European Commission

European Social Policy Analysis Network (ESPAN)

Flexible retirement pathways

Ireland

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Social Europe

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Contact: https://ec.europa.eu/social/main.jsp?catId=2&langId=en&acronym=contact

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Mel Cousins

Directorate-General for Employment, Social Affairs & Inclusion
2025

Manuscript completed in October 2024

Luxembourg: Publications Office of the European Union, 2025

Quoting this report: Cousins, Mel (2025). *Flexible retirement pathways – Ireland.* European Social Policy Analysis Network, Brussels: European Commission.

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Summary

Until 2024 the only flexible retirement option in Ireland (as regards the state pension) was deferred retirement (i.e. to remain in employment beyond pensionable age). Since January 2024 a system of deferred pension ages has been introduced although it is, as yet, too early to say what impact this may have.

In Ireland the pension system consists of: the state pensions (contributory and non-contributory); supplementary pensions (occupational and personal); and pensions for public sector employees. Entitlement to the state pension (contributory) (SPC) is based on social insurance contributions paid over people’s working lives. It is based on a certain minimum number of contributions. The Irish state pension is not earnings-related, but the rate of the pension is currently related to the yearly average of contributions paid and/or the total number of contributions achieved. In Ireland the pensionable age is 66 (and has been since 2014). It is not possible to qualify for an old-age pension before that age (although people might qualify for other social protection payments).

Until January 2024 it was not possible to defer a pension, although people could remain in employment after claiming the pension at age 66 (subject to employment law). However, with effect from January 2024, people may claim an SPC at any time between 66 and 70. If people claim a pension after age 66, they will be entitled to an actuarially increased rate of payment. During the period of deferral, people (if they continue in insurable employment) will be able to continue to make social insurance contributions to increase the personal rate of payment or meet the contribution qualifying condition for an SPC.

Supplementary pensions play an important role in Ireland given that state pensions are not earnings-related. The most recent data indicate that 68% of workers aged 20-69 have supplementary pension coverage in some form.

There is no statutory retirement age in Ireland (i.e. an age at which people must retire, as opposed to a pensionable age), except for specific public sector employment. However, most contracts of employment will contain a mandatory retirement age (MRA) (normally 65).

Overall, there is little indication of any coherent policy on flexible retirement pathways and little evidence as to the impact of different policies. One of the main barriers to the use of flexible options is the existence of MRAs for most employments (as shown by the trend for self-employed people to keep working). The limited evidence shows that men are more likely to continue in employment, and that self-employment (because people remain in self-employment) and part-time work are more common for people over pensionable age. People without (or with low) pensions are more likely to remain in employment. Given the very recent introduction of a flexible pensionable age, no information is yet available on its impact; but the Pensions Commission, on the basis of international experience, noted that the take-up of deferred pension options tends to be very low.

The introduction of a flexible pensionable age, while welcome, is unlikely to affect a significant number of people in the absence of broader reforms concerning MRAs and a coherent policy approach across public and private pensions, employment and revenue law.

Introduction

Context and objectives of the report

In an ageing society, flexible retirement pathways allowing individuals to choose when and how to retire are increasingly emerging as a concrete policy option in the transition from work to retirement.

On 31 January 2024 the Val Duchesse social partners summit called on the European Commission to present an action plan to tackle labour and skills shortages in spring 2024. In this action plan, issued on 20 March 2024, the Commission committed to evaluating "*the impact of pension reforms introducing more opportunities for flexible retirement and for combining pension income with a salary*" (European Commission, 2024).

As pointed out by the OECD (2017), the design of pension systems, including features such as gains from working longer or caps on earnings from work and on hours worked, influences people's retirement decisions, including in relation to flexible retirement. The pension rules shaping flexible retirement pathways also closely interact with labour market and workplace arrangements. In its demography toolbox of October 2023 (European Commission, 2023), the Commission clarified this dynamic: "*More flexible working time arrangements support the retention of older workers, for instance with flexible or reduced working hours, and enable people to remain longer in employment if they choose to*".

However, flexible retirement pathways do not always result in extended working lives. It is important to get the incentives right. For instance, as widely acknowledged in the literature, factors beyond possible financial trade-offs, notably linked to people's health status, may also be at play in the retirement decision, preventing individuals having a full-time career.

Finally, people need transparent and reliable information on the benefits that they can expect to receive under different scenarios concerning when and how they retire (completely or partially), to help them plan ahead. Financial literacy and awareness of pension rights play an important role in that respect.

The objectives of this report are to map the different flexible retirement pathways existing in Ireland and corresponding incentives; to analyse their take-up; and, to the extent possible, consider their expected impacts.

Key definitions

For the purpose of this report, the following definitions apply.

(a) Pensionable age: the age at which people become eligible for old-age benefits in the main statutory pension scheme without benefit reductions (also known as "statutory retirement age", "legal retirement age", etc.), based on the features of the national system applying.

(b) Retirement: withdrawal from the labour market (not to be confused with claiming a pension benefit).

(c) Effective retirement age: the age at which individuals effectively withdraw from the labour market.

