guillemard's analysis of how her pensioners came to be as they are, for better or for worse, shows that the reason must be traced back to much earlier life experience. When I wrote my book on *40 to 60*, using evidence from a number of countries, I sub-titled it "How We Waste the Middle-Aged". So indeed we do, and what Guillemard showed is that, for too many pensioners, restricted capacity to adapt in and to retirement is the pay-off from restricted experience and opportunity to develop in middle life.

Waste and poverty of experience and development in middle life shows up in many ways. It is often particularly obvious in work, as people settle down to be "plateaued performers" — a lovely American phrase — from their forties onwards: as opportunities for training or promotion pass them by, and it becomes risky to be too mobile, because if you slip off the job ladder you will never get back. It can, as I showed in that book, be pretty expensive even to employers when they underestimate the development potential of their older workers and pay too much attention to the short-term costs of investing in it. But waste in middle age shows equally in areas like marriage, or new leisure interests which might have been taken up but are not. There is a lesson for instance in what Mark Abrams found about marriage in Britain: that among young married people the sources of satisfaction are liable to be such things as love and mutual interests and cooperation, but the best that many of their elders can say may be that "we get on" and he doesn't gamble or drink or beat me up. Here in Ireland, as in Britain, it is often the middle-aged who contribute most to the work of voluntary and political organisations and sit in their seats of power. But I have not seen answered for Ireland a question which has been answered for Britain: at what age did these people catch the political bug? In Britain the elderly councillors (like me) who decorate the committee rooms of local authorities are liable to be those who caught it early and never

got over it, not those who saw the light on the road to Damascus when they were fifty. Personally I caught that particular bug at 16.

So there is a message here for employers, trade unionists, marriage counsellors, political and voluntary organisers, and all who are or may be concerned with mid-life development. If you want the "capacity to cope" which makes for successful retirement, begin building it by age forty or earlier. Older people **can** clog up in their mental arteries, but one well-researched fact is that it is those who are not given the mental exercise of development who are most likely to do so.

I look forward to a future in which the boundary of "real" old age and retirement will shift upwards into the seventies: though remember, even then, the age of people like Abrams, or in their day of De Valera or Adenauer. The young-old will then blend into the middle-aged as a group in continuous process of development, and with a transition so far as income is concerned running smoothly over from primary dependence on work income to primary dependence on pension, at a pace adapted to the quite extraordinary variation which exists and even then will continue to exist in both the "potential" and the "possessions" of people of a given biological age. The starting point for this is action in middle life, not only among the young-old themselves.

## **MONEY — HOW MUCH WILL BE NEEDED? THE BRITISH CASE**

And now let me come back to that central question of money. A good way to approach it is to follow through the process of thought by which the House of Commons Select Committee on Social Services came up last year with a solution to the problem of flexible, gradual, and often earlier retirement, along with, as is relevant to Britain but not to Ireland, equality of men's and women's pension ages. For they produced an answer which I believe is basically sound, though subject to some criticisms and argument: and moreover, if political rumours are to be believed, one which has a real chance of being implemented even by a Conservative government, if we in Britain have the misfortune to be afflicted with one after the coming General

Election. But it is an answer which, while sound for Britain, raises some uncomfortable questions for Ireland. So, let me first outline the argument in Britain: then I will say something about its relevance to the different circumstances of Ireland.

The Select Committee in effect made three assumptions. First, that there is a demand for new policies on retirement which should and will have to be met. Second, that it must be met in such a way as not to condemn even more people to even more years of poverty, defined for practical purposes as incomes below the British supplementary pension level. The reason for this is primarily social, but also economic; there is not much point in offering people early National Insurance pensions at a level which will then have to be made up by supplementary pension. Thirdly, the committee took account not only (nor even especially) of the present economic depression and squeeze on public expenditure, but, much more, of the rising pension charge in future, particularly after the end of the century. The ratio of pensioners to people of working age will actually improve in Britain in the next two decades, but by 2020 or so there will be a new wave of pensioners due to the high birth rates of the 1950s and early 1960s. There could also be a substantial improvement in the expectation of life, especially if there are strong developments in preventive medicine. One of the ways in which Britain has kept pension costs down is, to put it bluntly, by killing off particularly male pensioners faster than most other industrial countries. There could in addition, though this is getting into the realms of astrology, be a fall in the working population due to continued low fertility.

