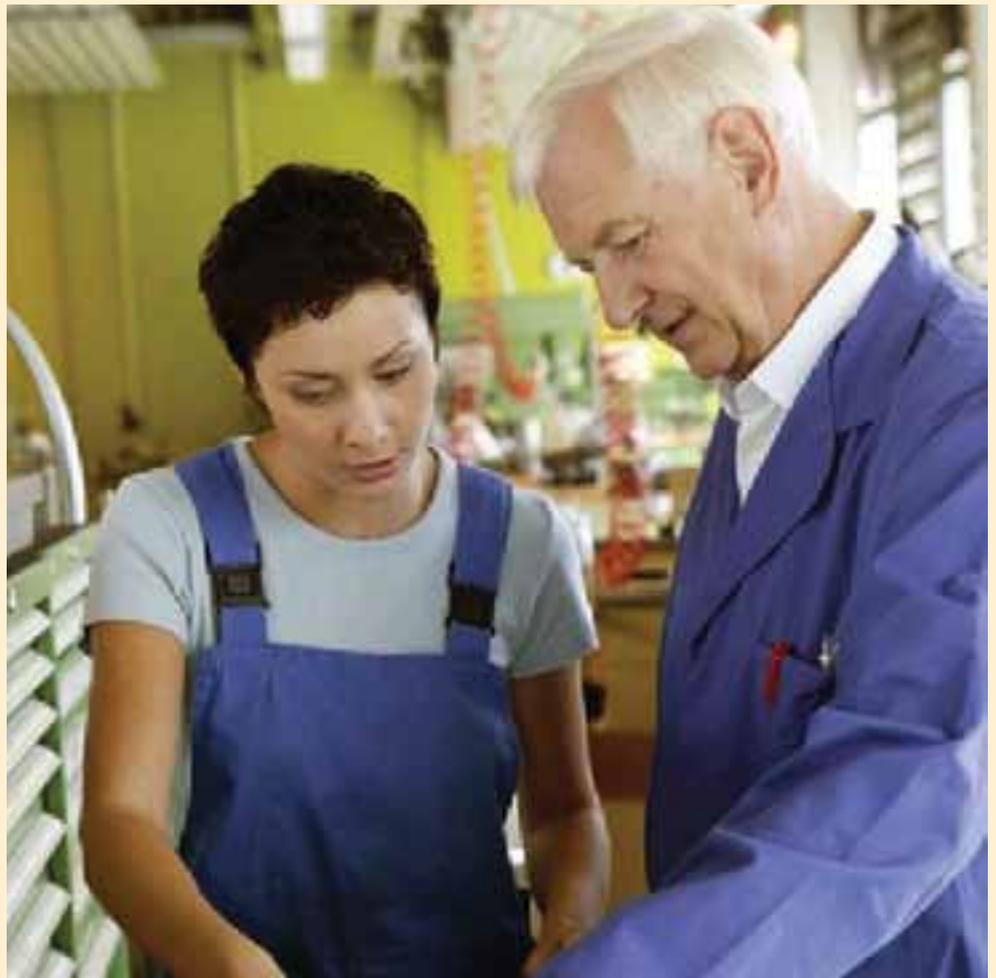




# Income from work after retirement in the EU





Income from work after retirement in the EU

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# Income from work after retirement in the EU

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# Executive summary

## Introduction

EU social and employment policies increasingly emphasise extending working life and increasing effective retirement age. Over the past few years, it has become more common for Europeans to work beyond the age at which they are entitled to a statutory or occupational pension. The employment rate among 65- to 69-year-olds increased from 8.8% in 2005 to 10.5% in 2011 – a remarkable development, especially in a time of economic crisis. In this European Year of Active Ageing and Solidarity between Generations, a special Eurobarometer reported that one-third of people wanted to continue working beyond the pension age, with 6 out of 10 thinking that people should be able to do so.

This study investigates retirees' motivations to take up paid work and how they relate to income adequacy. It explores who these working retirees are, characterises the work they are doing and concludes with lessons for policymakers and employers. Evidence comes from literature, analyses of EU databases and seven country studies.

## Policy context

The European Commission's 2012 White Paper on pensions highlights the challenges of demographic ageing for the sustainability of adequate pensions systems. Member States have been raising retirement ages and discouraging early retirement arrangements. Increased employment rates among people below and above the retirement age will have a positive impact on sustainability of pension systems.

## Key findings

Since 2005, employment rates among people aged 65 and over have shown the largest increases in Finland, the UK, Lithuania, Germany and Austria.

### *Motivational factors*

- Additional income is a motivation. For those retirees who work, it provides over half their income.
- Around one-fifth work because of financial need. They tend to have low incomes and work under insecure conditions.
- For most, motivation largely comes from other factors: work brings contact with colleagues and clients, learning and opportunities to contribute to society.

### *Profile of working retirees*

- Working retirees are often younger and male. Retirees are more likely to work if they are highly educated, live in urban areas or have a mortgage.
- Nevertheless, recent growth in employment rates has come from female retirees and retirees with a medium level of education in particular.
- Among retirees who do not work, a significant proportion would like to work but cannot find suitable employment. Many were already disadvantaged in the labour market well before retirement.

### ***Employment contract***

- The majority work part time.
- About half are self-employed; often, however, they work as a one-person enterprise for a single employer.
- Almost one-fifth of working retirees have a temporary contract. This is higher than for other age groups and also more often reflects the worker's preference.
- Some carry out undeclared work.
- Retirees work relatively often in the agriculture and fisheries sector and the professional, scientific and technical activities sector.

### ***Reasons for employing retirees***

- As society is ageing, retirees form an increasing proportion of an organisation's client base. A workforce with retirees helps companies to understand these clients' preferences and to relate to them.
- Organisations appreciate that retirees are often open to accepting flexible work arrangements.
- Cost savings result from postponing recruiting and training new employees.
- Employers highlight a particularly high work motivation among retirees.

## **Policy pointers**

### ***Lessons for policymakers***

- Work after retirement can be enriching and rewarding, but promoting it may have negative impacts. It can be seen to erode the right to enjoy retirement; it risks marginalising people who might not be in a position to work or who contribute to society, for example, by caring and volunteering; and regardless of macro-level evidence pointing to the contrary, it conflicts with public perceptions that older people are reducing employment chances for younger people.
- Pension adequacy should be guaranteed to avoid retirees having to work because of financial need.
- Millions of Europeans beyond retirement age are already working. Institutions that were not designed with this development in mind need to be adjusted. For example, minimum wages do not always apply to retirees; employer insurance for absence from work due to illness may not be available for retirees; and periods outside employment may be required before a retiree is allowed to continue working.
- Financial incentives should be reinforced so that work pays for the retiree by increasing future pension and current income. For the rest of society, work after retirement should benefit society through savings from public pension deferral, contributions to social security schemes, avoidance of undeclared work and added economic activity. Means-tested pensions are a disincentive to work.
- Clear information and regulation are needed so that retirees who want to work, and employers who want to hire them, can do so and are not limited by misperceptions about consequences for taxes and pensions.

- Open labour market policies, support for integration and availability of jobs benefit people of all ages. Many retirees have already given up looking for employment long before they retire.

***Lessons for companies***

- Retirees, or employees who are about to retire, have a choice not to work. They often want to work reduced hours, and their choice largely depends on whether companies provide such flexible options.
- The importance of the work retirees do should be acknowledged, and a work environment conducive to their needs should be created. While these issues matter for people of all ages, retirees are more often motivated by social reasons and may be subject to specific negative stereotypes.
- Pre-retirement conversations can change the assumptions of the retiree and of the employer and allow a tailor-made post-retirement option to be developed.
- Training and mentoring roles for retirees can strengthen knowledge transfer, are well received among colleagues, and contribute to long-term solutions to skill mismatches by integrating younger workers.



# Introduction

During the past few years it has become increasingly common for retirees to take on paid work in the EU. In the fourth quarter of 2011, 10.8% of 65- to 69-year-olds were employed, up from 8.9% in the same period in 2005.

On the one hand, the increase in work after retirement<sup>1</sup> may reflect an increased need for retirees to supplement other sources of income. Income from state pensions, occupational pensions and savings have come under pressure (OECD, 2011) and costs have also increased. While these retirees had hoped to enjoy a well-deserved retirement, some may now be faced with a need to work in order to make ends meet.

On the other hand, some retirees may work because they want to. Europeans are living longer and staying healthier than ever before (European Commission, 2012a) and may see paid employment as one way to stay in contact with others and contribute to society. They may also have financial motivations, but they would work even if they did not need the money.

Despite the increase in uptake of paid work after retirement, most retirees are not involved in paid employment. They are involved in volunteering (Eurofound, 2011a), care for their partners, parents or other people close to them (Eurofound, 2011b) or spend their time in different ways. Others would like to work but are not in employment for various reasons, such as the inability to find a suitable job.

This study investigates these retirees' motivations for seeking paid work and their opportunities for gaining employment. The report aims to put this in the context of income adequacy for the retired population. Furthermore, trends are explored in the types of paid employment where working retirees are found. The report also identifies ways in which companies seek to recruit and retain retirees and has some important messages for policymakers.

## Policy relevance

In the context of an ageing society, many EU policymakers stress the need for longer working lives (European Commission, 2012a), mainly through discouraging early retirement and increasing pension ages. These discussions tend to ignore the increased uptake of work beyond the statutory retirement age that is taking place. Adaptation of pension systems, increased employment among younger cohorts and increased productivity should contribute to solving income inadequacy in the longer run. Nevertheless, facilitating work beyond retirement for those who want to work can contribute to sustainable adequate pension systems.

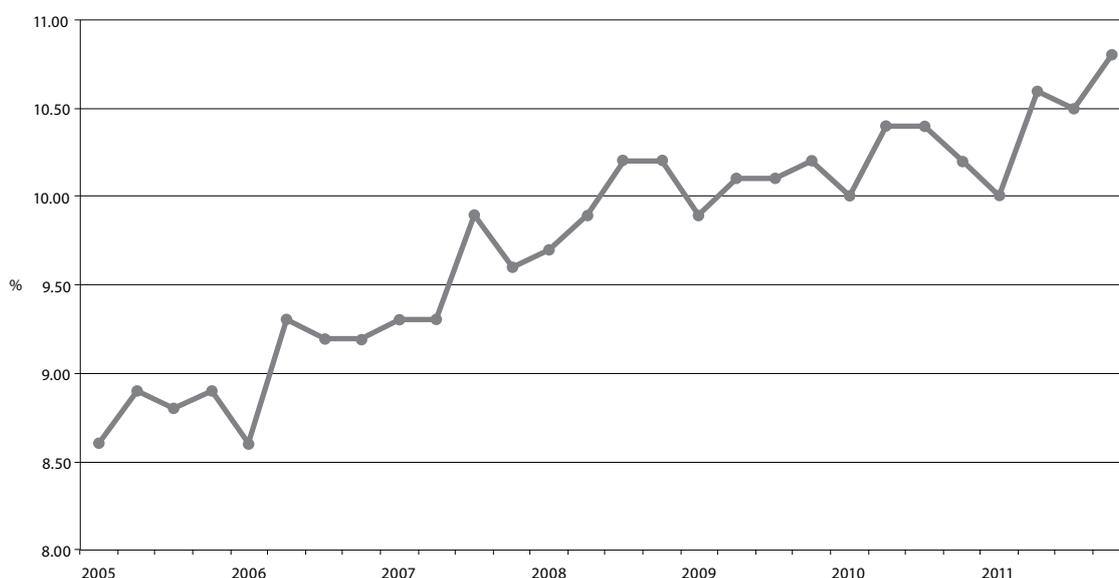
## How common is it?

Currently well over four million people over the age of 65 are in employment in the EU. Employment rates among retirees have increased even during the economic and financial crisis. When comparing the third quarter of 2007 with the same period in 2011, employment rates of people aged 65 to 69 increased from 9.9% to 10.5%, including self-employment. As nearly all Member States have statutory retirement ages at 65 or below, this group is composed almost exclusively of retirees. Quarterly data from earlier years, consistently available since the first quarter of 2005, confirm this trend (Figure 1). In sharp contrast, employment rates for 15- to 64-year-olds decreased from 65.9% to 64.6% between 2007 and 2011.

---

<sup>1</sup> Retirement is defined as the age at which someone is entitled to a statutory or occupational pension (see 'Concepts' in Chapter 1), and a retiree as someone who has passed this age.

Figure 1: Quarterly employment rate (%) among 65–69-year-olds in the EU (2005 Q1 to 2011 Q4)



Source: Eurostat, Labour Force Survey online database, 2012

While overall work beyond retirement became more common, there are differences among Member States. Between 2005 and 2011, most Member States experienced an increase of employment rates among 65- to 69-year-olds (Table 1). Nevertheless, eight (Portugal, Latvia, Slovenia, Cyprus, Estonia, Romania, Greece and Poland) showed a decrease. Except for Greece and Slovenia, these Member States had rates which were already well above the EU average. Most of them were also particularly hard hit by the economic crisis. Overall, the employment rate of 65- to 69-year-olds increased by 1.7% in the EU, from 8.8% in 2005 to 10.5% in 2011.

Table 1: Employment rates (%) among 65- to 69-year-olds in the EU, 2005 and 2011

	2005	2011	Increase
Finland	6.8	11.7	4.9
UK	14.4	19.1	4.7
Lithuania	8.6	12.9	4.3
Germany	6.5	10.0	3.5
Austria	6.1	9.5	3.4
France	2.9	5.3	2.4
Netherlands	9.2	11.4	2.2
Sweden	13.7	15.4	1.7
Bulgaria	4.8	6.5	1.7
EU27	8.8	10.5	1.7
Hungary	3.7	5.0	1.3
Czech Republic	8.1	9.3	1.2
Slovakia	2.9	3.9	1.0
Ireland	15.1	16.0	0.9
Italy	6.9	7.5	0.6

	2005	2011	Increase
Spain	4.5	5.0	0.5
Belgium	3.5	3.9	0.4
Denmark	13.4	13.5	0.1
Poland	9.9	9.4	-0.5
Greece	9.5	8.6	-0.9
Romania	24.7	22.9	-1.8
Estonia	21.7	19.5	-2.2
Cyprus	18.9	16.2	-2.7
Slovenia	11.9	8.9	-3.0
Latvia	18.0	13.3	-4.7
Portugal	27.6	21.9	-5.7
Luxembourg	n.a.	6.5	n.a.
Malta	n.a.	6.3	n.a.

Note: n.a. = not available.

Source: Eurostat, LFS online database, 2012

Working retirees are a heterogeneous group. The work retirees undertake varies and retirees' motivations to seek employment differ. Different groups are identified in this research and some generalisations are made to inform the policy process. Nevertheless, it is important to realise that even within these groups of retirees, and companies employing them, there are differences.

### Difference from work before retirement

Much research has been done on older workers. There are different characteristics that change gradually with age that are relevant for work beyond retirement as well. Nevertheless, there are reasons to believe that work beyond retirement is different enough from work before retirement to deserve specific investigation. First, there is empirical evidence for some more abrupt changes in characteristics specific to those who work beyond retirement age. An example of such an abrupt change is a sharp increase in the prevalence of self-employment. Second, due to legislation which takes the retirement age as a threshold in terms of contractual arrangements but also tax policies, pension benefits and certain entitlements, different behaviour can be expected by companies and retirees. These are likely to impact quality of life and working conditions. An example includes the fact that subsidies for companies that employ disabled persons often do not apply to employed retirees. Third, the fact that retirees usually gain access to at least some pension income also impacts behaviour. Fourth, there are countries where contracts can be discontinued unilaterally by the employer at retirement age. Fifth, there is a sociological element: culturally, there are habits with regard to retirement that are strongly engrained in society. There are ideas about what is the normal thing to do; it is a personal benchmark for plans, and people can feel pressure about what they 'should' do when reaching the statutory retirement age.



# Concepts and data collection

# 1

It is important to define the concept of ‘work after retirement’ as applied in this study. Even when the concept is clear, it is still hard to capture it precisely with specific indicators. After discussing the conceptual and measurement issues, the research process will be described.

## Concepts

This study deals with paid employment, whether it is self-employment or salaried. Although the focus is on declared employment, undeclared employment also receives some attention.