Scope of the report

The main focus of this report is on statutory pension schemes. These include all social security and similar programmes administered by the general government (i.e. central and local government, plus other public sector bodies such as social security institutions), access to which is based on legislation. Such public pension plans can be financed from social security contributions or general taxation; they are traditionally of a pay-as-you-go type but can also be funded (i.e. statutory funded pension schemes).

Supplementary (occupational and personal) pension schemes are not the main focus of the report. However, wherever occupational pension schemes play an important role in relation to flexible retirement pathways, relevant rules in these schemes are also described. If the occupational pension system is fragmented and the rules vary by sector or company, the report mentions this and provides one or two relevant examples (e.g. innovative practices and largest sectors).

If different rules apply to some sectors/occupations (e.g. civil servants, and people in arduous jobs), the report mentions it but does not comment on the specific rules that may apply to these sectors/occupations.

1. Mapping of flexible retirement practices

Section 1.1 provides some broad contextual information about the pension system in the country: pensionable age; basic conditions for pension entitlement; and available early-retirement options. Section 1.2 then maps the flexible retirement pathways available, as well as the rules affecting pension benefits and retirement incentives.

1.1 Short description of pensionable age and basic conditions for pension entitlement, and of early-retirement options

In Ireland the pension system consists of: (a) state pensions (contributory and non-contributory), which are administered by the Department of Social Protection (DSP);[1] (b) supplementary pensions (occupational and personal); and (c) pensions for public sector employees such as the police, civil servants, etc.

State pension

Entitlement to the state pension (contributory) (SPC) is based on social insurance contributions paid over people's working lives.[2] The Irish state pension is not earnings-related, but the rate of pension is related to the yearly average of contributions paid and/or the total number of contributions achieved. In Ireland the statutory pensionable age is 66 (and has been since 2014). It is not possible to qualify for an old-age pension *before* that age, although people might qualify for other social protection payments.

Until January 2024 it was not possible to defer a state pension, although people could remain in employment after claiming the pension at age 66 (subject to employment law, see below). However, with effect from January 2024 people may claim an SPC at any time between 66

[1] Some people over pensionable age are in receipt of other state social welfare payments such as widow's, widower's or surviving civil partner's (contributory) pension.

[2] We do not discuss here the position in relation to the means-tested SPC, where the pensionable age is also 66 and no flexibility is allowed.

and 70.[3] If people claim a pension after age 66 they will be entitled to an actuarially increased rate of payment. During the period of deferral people (if they continue in insurable employment) will continue to make social insurance contributions, which may increase the personal rate of payment or meet the contribution qualifying condition for a pension.[4]

This policy change was in line with a recommendation from the government-appointed Pensions Commission (2021, Chapter 12) and implemented the commitment in the programme for government to "*Introduce a system to enable people to defer receipt of their state contributory pension on an annual basis, to include actuarial increases in payment as soon as practicable*" (Ireland, 2020, 75). It is also in line with the roadmap for pensions reform (2018-2023), which also set out the introduction of SPC deferral as a means of supporting fuller working lives (see strand 6 of the roadmap) (Ireland, 2018).

Supplementary pensions

Supplementary pensions play an important role in Ireland given that state pensions are not earnings-related (Nivakoski, 2014; Beirne et al., 2020). The most recent data indicate that 68% of workers aged 20-69 have supplementary pension coverage in some form (CSO, 2024). Under revenue rules, supplementary pensions may generally be claimed from age 60 (up to 70 in the case of occupational pensions, 75 for retirement annuity contracts, and with no age limit for personal retirement savings accounts). A typical defined-benefit scheme provides for a retirement age of 65 for both men and women, while most defined-contribution schemes also provide for a normal retirement age of 65 (AON Ireland, 2020). Most supplementary pension arrangements permit members to retire after the normal retirement age in certain circumstances with higher benefits. Conversely, most supplementary pension arrangements permit members to retire early (generally from age 50) in certain circumstances, but generally subject to reduced pensions.

Public sector pensions

Public sector pension schemes are statutory plans set up by legislation, or trust-based arrangements that provide pension benefits for employees in the public sector or semi-state bodies. The majority of these pensions are defined-benefit schemes. In general only schemes for commercial state bodies are funded to meet pension liabilities. Schemes in the non-commercial public sector (such as the civil service, local government, education, police, prison services and health services) are financed on a pay-as-you-go basis. The position in relation to retirement age and pensionable age in the public sector is complex and varies by employment (and date of commencing employment).[5] In line with the guidelines for this report, these rules are not discussed in detail.

Mandatory retirement age

People may not opt to defer a pension and continue working unless their employment situation allows them to continue in employment. There is no statutory retirement age in Ireland (i.e. an age at which people must retire, as opposed to a pensionable age), except for specific public sector employments. Most contracts of employment will contain a retirement age (normally 65). However, the Employment Equality Acts of 1998 to 2021 provide for a general prohibition against age-related discrimination. Although these laws permit employers to implement a mandatory retirement age (MRA), any such age will be considered discriminatory unless it can be objectively and reasonably justified by a legitimate aim, and the means of achieving that

[3] This is provided for in the Social Welfare (Miscellaneous Provisions) Act 2023.

[4] However, if people are already entitled to the maximum rate of SPC, additional contributions will not increase pension levels.