There is also another factor at least as important as these demographic considerations. Since Barbara Castle's Act of 1975 Britain has had an earnings-related element in social security pensions. The cost of this will build up as rights under that Act are earned, so that by, 2016 these additional pensions will increase the charge for social security pensions by about two-fifths. That is an increase under existing commitments alone, quite apart from the effect of any improvement in pension entitlements which may be made in the meantime.

Overall, the British Government Actuary estimates that pension charges simply on present commitments, and in the

light of prospective demographic changes, could in the end take an additional slice of  $8\frac{1}{2}$  —  $12\frac{1}{2}$  per cent out of work incomes, beyond what is paid today: plus any further costs for improving either social security or occupational pensions. Charges of that kind are by no means impossible to meet, if employment is restored and some degree of growth in real incomes is resumed. But they still make one think: and certainly they did so in the case of the Select Committee.

The Committee accordingly rejected, as impracticably costly, the proposal of the trade unions to promote earlier retirement by reducing the present standard pension age for men from 65 to the present women's age of 60. The cost of this in 1981/82 would have been about £ $2\frac{1}{2}$  billion at current unemployment levels, or £ $3\frac{1}{2}$  billion if there had been full employment and no replacement of those retiring from the unemployed register. What the committee did positively propose, I summarise in six points:—

1. Reduction of the age at which men receive what is at present the full standard pension from 65 to 63, while the standard age for women would be raised to 63 from 60. Note that this is an age for entitlement to full standard **pension**. The committee made it clear that it should not be taken as any indication of the age at which people are actually to retire.
2. A single pension age bracket of 60 to 65 for both men and women, with a reduction of 5 to 8 per cent a year (preferably, the committee said, more like five per cent) for pensions beginning before 63, and a similar increase for those starting at 64 or 65. The choice of retirement age and pension level would be for life: there would be no up-grading to a full pension at a later age. Essentially, this proposal is a matter of writing new ages into the law as it exists now, for social security pensions in Britain already have a flexibility bracket. They are increased by  $7$  —  $7\frac{1}{2}$  per cent for each year, up to five, by which pension is deferred beyond 60 for women and 65 for men.
3. No formal partial pensions plan, as in Sweden: but workers could get a similar result, at least in their first

years of retirement, by taking the proposed reduced early retirement pension and combining it with part-time work.

4. The new system to be phased in by 1998, a date chosen for several reasons. Partly it was a matter of costs: the later, the lower. But it was also in order to respect the established rights of older women nearing their present pension age of 60. And, very important, 1998 is the year when the development phase of the earnings-related social security scheme will be completed and the first full earnings-related pensions will be paid. The committee was, as I have said, unanimous that earlier and reduced pensions should not be so low as to leave people in poverty. The larger the earnings-related pension which people have acquired, the greater is the possibility of even moderate to low paid workers retiring on a reduced pension without falling below the supplementary pension level.
5. Changing the age brackets for pension has some incidental implications, in particular for the protection of older workers' employment and for the earnings rule which in Britain limits the earnings of pensioners in the first five years after the present standard pension ages. Older workers' protection against dismissal on grounds of age under the Employment Protection Act should in future, the Committee said, extend to 65 unless otherwise provided in collective agreements or individuals' contracts of employment: but legislation might be considered if collective agreements continued to enforce unduly early retirement. The earnings rule should also apply up to 65, but, pending its abolition (to which all British parties are committed, but none actually finds the time ripe for it), the rule should be liberalised so as to allow an average earner to earn at least half-time pay without loss of pension.
6. The committee also recommended, but left to collective bargaining, arrangements for phased retirement, like shorter hours or longer holidays for older workers, and special early retirement arrangements for workers in particularly demanding jobs such as the existing scheme for mineworkers.