Retirement can be defined in multiple ways, especially in different country contexts. Here we define retirement as the age at which someone is entitled to a statutory or occupational pension. The study’s interest lies in those people who work beyond the pensionable age in the respective country or sector, whether they receive a pension or not, and whether or not it refers to the statutory retirement age for public pensions or to specific sectoral retirement ages, as set out in collective agreements, if they differ from the state pension age. It also includes instances where work is combined with full early retirement. Some might prefer to refer to the subject of interest as ‘work in retirement’ because they see retirement as a stage rather than an event, or as ‘work beyond pensionable age’, as retirement could be interpreted as referring to the status of not working. Work after the retirement age has also been called ‘silver work’ (Deller et al, 2011) and income from work after retirement as the ‘fourth pillar’ of income (Giarini, 2009).

Other related concepts include ‘bridge employment’ (for example, Wang and Shultz, 2010), ‘unretirement’ or ‘reverse retirement’ (Maestas, 2004; McDonald, 1997) or ‘third career jobs’. Bridge employment can certainly be an example of work after retirement. Nevertheless, it focuses on the employment that bridges the transition from a career job to full exit from the labour market. Work after retirement does not necessarily do so. It also includes work taken up after a period of inactivity, sometimes described as unretirement or reverse retirement (see Chapter 3, ‘Continuity from previous employment’).

Work beyond early retirement is included in this study, but not when that retirement is partial or when someone entitled to early retirement did not make use of it. It would include, for example, the case when someone takes full early retirement from one job and returns to the labour market in another job while receiving a full early pension. This study’s concept of work after retirement would not include the situation where someone made use of a partial or phased retirement plan and receives a 50% pension while staying at work for the remaining 50%.

## Measuring work after retirement

The above definition enables assessment of whether a particular case can be described as work after retirement. Nevertheless, when reporting macro-level statistics, it is not feasible to exactly capture this group.

Work can be measured in different ways. Administrative data could be available (for instance, from tax offices, pension funds and social security organisations), but alternatively, survey data is used. Sometimes only work done in the week preceding a certain survey is measured. As respondents might well have worked during other parts of the year but not in that particular week, it could cause some underreporting of work beyond retirement. Furthermore, a bottom threshold is sometimes applied, for example only counting ‘work’ if it exceeds one hour per week. Naturally, undeclared work often goes unreported in surveys and is absent from administrative sources.

Retirement is arguably more challenging to measure. Three approaches will be discussed below, using age, self-reported retirement or pension data.

### ***Age***

One measure of retirement that is used in this report is based on age. Based on the statutory retirement age in the specific countries, one can estimate trends in work after retirement by looking at employment rates beyond this age, assuming retirement ages have been rather constant. There are some complications. For example, EU data is usually based on surveys with reported ages rather than on administrative data with actual ages. Second, statutory retirement ages can differ according to sectors, but also among individuals based on years spent in employment, gender, marital status and number of children (OECD, 2011).

When comparing developments in different countries, this report usually refers to people aged 65 and over. While expected increases in the retirement age might challenge future use of this cut-off point, currently it seems a reasonable measure. Nevertheless, some criticisms can be raised.

This group of people might include some who are not yet retired. The precise retirement rules in different Member States with a retirement age of 65 sometimes imply working a few months into 65. Some of these people might wrongly be counted as retirees as they passed their 65th birthday. Four EU Member States actually have statutory retirement ages that can sometimes lie above 65. All concern flexible retirement options: between 65 and 66 for Ireland, 65 and 67 for Denmark, 61 and 67 for Sweden, and 62 and 68 for Finland.

More importantly, the measure misses a larger number of retirees below the age of 65, as several Member States have statutory retirement ages below 65. The retirement age in France is 60 years. For Austria, Bulgaria, Lithuania, Poland and the UK, the same age applies for women. In Romania and Slovakia, the statutory retirement age for women even lies below 60. Early retirement options and sectoral arrangements add to this. Although the typical pensionable age in the EU is 65 years, the estimated average exit age from the labour force in 2009 was 61.4 years (Eurostat, 2012b). These younger retirees (below 65) are more likely to work (see below) and their age cohort is more populous than those of older retirees. As a consequence, the rate and the number of people working after their retirement are underestimated by estimates based on a cut-off point of 65. The characteristics of these younger retirees might systematically differ from those of older retirees. It is important to keep this in mind.

Furthermore, it is questionable how much sense it makes to compare working retirees of the same age in Member States with different life expectancies. For example, working at the age of 65 can mean something different in Romania (with a retirement age of 63 for men and 58 for women) than it does in Spain (with a retirement age of 65 for men and women) because of the different life expectancies – 16 years at the age of 65 of in Romania, 21 years at the same age in Spain (WHO, 2012).

### ***Reported retirement***

Another approach is to use the self-reported status of being a retiree. Besides the obvious problems with self-reported data, categorising someone as a retiree is not only challenging for researchers, but can also be so for respondents themselves, even when a glossary is provided and applied. If people are working, they might not always see themselves as a retiree, even if they passed the statutory retirement age. This leads to an underestimation of the retirees who work. Questionnaire design

does not always allow for people to report that they are both retired and employed, or wording might simply suggest that being a 'retiree' and being 'employed' are mutually exclusive response categories. On the other hand, people below the occupational and statutory retirement ages might still see themselves as retired when they are inactive for another reason. This would also lead to underestimation of employment rates. There is also a group of people above the pensionable age who report themselves as home workers rather than retirees, sometimes because they have never had paid employment. If these pensioners without paid employment are not included, it would contribute to an overestimation of the post-retirement employment rate.

### ***Pension receipt***

Another measure of retirement is whether someone receives a public or occupational pension. Ideally, the data would come from administrative sources (from tax offices, pension funds and social security organisations). Nevertheless, such data are rarely available or publicly accessible. Alternatively, reported pension receipt in surveys can be used. Even with administrative data, some challenges remain in measuring the phenomenon of work after retirement. In some countries, people who have passed the age at which they are entitled to a state pension do not always receive a pension. Sometimes this is because pensions can be postponed. For public pensions, this is the case in almost all EU Member States (Table 12).

### ***Measures used in the report***

The country studies include case studies of public and private organisations that employ people above the age at which they are entitled to a statutory or occupational pension. For quantitative analysis, however, it is hard to precisely capture this group. Different measures are applied to give as complete a picture as possible. Nevertheless, much of the data presented will take the age of 65 and above as a proxy of retirement.

## **Data collection**

The report is based on a literature review, quantitative analyses of EU databases, input from seven country reports and examples gathered from other EU Member States. The literature review includes evidence from the EU as well as the US. The US is a developed country where work beyond retirement has traditionally been more common than in the EU. In 2011, the US had an employment rate of 16.7% among those aged 65+ and 29.9% for the subgroup of 65- to 69-year-olds (US Bureau of Labor Statistics, 2012). This compares to 4.8% and 10.5%, respectively, in the EU. As a consequence, there are lessons to be learned from the US experience.

While evidence comes from all across the EU, additional information was collected by examining seven Member States in more depth: Austria, the Czech Republic, Germany, Italy, Poland, Sweden and the UK. Country reports are based on a national literature review, secondary data analysis, expert interviews and case studies in organisations employing retired people. At least three people were interviewed for each case study, including one retired worker, someone from the company's management, and someone from the Human Resources department if the organisation has one. Most interviews were face-to-face. The rationale for the selection of these seven Member States was a mix of seeking maximum variation on the one hand and identifying countries where interesting cases can be found on the other hand.

Selection of countries paid attention to differences with regard to welfare regimes and institutional pensions system arrangements, in particular the incentive systems in place to work after retirement and the presence of a pension age where employers have the right to discontinue permanent employment contracts. By examining such diverse contexts, it is more likely to identify lessons that can complement each other, whereas examining only contexts that resemble each other could limit applicability to similar countries only. On the other hand, if similar findings result from very different contexts, there is a case for generalisability and potential use across the EU. In particular, variety in the type of welfare state (Esping-Andersen, 1990; Ferragina and Seeleib-Kaiser, 2011) of a particular country was sought. Welfare state characteristics are likely to influence the motivations of retirees and the conditions of their employment. Austria and Germany are considered 'pure' Christian democratic countries. While Italy also fits in this category, it has often been grouped with other countries, usually as a 'Mediterranean' type. Sweden is classified as a 'pure' social democratic country, while the UK is usually categorised as 'liberal'. While arguably converging to the above welfare regime types, the Czech Republic and Poland have been classified as being different enough from the other clusters with regard to important welfare dimensions to be included in a 'post-communist' welfare regime type (Fenger, 2007).

To determine where the most interesting examples were likely to be found, Member States with relatively large increases in employment rates among retirees were prioritised. Four of the seven Member States show larger increases in employment rates among the 65- to 69-year-olds than the EU average: the UK, Austria, Germany and Sweden (Table 1). The Czech Republic, Italy and Poland have lower growth rates than the EU average. Nevertheless, the Czech Republic is very close to the EU average. Italy has a higher rate than, for example, France and Spain. Furthermore, rates in Italy increased slightly over the past few years, in contrast to, for example, Portugal, where work after retirement has become less common. Poland was considered an interesting country for investigation. Being among the few showing a decline in work after retirement, it is the only EU Member State that has – overall – suffered relatively little from the recession. So, companies might have had to put a relatively large effort into attracting retirees. On the other hand, 37% of people in Poland reported that they wanted to work after retirement, above the 33% EU average (European Commission, 2012b), and the country still has higher rates of work after retirement than, for example, Slovakia or Bulgaria.

As part of the research, Eurostat Labour Force Survey (LFS) data were used to identify the most frequent clusters of working retirees along certain variables (such as gender and sector). The seven selected Member States are represented in all five principal clusters that emerged from this analysis, and most of them fall into different clusters (Table 11). For example, Austria and Germany each have a very different prominent group of working retirees, and the Czech Republic and Poland also fall into different clusters.

The review of the literature took place in 2011 and the first half of 2012. The same holds for the analysis of EU data. The country reports were written by five different contractors in 2011 (Austria, Poland and Sweden) and the first half of 2012 (the Czech Republic, Germany, Italy and the UK).

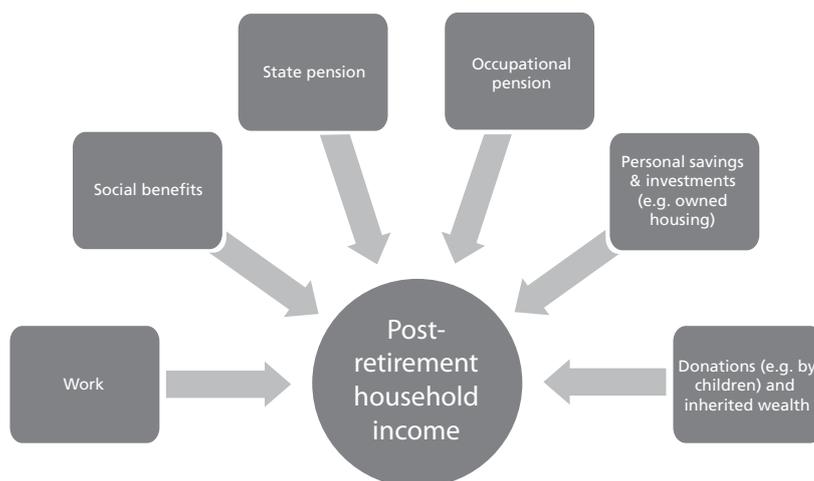
# Trends in adequacy and sustainability of retirement income

## Income adequacy

### Sources of income

Income after retirement can come from a variety of sources (Figure 2). State pensions (means-tested or not) and occupational pensions together form the largest component (European Commission, 2012a; OECD, 2011; SPC, 2012). Overall, public pensions account for around 60% of incomes of over-65s. There are differences between Member States; for example, in France and Hungary, public transfers account for about 85% of incomes (OECD, 2011). Occupational plans are sometimes provided publicly (in Finland, for instance) but are usually largely private, subject to public regulation. While relatively small in some countries, they account for around 30% of old-age income in Finland, the Netherlands and the UK (OECD, 2011). Nevertheless, significant parts of the population go uncovered by such occupational schemes or accumulate few pension entitlements in these Member States.

**Figure 2: Sources of income after retirement**



Source: Eurofound

While overall these two sources of retirement income are predominant, for some groups and for some countries, other sources of retirement income – such as transfers from children or housing benefits – are also significant. With the surge in employment among retirees, paid work becomes an increasingly relevant source of income as well. Analysis of EU-SILC data shows that, in 2009, income from work amounted to 7% of gross individual income of people aged 65+, compared to nearly 85% for those of working age.<sup>2</sup> This income from work refers to cash income from salaried employment and self-employment, including losses from business as well. There are country differences, with, for example, people aged 65+ in Ireland and Latvia earning relatively large shares of their incomes from work (more than 12%). By contrast, in Romania and Slovakia, for example, people aged 65+ earn particularly small shares of their income from work (less than 4%). Furthermore, there is a difference between age groups, with younger retirees earning a larger share of their incomes from work.

<sup>2</sup> Gross individual income includes income from work (self-employment and salaried), education-related allowances, and unemployment, old-age, survivor, sickness and disability benefits. Income measured at the household level (for example, from property) is excluded.

Many European aged 65 years or more do not gain any income from work at all. As a consequence, the proportion of income gained from work is considerably higher for the group of people who work after retirement: well over half for people aged 65+. For about a quarter of them, paid work provides less than one-fifth of their income, but for almost two-fifths of people aged 65+ it provides more than 80% of their income. Younger retirees are not only more likely to work than older ones (see Chapter 3, 'Age'), but if they are in employment, they also tend to earn a larger share of their income from work than older working retirees. Among those aged 65+ who work, there is a strongly negative correlation between the income from other sources and the share of income from work. Working retirees with high income from other sources receive relatively large amounts of income from work, but this forms a relatively small share of their overall income. For working retirees with lower overall incomes, income from work forms a more important share of their total income.

Pension adequacy has several dimensions. The base level of income provided, the net replacement rate (pensions relative to previous earnings), taxing of retirement income and the availability of in-kind public benefits all matter. The Global Pension Index ranking took some of these dimensions and others into account when evaluating six EU Member States and the US (ACFS and Mercer, 2011). In 2011, the Netherlands and France were reported to have the highest adequacy, while the UK and Sweden scored somewhat lower. Poland and Germany were at the bottom but still above the US. Among the five EU Member States for which 2010 and 2011 data are available, four (the Netherlands, France, Germany and especially Sweden) showed a decrease in rating with regard to adequacy, while only one (the UK) improved somewhat.

### ***Retiree income, magnitude and trends***

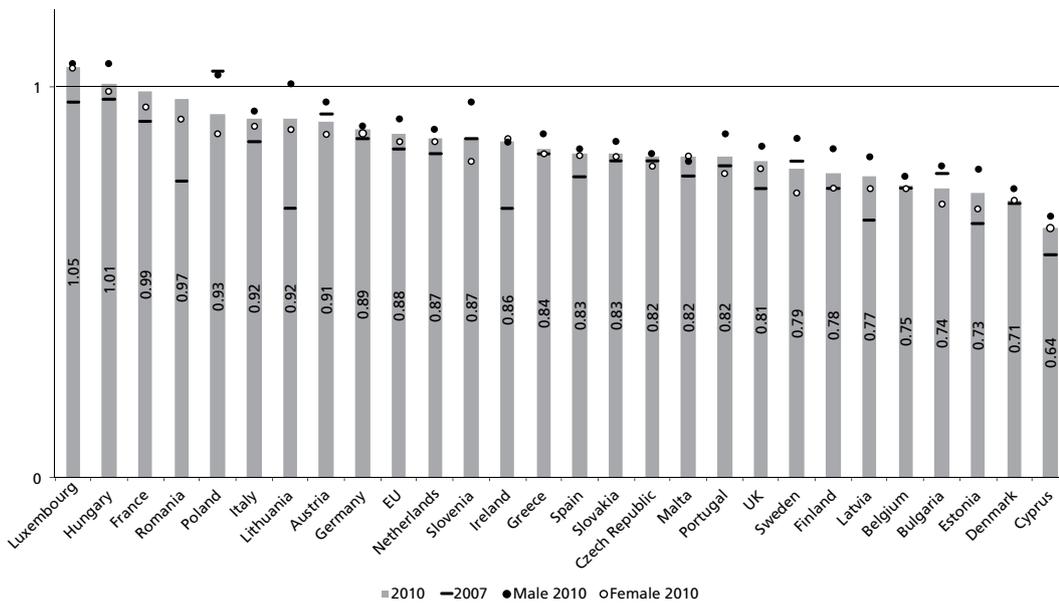
On average, retirees' incomes lie below incomes of those of 'working age'. In 2010, the median income of people aged 65 years and over in the EU was 88% of that of 16- to 65-year-olds (Figure 3). There are only two Member States where the median income for people aged 65+ lies slightly above that of 16- to 65-year-olds: Hungary (101%) and Luxembourg (105%). In the other Member States, inequality in median earnings between these age groups varies largely, with relatively low incomes in Cyprus (64%), Denmark (71%), Estonia (73%) and Bulgaria (74%). In some Member States the median income of the 65+ age group lies much closer to the income of 16- to 65-year-olds (at 93% in Poland, 92% in Italy and Lithuania and 91% in Austria). It should be taken into account, though, that living conditions of relatively low-income retirees in the richest Member States are well beyond those of even the better off in the poorest Member States.