[5] See: https://www.publicservicepensions.gov.ie/en/topic/retirement-ages-in-the-public-service/.

aim are appropriate and necessary in line with the EU Equal Treatment in Employment and Occupation Directive (2000/78/EC).

A leading law firm states that:

> "*it is becoming increasingly difficult for an employer to successfully defend a MRA. Age-related discrimination complaints are on the rise. According to the 2022 Workplace Relations Commission's Annual Report, of the nine protected grounds for discrimination, age-related discrimination complaints showed the highest increase – 176% – when compared with 2021 figures*" (William Fry, 2023).[6]

In a very recent (May 2024) case, the Irish Supreme Court – in a case concerning a challenge to an MRA – has held that:

> "*It is not the case that the Directive [i.e. 2000/78/EC] presumptively requires case by case or role by role assessment or that such individual assessment must be shown to be impractical if a generally applicable retirement age is to be justified. Provided that the aim sought illegitimate and the means of achieving that aim are "appropriate and necessary" (proportionate), a mandatory retirement rule does not offend the prohibition on age discrimination in the Directive, notwithstanding that it does not entail an individual assessment of those subject to that rule*."[7]

It is not clear whether this ruling may affect the approach (in practice) of the Workplace Relations Commission and Labour Court in their adjudication of individual MRA disputes under the Employment Equality Acts.

The courts have held that the existence of a right to an occupational pension at a certain age may not be interpreted as an MRA (in the absence of a clear contractual MRA);[8] but in *Irish Ferries Ltd v McDermott (EDA 1631)* the Labour Court held that the provision of a pension scheme at the MRA could form part of an objective justification for the MRA (although this case involved a docker whose work was agreed to be arduous and physically demanding).[9]

The government has in principle approved legislation to allow, but not compel, workers to remain in their jobs until age 66. The Employment (Restriction of Certain Mandatory Retirement Ages) Bill 2024 has been referred to the Joint Oireachtas Committee on Enterprise, Trade and Employment for pre-legislative scrutiny.[10] However, this draft law – as it currently stands – would only apply up to age 66 and would not allow a further deferral of retirement to 70.

[6] At: https://www.williamfry.com/knowledge/new-flexible-state-pension-age-impact-on-employers/.

[7] *Mallon v The Minister for Justice, Ireland, and the Attorney General* [2024] IESC 20 at: https://www.courts.ie/view/judgments/6e291775-1044-44bc-8f05-e7d2cda80195/4827cff0-8a5b-481e-a646-292c70c6799f/2024_IESC_20_Unapproved.pdf/pdf.

[8] See *Quigley v HSE* [2017] IEHC 654.

[9] See also *Mallon v The Minister for Justice, Ireland, and the Attorney General* [2024] IESC 20 at [62].

[10] The General Heads of the Bill are available at: https://enterprise.gov.ie/en/legislation/general-scheme-employment-restriction-of-certain-mandatory-retirement-ages-bill-2024.html, while the Committee's discussion of the Bill is available at:

https://www.oireachtas.ie/en/debates/debate/joint_committee_on_enterprise_trade_and_employment/2024-04-10/2/?highlight%5B0%5D=restriction&highlight%5B1%5D=certain&highlight%5B2%5D=mandatory&highlight%5B3%5D=retirement&highlight%5B4%5D=ages.

1.2 Mapping of flexible retirement pathways and rules affecting pension benefits and retirement incentives

1.2.1 Policies related to flexibility about when to retire

1.2.1.1 Deferred retirement

As noted above, since January 2024 people have been able to defer claiming their pension from the pensionable age of 66 to age 70 (at the latest). However, although people may defer their pension claim, there is no general right to remain in employment in Irish law beyond the MRA in the employment in question. The position in relation to supplementary pensions is discussed below.

Subject to their contract of employment,[11] people may generally remain in employment before and after pensionable age. Self-employed people may obviously continue to work, and age limits for self-employment generally do not exist. Since 2014 there has been no retirement condition in Irish social protection law. People may not receive the state pension *before* pensionable age.

As noted above, there is generally more flexibility in relation to the supplementary pensionable age, but there do not appear to be any detailed studies as to how flexibility is implemented in practice in supplementary (occupational and personal) pensions.

The most relevant factor in combining a pension with work after pensionable age is that people's employment contracts may not allow for this and may require them to retire at a specific age. MRAs are increasingly being challenged legally but the position is somewhat unclear, and litigation is obviously not a desirable option for most people approaching retirement age.

1.2.1.2 Flexible pensionable age

There is no flexible pensionable age (as defined for the purposes of this study) in Ireland.

1.2.1.3 Differentiated pensionable ages

There are no differentiated pensionable ages for the SPC in Ireland. The pensionable age is 66 for everyone regardless of age at starting work, type of work or duration of insured employment. The pensionable age does vary somewhat in supplementary pensions, but it is not known whether there is any element of age differentiation based on type of work or age on commencement.

1.2.2 Combining a pension with income from work

1.2.2.1 Claiming a full pension at pensionable age and continuing to work

Ireland allows old-age pension recipients to continue paid part- or full-time work (employed or self-employed) without any conditions. People who do so will continue to pay social insurance contributions and will also pay income tax on their total income including the state pension.

[11] In limited cases there are MRAs for certain public employments such as police.