Set out in this way, the Select Committee's scheme does indeed make an interesting package. It provides for flexibility of retirement ages. It gives men the right to retire earlier than now and an earlier right to full pension. Today's younger women would lose the right to a full pension at 60, but keep the right to retire from that age, and gain a longer period of employment protection. Moreover, what is obviously a very strong selling point in present political and economic conditions, the Select Committee's plan, so far as I have described it up to now, is not far off being cost-neutral. It could be entirely cost-neutral if combined with some other possibilities to which the committee point, such as abolishing the income tax age allowance, which benefits mainly pensioners with relatively comfortable incomes. The scheme would imply an addition of the order of around two per cent to occupational pension contributions, but the pension funds did not seem unduly worried about this or about possible problems of administration.

### **SOME CATCHES ABOUT THE SELECT COMMITTEE PLAN**

So what is the catch? I begin with two comments of my own, and after that I will go on to the real crunch.

First, I think the committee made a mistake in insisting that the choice of a reduced pension for earlier retirement should be for life. The evidence, not only from Britain, is that for many people nearing retirement age, and perhaps not too happy with their health or their job, the chance of taking a reduced pension and getting out — as also for instance of a copper handshake for redundancy — has all the allurements of a snake in the grass. At 75 or 80 many will find too late that they have made a serious mistake. I would have been much happier if the committee had called for a sharper abatement of early pensions — say eight per cent a year instead of five or six per cent — and used the proceeds to restore sub-standard pensions to the full standard rate after, say, ten years on pension, or at an age around 73-75. Or, of course, if they had gone for a Swedish-type part-pension scheme, which lasts for so many years and is then replaced with a full pension.

I am also not happy about the committee's rejection of full-scale age discrimination legislation like that in the United States. It is

all very well to protect older workers' right to continue in their existing job, but often in their own and employers' interests they ought to be changing jobs, and present British legislation gives them no protection against discrimination in recruitment or training, of which there is plenty. You will understand from what I said earlier that I am thinking here not only of workers on the edge of retirement but of others right back into middle age. These too, need protection of their right to equal treatment in recruitment, training, and promotion, and there are far too many myth-ridden employers who are likely to accept their responsibility for providing this only at the end of a legal stick. There are also far too many unions of which the same is true. I am all in favour of leaving as much as possible to collective bargaining, but when it comes to a fair deal for workers on the edge of retirement I do not trust the unions an inch: on the research evidence, on what I heard in evidence at the Select Committee, or on what I have seen in the organisation from which I officially retired last year. When the management started to clear out the elderly, it was with the more than passive consent of the office group of our own union, which is ASTMS.

### **THE CRUNCH PROBLEM — PENSIONS WITHOUT POVERTY FOR THE LOW PAID**

But now for the real crunch, which leads on to the case of Ireland. The British Select Committee cashed in on the fact that more and more people will be acquiring earnings-related pension rights, sometimes enough to double or more than double their basic social security pensions and of course there are occupational pensions as well. Even so, the committee had to recognise that there will always be people on low pay or with broken employment records — remember that the unemployed earn no earnings-related pension—for whom early retirement on a reduced pension would mean an income below supplementary pension level. There will also for decades to come be pensioners retired before 1978, when the Castle Act took effect, or in the first few years afterwards, who never in any case had the chance to acquire much if any earnings-related pension. On one estimate, pensioners aged 80 and over in 2001 will have on the average only two-thirds of the social security pension of people then retiring from similar jobs. The Select Committee agreed that something must be done both to enable these older pensioners to catch up, and to allow the

low-paid to retire earlier under the committee's scheme without poverty.