While the median income of the 65+ age group remained lower than that of 16- to 65-year-olds in the EU in 2010, the difference has decreased over the past few years. People aged 65+ were worse off compared to those aged 16 to 65 in 2010 than they were in 2007 in only four Member States: Sweden, Austria, Bulgaria and especially Poland. Besides cross-national differences, there are large differences between individuals and groups. Among those worst off are retirees who have been excluded from the labour market for prolonged periods over their life for different reasons, including discrimination at some point along their life course, or who have been in low-paid employment.

For women, the income difference is more marked than for men. Women of 65 years and older earn 86% of the mean income of women aged 16–64 years, which already lies well below the income of men of aged 16–64 years. For men, the rate is higher at 92%. This gender difference is up to 15% in Poland, Romania and Slovenia and 14% in Sweden, while this difference is negative (–1%) only in Ireland and Malta. The gender difference can largely be explained by relatively low savings and

work-dependent pension accumulation. In their lives, women generally pass through longer periods of part-time work, lower wages and longer periods of economic inactivity. Much of this is due to women’s relatively large role in informal work, such as childcare and housework (for example, Choi, 2001; European Parliament, 2011; TUC, 2012). In some Member States the statutory retirement age for women is lower than that for men, regardless of their longer healthy life expectancy, often with fewer options to accumulate savings and pension contributions. The European Commission’s White Paper (2012a) recommends against such sex-based differences.

**Figure 3: Relative median income ratio of people aged 65+ years compared to 16–64-year-olds, EU, 2007 and 2010**



Source: Eurostat, EU-SILC online database, 2012; variable: ilc\_pnp2

While the relative median income says something about group averages, the risk of poverty rate reveals what share of the population lives in households with especially low income. In particular, it concerns the share with an (equivalised) disposable income below 60% of the median income for the current year and at least two out of the preceding three years. Poverty rates for those people who reported to be ‘retirees’ lie somewhat below those of the population as a whole and they also lie below those of older people below the pensionable age. One reason for this is that income inequality among retirees is relatively low (European Commission, 2010b). While overall incomes among retirees lie below those of younger age groups, drops are relatively large for those with high incomes. Another potential explanation for larger observed income equality among older people is that the poorest tend to die earlier. Furthermore, between 2007 and 2010, poverty rates among retirees decreased in the EU.

Nevertheless, if one uses an age-based instead of a self-reported measure of retirement, poverty rates among the 65+ age group are actually somewhat higher (16%) than among those aged 16 to 64 (15.5%) and are considerably higher than among 55- to 64-year-olds (13.6%). As discussed in Chapter 1 (‘Measuring work after retirement’), differences between these measures could be explained by the different groups they cover, with, for example, home workers (who frequently do

not report themselves to be retired) and older retirees (more represented in the age measure) being particularly poor.

Overall, about a fifth of people aged 65 or over have pension incomes that are so close to the poverty risk threshold (just below or just above) that relatively small increases or decreases in their pensions can lead to important variations in the poverty rates of the elderly (SPC, 2012).

***Adequacy beyond income***

Even when a household would not fall below the poverty threshold in terms of income, it can still be hard to make ends meet if expenses are high. Table 2 shows that the proportion of households reporting to have (some or great) difficulties making ends meet generally lies well above that of those at risk of poverty. Households with at least one adult over 65 years old are somewhat less likely to have difficulties with making ends meet than other households.

People over 65 who live alone are struggling more than those who live together. For one-adult households, 53.6% have difficulties making ends meet if this person is 65 years or older. For larger households with at least one member aged 65 or older, 44.5% have difficulty making ends meet. For households of all ages together, the number is larger, at 55.2%. This higher rate can mostly be attributed to households with children, while those without children report much lower rates. There are also large differences within these groups of households with at least one member aged 65 years or older. Retirees in some Member States are more at risk than in others. In Bulgaria, Romania, Hungary and Lithuania, people aged 65+ most often report difficulties making ends meet, whereas Denmark, Germany, Luxembourg and Sweden are the Member States where the 65+ have difficulties making ends meet least often.

**Table 2: Percentage of households with some or great difficulty making ends meet, EU, 2010**

	One adult 65+	Two adults, at least one 65+
Bulgaria	97.7	94.5
Romania	94.2	89.2
Hungary	90.5	88.4
Lithuania	94.8	88.0
Latvia	89.1	83.8
Greece	88.5	81.8
Slovakia	86.8	81.7
Portugal	82.7	76.5
Poland	81.7	75.9
Italy	78.5	71.6
Cyprus	80.9	70.7
Malta	69.1	68.6
Czech Republic	72.0	62.2
Slovenia	72.9	61.0
Estonia	71.8	57.7
Spain	61.3	54.5
France	64.3	53.9
Ireland	47.6	45.6

## Trends in adequacy and sustainability of retirement income

	One adult 65+	Two adults, at least one 65+
<i>EU</i>	53.6	44.5
<b>Belgium</b>	55.2	38.9
<b>Austria</b>	50.9	32.5
<b>UK</b>	29.5	25.9
<b>Netherlands</b>	24.3	17.1
<b>Finland</b>	22.1	11.9
<b>Denmark</b>	19.5	11.7
<b>Germany</b>	21.4	11.2
<b>Luxembourg</b>	13.5	7.5
<b>Sweden</b>	21.9	6.5

Source: Eurostat, EU-SILC online database, 2012

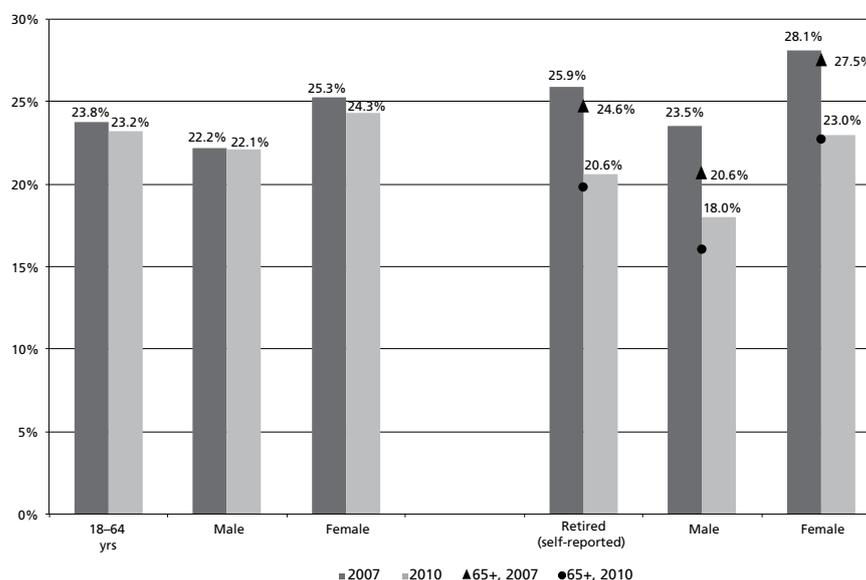
One indicator that brings measures such as income and the ability to make ends meet together is the risk of poverty or social exclusion (which is the headline indicator to monitor the Europe 2020 strategy poverty target). Whether someone is at risk of social exclusion depends on whether their household has problems making ends meet, but also on their extent of debt and enforced lack of basic necessities as well as their physical and social environment.

In 2010, one out of five (19.8%) of those aged 65+ in the EU were at risk of poverty or social exclusion (Figure 4). This is considerably lower than the rate for those aged 18 to 64, which amounted to 23.2% in the same year. Poverty and social exclusion are somewhat higher among those who report to be retired (20.6%) than when the age-based measure is used (see Chapter 1, 'Measuring work after retirement'). It seems plausible that the age measure does not capture a group of socially excluded younger retirees, many unemployed or inactive. On the other hand, the retiree measure does not capture some retirees who are above the poverty threshold and do not see themselves as retirees because they work. Nevertheless, the share of the population at risk of poverty or social exclusion among self-reported retirees is still below the rate for 18- to 64-year-olds.

Women retirees are clearly worse off than male retirees and remain at risk of poverty or social exclusion more often than other parts of the population, regardless of the measure used, confirming the gender issue discussed above. While this is true for the population as a whole, the gender difference is particularly pronounced for retirees. Furthermore, there are large differences between Member States. In Bulgaria, Cyprus, Finland, Malta, Portugal, Slovenia and the UK, the proportion of people aged 65 and older at risk of poverty and social exclusion is more than 1 percentage point higher than the proportion for 18–64-year-olds.

In 2007, the rate of retirees (both for the age-based and the self-reported retiree measure) at risk of poverty or social exclusion was still higher than the rate for 18- to 64-year-olds (using the age-based measure, it was already lower only for men). In 2011 the situation was reversed, with retirees now generally less at risk of poverty or social exclusion than the population as a whole.

**Figure 4: People at risk of poverty or social exclusion, 18–64-year-olds compared to self-reported retirees and those aged 65+**



Source: Eurostat, EU-SILC online database, 2012

### ***Impact of the economic crisis***

As a group, retirees have been less affected by the economic crisis than other people in the EU. The impact of the crisis is likely to be more immediate for people below retirement age who lost their jobs and are faced with suddenly decreased income, while the impact on retirement income tends to be somewhat less immediate if that income did not come from work or working children. Nevertheless, income levels are relatively low, and retirees also compare unfavourably in terms of some non-monetary measures. Furthermore, there are many individual retirees who have been affected by the crisis, for example by being driven into unfavourable early retirement schemes. Female retirees, those who live alone, who are particularly old and who have health problems are relatively vulnerable. Income is not all that matters, with retirees being relatively worse off in terms of non-monetary deprivation measures. Furthermore, part of the explanation of a moderate impact of the economic crisis could lie in the fact that retirees started to take on paid work purely because of financial need.

Setbacks in economic growth, public budgets, financial stability and employment because of the recent financial crisis have aggravated concerns about pension adequacy. Pensions have come under pressure and overall replacement rates are expected to decrease considerably between 2008 and 2048 in most EU Member States (bar Bulgaria, Cyprus, Estonia, Romania, Slovenia, Spain and the UK) (European Commission, 2012a). Occupational pensions have seen important losses over the past few years in many EU Member States, mainly because of declining stock markets and low interest rates. Early retirement, often involuntary as part of redundancy rounds, has left many with lower pensions, especially among workers who were already low paid in the first place. Future prospects for this source of income in retirement are further challenged by consistent low income and long unemployment spells (EPC/SPC/EC, 2010). Companies suffering from the recession are also less eager to contribute to pension plans and some occupational pensions are not adjusted for inflation and are sometimes decreased.

Private individual savings are unlikely to be sufficient for most of the population. Low wages leave little room for many to accumulate enough savings. Underestimation of future needs, or low importance attached to these needs at earlier ages, and overly optimistic expectations of future income also play a role. Low return on investment, low interest rates, high inflation and longer lives require more savings to achieve similar income levels after retirement. Decreased incomes make saving harder.

With income from all these sources being under threat for some population groups, many retirees simultaneously face increased costs. Recent cuts in government funding often lie at the root of cost increases. For example, in Member States with decreased public funding for healthcare, out-of-pocket payments have increased. VAT has increased in several Member States (such as Romania in 2010 and Italy and Spain in 2012) as have other taxes. Saving is a challenge for those with low incomes in particular. Some (both retirees and non-retirees) dip into their future pension entitlements and accumulated savings in order to address immediate needs, triggered, for example, by household debt problems, healthcare costs or other disruptive life events. One way to address these immediate needs is through 'early pension release offers' or opting for one-off payments instead of yearly payments when reaching the retirement age, eroding future retirement income adequacy.

### **Income sustainability**

#### *Pension reforms*

The issue of pension adequacy is closely related to sustainability. While it is good news that Europeans are living longer, with unchanged policy and high public and private debt, adequate pension provision might prove unsustainable, especially in Member States with less defined contribution schemes. As part of the Europe 2020 strategy, the European Commission presents pension system reform (such as reducing early retirement schemes and increasing retirement age) as a macroeconomic prerequisite for growth (European Commission, 2010a) and reminds Member States that as people live longer, they also need to stay in employment longer and save more for their retirement. The increase in expenditure required to guarantee current levels of adequacy would otherwise be unsustainable (European Commission, 2012a). It has been argued that further extension of working lives and creation of employment opportunities for older workers are necessary to ensure the sustainability of the system, but also to avoid labour market shortages (BusinessEurope, 2012).

Recent reforms in many Member States have tried to accommodate changes in the economic and social environment through labour market policies encouraging people to work longer and by moving from single to multi-tiered pension systems to lower the share of pay-as-you-go pensions (European Commission, 2010b). Early retirement has been effectively discouraged in different ways by the Member States (European Commission, 2012a). Countries where workers are entitled to a public pension after spending a certain number of years in employment have raised the minimum number of years required. In addition, most Member States increased the retirement age or have committed to doing so over the next few decades (MISSOC, 2012).

The Global Pension Index brought together several dimensions in measuring sustainability among six Member States, with France, Germany and Poland scoring lowest, while the UK system was judged more sustainable, and the Swedish and Dutch the most sustainable. There is some trade-off between adequacy and sustainability. For example, Sweden's system became less adequate but more sustainable according to the index.

While a clear policy priority in many Member States, public opinion seems less decided. Only one in three Europeans agrees with the idea that the official retirement age will have to be increased by 2030 (European Commission, 2012b). Furthermore, there are equity concerns. The issue of life expectancy is an important factor in the relationship between sustainability and adequacy on the one hand and equity on the other. An increase in the pension age makes sense when taking increased healthy life expectancy into account. Several Member States plan linking retirement age to life expectancy at the national level (OECD, 2007), converting the life expectancy statistics into an even more policy-sensitive topic. There are equity concerns. Life expectancy differs largely not only between countries, but also within Member States – between regions, socio-economic groups (Marmot and Shipley, 1996), occupations, gender and individuals, especially in urban areas (Hayward et al, 1997). For example, there is an eight-year difference in life expectancy in France for men in different categories of work (Reday-Mulvey, 2008). Nevertheless, social differentials in mortality based on an occupational status measure seem to decrease to a greater degree after retirement than those based on a non-work measure (Marmot and Shipley, 1996). Overall, though, pension transfers can thus imply a net transfer of resources from groups with low life expectancy to sections of the population with high life expectancy: from the poor to the rich, from men to women and from those in low-quality jobs or long-term unemployment to those in high-quality employment.

### *Dependency ratios*

The demographic dependency ratio has played a key role in the debate with regard to pension sustainability. Dramatic projected increases in the demographic dependency ratio have caught the attention of media and policymakers alike. It is important to pay attention to changes in the age structure of society; increases in longevity and the transition into retirement of baby boomers will have a far-reaching impact. Nevertheless, dependency ratios, especially if based on age structure, can be deceptive measures if their limitations are not recognised.

Demographic dependency ratios are usually defined as the population of non-working age relative to the population of working age, often operationalised as a ratio of the population aged 65+ to the population aged 15 to 64 (for example, OECD, 2011). The dependency ratio for the EU27 is expected to increase from 26% in 2010, or one person aged 65+ for every four persons aged 15 to 64, to 31% in 2020, or one person aged 65+ for almost every three persons aged 15 to 64.

Some criticisms can be raised that do not challenge the concept of demographic dependency ratios as such, but rather the way it has been used. Firstly, demographic dependency ratios are hard to predict in the far future with precision because of complex and uncertain immigration, mortality and fertility rates. While projections for the next decade or so are often pretty accurate, predicting such ratios for many decades into the future is challenging. Second, the analyses tend to focus on the peak in these ratios, when baby boomers reach old age, ignoring developments after their climax is reached. Third, the fact that the ‘old-age crisis’ was already a concern more than two decades ago (see, for example, World Bank, 1994) also challenges the often dramatic tone of the discussion. Fourth, children are excluded. Decreased fertility rates also imply fewer children to be taken care of, which is by no means reflected in the demographic dependency ratios according to their usual cut-off age of 15 or even 20. Lastly, the magnitude, speed and timing of population ageing vary largely across Member States (Zaidi, 2011).