Earnings do not in any way affect that level of the state pension, although they may affect additional benefits such as a fuel allowance.[12]

People over pensionable age may generally work in addition to receiving supplementary pensions, but will have to pay income tax on total income. There do not appear to be any detailed studies on the extent to which people combine work and supplementary pensions.

1.2.2.2 Claiming an early pension and continuing to work

Ireland does not offer the option of claiming a state pension early whilst continuing in employment or otherwise (i.e. it is not possible to claim the SPC before age 66). As discussed elsewhere in this report, in some cases it is possible to claim a supplementary pension before the pensionable age.

1.2.2.3 Claiming a partial pension and continuing to work part time

Ireland does not offer people the option of partial retirement at the pensionable age and receiving part of their old-age pension (i.e. it is not possible to claim a partial SPC).

1.3 Rules affecting pension benefits and incentives to work longer

1.3.1 Incentives to defer retirement

People who decide to defer claiming pensions under the state pension scheme will receive an actuarially increased pension. Table 1.1 indicates the maximum rate for deferred pensions based on January 2024 rates of SPC.

Table 1: Pension rate by age at claim

Age at claim	Maximum weekly rate of pension
66	EUR 277.30
67	EUR 290.30
68	EUR 304.80
69	EUR 320.30
70	EUR 337.20

Source: Social Welfare (Miscellaneous Provisions) Act 2023, Section 52.

People may remain in employment after claiming pensions (subject to employment law) and will be liable for income tax on total income.[13]

Since January 2024 the incentives to defer retirement in relation to state pensions have been that: (a) by deferring state pensions people may reduce the immediate income tax burden and defer pension income to a later period when work income will be lower or nil, thereby reducing the overall tax liability (though see Section 1.3.2); and (b) people can, if necessary, improve their contribution record so as to qualify for a state pension or to qualify for a higher rate of pension. As noted above, by deferring the pension people receive a higher pension at the time of claiming (see Section 1.2.1.1).

[12] Fuel allowance is a means-tested payment to help with the cost of heating homes during the winter months. It is paid in addition to the basic social protection payment such as SPC.

[13] In Ireland people over 65 receive the additional age tax credit, but this is unrelated to pension or employment status.

One law firm (William Fry, 2023) have suggested that the introduction of a flexible pensionable age for the SPC may:

> "*have an impact on the interpretation of defined benefit (DB) scheme rules that operate on an "integrated" basis (i.e. where an individual's DB scheme pension makes an allowance for the fact that the individual will also receive a State pension). DB scheme documentation will have been drafted on the basis that there is one maximum rate of State pension (contributory), and that payment of State pension (contributory) may not be deferred. The [reform] introduce 5 separate rates of State pension (contributory), being the 'age referenced' rates at each age from 66 to 70. As such, trustees and sponsoring employers of DB schemes will need to evaluate with their advisers if the technical changes to social welfare legislation… will impact the operation of the 'integration' provisions within the rules of any such scheme*."

1.3.2 Impact on benefits when combining a pension with work

There is no direct impact on the level of SPC of combining a pension with work, although the level of work income might affect receipt of additional benefits (such as a fuel allowance). However, income tax will be payable on total income. One potential issue is that social insurance contributions now cease (other than the employer rate of 0.5% for occupational injury benefits) where the SPC is awarded (on the basis that no additional entitlements may accrue). However, this means that people who want to continue working after age 66 (up to age 70) would need to calculate whether they would be better off: (a) deferring the SPC and paying social insurance (and income tax) on work income; or (b) claiming the SPC and therefore not paying social insurance on all income but paying income tax on both work and pension income.

1.3.2.1 Accrual of additional pension rights

People who continue in insurable employment after age 66 may now continue to pay social insurance and thereby build up an entitlement to a pension (if one did not already exist) or to a high rate of pension (if not already entitled to maximum pension).[14]

1.3.2.2 Penalties for partial retirement

If people have already accrued the maximum entitlement to a state pension, there will be no penalties attached to partial retirement. Otherwise, insofar as partial retirement affects the build-up of people's contribution records, it may affect their entitlement to (or the level of) a pension: for example, if people only work 20 weeks in the year as employees, they will only pay 20 weeks of contributions in that year, which may affect future entitlement to pensions or the level thereof.

1.3.3 Taxation policies applicable to flexible retirement pathways, including tax incentives for employers

There are no specific taxation policies applicable to flexible pensionable age pathways other than those noted above in relation to minimum and, where relevant, maximum pensionable ages for supplementary pensions. The SPC is treated as taxable income (subject to standard tax credits) and supplementary pension income benefits are also taxable as income (although pensioners may take a tax-free lump sum) (on this see: OECD, 2023a, 50-53).

[14] This is in addition to the actuarial increase in the SPC due to deferral (see Section 1.3.1).

1.3.4 Eligibility to other social protection benefits when deferring retirement or combining a pension with work

Entitlement to most working-age social protection benefits ends at age 66, but has been extended to 70 for those not claiming the SPC.[15] However, entitlement to these working-age benefits is generally dependent on inability to work due to contingencies such as unemployment or disability, although it may be possible for people to do some part-time work and receive, for example, job-seekers' benefit in respect of days not worked. Given the recent introduction of the reform (January 2024), it is unclear whether and to what extent this will occur in practice.