As to how this should be done, however, the committee divided on party lines. The Conservative members agreed that after some years — remember that the committee's plan is meant to be phased in over fourteen or fifteen years — there should be a "minimum pension income guarantee". They did not specify the cost, but, hopefully, given the development of earnings-related and occupational pensions, it would by that time be low enough to be acceptable even to true blues. Perhaps it is an unworthy thought, but the fact that the guarantee would have to be paid up by a Parliament two or three elections ahead may also have been relevant: as it was when a Labour government through the hand of Barbara Castle signed its massive cheque for 1998.

The Labour members of the committee thought these proposals too slow and too limited. For their own part they proposed that within a much briefer timescale the basic social security pension, which is of course payable to all and not only to the minority who might need a pension guarantee, should be raised by 45 — 50 per cent to the equivalent of one-third of average male earnings in the case of a single pensioner and half the average in the case of a married couple. The net cost, after allowing for offsets such as less payment of supplementary pensions would in 1982 have been of the order of £6 to £7 billions less a further modest offset from savings on the flexible retirement plan as proposed by the rest of the committee. The Labour members proposed that earnings-related pensions should be very sharply reduced for people retiring before age 65. There would also be a greatly strengthened "income" rather than "earnings" rule which would take account of occupational pensions and personal investment income, and would mean withdrawal of part of the social security pension even, for example, of a civil service clerical officer or a fireman, let alone such well-heeled groups as teachers.

### **AND IRELAND?**

I suspect that the Labour members' proposal in its full glory will take some swallowing even by a future Labour Chancellor of the Exchequer. But, making the transition to Ireland, is it not the

case that the issue they raise is precisely that which will have to be faced in this country? The Conservative members of the British Select Committee could get away with a modest cost for their proposals, without making them so modest as to risk tempting more senior citizens to plunge into poverty, because they could cash in on the established commitment in Britain to pay out earnings-related benefits under the Castle Act: plus the existence of a relatively well developed occupational pension system which is likely in the next few years to be further reformed. But here in Ireland there is not yet an earnings-related pension scheme, and, if you set one up tomorrow, it would probably like the Castle scheme or the corresponding Swedish earnings-related plan take decades to mature: and the Irish occupational pension system is still a good deal messier even than the British. So what actually are you going to do to make flexible and early retirement possible without multiplying poverty?

Are you going to delay action for the indefinite number of years which it may take to bring an earnings-related system and more reliable occupational pensions into existence? Are you willing to pay up and look cheerful on the scale which those Labour M.P.'s memorandum indicates, so that all may have higher pensions and those who retire early may at least avoid the worst poverty? Do you simply leave early and flexible retirement as an option for those who do have good occupational pensions or other personal resources, while discouraging those who do not, and the low-paid generally, from jumping out of the frying-pan into the fires of economic hell: which, from the point of view of social justice, is a solution at which even the Conservative members of the British committee threw up their hands? Or is there perhaps a way through by developing the tax credit proposals of the Commission on Taxation, the line to which both Alliance parties in Britain are in different ways committed? Or what? Could you find the money with less strain by following the example of the French and setting up a universal system of occupational pensions, so that the extra costs falls on occupational contributions, which are a little less unpopular and can be raised with less alarm and despondency than social security taxes? The French, like Caesar, actually divide Gaul into three: blue-collar workers, office workers, and managers, but all employees are included, and since the schemes are universal

they can safely and simply be financed by pay as you go. Or, what is actually probably the most useful single solution, do you take steps to share work across the whole population and encourage the young-old who are inclined for it to keep off the pension rolls altogether? The answer has to be yours. I am not going to attempt one, but I wait with more than a little interest to see what yours turns out to be. Only, do not forget one question. Plenty of us older people are ready to go from work, and have plenty of interests to pursue, if you will sign a big enough cheque. Will you?

## **Publications of the National Council for the Aged**

1. Day Hospital Care April 1982
2. Retirement: A General Review December 1982
3. Community Services for the Elderly September 1983