Besides these criticisms of the way the demographic dependency ratio has been presented, one can also challenge the very nature of the demographic dependency ratio as a policy-relevant measure.

In particular, analyses based purely on the demographic dependency ratio bluntly ignore the fact that employment rates among those of working age, working hours, productivity and exit ages are not necessarily fixed parameters.

Where demographic dependency ratios suggest that there are fewer and fewer young people to support older people, the fact is that many of the young – and older – people are currently unemployed or inactive, while they would be willing to take on paid employment. Increased employment rates can offset the impact of retirees leaving the labour market. Economic dependency ratios (Wöss and Türk, 2011) or labour-market-adjusted dependency ratios (Guerzoni and Zuleeg, 2011) do take this into account. The economic dependency ratio divides the number of unemployed, pensioners (old-age, early retirement, disability) and discouraged (inactive because unable to find a job) by the number of people in paid employment.

The economic dependency ratio (65% in 2010) suggests a much higher dependency in society than the demographic dependency ratio (26% in 2010) does. Nevertheless, if the Europe 2020 target of 75% employment among 20- to 64-year-olds is reached, the economic dependency ratio is estimated to show a decrease (from 65% to 57%) instead of an increase, as the demographic dependency ratio does (from 26% to 31%). Another measure, the total economic dependency ratio, also includes inactive sections of the population other than unemployed, pensioners and the discouraged (such as children). This ratio is projected even to decrease by 13 percentage points (from 129% in 2010 to 116% in 2020) if the Europe 2020 targets are reached (Türk, 2012). These decreases could be somewhat lower, if the ambitious Europe 2020 target is not met, but still showing a trend nowhere near the one shown by the demographic dependency ratio. Economic dependency ratios tell only part of the story. For example, economic dependency ratios still ignore productivity increases. The annual growth rate in labour productivity is projected to be 1.5% in the long term (European Commission, 2012d). This amounts to more than 16% GDP growth purely generated on productivity increases in the following decade. Furthermore, temporary higher rates are expected in Member States that are catching up. Such productivity increases mean that a constant labour input can sustain similar levels of quality of life for a larger group of people. While it can be deceptive to overly rely on productivity growth, it is also unrealistic to assume there will be no growth in productivity at all.

Furthermore, these dependency ratios do not specify the number of hours worked. If people (in particular those in part-time employment who would like to work more hours) work more hours but employment rates remain unchanged, a higher economic dependency ratio would be less of a concern from a perspective of economic sustainability.

Overall, and most importantly in relation to this report, demographic dependency ratios usually assume that people over 65 are ‘dependent’ and unproductive. Besides the normative connotation in such terminology, this does not reflect reality. As older people are in increasingly good health, it could be argued that societies are rejuvenating, not ageing. Many retirees are involved in voluntary and informal work. Most Member States have already increased retirement ages or plan to do so over the next few decades, some connecting them to life expectancies. Furthermore, as is clear from this report, more and more retirees all over the EU are actually in paid employment, many because they want to be. This development can mitigate the impact of ageing societies. Recognising the importance of this development, labour rates of the 65+ age group are now included along with measures of levels of debt and public spending on health and pensions in assessing the financial stability of different countries (Maplecroft, 2011).

All these caveats do not necessarily mean that the situation is less urgent than often suggested. For example, hours worked might well decline, with projections of a fall by more than 5% in total hours worked in the EU (and 4% in the euro area) by 2060 (EU, 2011). Employment rates of retirees and non-retirees might also decline rather than increase. Nevertheless, the important message here is that more factors need to be taken into account in the discussion than is usually the case, and work beyond retirement is one of them.

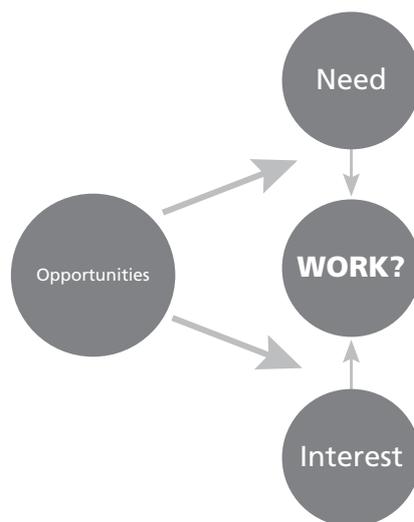
# Characterising and explaining trends in work after retirement

Each retiree has their own reasons for taking up work beyond retirement, or not. It can be planned or unplanned (Maestas, 2004). An explanatory framework will be presented. Some groups of people are more likely to work after retirement than others. Patterns and trends in time can be observed. The type of work done by retirees shows certain specific characteristics, which are explored as well. There is a close relationship between the reasons for work after retirement, the groups of people most likely to be involved in such employment and the type of work they do.

## Explaining working after retirement

Broadly speaking, retirees work because they need to or because they want to. Often the decision is based on a mix of necessity and interest. Nevertheless, even if a retiree wants and needs to work, suitable opportunities might not be found. Figure 5 illustrates the different forces at play. Various elements of this framework exert more influence depending on the context. For example, in countries in crisis, with inadequate pension systems, the need might be high but opportunities scarce.

**Figure 5: Explaining work after retirement**



Source: Eurofound

### **Need**

Financial need of retirees depends on different factors. Little pension might have been accumulated due to long unemployment spells, low-paid work, part-time work, not having sought paid employment, having been on disability benefits for extended periods of time or a prolonged inability to combine work with caring, for example for a child. The financial downturn has also resulted in a sharp decline in wealth for many, with some dipping into their pension savings (see Chapter 3, 'Income adequacy', and case studies 1 and 4 on the German newspaper and the UK public healthcare provider).

### Case study 1: German newspaper

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Regional newspaper	
<b>Sector</b>	Publishing and delivery
<b>Employees</b>	615 (of whom 375 are deliverers, of which 48% are retirees)
<b>Gender balance</b>	55% female, 45% male (about 70% female versus 30% male for deliverers)

All retirees working on newspaper delivery rounds are employed part time. Many of them are disabled. Some are over 80 years old. Often they already worked for the company for decades. Those who have one round earn less than €400 per month, and are exempted from social insurance contributions. Deliverers with more rounds earn at most €800 per month and make reduced social insurance contributions. The remuneration is a fixed amount per route, according to the number of mail items distributed. Pensioners often take a long time to complete their routes, earning low hourly wages. They attach particular importance to job security.

Low statutory (and no private) pension entitlements cause these people to carry out this work, often in spite of illness. An indication of how they struggle to make ends meet is that requests for wage advances are received by the company at the end of each month, for example to buy car fuel for delivery rounds. Of the two retirees interviewed, one has had continuous low income over their life and low retirement income as a consequence. The other's pension savings were drawn upon when helping his son with a failed family business. One of the two has a chronic illness. Some retirees are entitled to basic social security benefits but fail to claim them out of pride or reluctance to undergo the necessary formalities.

The delivery staff must work at night, in any weather. If the papers come late from the press, the working hours may extend into the morning, which deliverers are compensated for financially. Heavy lifting or pulling weighty handcarts, difficulties in accessing letterboxes and potential dangers of slipping in the wintertime present health risks. Long waiting times for the newspapers, sudden obstacles (road works and building sites, locked gates, dogs running free) and searching for new delivery addresses can lead to mental stress. The employer appreciates that absence is low because of a high sense of duty. Deliverers were further reported to fail to claim certain rights with the company, such as non-delivery in case of dangerous situations, were prepared to take on additional work during the day or substitute for colleagues and they rarely complain.

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On the other hand, expenditure could well be higher. Increased healthcare (or health insurance) expenses (Herz, 1995) are a particularly important factor. While in the US health insurance coverage has been cited as a motivation to work beyond retirement, this is less likely to be the case in the EU, with its mostly universal health care systems. Nevertheless, in some cases, occupational private health care insurance can play a role. Retirees with mortgages are more likely to work beyond retirement (Smeaton and McKay, 2003). Having children or a spouse can also contribute to an increased need for additional income. For example, when children become unemployed, parents may support them (see case study 2, the Italian supermarket). On the other hand, children and spouses can also contribute to household income. Furthermore, having faced a crisis such as divorce can also trigger a need to work (Barnes et al, 2004). Longer life expectancies also imply an enhanced need for resources (Herz, 1995). US data suggest that experiencing a relatively large drop in income when moving from retirement to non-retirement and entering retirement unexpectedly (Herz, 1995) all contribute to an increased chance of searching for work after retirement, partly because of the increased need triggered by these factors.

## Case study 2: Italian supermarket

Super Elite	
Sector	Retail
Employees	32, of which one is a retiree
Gender balance	50% female, 50% male (the working retiree is male)

The working retiree is 73 years old. He is a gastronome counter operator in a supermarket. His highest level of education is primary school. Until his retirement (at 61), he was a supermarket employee. At retirement, he started a small shop in partnership with a younger colleague. In 2011 the shop ceased operating because the business did not go very well. He applied to work at the supermarket (which is a different one from where he worked before retirement) because it was well known and close by.

He receives a pension of €900 per month and still does not know if the new income will impact his pension receipts, but this will appear on his next tax return. The main reason why he works is that he wants to support his adult children financially. He and his wife have three children, one of who is unemployed and has two daughters, while another one is unemployed and has recently been evicted from his house, whereas the third has financial problems because of a divorce. When asked, 'Why doesn't one of your children do this work for you?' he replied, 'Because they do not have the needed expertise in this task.' The retiree enjoys the work, and says, 'I live for my clients, contacts with other people and smiles of people ... I will die if I stop.'

The manager understood the difficult situation of the retiree and wanted to help him. He was also aware of his great experience and skills in this work area and identified the retiree's work history with his own. The manager is responsible for four supermarkets. In three of them, there is a retiree in charge of the gastronomic counter. The decision for employees to work beyond retirement is taken by the employee together with the manager, in the absence of an HR department. While the manager considers 20 to 40 years to be the ideal age profile, he thinks younger employees often lack experience. On the other hand, in the case of working retirees, he feels the need to be careful in assigning specific tasks, for example lifting heavy food products. The manager is not aware of any labour market policies, tax and benefit systems, equal opportunity regulations or social protection policies that would support work for retired people; he never tried to inform himself about these.

Avoiding poverty is certainly an important factor in explaining work beyond retirement. For example, the large difference in uptake of work beyond retirement in the UK compared with Germany is partly due to higher poverty rates in the UK (Scherger et al, 2012, forthcoming). Those who work to avoid poverty often work under the worst conditions (Lain, 2012; see also case study 1 above, the German newspaper). Nevertheless, financial need is not restricted to the poorest. Even the best-off have made financial commitments before entering retirement or got used to a certain level of living conditions (Wang et al, 2008). For example, in a 2008 US survey, 18% of working retirees reported that they keep working because of insufficient income from other sources, while 53% might cope but simply 'want to keep earning money to retire more comfortably' (Brown et al, 2010). In the UK, a 2011 survey found that two-thirds of those planning to work past state retirement age indicated that it was because they cannot afford to retire (LV=, 2011), even though many of them do not live in poverty.

### Interest

Others report that they work beyond retirement, or plan to do so, because they want to (see case study 3 below, the German research institute). While most (54%) Europeans report they do not want to work after they reach the official pension age, one out of three (33%) state that they would like to continue working after reaching the age when they are entitled to a pension (European Commission, 2012b). The rate is particularly high among respondents close to retirement (41% among those aged 55+), whose views arguably say more about actual intentions. There are also differences among Member States, with particularly high rates in Denmark, the UK, Estonia, Latvia, Ireland and Sweden. The figures can be challenged. As the survey covered EU residents aged 15 years and over, it also asked the question to the unemployed. Furthermore, the very young might find it hard to look so far into the future. These issues can explain why a relatively high proportion (13%) report that they do not know. Response categories do not allow for nuanced answers, for example conditional on health at retirement and on working conditions. Respondents might also sometimes report to 'want to' work purely because they need the additional income. While the precise numbers

can be challenged, the data do suggest that a considerable group of Europeans want to work after retirement.

Qualitative and quantitative evidence from national research (Deller et al, 2011) confirms this observation, including the seven national research reports with case studies in organisations employing retired people. Furthermore, the data are supported by Eurofound analysis of 2010 European Social Survey (ESS) data (Table 3). Workers aged 65 years or older relatively often say they would enjoy working in their job even if they did not need the money. In the EU, on average, 64.1% of workers in the 65+ age group would do so, compared to 50.5% among 55- to 64-year-olds. It is interesting to see this in the light of research showing that intrinsic motivation increases with age (Inceoglu et al, 2012). On the other hand, one out of five (21.4%) workers aged 65 years or older would not enjoy working in their job if they did not need the money, suggesting that an important share of retirees is working out of financial need and would be happier without this need. As expected, these are relatively often retirees with low household incomes. Nevertheless, there are also many working retirees with lower household incomes who would enjoy working in their current jobs even if they did not need the money (around half).

**Table 3: Non-financial motives to work among people in paid employment, EU, 2010**

'I would enjoy working in my current job even if I did not need the money'			
	14–54 years	55–64 years	65+ years
	%	%	%
<b>Agree</b>	47.0	50.5	64.1
<b>Neither agree nor disagree</b>	18.7	17.0	14.5
<b>Disagree</b>	34.4	32.5	21.4

*Note:* 'Agree/disagree' stands for 'agree/disagree or strongly agree/disagree'; design-weighted only, so data refer to country averages of percentages; n = 23,590.

*Source:* Eurofound analysis of ESS 2010 microdata, 28 March 2012 version

Social reasons play a role. Those with a large proportion of friends among colleagues are more inclined to work beyond retirement because an important part of their social interactions take place at work. Retirees with younger friends also tend to be more inclined to work beyond retirement, as they otherwise have fewer opportunities to engage in post-retirement activities with their friends (Fillenbaum and Maddox, 1974). The case studies indicate that social relations with colleagues as well as with clients are considered important (see case studies 2 and 5, the Italian supermarket and the Swedish self-employed consultants). In general, being in contact with others has been repeatedly identified as a key reason for work after retirement (Deller and Maxin, 2009; von Bonsdorff et al, 2009). These social elements play an important role in quality of life of older people (Bowling et al, 2002). Social relations at work might not always be expected to continue in the same way as before reaching the retirement age. Age discrimination at the workplace can accelerate after reaching the retirement age, particularly due to negative reactions from colleagues when working after retirement because of ingrained social norms, such as the idea of 'making way for a younger generation', which can have a negative influence.

Social relations at home also matter. Someone works longer if their partner does so (Helman et al, 2008; Maestas, 2004). In Denmark, being married increases the likelihood of working after retirement

for men but decreases it for women (Larsen and Pedersen, 2012). Evidence from the US shows that within a marriage, retirement expectations are shaped by individual, spousal and household characteristics. Some gender differences in spousal influence were observed, with wives' retirement expectations being more influenced by husbands' resources and constraints than vice versa in heterosexual couples. Nonetheless, individual and household factors associated with retirement expectations are widely shared by husbands and wives (Pienta and Hayward, 2002).

In terms of work content, having a successful employment history before retirement increases the chance of someone working after retirement. In the US, people with 'more marginal work histories' were less likely to sustain work efforts after retirement, despite large need because of lower income (Morrow-Howell and Leon, 1988). Overall, job satisfaction is a key determinant of retirement decisions (Kosloski et al, 2001). Seeing work as a meaningful life experience –measured with items such as membership in a large number of professional associations – also proved significant in stimulating work after retirement (Fillenbaum and Maddox, 1974), as did strong identification with work, seeing it as way to help others, bring society forward, stay active and keep developing (Deller and Maxin, 2009; von Bonsdorff et al, 2009). Feeling truly needed for an assignment also contributes (Helman et al, 2008). Working retirees also see work as part of life, seeking recognition or using work to fulfil personal challenges and achieve personal fulfilment (Graetz et al, 2011).

Working conditions and institutional arrangements play a role. Retirees are more interested in working if flexible work arrangements are possible and if work beyond retirement generates sufficient increases in net income (Burtless and Moffitt, 1985; Helman et al, 2008; Wang and Shultz, 2010). These issues will be discussed in more depth below.

All the above-mentioned factors are of varying importance to different individuals even within the same occupational group. For example, a survey among nurses in the US revealed that factors which influenced the retirement decision included financial independence for 75%, poor health for 63%, work intensity for 48%, spouse's poor health for 39% and spouse's early retirement for 28% (Cyr, 2005). There are other motivations as well, such as fear of the health impact of retiring (see the Italian supermarket above).