People may be entitled to a widow's, widower's or surviving civil partner's (contributory) pension that is not affected by employment and also has no maximum payment age. If people are entitled to such a pension and the SPC, they will be paid whichever is the higher pension.

1.3.4.1 Eligibility when deferring retirement

As noted above (Section 1.3.1), people may continue to build entitlement to the SPC by working (in insurable employment) after age 66 (assuming they have not already built entitlement to the maximum pension). Section 33 of the Social Welfare (Miscellaneous Provisions) Act 2023 now allows people aged 66-70 who cease to be employed or self-employed contributors (otherwise than by reason of being awarded the SPC) to become voluntary contributors and to continue to build up entitlements in this way.

1.3.4.2 Eligibility when combining a pension with work

Although people may continue to work after claiming the SPC at age 66, in contrast to the position at Section 1.3.4.1, they no longer pay compulsory social insurance contributions and do not build any additional entitlement to the SPC. The option to pay voluntary contributions (see Section 1.3.4.1) also does not apply once people have been awarded the SPC.

2. Reforms (1 January 2014 – 30 June 2024)

Section 2.1 provides a brief description of the relevant reforms that took place in Ireland between 1 January 2014 and 30 June 2024. Section 2.2 then describes the way the country has communicated about these reforms.

2.1 Description of reforms

In January 2014 the state pension (transition) (formerly the retirement pension), which had a pensionable age of 65, was abolished. This meant that the qualifying age for the SPC rose from 65 to 66. However, no change was made in MRAs (normally 65). This led to a perceived anomaly whereby many people had to retire from employment at 65 but were not entitled to the SPC until 66 (although they might be entitled to other social protection payments in the interim).

It was originally proposed to raise the pension age further to 67 in 2021 and 68 in 2028. However, when this became a political issue in the run-up to the 2020 elections, this increase was deferred and (as discussed in the 2023 Country Fiche for Ireland) the government appointed a Pension Commission in 2021 to advise on the issues concerning pensionable age

[15] This is provided for in the Social Welfare (Miscellaneous Provisions) Act 2023.

and the financial sustainability of the state pension system. The commission reported in 2022 and put forward a number of options to ensure the financial sustainability of the pension system in the future, involving a higher pensionable age, increased social insurance contributions, and increased state funding of the Social Insurance Fund. It recommended a mix of all these measures. In relation to the state pensionable age, the Pensions Commission recommended an incremental increase in the pensionable age by three months each year commencing in 2028, reaching 67 in 2031 with further increases of three months every second year to reach 68 in 2039.

However, this proposal did not prove to be a politically acceptable option and the Joint Oireachtas (Parliamentary) Committee on Social Protection (2022) recommended that the pensionable age should not be raised. In October 2022 the government ultimately announced that the pensionable age would remain at 66. However, as described above, a flexible pensionable age system was introduced with effect from January 2024 (Section 1.1).

It is worth noting that in the Citizens' Assembly on an Ageing Population (2017), 86% of the members recommended abolishing MRAs, and 96% recommended removing the anomaly whereby people who must retire at 65 are not entitled to the state pension until 66.[16]

It is not known to what extent there have been changes in the pensionable ages in supplementary pension schemes in the period. However, the AON Ireland (2020) survey found that, in the context of the further rise in the state pension age then proposed, 54% of respondents had either considered, were currently reviewing or had already made, changes to the scheme's normal retirement age. A further 16% were actively planning to consider a change in future.

2.2 Communication on reforms

The DSP ran a campaign in the media (print and radio) and on social media in last quarter of 2023 and at the start of 2024 outlining the introduction of flexibility into the state pension system and directing people to the DSP website. The DSP acknowledge that this is a difficult message to convey in soundbites and involves people weighing up decisions that are right for them. In that regard, the DSP launched the pensions hub on the Irish government website (Gov.ie) and revised the social insurance contribution statement (see below) in 2023 to help people better understand their contribution history and how pensions are calculated.[17] The DSP is looking at how it can keep the various campaigns going on a rolling basis, and is trying to identify appropriate events to reach target audiences with the message.

3. Access to information about available flexible retirement pathways

It is important that citizens have access to information about the flexible retirement pathways available in the country, including the rules affecting pension benefits and retirement incentives.

In Ireland, in addition to the campaigns mentioned in Section 2.2 above, information about flexible pension claims is available on the DSP website, and the current claim form for a state

[16] A citizens' assembly is a group made up of members of the general public who have been selected to deliberate on an issue or issues of national importance. A citizens' assembly is established by resolution of the Oireachtas [Parliament].

[17] https://www.gov.ie/en/publication/d8fd8-flexible-pension-options/

pension asks *when* the claimant wants to claim. However, it is not necessary for a claimant to inform the DSP of their intention to defer claiming.

Potential claimants may access their contribution statement through the DSP's MyWelfare site.[18] A contribution statement is a summary of people's social insurance record in Ireland. It allows a calculation of their pension entitlement.[19]

There do not appear to be any surveys of public awareness of the new flexible pension option, but it is rather doubtful that awareness is high.

4. Impact of flexible retirement pathways

A crucial question for policy-makers aiming to extend working lives is how flexible retirement pathways will affect older workers' labour market participation. Three possible effects need to be considered, as follows.