### Case study 3: German research institute

Social Research Centre	
Sector	Research in social sciences
Employees	67 (3 working retirees)
Gender balance	51% female, 49% male

All three retirees are employed part time, while overall this applies to only 34% of employees. Two retirees are employed as part-time research assistants, one as a 'mini-jobber', with earnings up to €400 per month, exempted from social contributions.

The interviewed working retiree is a 65-year-old female research assistant. She holds a doctoral degree in sociology and has been working for the institute since 1982. She was deputy managing director from 1989 to 2002 and has been responsible for project work, often acting as project leader. She is a member of various committees. The date of her retirement coincided with the start of two projects for whose acquisition she was mainly responsible. Prior to retirement, she was already certain that she wanted to continue working in some way. She has reached an agreement with management that she will be allowed to take several breaks during the year, with a possible duration of up to two months.

She fears that if she stops working now, these fields, and consequently her life's work, could be undermined. Therefore, she also makes a special point of being responsible for the development of young scientists. Such intrinsic motivation was shared by the other working retirees as well, according to the deputy managing director. For some at the institute, having had children relatively late in life, who take up university studies at the time of their parent's retirement, also plays a role.

### *Opportunities*

Labour markets might not provide suitable opportunities to retirees who would like, or have to, work. The fewer options there are available, the harder it is to find them. The two EU Member States that saw the largest drop in rates of work beyond retirement since 2005 are Latvia and Portugal. These are among the Member States that suffered most from the economic crisis and where unemployment soared. While on the one hand the crisis had a negative impact on income (and expected income) after retirement and thus increased the need to work, on the other hand, increased unemployment decreased available opportunities to work. While better-educated retirees might be more likely to work in times of crisis, for example because of decreased incomes from investments, for those with less education, the negative moderation of the 'opportunity' factor has been proven dominant in a US context, with less-educated retirees left out of the labour market because of increased unemployment, regardless of increased need (Coile and Levine, 2009). It should be noted that organisations (especially public organisations) with recruitment freezes and those economising on recruitment costs could well have an incentive to retain employees who are about to retire (see case studies 4 and 7 on the UK public healthcare provider and the Italian public university).

Among retirees who are not employed, some of them would prefer to work if they were able to find suitable options. ESS (2010) data suggest that in Member States an average of almost one in two (47.9%) people aged 65 and over who do not have a paid job would enjoy having one even if in no need of money; this is especially the case for men. While this rate is lower than that among 14- to 54-year-olds (56.8%), it is similar to those aged 55 to 64 (47.4%). Many retirees thus have the desire to work but do not do so for various reasons. In the same 2010 survey, retirees (without paid employment, including retirees below 65) were also asked about the year they retired: 'Did you want to retire then or would you have preferred to continue in paid work?' On average, in each Member State, around one in four (25.8%) answered that they would have preferred to continue in paid work, with somewhat higher percentages among middle-income earners. The majority (67.4%) reported that they really wanted to retire. While this is not time series data, when comparing this rate (one in four) to the rate of people aged 65+ who do not work, but would like to (one in two), this suggests that a considerable share of retirees were happy with retirement initially, but would now wish to work. This might be because they want to work but not in the same job as before or because they needed a break but now wish to work for some reason. However, they have not found opportunities to leave retirement.

While retirees are sometimes hired after a period of inactivity, it can be hard to find employment after having been dismissed or after having spent considerable time outside the labour market. The 50+ stay unemployed for a relatively long time. Reasons include age discrimination in recruitment behaviour (Arrowsmith and McGoldrick, 2001; Taylor and Walker, 1994), a lack of formal educational qualifications (Stoney and Roberts, 2003) and skill-biased technological change (Machin, 1995). Employers are less likely to hire retirees after they have spent a long time outside the labour market. While having been inactive or unemployed for a few months might not matter, it is likely to matter when lasting for 18 months or more (Karpinska et al, 2011). When older workers are aware of this, they may hang on to jobs even though they do not fit them perfectly just to avoid becoming unemployed. Furthermore, many unemployed older people move into 'inactivity' because they give up looking for a job and because work beyond retirement seems an unrealistic option for them even if they would like to. Work beyond retirement is particularly rare among those who were unemployed at retirement even after correcting for a large number of variables (Larsen and Pedersen, 2012). In five EU Member States reviewed (Hungary, Greece, the Netherlands, Spain and the UK), between

27% (UK) and 68% (Greece) of surveyed employers reported it to be undesirable for people to work beyond the age of 65, while the other employers reported it to be desirable or were indifferent ('Fair play for older workers' employer survey, cited in Van Beek et al, 2011).

Many of the factors associated with insufficient demand for labour at younger ages are reproduced as predictors of unsuccessful re-entry into the labour force after an initial retirement. Women in particular appear to be disadvantaged in their ability to maintain a desired attachment to the labour force and evidence of this disadvantage persists even when pre-retirement job status and educational achievement are controlled for (Hardy, 1991).

Opportunities depend on the retiree's individual circumstances, which might restrict employment possibilities. In particular, health plays a role. Good self-assessed health seems to play an important role in this decision-making process (Ilmakunnas and Ilmakunnas, 2006). In a Dutch survey, among respondents who reported to have gone into retirement involuntarily, 27% reported to have done so because of their own health (Henkens et al, 2009). In 2011, 42% of Europeans believed that they would be capable of doing the work they were then doing beyond the age of 65 (European Commission, 2012b). This rate is somewhat higher if the threshold is set at 60, with 59% of European workers in 2010 expecting to be able to do their current job at that age, ranging from 40% in Portugal to 75% in the Netherlands (Eurofound, 2012). In particular, plant and machine operators and employees in elementary occupations reported that they felt unable to do their jobs at 60. This ability is highly dependent on working conditions, with exposure to ergonomic risk having an especially negative impact. Other work might not be what they are looking for or might not be accessible to them because of a lack of prior experience or unrealistic salary expectations triggered by rigid seniority wage systems. Furthermore, caring commitments, usually for an older partner but also for other older people or, increasingly, for grandchildren, restrict work options to those that permit sufficiently flexible work.

Institutional arrangements such as company measures, government policies and collective labour agreements play an important role as well. These include public or private supporting services, age-adapted workplaces, anti-discrimination measures against older workers, flexible work arrangements and tax, social contribution and pension rules. These and other factors that can facilitate or hamper work beyond retirement will be discussed below in the chapters on government policies and company initiatives.

Lastly, even if cultural norms do not discourage the individual retiree, they might still have an impact on their opportunities to work. A strong individual drive to work in a cultural environment where it is perceived not to be 'normal' or 'acceptable' to work beyond retirement restricts opportunities sometimes in subtle ways. For example, it was mentioned by an interviewee (see case study 13, the Dutch retiree job agency) that when retirees would enquire at the relevant institutions about consequences for their income if they continued working, they would often be met with an attitude of 'why are you asking this, you should enjoy your retirement'. There could also be a feeling in society of 'finding it sad to see older people working', interpreting all such work as driven by need.

Case study 4: UK public healthcare provider

University Hospitals Coventry and Warwickshire NHS Trust	
Sector	Public sector healthcare provider
Employees	6,921 (301 retirees)
Gender balance	80% female, 20% male (95% female versus 5% male for working retirees)

The practice of encouraging employment continuation has been strengthened by the recession and subsequent recruitment freeze. It allows managers to retain their skilled workforce without incurring recruitment costs and without transgressing the freeze. From the retirees' point of view, in the past they returned to work or continued working in order to 'keep their hand in', but now increasingly 'they need to come back' for financial reasons.

There is a procedure in place to start combining occupational pension with continued work. Staff are required to complete a form that indicates whether they wish to continue working and whether they wish to either 'wind down' (work fewer hours or days) or 'step down' (move to a less demanding role). If staff continue working, they take a 24-hour break, return for one month on a 16 hour-a-week basis and then revert to full-time hours if preferred. A new contract is established. This is the most common route taken, as it allows staff to access their pension to gain their lump sum, which staff often want to use to pay off a mortgage while continued income is then used for living expenses. Almost all working retirees have a permanent contract (99% compared to 89% overall). Most retirees work in the same jobs as they did before reaching the retirement age, but sometimes start serving as a 'float' to fill in for sick leave and holidays or receive additional training to fulfil an adapted role. Most reduce their daily working hours and/or weekly working days. Among the working retirees, most work fewer than 30 hours (61% versus 30% overall). Often, such reductions cause increased workload for other members of the team. For those with caring responsibilities, three days of 'emergency leave' are available. Unpaid leave can also be taken and a flexible work solution negotiated with line managers.

An interviewed retiree (68) works full time. In his free time, he is a drummer in two bands and runs half marathons. His asthma and arthritis are well controlled with medication, and he plans to continue working within the NHS at least until 70. 'I didn't feel ready to retire and I enjoy what I do [and] felt that I could still contribute. Working keeps me active and alert.' Financial motivations are also important. The income 'keeps us comfortable, not in a position where we can do as we please but in a position where we are not struggling for anything ... it's only in the last few years that you could call my income reasonable. My previous job was low paid, I was a porter here for 20 odd years.' His commitment to working is also evident from his enrolment in a French-style furniture painting course last year to ensure that, when he finally leaves the NHS, he has other skills to continue earning money and keeping active. Overall, this employee felt content that the Trust provides sufficient support. Should health problems emerge, he is aware of counselling, physiotherapy and occupational health services. He also feels welcome and wanted. The employee had been anxious that the employer might hand him his papers but 'at no time did they put pressure on me to retire'.

Characterising working retirees

Age

More than one of every 10 Europeans between 65 and 69 years old works (Table 4). While on the increase (from 4.3% in 2005 to 5.2% in 2011), it is half as common for those between 70 and 74 years old to work. It is rare for people aged 75 years or older to work in the EU, with only about one out of 100 in employment. There has been no notable increase in employment for this oldest age group over the past decade.

Table 4: Employment rates (%) among retirees of different age groups in the EU, 2005 and 2011

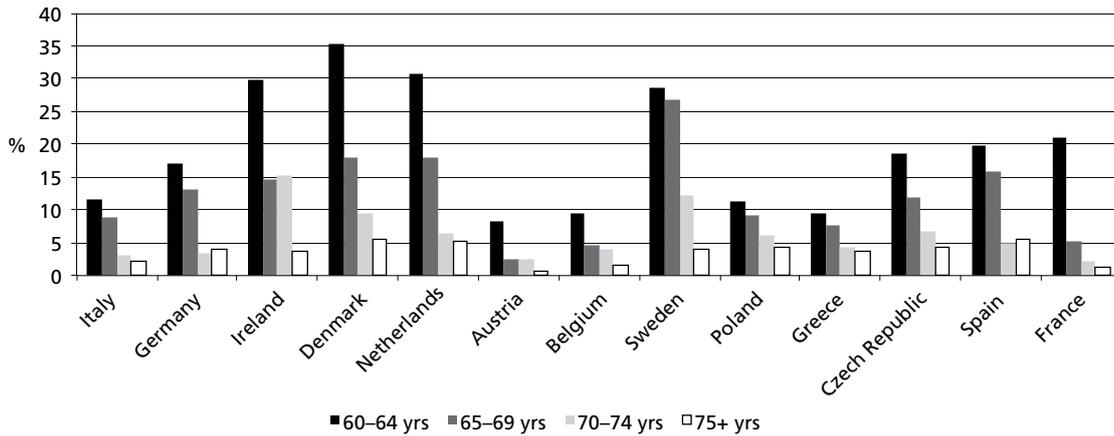
	65–69 years	70–74 years	75+ years
2011	10.5	5.2	1.2
2005	8.8	4.3	1.1

Source: Eurostat, LFS online database, 2012

Investigating self-reported retirement status rather than age gives an estimation of employment rates among retirees between 60 and 64 years old. Figure 6 shows these rates for the 13 EU Member States included in the SHARE (Survey of Health, Ageing and Retirement in Europe) database. For all these countries, the proportion of self-reported retirees who report that they work is higher for 60-

to 64-year-olds than for 65- to 69-year-old reported retirees. Already in 2006–2007 in Denmark, the Netherlands, Ireland and Sweden, almost one of every three reported retirees in the 60- to 64-year-old age group reported that they work.

**Figure 6: Employment rates (%) for self-reported retirees in 13 EU Member States (2006–2007)**



Source: SHARE, 2nd wave, 2006–2007

**Gender**

It is more common for male retirees to do paid work than it is for female retirees (Table 5). To some extent this reflects lower employment rates among women in the population overall. Nevertheless, while it is almost twice as common for men aged 65 to 69 to work than it is for women of the same age group, this difference is smaller for 15- to 64-year-olds, while the situation for 50- to 64-year-olds is very similar to that of 15- to 50-year-olds. This suggests an abrupt change at retirement, with women much less likely to continue working. Reasons can lie in gender roles and norms with regard to the role of labour in one’s life, caring commitments and having older spouses.

It should be noted, though, that in Member States with lower retirement ages for women than for men, the age-based measure ignores a group of younger female retirees who might well be working. For example, in the UK, until recently the retirement age for women was 60 and was 65 for men. This can explain the fact that of the 1.4 million workers above their respective state pension age in the fourth quarter of 2011, 39% were men and 61% were women. Furthermore, two-thirds of these women worked in low-skilled jobs, while among men, two-thirds worked in high-skilled jobs (ONS, 2012). This further suggests that there is a gender dimension for work beyond retirement rather than only a generational effect.

Nevertheless, differences are decreasing in each age group. In particular, the employment rate of female workers in the 65–69 years age group increased by 0.9 percentage points between the third quarters of 2007 and 2011, compared to an increase three times smaller (0.3 percentage points) among men in the same age group. Rather than older women suddenly taking on employment, part of this trend can be explained by cohorts of working women moving to the next age brackets.

**Table 5: Employment rates (%) by gender, EU, 2007 and 2011**

		2007 Q3			2011 Q3		
		Men	Women	Difference	Men	Women	Difference
65–69 years		13.2	7.0	–6.2	13.5	7.9	–5.6
< 65 years	15–64 years	73.2	58.6	–14.6	70.5	58.7	–11.8
	50–64 years	65.2	47.4	–17.8	65.0	50.9	–14.1

Source: Eurostat, LFS online database, 2012

With regard to gender differences, there are large variations among Member States. While Portugal, Cyprus, Denmark and Ireland show large gender inequalities in employment rates among retirees, this is much less the case in Latvia, Spain, France and Romania. Together with a decrease in the gender difference itself, variance among EU Member States also decreased greatly over the past few years, stemming from the relatively sharp decrease in gender differences in countries that had larger gender differences in 2007. It is hard to say whether this reflects that the need to work became more equally divided among retirees of different gender, or whether it reflects equalisation of desire and opportunities to work. Some of the decreases can be explained by traditionally male-dominated sectors, such as construction, suffering more from the crisis. A clear example is Latvia, where the gender difference plummeted from among the highest in the EU to the lowest. This was not caused by increased uptake of work among female retirees, but by job loss among retired men.

### **Education**

A relatively large share of highly educated people work beyond retirement (Table 6). Employment rates for those with medium-level education (lower and upper secondary) show the largest relative drop around retirement. In percentage points, the drop is largest for the highly educated, but that should be seen in perspective, with a particularly high employment rate among the highly educated overall. The drop for those with the lowest level of education (pre-primary or primary) is somewhat less marked.

The superior employment rate for the highly educated could possibly be explained by a relatively strong interest to work beyond retirement, often in jobs that are physically light. Furthermore, options for continued employment might be more available and employers would be particularly keen to retain their highly educated employees, as their retirement sometimes implies skill loss. This could explain why their employment rate does not decrease so much at retirement as it does for those with medium-level education. On the other hand, for the lowest educated, most likely to be found in low-skilled jobs, with prolonged low earnings and little pension savings, the financial need to work is likely to explain their relatively high employment rate compared to those with medium education.

It is interesting to note that those with medium-level education in particular have been taking up work after retirement more often over the past few years. Furthermore, while it is more likely for a retiree with tertiary education to be employed in retirement than it is for a retiree with non-tertiary education, it is important to see these relative data in perspective. In absolute numbers, working retirees with lower and medium education outnumber those with tertiary education.

**Table 6: Employment rates (%) for different levels of education in the EU**

	2005		2010	
	15–64 years	65–69 years	15–64 years	65–69 years
<b>Low (pre-primary/primary)</b>	47.4	8.4	45.1	8.2
<b>Medium (lower or upper secondary)</b>	68.2	8.9	68.4	9.6
<b>High (tertiary)</b>	82.5	18.2	82.3	18.0

Source: Eurostat, LFS online database, 2012

### ***Interrelatedness of personal characteristics***

Naturally, several personal characteristics are interrelated, limiting the causal inferences that can be made based on the above-mentioned analysis, which was largely bivariate.

A multivariate regression was performed<sup>3</sup> to predict whether someone aged 65 or older had worked for at least one hour in the week preceding the interview (or had a job or business). Explanatory variables included were age, gender, level of urbanisation (three levels) and level of education (three levels). Highly significant coefficients confirmed that increased age and being female have a negative impact on the likelihood of working after retirement. Living in more urban areas and having a higher education are associated with a higher likelihood of work after retirement.

### **Characterising work after retirement**

Employed retirees are represented more in certain types of work compared to non-retired workers than in other types of jobs. The principal dimensions along which these differences can be measured are discussed below.

#### ***Sectors***

More than one in four employed people aged 65+ in the EU works in the agriculture, forestry and fishing sector, compared to fewer than 1 in 20 employees aged between 15 and 64 years (Table 7). Employment in manufacturing, in contrast, is less than half as common among those aged 65+ than it is among the younger population cohort. The human health and social work activities and the wholesale and retail trade sectors are among the four most frequent sectors for employment. Professional, scientific and technical activities is the third largest sector for employment among people aged 65 and over, while it comes only eighth among those aged 15 to 64. In contrast, it is much less common for the 65+ age group to work in public administration and defence (2.9%) than it is for those aged 15 to 64 (7.2%).

<sup>3</sup> Binary logistic regression analysis of 2009 LFS data; all coefficients are highly significant, even at a 1% significance level, both when the data are weighted and unweighted.

**Table 7: Distribution of employment (%) among sectors, 2011 Q3**

	15–64 years	50–64 years	65+ years
<b>Agriculture, forestry and fishing</b>	4.6	6.3	25.4
<b>Wholesale and retail trade; repair of motor vehicles and motorcycles</b>	14.0	11.3	12.1
<b>Professional, scientific and technical activities</b>	5.0	4.4	8.3
<b>Human health and social work activities</b>	10.5	12.1	8.3
<b>Manufacturing</b>	15.9	15.3	7.1
<b>Education</b>	7.2	9.1	5.5
<b>Construction</b>	7.5	6.7	4.9
<b>Transportation and storage</b>	5.1	5.5	3.9
<b>Administrative and support service activities</b>	4.0	3.9	3.7
<b>Accommodation and food service activities</b>	4.6	3.2	3.4
<b>Public administration and defence; compulsory social security</b>	7.2	8.4	2.9
<b>Arts, entertainment and recreation</b>	1.6	1.4	2.7
<b>Total – all NACE activities</b>	100	100	100

Notes: NACE Rev. 2 classification of economic activities.

'No response' is counted as a separate (excluded) category.

Source: Eurostat, LFS online database, 2012

The differences in employment rates within sectors between those aged 15 to 64 and those aged 65+ often do not seem to be just a gradual development of changing rates with ageing workforces. While rates for older people before retirement age are sometimes higher, or lower, than the rates for the population as a whole, this sometimes reverses for those aged 65+. For example, professional, scientific and technical activities is a less common sector for employment of 50- to 64-year-olds than for younger cohorts. Nevertheless, it gains in importance again among those aged 65+. This is also true for arts, entertainment and recreation and wholesale and retail trade. For human health and social work activities, transportation and storage, public administration and defence and education, a contrary development can be observed. These are more frequent sectors of employment among the 50 to 64 cohort than they are for the younger cohorts, but then become less important again among those aged 65+. Agriculture, forestry and fishing becomes somewhat more important among older people below 65, but then suddenly becomes very important among the 65+ age group, probably because they are much more likely to continue working after retirement. Manufacturing shows a similar pattern, but in the opposite direction. Construction and administrative and support service activities lose importance in employment in a more gradual way.

Human health and social work activities and education are predominantly female sectors, but this is not true among retirees. Generally, it is less common for women to work after retirement than it is for men. The difference is particularly pronounced in human health and social work activities, where the share of female employees is almost 19% lower for those aged 65+ than it is for 50- to 64-year-olds. Differences are also large and sudden in wholesale and retail trade, professional, scientific and technical activities, education and administrative and support service activities. Nevertheless, in agriculture, forestry and fishing, there is a larger rate of female workers among the 65+ group than among younger cohorts, but only in the EU15. This is also true for construction, albeit up from a very low rate. The accommodation and food service activities sector shows little difference between age cohorts.

### ***Company size***

Analysis of LFS 2009 data shows that workers aged 65 years and older are relatively likely to work for smaller organisations, with only 12.5% working in organisations with 50 persons or more ‘working at the local unit’, compared to 36.1% for employees of all ages together. Thus, while large companies have some advantages in recruiting retirees, such as scale effects on administrative issues and marketing (see case study 16 on the UK DIY and garden centre), one finds relatively many working retirees among employees of small and medium enterprises (SMEs). The fact that the phenomenon of work after retirement is not limited to a small number of large companies is confirmed by evidence from other sources. For example, an Italian regional company survey indicates that in 2000, one in five companies reported that they employ retired people (PPE, 2006).

### ***Continuity from previous employment***

Many of the cases investigated for this study involve retirees who stay with the same company, doing tasks that are the same (see case studies 7 and 20 on the Italian public university and the Austrian graphics equipment company) or different, although in the same area (see case study 17 on the German engineering company), from those they did before retiring. Sometimes they also stop working in their main occupation but continue in a second job (see case study 21 on the Italian choir). Nevertheless, some cases concern workers who switch employer (see case study 2, the Italian supermarket), and with it often tasks as well (see case study 8, the Czech security company). Job agencies for retirees or for older workers play a role for this last group.

Evidence from analysis of UK LFS 2011 data shows that about 15% of jobs held by retirees are ‘new’ jobs. The recent increase in work after retirement seems to have taken place mostly among retirees continuing with the same job, as the share of working retirees who were in new jobs decreased by 5% (from 20%) since 2001. Retirees working full time usually stayed in the same jobs, with only 8% reporting new jobs, indicating that if people changed jobs, it was mostly into part-time jobs. Managers and associate professionals also tend to stay in the same job, while retirees doing low-skilled work report a job change relatively often. Evidence from Italy shows that managers and supervisors tend to prolong their working life more than other workers, postponing retirement rather than re-entering the labour market after retirement, which is relatively hard for them (Quarta, 2008). A US study showed that if there was a change, it was somewhat more common to move to self-employment or to the service industry (Iams, 1987). Retirees who re-enter the workforce tend to find jobs of lower status than held previously (Jorgensen and Taylor, 2008; Taylor and Walker, 1998).

Companies most likely to retain workers are those with high rates of older workers, as they would otherwise face problems because of a sudden exit of a large part of their workforce reaching the retirement age. Several of the case studies showed that companies especially retain employees with skills the company does not want to lose. They stay involved in work they were doing before. ‘Expert pools’ and temporary job agencies also draw on the specific skills of these workers. Nevertheless, sometimes high-skilled employees move to lower-skilled jobs (see case studies 11 and 13 on the Swedish senior job agency and the Dutch retiree job agency), and both lower-skilled and higher-skilled workers move to different areas of expertise (see case studies 13, 17 and 9 on the Dutch retiree job agency, the German engineering company and the Czech senior job agency).

Overall, taking up employment while in retirement seems less common than continued work into retirement. While not a representative sample, the cases presented in this report support this conclusion, with retirement exits playing a relatively minor role. Even for someone who reported

having started a new job after retirement, it was practically continuous with the pre-retirement employment (see case study 2, the Italian supermarket). Nevertheless, some of the working retirees in the company cases were recruited when they were past retirement age, for example around one in four retirees working with the UK cooperative (case study 23) and all those who work through a Dutch retiree job agency (case study 13). For high-skilled employees in particular, a career gap can be associated with a decrease in employability. As discussed above, return to work after having been inactive (or unemployed) is particularly hard for older people, so it is not surprising that leaving retirement is relatively uncommon. Increased employment in the pre-retirement cohort due to policies aimed at discouraging early retirement is therefore likely to increase the uptake of work after retirement even further.

Exit from retirement can occur because of the reasons mentioned above (Chapter 3, 'Explaining working after retirement'). It can be unplanned. For example, income might be insufficient because of unexpected decreases in pensions or increased costs. Many individuals also have no clear idea about their post-retirement income, not even when they are close to retirement. Retirees might also realise they miss being in employment, for example because of the social reasons outlined above. Alternatively, they might have planned from the beginning for a break followed by renewed employment. Nevertheless, evidence from the US suggests that exit from retirement is usually anticipated (Maestas, 2010), but sometimes it is not (Maestas, 2004). People leaving retirement are more likely to change occupation than those who continue working after reaching the retirement age (Maestas, 2010).

While a person can leave retirement at any time, US evidence indicates that it is most common within a few years after initial retirement. Furthermore, part-time employment is usually sought rather than full labour participation (Ruhm, 1990). The rate of exit from retirement at least five years after initial retirement has remained relatively constant at around one quarter of the retired population. Using 1992–2000 data, a relatively high exit rate from retirement was found among those retiring at younger ages, for example 36% among those retiring at ages 51 to 52 (Maestas, 2004).

In the UK, the only EU Member State for which such data have been identified, one in five people over 50 – equivalent to 4.3 million people – who had retired have gone back into work (LV=, 2011). Of those who have gone back into work, 37% went back to work because they felt they were too young to retire and 32% missed being part of the working environment. For 30% it was financially related: 20% said it was a necessity, as their personal and/or state pension wasn't enough to support them in their retirement, and one in 10 (10%) needed to go back to work to help continue financially supporting their family. However, going back into employment after retirement has given some over-50s an opportunity to fulfil other ambitions. A fifth (19%) made a complete career change and 12% set up their own business. Many have chosen to go back to work in a role that requires fewer hours than before (27%) and 18% are doing a job that is less stressful than their previous job.

### ***Hours worked***

Part-time work is much more common among retirees than among the population as a whole in the EU (Table 8). This is true for every Member State and is not a reflection of an increased tendency towards part-time work among older workers in general. Among 50- to 64-year-old Europeans, it is only marginally more common to work part time than it is for 15- to 64-year-olds as a whole (20% versus 18.5%, respectively, in the third quarter of 2011). Nevertheless, for those aged 65+, the rate jumps to 56.8%.

Part-time work is not only more common for retirees, it also became much more so over the past few years compared to other age groups. Between the third quarters of 2007 and 2011, the prevalence of part-time work increased by 5.2% among those aged 65+ compared to an increase of only 1.1% for 15- to 64-year-olds, and even less for 50- to 64-year-olds.

There is a gender difference: part-time work is more common among female employees than it is for male employees. Nevertheless, the difference is more marked for 15- to 64-year-olds (7.9% for men versus 31.1% for women in 2011) than it is for those aged 65+ (52.3% for men versus 64.3% for women). Furthermore, increases over the past few years for women have been relatively small, suggesting some convergence.

**Table 8: Part-time work in the EU as a % of total employment, 2007 Q3 and 2011 Q3**

	15-64 years		Increase	50-64 years		Increase	65+ years		Increase
	2007	2011		2007	2011		2007	2011	
Netherlands	46.3	48.3	2.0	46.5	47.4	0.9	79.4	81.0	1.6
Malta	11.3	12.9	1.6	9.6	13.8	4.2	n.a.	78.5	n.a.
Sweden	23.6	23.7	0.1	25.1	23.5	-1.6	66.8	75.2	8.4
Germany	25.1	25.7	0.6	26.9	27.8	0.9	67.8	74.5	6.7
Austria	21.5	24.0	2.5	21.8	24.4	2.6	67.5	70.8	3.3
UK	23.9	25.2	1.3	27.5	27.7	0.2	70.7	68.6	-2.1
Portugal	8.8	10.0	1.2	15.5	16.9	1.4	60.3	65.5	5.2
Belgium	21.5	23.6	2.1	25.7	29.5	3.8	60.2	64.7	4.5
Finland	12.3	13.0	0.7	13.4	13.7	0.3	66.6	58.9	-7.7
Denmark	22.4	24.5	2.1	20.4	19.5	-0.9	60.8	58.6	-2.2
<i>EU</i>	<i>17.4</i>	<i>18.5</i>	<i>1.1</i>	<i>19.1</i>	<i>20.0</i>	<i>0.9</i>	<i>51.6</i>	<i>56.8</i>	<i>5.2</i>
Slovenia	7.6	9.9	2.3	11.9	11.5	-0.4	51.5	56.0	4.5
Cyprus	6.0	8.0	2.0	8.8	8.5	-0.3	42.8	54.1	11.3
France	16.8	17.2	0.4	18.4	19.6	1.2	45.1	53.9	8.8
Poland	8.2	7.0	-1.2	12.8	10.2	-2.6	54.8	53.5	-1.3
Czech Republic	4.2	4.6	0.4	6.0	5.3	-0.7	51.4	51.0	-0.4
Hungary	4.0	6.7	2.7	6.0	8.7	2.7	43.3	49.0	5.7
Slovakia	2.4	4.0	1.6	3.8	5.2	1.4	39.4	44.5	5.1
Estonia	7.3	8.5	1.2	8.3	10.9	2.6	34.8	43.3	8.5
Ireland	17.5	22.9	5.4	21.5	26.2	4.7	38.1	41.5	3.4
Romania	9.7	9.5	-0.2	13.1	12.9	-0.2	33.0	36.6	3.6
Lithuania	7.7	8.0	0.3	10.4	10.0	-0.4	38.2	30.0	-8.2
Italy	13.6	14.8	1.2	9.8	12.0	2.2	24.6	28.9	4.3
Latvia	5.2	8.5	3.3	7.2	10.4	3.2	22.5	24.7	2.2
Spain	11.0	13.1	2.1	9.5	10.4	0.9	29.9	24.4	-5.5
Greece	5.2	6.6	1.4	5.1	6.1	1.0	17.3	18.0	0.7
Bulgaria	1.4	2.1	0.7	2.2	2.6	0.4	21.4	14.2	-7.2
Luxembourg	17.6	18.1	0.5	18.1	23.6	5.5	n.a.	n.a.	n.a.

Note: n.a. = not available

Source: Eurostat, LFS online database, 2012

When one looks at the mean hours of work as a more continuous measure of part-time work, there is an abrupt decrease around the age of 65 (Eurostat, 2009b). While this is true for all EU Member States, the change is more pronounced in some than in others. The difference is largest in Austria, Belgium, Luxembourg and Romania, where employees between 65 and 69 work on average 11.5 hours less per week than those aged 55 to 64. Greece, Italy, Latvia, and Lithuania are the only Member States with a difference in working hours between these age cohorts of less than 3 hours per week.

Working hours per week gradually decline further with age beyond 69, so that older retirees are not only less likely to work than younger retirees, but they are also more likely to work fewer hours. Overall, almost one out of every three retirees works less than 15 hours per week. One out of four works somewhat more, but still less than 32 hours. There is no significant cross-national correlation between the numbers of hours worked and the uptake of work after retirement.

The number of working hours is consistently lower for women than for men, but the difference becomes somewhat less marked after retirement, especially among the older retirees. There is also some difference among occupations, with retirees classified as legislator or manager working relatively many hours, whereas those classified as clerks work few. In this respect, there are large differences between Member States as well. While retirees working in agriculture and fishing in Belgium, Hungary, Lithuania, the Netherlands, and Romania work on average well below 20 hours a week, they work on average 40 hours or more in Slovakia and the UK.

The high prevalence of part-time work can be explained from two angles. On the one hand, part-time work allows workers to combine their jobs with care commitments and other activities, it allows them to continue working even when their health might not permit them to work full time and it can make work more enjoyable. As a consequence, part-time workers are more likely to continue working beyond the pension age. In fact, there is evidence that facilitating part-time work can cause a net increase in the total number of hours worked in the economy (Lachowska et al, 2008). On the other hand, it is relatively common for people to move from no employment, or from full-time employment, into a part-time job. Sometimes this is the case because no full-time work is available.

Overall, work after retirement is increasingly common, and this work is largely part-time work. Simultaneous to this development, partial early retirement schemes are on the decrease. As a consequence, phased retirement – as a phenomenon rather than a programme – takes place more and more during retirement rather than before.