(a) Offering greater flexibility through the pension system might lead some workers to continue in employment (thus postponing full retirement) while receiving retirement benefits.
(b) The availability of partial-retirement options might entice those who work full time and are supposed to retire at the pensionable age to reduce their working hours before reaching the retirement age.
(c) Partial retirement before reaching the pensionable age may allow extended working lives for specific groups of people (especially those with health problems, disabilities, care responsibilities and physically or mentally demanding jobs) who would otherwise have to exit the labour market early through early retirement or other schemes, such as those for disability or long-term sickness.

Section 4.1 looks at the take-up of the different flexible retirement schemes: that is, how widely are flexible retirement pathways used?

The following aspects are then considered:

(a) impact on retirement age (Section 4.2);
(b) labour market dynamics and the impact of flexible retirement (Section 4.3);
(c) expected redistributive impact (Section 4.4);
(d) expected impact on fiscal policies and sustainability (Section 4.5);
(e) expected impact on quality of life and society (Section 4.6); and
(f) motivation for using flexible retirement pathways (Section 4.7).

4.1 Take-up of flexible retirement pathways

Overall, there is little indication of any coherent policy on flexible retirement pathways, and little evidence as to the impact of different policies. One of the main barriers to the use of flexible options is the existence of MRAs for most employments (as shown by the trend for self-employed people to keep working). The limited evidence (discussed below) shows that men are more likely to continue in employment and that self-employment (because people remain in self-employment) and part-time work are more common for people over pensionable age. People without (or with low) pensions are more likely to remain in employment.

[18] https://services.mywelfare.ie/en/topics/statements-refunds-and-repayments/contribution-statement/

[19] https://www.gov.ie/en/publication/b6193-how-to-calculate-your-state-pension-contributory-rate/

There appear to be very limited data on the take-up of flexible retirement in Ireland. The most recent Labour Force Survey (Q1, 2024) indicates that 113,500 people aged 65 or over are in employment.[20] Of these, over two thirds (70%) are men, and 30% are women. This represents a significant increase in older workers since 2014, when the number was 55,100. It is not known how many of these are in receipt of a state pension or supplementary pensions. These figures may be compared with almost 350,000 people aged 66 or over who were reported by the DSP as paying a social insurance contribution in 2021 (DSP, 2023).

One of the few studies to look at working beyond 65 in Ireland used data from the Irish Longitudinal Study of Ageing (TILDA) for the period 2010-2016 (Nolan and Barrett, 2019a). This study found that not having income (or having a low level of income) from a supplementary pension or a state pension was associated with a significantly higher probability of working.

Given that flexibility in the statutory pensionable age was only introduced in January 2024, no information is yet available about the impact of this pathway. The Pensions Commission (2022, 142), on the basis of international experience, noted that the take-up of deferred pension options tends to be very low, and the DSP expect that this will be the case in Ireland. The Pensions Commission (at 142) cited international evidence to the effect that "*only 2 per cent of individuals continue in employment without claiming a pension (and are likely to have deferred claiming their pension entitlements)*". There is no obligation to notify the DSP of an intention to defer drawing down the SPC. It is therefore hard to say with any certainty what the impact is at this point. However, in line with the international experience and given the continued existence of MRAs in Ireland, it is likely to be limited.

4.2 Impact on retirement age

A recent report for the EU Economic Policy Committee Ageing Working Group estimated the average labour market exit age in 2023 for Irish workers as 64.2 (64.3 for men and 64.1 for women) (Department of Finance, 2023). The OECD (2023), in contrast, reported that the average effective labour market exit age for men was 66.3 in 2022 (64.9 for women). Overall (and assuming the data are reliable and fully comparable) the OECD data indicate a rise in the exit age from 63.8 for men and 61.9 for women in 2014. However, there do not appear to have been any national studies of the causes of this change or the influence (if any) of flexible retirement options.

No information is yet available on the impact (if any) on the effective retirement age or labour market exit age of the recent introduction of a flexible pension age. On the basis of international experience, it would seem very unlikely that this change will by itself have any significant impact. Nor do there appear to be many studies of the extent to which most other aspects of pension policy have affected the effective retirement age.

Interestingly, the Economic and Social Research Institute examined the abolition of the retirement pension in 2014 (which, as discussed in Section 2 above, raised the pensionable age from 65 to 66 for all pensioners), but found no clear evidence that the change in the pensionable age affected the retirement rate of those born after the cut-off point (Redmond et al., 2017).[21] The authors speculated that the reasons for this apparent lack of impact may include the fact that MRAs require retirement regardless of pension entitlement; and/or that there may be an expectation that people will retire at 65; and/or the age at which people's occupational pensions begin may remain at 65; or that people might claim other social protection benefits.