### ***Self-employment***

Self-employment is relatively common among employed retirees (Table 9). This is true for all Member States, but there are differences. Overall, about half of the retirees are self-employed in the EU. This compares to 14.3% for those aged 15 to 64. Differences in Portugal, Italy, Romania, Luxembourg and Ireland are particularly large, with the proportion of self-employed among those aged 65+ ranging between 45.0 (Ireland) and 69.6 (Portugal) percentage points above that among 15- to 64-year-olds. The difference is relatively small in Slovakia (6.4%). One-third (35.3%) of self-employed persons aged 65+ work in agriculture, but many also work in the wholesale and retail trade (12.7%) and professional, scientific and technical activities (11.8%).

**Table 9: Self-employment in the EU (%), differences between age groups, 2011 Q4**

	15–64 years	50–64 years	65+ years	% point difference (65+ years vs 15–64 years)
Portugal	16.3	29.6	85.9	69.6
Italy	21.9	25.7	75.2	53.3
Romania	17.9	27.2	66.1	48.2
Luxembourg	8.6	13.7	56.8	48.2
Ireland	14.7	23.8	59.7	45.0
Belgium	12.7	15.5	56.7	44.0
Cyprus	14.7	25.0	57.7	43.0
Netherlands	13.9	18.7	55.3	41.4
Finland	12.5	16.8	49.4	36.8
<i>EU</i>	14.3	19.2	49.7	35.4
Spain	15.6	23.4	50.9	35.3
Sweden	9.3	13.2	44.5	35.2
Greece	31.0	45.0	65.7	34.7
Hungary	11.0	15.9	44.4	33.5
Slovenia	11.7	19.2	42.1	30.4
France	10.9	15.0	40.8	29.9
Germany	10.3	13.8	39.9	29.7
Denmark	8.3	11.7	36.0	27.7
Poland	18.4	25.1	44.6	26.3
UK	13.3	18.2	38.1	24.8
Bulgaria	10.4	13.2	30.2	19.8
Czech Republic	17.5	20.1	36.1	18.6
Austria	11.1	17.9	28.7	17.6
Slovakia	15.8	16.3	22.2	6.4
Estonia	7.3	7.7	n.a.	n.a.
Latvia	10.9	12.9	n.a.	n.a.
Lithuania	9.0	11.9	n.a.	n.a.
Malta	12.7	18.8	n.a.	n.a.

Note: n.a. = not available

Source: Eurostat, LFS online database, 2012; calculated by combining variables 'lfsq\_esgan2' and 'lfsq\_egan2'

This high rate of self-employment among retirees can be explained from two angles. Firstly, it could be more likely for people who were already self-employed before retirement to work after their retirement than it is for others. Second, working retirees might have become self-employed after their retirement, more so than self-employed starting to work for an employer.

The first group of self-employed retirees have various motivations. Self-employed people can be more likely to continue working because they did not accumulate enough of a pension. They are often required to make minimum contributions to pension schemes and do not always opt to put much more money aside in such arrangements.

Another, related, reason is that self-employed people more often enjoy work than other groups of the population and never envisioned retiring at the statutory pension age, or retiring at all. In a 2011 survey (European Commission, 2012b), 46% of self-employed people in the EU indicated they would like to continue working after they reach the age when they are entitled to a pension.

There are different types of self-employment. For those who own a company, particular reasons for continued work beyond retirement can play a role. Entrepreneurs have been reported to regard statutory retirement as an arbitrary time to stop working and make their retirement decisions in the context of more pragmatic issues, such as health and family considerations (Barnes et al, 2004). Furthermore, prospects for continuation of the company can play a role, as it could cease to exist if retirees stop working (see case study 5 on the Swedish self-employed consultants). Often these self-employed people hope to transfer the company to their children (Eurofound, 2013, forthcoming) and wait for them to be prepared to do so or stay at work to guide them when they take it over. Looming discontinuation of the company is a disincentive to stop working, especially when the retirees built the company themselves over a long period or when their parents did so. In 2009, 11% of self-employed Europeans aged 65 years and older had companies with more than 20 employees, while this was only 7.5% for 15- to 65-year-old self-employed people (8.9% for 55- to 65-year-old self-employed) (Eurostat, 2009b). A large responsibility can be felt by entrepreneurs towards the people they employ to avoid unemployment among them, which might result from discontinuation of the company due to retirement of the entrepreneur. In Germany alone, the number of firms transferred every year due to retirement of the owner has been estimated at 18,900, with 247,000 employees. The number of companies that are closed or liquidated because no successor has been found is unknown (Hauser et al, 2010). Especially for smaller companies, a barrier for smooth business transfer is the complexity of the business transfer process and potential lack of experience (and knowledge of support available) of the new owner (European Commission, 2011a).

### Case study 5: Swedish self-employed consultants

Ledningskonsulterna i Stockholm	
Sector	Consultancy (economic governance within the banking sector and inquiries and evaluations for public institutions)
Employees (working retirees)	2 (2)

The two employees, a wife (63) and husband (66), are both eligible for the statutory pension (from 61), but they do not receive any pension because they continued working. The company was founded in 1980, but the couple joined more than a decade later.

The retired self-employed workers note three reasons that keep them in employment. The flexibility that is permitted by their project-based work is an important factor, allowing them to concentrate work in certain periods of the year and permitting them to work part time. Social relations with clients, and with the small consultancy companies they partner with, are a factor as well. Furthermore, the fact that permanent full retirement would imply termination of the company works as an inhibition to retire.

For the second group (retirees who became self-employed after reaching the pensionable age), different mechanisms are at play. Various groups can be identified: those who became self-employed after their retirement because they wanted to for a long time, because they had no alternative, because it provides them with the most attractive working conditions or because of administrative reasons.

Self-employed people who have wanted to be an entrepreneur for a long time might not have done so because of liquidity or family constraints. Retirement offers the opportunity to pursue their dreams. For other retirees, self-employment is a way to create working conditions that best fit their preferences. US research (Brown et al, 2010) indicates that they seek out jobs in workplaces that meet their needs and preferences, most notably a climate of respect, work-life balance, supervisor

task support and learning opportunities. If this type of workplace is not available, the opportunity to become their 'own boss' also appeals to working retirees. Other retirees have a hard time finding a job and see self-employment as the only way out. They might need and/or want to work but are confronted with a hostile labour market.

Different motivations are related to various forms of self-employment (Singh and DeNoble, 2003). For example, retirees who become self-employed because there are no better career-related options available are expected to choose a form of self-employment that involves little to no entry barriers and that requires modest capital investments. Exposure to market and financial risks will be kept to a minimum since they will likely close their business as soon as other gainful employment opportunities become available. On the other hand, self-employed retirees who finally fulfil their long-held dreams, which they had not been able to pursue at an earlier stage of their lives for different reasons ('constrained entrepreneurs'), are likely to be the most innovative, motivated entrepreneurs among retirees. Those who decided to become entrepreneurs because of a rational choice, comparing other available options with that of being self-employed, tend to plan carefully, for example by building their necessary business infrastructures before making the move. They tend to leverage who and what they know from their primary career experiences into some form of a related venture. Workers 50 and older who had been in 'less than effective' workplaces before they retired may seek out a work situation that is effective for them or they may decide to create one of their own. This desire to customise their workplaces may be one reason why a substantial number of employees 50 and older transfer to self-employment for their retirement jobs. As a result, it becomes understandable that those working in retirement are more likely to rate their workplaces as more effective compared to those who have not retired (Brown et al, 2010). But the main reason for positive workplace ratings among working retirees is that workers who did not like their workplaces are less likely to have continued working.

In several Member States there is a considerable group of retirees for whom self-employment is mainly a contractual formality. In practice they are one-person companies who work for only one client, often the company they used to work for before reaching the pensionable age. Reasons are usually of a legal or financial nature, such as advantageous social benefit requirements or tax rates. For example, the large increase in self-employment in retirement in Italy can be explained partly by the incentive to hire retired workers through a flexible contract (called 'co-co-co'), sometimes just changing the contractual arrangements for current workers who continue doing exactly the same work (see case study 7, the Italian public university). 'Semi' self-employment can imply low-wage, insecure work arrangements (Ball, 2012).

### **Contract type**

Temporary contracts are relatively uncommon for 55- to 64-year-olds in the EU, with 6.7% of them having temporary work (Eurostat, 2009b). In contrast, EU employees aged 15 to 29 have a temporary contract in 29.4% of cases. While not as common as among the young, retirees are also on a temporary contract relatively often (17.8% of those aged 65+).

It should be noted that in some Member States the high rate of temporary contracts among retirees is due to legal arrangements that come into force around pension age. For example, until 2009, in the Czech Republic the law only allowed simultaneous income from a retirement pension and employment for pensioners with fixed-term contracts of a maximum one-year duration.

There is an important difference between the groups of temporary workers aged between 15 and 29 and those aged 65 and over. Young employees on a temporary contract are rarely in that position

because they do not want a permanent job (11.9%), while for those aged 65+, the vast majority of those with a temporary job say they do not want a permanent one (70%).

### ***Undeclared work***

Undeclared work happens in all EU Member States. It is notoriously hard to obtain reliable data on this topic. Survey respondents tend to be hesitant in reporting their undeclared work, and it would be hard to find employers – of retirees not working independently – willing to cooperate for case study research. Other methods have their limitations as well. Nevertheless, expert opinions and other scant available evidence suggest that, just as among other groups of the population, retirees sometimes do undeclared work. Financial incentives are mentioned as a key motivation and the administrative burden of tax declarations can play a role as well. The perceived chance of getting caught and the assessed severity of the consequences as compared to the benefits, as well as moral standing (if undeclared work is perceived to be common – differences among age cohorts might have developed historically in different countries), also play a role (see Eurofound, 2008a, for a more exhaustive discussion).

Besides these more general motivations for undeclared work, retirees can have specific incentives and disincentives. For example, pensioners are usually covered by health insurance unrelated to their occupational status, so they do not need to declare their salaries in order to receive health care coverage (Leibfritz, 2011). Probably most importantly, they often have less or no need to accumulate additional pension years, which can be a great incentive to declare income from work. Furthermore, retirees are often not entitled to unemployment benefits, which can be subject to tight control, a factor that discourages undeclared work among non-retirees. In contrast, disincentives include the fact that in several Member States, pensioners are exempted from social contributions.

Three groups that are most likely to do undeclared work are students, the self-employed and unemployed people (European Commission, 2007). Among the (self-reported) 'retired, or unable to work', 1% reported doing undeclared work. In comparison to 8% among the self-reported self-employed or to 3% among home workers, this rate seems low. Nevertheless, this is deceptive if one does not compare this 1% to the employment rate among retirees, which is lower than that of other parts of the population. A considerable share of work beyond retirement is thus undeclared. Furthermore, other categories reporting doing undeclared work (for example, self-employed) could include some retirees because of the measurement problems already discussed (Chapter 1, 'Measuring work after retirement'). Overall, data suggest that undeclared work is at least as common among retirees as it is among other people in the EU, and could well be somewhat more prevalent.

Table 10 gives an idea of the sectors where undeclared work among retirees can be found in the EU. These results have to be interpreted with care, as the sample sizes are sometimes small and specifying for countries would result in cells that obtain hardly any observations. Nevertheless, some very broad observations can be made as one additional exploratory element of the analysis in this section. Household services seems the most important sector of undeclared employment among retirees by far. Undeclared hotel, restaurant and café work seems almost absent among retirees, while it is common among youth. Undeclared retail work is more common among retirees. While to some extent this all reflects different employment rates among retirees in the different sectors, this is not always the case. Agricultural work is more common among retirees, but it seems to be less common to do this work without declaring it. One explanation could be that these retirees are mostly owners of their farms, and it can be relatively hard to do undeclared work for a company you are registered as owning.

**Table 10: Undeclared work in the EU (%), by sector and age group, 2007**

	15–24 years	25–34 years	35–44 years	45–54 years	55–64 years	65+ years
<b>Construction</b>	14.6	23.7	15.6	21.3	10.6	17.8
<b>Industry</b>	3.9	6.5	5.9	4.2	13.8	0.3
<b>Household services</b>	22.7	15.0	18.3	19.4	37.1	42.5
<b>Transport</b>	1.6	4.8	4.0	7.2	1.6	5.8
<b>Personal services</b>	12.5	7.2	13.3	8.5	8.4	8.8
<b>Retail</b>	2.6	4.6	3.8	1.9	2.5	7.4
<b>Repair services</b>	9.4	6.4	6.2	6.8	6.5	7.8
<b>Hotel, restaurant, café</b>	13.4	12.5	5.4	3.3	1.4	0.9
<b>Agriculture</b>	5.5	3.9	5.4	3.1	4.0	1.1
<b>Others</b>	13.7	15.4	22.2	24.2	14.1	7.7

Note: Weighted, with the variable labelled 'wex weight extra population 15+'.

Source: Eurofound analysis of Special Eurobarometer 284 (wave 67.3) microdata

Expert opinions in the seven country reports as well as other publications (for example, Geroldi, 2000; Leibfritz, 2011; Széman, 2011) confirm the presence of undeclared work among pensioners and give an insight into the underlying reasons and type of work. Many workers, 'especially the self-employed or those in service professions, continue temporarily part-time, part-week or part-year work while drawing pension or alternative social benefits' (Reday-Mulvey, 2005, p. 93). Retired persons, for example, do not declare income from care for older people (sometimes abroad), crops sold from agricultural activity, working at public toilets or collecting coats in restaurants. For Italy, Spain, Portugal and France it has been reported that older craftsmen, farmers, nurses or consultants continue occasional work (Reday-Mulvey, 2005).

## Employment clusters

In the EU generally, working retirees tend to be relatively young, male, do part-time work and work for SMEs. Furthermore, the better-educated are more likely to work after retirement, and it is much more common to be self-employed among retirees than it is among non-retirees. Nevertheless, it is not true that a typical working retiree fulfils all these criteria. In order to obtain a better idea of work after retirement in the EU, it is interesting to classify those who work after retirement into groups of people and jobs with similar characteristics.

Cluster analysis of LFS (2009) data reveals five prominent clusters of work beyond the age of 65 (Table 11). Further specification would lead to dividing some of the clusters into two or collapsing subgroups of the different clusters into relatively small groups with common characteristics. Nevertheless, these five broad clusters serve the purpose of providing an illustrative impression.

One cluster includes relatively old agricultural and fishery workers doing part-time work. More than half are female, but a large share is male. Such post-retirement workers can be found relatively often, for example, in Austria, Greece, Poland, Portugal and Romania. Two other clusters involve younger part-time retirees who do elementary work or work in services and sales (mostly female) or as technicians (mostly male). There is also a large group of highly educated retirees in urban

## Income from work after retirement in the EU

areas who work part time as professional employees but are also often self-employed. Most of them are male, but a large share is female. This group is relatively dominant, for example, in Hungary, Lithuania, Poland and Sweden. Finally, there is a group of self-employed who work as managers or legislators or who are in crafts or trades. They are predominantly male. This group is particularly well represented, for example, in Belgium, Greece, Italy and Spain.

**Table 11: Predominant clusters of working retirees in the EU**

Profession	Elementary workers and service and sales	Professionals	Elementary workers and technicians	Managers and legislators and craft and trade	Agricultural and fishery
Employment status	Employee	Employee and self-employed	Employee	Self-employed	Family worker
Hours (mean)	26	28	27	40	23
Age	Young	Young	Young	Older	Older
Education	Lower secondary	Third level	Upper secondary	Lower and upper secondary and third level	Lower secondary
Sex*	Female and male	Mainly male	Male and female	Male	Mainly female
Urbanisation	Urban and rural	Urban	Urban	Rural and urban	Rural
Countries	France, Netherlands, UK	Hungary, Lithuania, Poland, Sweden	Czech Republic, Denmark, Germany, Latvia	Belgium, Greece, Italy, Spain	Austria, Greece, Romania, Poland, Portugal

Notes: The 'number of persons working at local unit' was included in the analysis but is not shown in the table because of lack of distinction among clusters. Data are unweighted; TwoStep Clustering in SPSS, forced five clusters.

\*Both genders are mentioned if the predominant one has less than 60%; 'mainly' indicates 60% to 80%.

Source: Eurostat, LFS, 2009 microdata; 65+ employed and unemployed

In the ‘Opportunities’ section in Chapter 3, broad mechanisms were discussed that might hinder or stimulate retirees to work. This chapter will discuss in more depth what governments can do to facilitate work for those who want to work, while Chapters 5 and 6 focus on company and retiree initiatives. Overall, it is important to realise that incentives aimed at the individual might miss their aim if opportunities are not provided and that line managers often have a large say (Vickerstaff, 2006).