[20] https://www.cso.ie/en/releasesandpublications/ep/p-lfs/labourforcesurveyquarter12024/data/

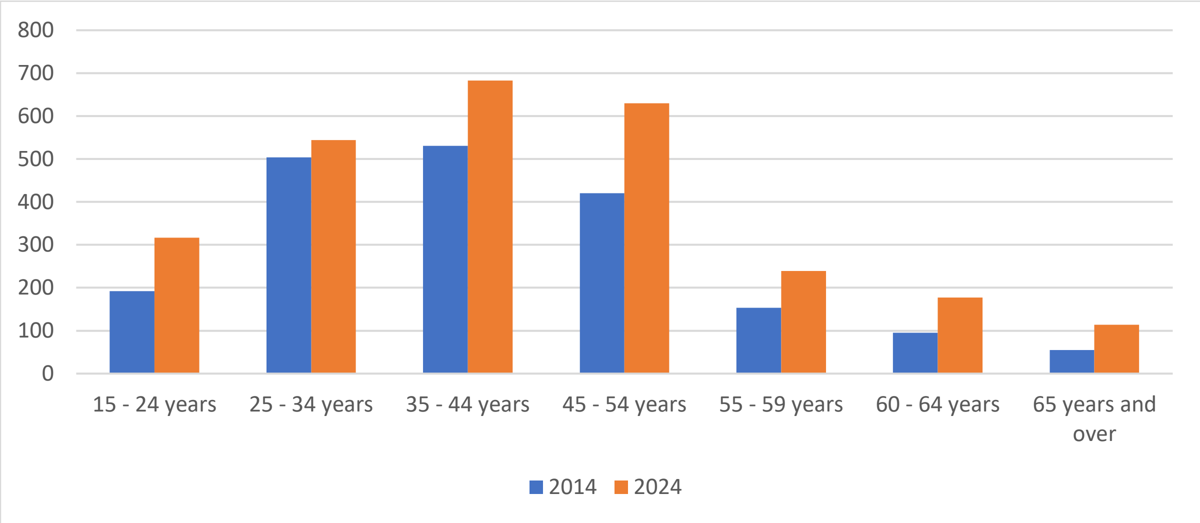
[21] This study obviously did not look at the longer-term impact (if any) of the change in pensionable age.

In other words, notwithstanding the change in the pensionable age, people may have continued to retire at 65 because they had to (because of an MRA), were expected to, and/or were able to receive other financial benefits at age 65.

4.3 Labour market dynamics and the impact of flexible retirement

The Irish Labour Force Survey (LFS) indicates that the number of people in employment declines sharply with age (see Figure 1).

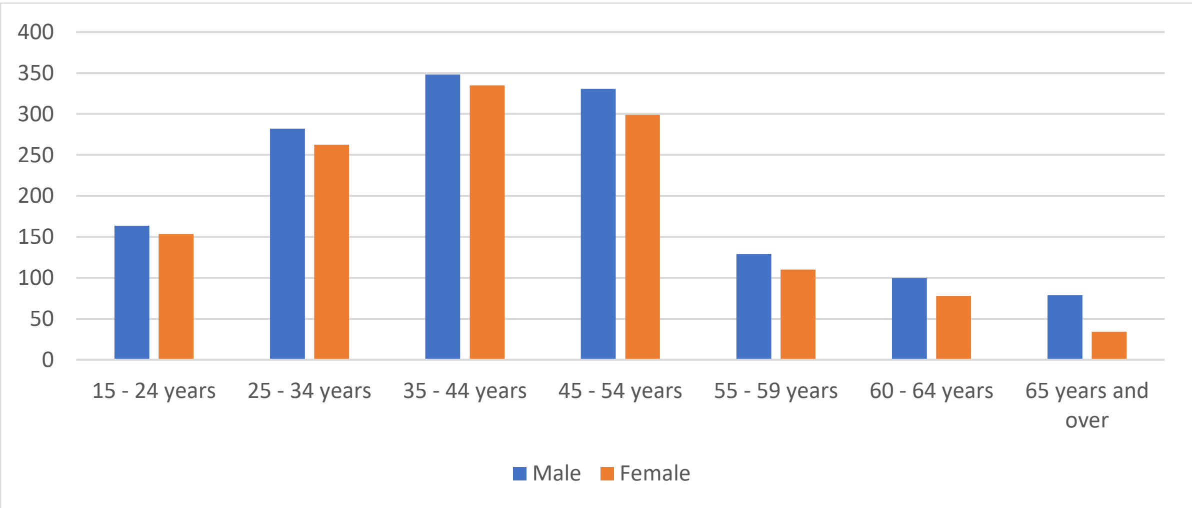
Figure 1: People in employment by age group, 2014-24 (000)



Source: Central Statistics Office (CSO), LFS.[22]

In general more men work than women, and the proportion of women in employment falls more rapidly with age (Figure 2). In 2024 (Q1) men made up 51.8% of those in employment aged 25-34. But men made up 56% of those in employment aged 60-64 and 69.7% of those in employment aged 65 or over.

Figure 2: People in employment by gender, 2024 (000)



Source: CSO, LFS.

[22] https://www.cso.ie/en/statistics/labourmarket/labourforcesurveylfs/

EU data show that older workers are more likely to work part time.[23] People in employment aged 65 or over are split roughly 50:50 between full-time (51.9%) and part-time work (48.1%), whereas in the younger age groups full-time work predominates. Men aged 65 or over are much more likely to work full time (59.3%) than women (36.3%).

The TILDA provides data on the proportion of people who describe themselves as retired but still in paid work (employed or self-employed) (Ward, 2019). Of respondents in the 60-67 age group, 86% were fully retired while 14% were still working (20% of men compared with 9% of women). Average hours of work were 22.7 hours.

EU data indicate that the average duration of working life increased from 35.7 years in 2014 to 40 in 2023.[24] Unsurprisingly, working life was longer for men, increasing from 39.3 years to 42.8 in 2023 (by 8.9%). But there has been some convergence with women, whose duration of working lives rose from 31.9 in 2014 to 37.1 in 2023 (16.3%).

One trend in Ireland, as in other countries, is towards a higher share of self-employment among older labour force participants. EU data show that people aged 65 or over in work are almost equally divided between employees (46.9%) and self-employed people (53.1%), whereas those in younger age groups are mainly employees.[25] Nolan and Barret (2019b) found that the higher proportion of self-employed people at older ages in Ireland resulted from lower retirement rates among the self-employed and not from transitions from employment to self-employment. The study found that the self-employed were older, more likely to be male, and significantly less likely to have any form of supplementary pension cover than the employed.

Again, no information is yet available as to the impact of the 2024 reforms; but on the assumption that take-up of deferred pension options will be very low, it is unlikely that there will be any significant labour market impact in the absence of broader measures to allow more flexible retirement. One law firm has suggested that the introduction of a flexible pensionable age "*may create an additional challenge for employers in the context of enforcing mandatory retirement ages (MRAs) as more employees may seek to work for longer*" (William Fry, 2023).

OCED data indicate that in 2014 there was a gap of 2.2 years between men's average effective labour market exit age and the pensionable age (66), and a gap of 4.4 years in the case of women. By 2022 the exit age had risen and there was a positive gap for men of 0.3 years but a negative gap for women of 1.1 years (OECD, 2023b).

4.4 Expected redistributive impact

There do not appear to have been any studies of the expected redistributive impact of flexible retirement or the 2024 reforms; but again any impact of the latter would, in any case, appear quite minimal.

4.5 Expected impact on fiscal policies and sustainability

The system works on the basis that people may defer retirement and claim a pension that is increased on an actuarial basis. However, the Pensions Commission (2022, 143) noted that:

> "*deferring the state pension could work to reduce the tax take from pensioners in employment and result in a loss of income to the Exchequer, if the take-up of this option was primarily by people seeking to reduce their tax liability. However, …, the take-up for deferred state pension options tends to be small and, in this regard, any*

[23] Data: Eurostat, LFS, code = lfsa_eftpt.

[24] Data: Eurostat, LFS, code: lfsi_dwl_a.

[25] Data: Eurostat, LFS, code = lfsa_egaps.

> *Exchequer impact is likely to be minimal. In addition, this potentially negative Exchequer impact could be offset if the reform worked as an incentive that encouraged more older people to remain in employment past state pension age*."

However, there do not appear to have been any actuarial studies on the issue and the basis for the increased pensions for those deferring retirement has not been published.

The government has stated that the long-term sustainability of the state pension system will be addressed through gradual, incremental increases in social insurance rates over time.[26] As a first step, it was announced in the 2024 budget that from 1 October 2024 all social insurance contribution rates would increase by 0.1%. This measure, which would raise EUR 240 million in a full year, was described by the Minister for Public Expenditure and Reform as "*a modest but necessary step to secure pension entitlements for this and for future generations*".[27]

4.6 Expected impact on quality of life and society

No specific information is available on the impact of flexible retirement on the quality of life. The Pensions Commission (2022, 140), in recommending a flexible approach, argued that "*Flexible state pension arrangements can increase people's well-being and incentivise people to work longer than they would have otherwise*". A paper for the EU Economic Policy Committee Ageing Working Group estimated that in 2022 the duration of retirement (i.e. the remaining life expectancy at the average labour market exit age) was 18.8 years (15.5 for men and 22.1 for women) (Department of Finance, 2023).

4.7 Motivation for using flexible retirement pathways

There are data from the TILDA on the reasons people give for retiring (Ward, 2019). Of retired respondents, over half (57%) reported that they retired when they became eligible for a pension (state, occupational, or personal), while one third (34%) retired due to other reasons such as spending time with family or enjoying life. The remainder retired due to ill-health (5%) or being made redundant (5%).

The TILDA also asks respondents at what age they expect to retire fully from paid work (Ward, 2019). In 2019, 18% of participants who were employed planned to retire before 65, while a further 40% planned to retire between 65 and 67, and 6% intended to retire later. However, over one fifth (22%) reported that they had no plans to retire, while a further 14% did not know. On average women planned to retire earlier than men, while men (25%) were more likely than women to say that they had no plans to retire (19%). Public sector employees planned to retire earlier than private sector employees and the self-employed. People planning to retire at an earlier age were significantly more likely to be a member of an occupational pension scheme, while 60% of workers with no plans to retire had no pension. This research indicates the importance of pension coverage to retirement decisions.

There do not appear to have been any recently published surveys on attitudes to flexible retirement.

[26] https://www.gov.ie/en/press-release/6b939-minister-humphreys-announces-landmark-reform-of-state-pension-system-in-ireland/#:~:text=the%20long%2Dterm%20sustainability%20of,of%20a%20statutory%20actuarial%20review

[27] https://www.gov.ie/en/speech/65152-statement-by-minster-donohoe-on-budget-2024/

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