## Labour market

Governments can play a role by stimulating economic growth and the availability of suitable jobs. While these can facilitate work after retirement, they benefit other groups of society as well. The labour market has been particularly tough for older people who, for example, have been made redundant or who have been pushed into early retirement when they felt no desire to retire at all (Chapter 3, ‘Opportunities’). Governments can help by keeping older people close to the labour market, by facilitating training and ‘[avoiding] measures that may alleviate their unemployment in the short run, but compromise their potential employment in the longer run’ (European Commission, 2011a, p. 102).

The Geneva Association stresses the need to promote part-time jobs (Giarini, 2009). Governments can facilitate this – and flexible work arrangements in general – in numerous ways. Regulations with regard to age-adapted workplaces can also help. An in-depth discussion of such measures goes beyond the scope of this research.

As so many retirees are taking up self-employment because of the reasons discussed above, an obvious area for targeted labour market policy measures concerns facilitating self-employment. Many of them, such as diminishing administrative burdens, are as important for younger as for retired entrepreneurs. Nevertheless, some public measures are specifically aimed at retirees. For example, the EU-funded Bazaar project fosters self-employment among those aged 50+ (including retirees) by teaching them to create their own online businesses based on skills and experience they acquired during their life professionally or as their hobbies. Senior Enterprise is another EU-funded project that stimulates self-employment among older people more generally. Furthermore, it is important to realise that the status of being self-employed frequently hides the fact that many could be considered effectively employees (Chapter 3, ‘Self-employment’), often working in low-paid jobs under insecure conditions (Ball, 2012).

## Age barriers and discrimination

Age discrimination is prevalent in the EU, both because people are perceived to be ‘too young’ and because they are considered ‘too old’. The age at which someone is considered ‘too old’ or ‘too young’ depends on the context and on the individual. Discrimination can happen at the workplace and in access to employment. In 2011, about one-fifth (21%) of EU citizens reported that they were discriminated against because they are perceived to be too old in the workplace or when looking for work (6%), or had witnessed such discrimination (15%) (European Commission, 2012b). Older workers who are less educated and less skilled report lower levels of discrimination than more educated and skilled workers (Eurofound, 2008b).

Measures to combat age discrimination are important in facilitating work after retirement for those who want or need to work. In particular, it can positively impact recruitment levels of retirees, but it can also protect retirees from being driven out of an organisation at a certain stage – sometimes

well into retirement – because of their age. Such measures have been discussed in more depth in other studies. Nevertheless, this section focuses on some aspects that are of particular relevance for retirees.

### ***Retirement age***

A barrier faced by retirees who want to continue working is the fact that in several Member States, contracts are automatically discontinued when people reach the statutory retirement age. It is interesting to note that in a Member State with a retirement age of 65, dismissal purely based on age is illegal at, for example, 64, but discontinuation of the contract because of age is acceptable a year later. Some Member States passed legislation to increasingly protect the employment rights of those reaching retirement age. In 2011 the UK made it illegal to dismiss employees because they reached the retirement age, while in 2007 France prohibited redundancy because of age, including in occupational schemes with earlier retirement ages, up to the statutory retirement age of 65. The Netherlands and Germany, where permanent contracts are discontinued by default at the state retirement age of 65, have recently seen court judgements challenging the legitimacy of such discontinuation. Among respondents to a Dutch survey who reported having gone involuntarily into retirement, 13% reported doing so because of reaching the statutory retirement age (Henkens et al, 2009). The most important reason (cited by 77%), though, was pressure from the employer or colleagues or both.

Research suggests the impact of anti-age discrimination legislation to be particularly strong in the way in which it prevents employers from organising employment exit around fixed retirement ages while at the same time enhancing people's expectations of, and claims to, continued employment (Lain, 2011). A greater UK concentration in occupations with low pay and low qualifications required suggests employers, working in a context of limited employee rights, selectively retained and recruited people in their sixties to these jobs. An alternative explanation – that these employment levels reflected the characteristics of those choosing to work – was unsupported. The evidence suggests that the 2011 UK default retirement age abolition will weaken 'low pay, low qualifications' occupational segregation after 65 more than voluntary commitments to 'age diversity' (Lain, 2012).

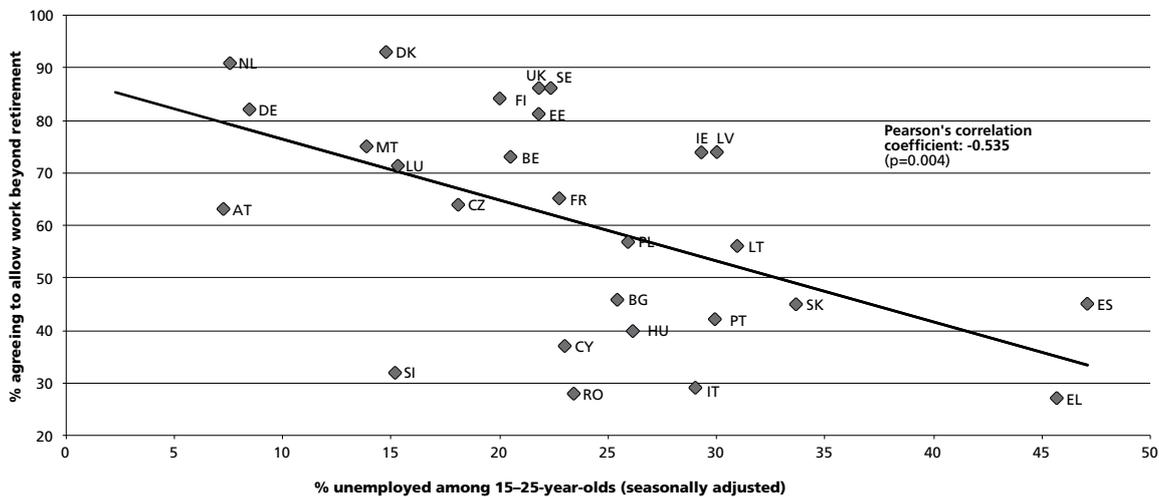
Besides legal arrangements, country differences in the institutionalisation of a retirement age and its normative influence can explain differences in uptake of work beyond retirement (Scherger et al., 2012, forthcoming). This is also – at least partly – in the hands of governments.

### ***Are retirees competing with non-retirees for scarce jobs?***

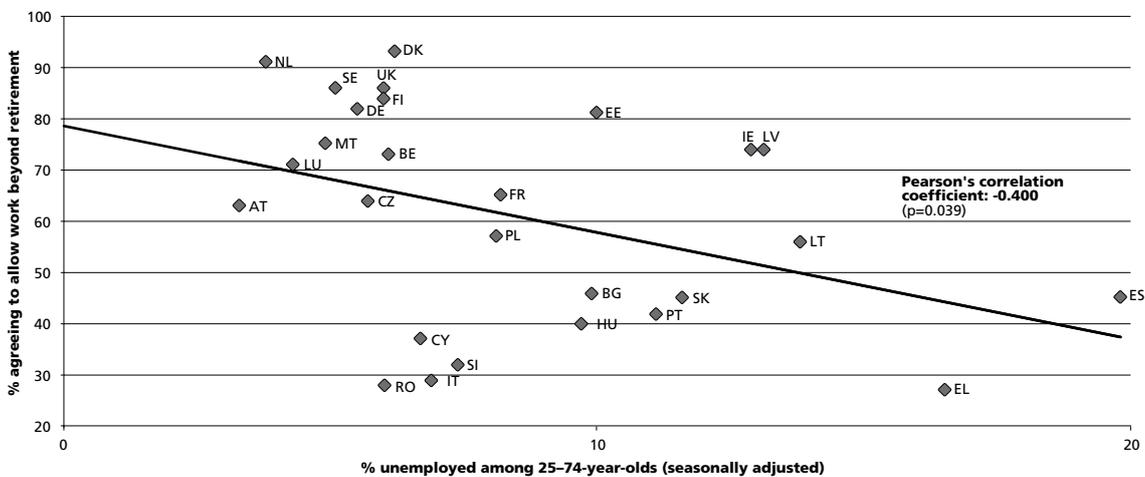
Six out of 10 EU residents think people should be allowed to continue working past the official retirement age, and more than half reject the idea of a compulsory retirement age (European Commission, 2012b). Nevertheless, there are large differences across Member States. In particular, citizens in countries with high youth unemployment rates tend to be more hostile toward work beyond retirement (Figure 7a), as are (though somewhat less) people in countries with high unemployment rates among the population aged 25 and over (Figure 7b).

**Figure: 7 Unemployment and opinion about work beyond retirement, 2011 Q3**

(a) *Opinion compared with youth unemployment rates*



(b) *Opinion compared with unemployment rates among workers aged 25+ years*



Source: Eurofound analysis of LFS (Eurostat) (unemployment) and European Commission, Eurobarometer (agreement with work after retirement) 2011 data

Such resentment towards work after retirement is often based on the idea that those who retire make space for younger people. In line with this way of thinking, assuming that the exiting person has been in employment for a long time and has been able to build up an adequate pension, it could also open up jobs for older people who have been outsiders for a long time and who need to accumulate more pension for their income to be adequate once they retire.

On a micro, day-to-day level, it is hard to claim that there is never any trade-off. Retiring workers sometimes make way for a younger generation. Many of the working retirees in the case studies in this report do jobs that younger people could do as well. Furthermore, if an older employee stays longer, the employer might feel less urgency to look for younger alternatives and for possibilities to train them.

Nevertheless, it is hard to find macro-level evidence that such arguments hold in the long run. To the contrary, there is a significant positive cross-national correlation between employment rates among younger workers and employment rates among older workers. Low unemployment among all age groups seems likely to be a consequence of a healthy economy and labour markets that are functioning well. Nevertheless, even after removing the impact of such variables, high employment rates among the old have been argued to be positively associated with high employment rates among the young (for example, Brugiavini and Peracchi, 2008).

It is clear that the labour market is not a zero-sum game. Otherwise, high birth rates would be of great concern for the currently employed, who will not have reached retirement age when these new-borns reach working age. The move of baby boomers into the labour market in the late 1960s would have left many 30- to 40-year-olds unemployed, and the uptake of work by a large number of women over the past decades would have made an equal number of men unemployed. In this regard, it is interesting to note that about half of working retirees are self-employed. While salaried employees can generate employment for others as well, this certainly also applies to the self-employed, especially for those who create their own successful companies.

Even if in the short run working retirees can create opportunities for non-retirees by leaving their jobs, it should be noted that there are societal costs associated with someone moving into retirement in many of the EU pension systems where the younger population funds current pensions. Furthermore, retirees often have connections with others, particularly family, that have an economic effect. If they do not work, they might draw on support from younger relatives, and vice versa – they sometimes work to support their children (see case studies 1 and 2 on the German newspaper and Italian supermarket in Chapter 3).

Old and young workers are sometimes competing for different jobs, but this argument is not as valid when comparing retired workers with non-retired older workers. Besides, (early) retirement has often been used as a relatively painless way to downsize the labour force rather than to hire younger employees. To avoid this, the Spanish government has a national policy in place where between 61 and 64 years it is possible to combine partial pension receipt and a part-time job if working hours are reduced between 25% and 75%, and another employee must replace the remaining working hours left by the partial pensioner (OECD, 2011).

While there is no macro-level trade-off between the employment of younger and older workers, it is important not to ignore contrary perceptions. Policymakers, especially in countries with high unemployment, might well feel societal pressure for policies that discourage retirees from continuing to work. The ideal would be to fight these perceptions, but this has proven to be hard, and there are options that are less likely to be controversial. Overall, good labour market policies benefit all generations. Intergenerational tensions are more likely to emerge in times of crisis (see case study 6, the Czech government ministry). In economic prosperity, given the demographic developments, labour market shortages are expected to be more of a concern. Furthermore, governments can address the financial need to work among retirees (see the 'Avoiding need' section). Lastly, work after

retirement can be facilitated in particularly beneficial ways. In particular, retirees can be involved in training and mentoring, moving into part-time working arrangements at retirement (see case study 17, the German engineering company). In this way, they can facilitate the integration of younger workers into specific jobs and contribute to addressing skills mismatches, with the current contradiction of available vacancies in conjunction with unemployment.

**Seniority wages**

Another important topic related to age barriers is the existence of seniority wages. Wage increases based on seniority rather than performance risk inequalities in remuneration among otherwise similar employees purely because of their age. As a consequence, employers can be expected to be relatively reluctant to continue the employment of older workers and avail of the ‘retirement option’ to bring wages in the organisation as a whole in line with productivity. Hiring older workers can also be inhibited by seniority wages. There are large differences between countries and organisations in the role of seniority wages (Moreira et al, 2010). While establishments with steeper seniority wage profiles than the average establishment in their sector can keep their employees longer, they hire fewer older employees. Future prospects of high wages can motivate younger employees to endure relatively low wages. Naturally, this incentive works better in organisations with high job security. The public sector is a good example where seniority wages are prevalent. Work after retirement is relatively less common in this sector, and in one of the case studies intergenerational tensions were mentioned as being fuelled by perceptions related to this (see case study 6, the Czech government ministry). Seniority wages can be argued to be more of an issue before retirement, as after retirement employees have been reported to accept lower wages (see case study 7, the Italian public university).

**Case study 6: Czech government ministry**

Ministry of Defence	
<b>Sector</b>	Central state body responsible for the country's defence, its military forces and its military territories
<b>Employees</b>	Central offices: 455 soldiers and 1,016 civic employees Overall: 21,202 soldiers and 8,241 civic employees

Professional soldiers are automatically discharged when they reach the age at which they start obtaining retirement rights. While they are entitled to requalification courses, it is hard to find work elsewhere after being discharged. The Ministry of Defence can employ some of them, partly to compensate for contractual restrictions these retirees faced during their active service (for instance, in freedom of political participation), but also because of their extensive experience, practice and perspective. These retirees also require less training than younger colleagues. On the other hand, HR reports higher frequency of sickness. Because wages are partly based on the number of years worked and because retirees are frequently in relatively high positions, wages of working retirees are generally higher than those of younger colleagues. Cuts in employment because of austerity measures in the context of the economic crisis triggered some intergenerational tensions, according to HR and working retirees.

Two interviewed working retirees, in middle and top management, reported working unlimited hours (reported to be typical at this level) and a 40-hour work week, both with flexible work arrangements, including work from home. Main motives are self-actualisation, personal worth and influence on public affairs.

**Institutional framework**

Sometimes labour legislation has been implemented without working retirees in mind. In the Netherlands, for example, workers are protected by prohibiting the conversion of permanent into temporary contracts within three months after termination of the permanent contract. For a group of workers whose contract is discontinued because of reaching the statutory retirement age but who agree with their employers to continue working, this has the practical consequence that they are often dismissed and then rehired after three months on a temporary contract.

In EU Member States, employers are usually liable for covering their employees' sick leave. Nevertheless, they can insure themselves for a prolonged period of sick leave. In some Member States (such as the Netherlands), a major barrier to work after retirement is that it is particularly hard for employers to obtain such insurance for working retirees. Governments could facilitate this by means of anti-discrimination legislation, by facilitating insurance policies for working retirees or by contributing to sickness allowances. As will be described below, the social partners have taken initiatives as well.

### Financial incentives

#### *Tested pensions*

Public pensions are sometimes means-tested (Table 12), with income being fully or partly retained from pension benefits. This implies a disincentive to work (or save), induces people to work less than they would like to or stimulates them to get involved in undeclared work. In the UK, benefits are partly means-tested. After taking health, education and age into account, being in the poorest quintile still reduces the probability of working after retirement (Lain, 2011). As the poorest are the only ones benefiting from this UK scheme, if their means keep beyond a certain level, this suggests that means-tested benefits indeed discourage employment. It should be noted that, if restricted to the poorest, this disincentive to work might protect them from the harsh labour market they face. They are relatively often in bad health and few employment options are available. Accessible jobs are often of low quality (see case study 1, the German newspaper in Chapter 3). Other EU Member States where such disincentives can be found include Austria, Belgium and, for early retirement pensions, the Czech Republic and Germany.

#### *Combining income from work with pension*

In most EU Member States (except Ireland, Luxembourg and the Netherlands), public pensions can be deferred beyond the standard statutory retirement age for a limited or unlimited period (Table 12). Subsequently, additional accruals are earned over these years so that a higher pension will be received when the retiree decides to start drawing from it. In some Member States this accrual rate is particularly high (also compared to pre-statutory retirement age accruals) and there are no limits to the period over which the pension can be deferred. Nevertheless, evidence from the UK (see case study 4 on the UK public healthcare provider) suggests that retirees who choose to work do not always use this deferral option, however attractive it might be. The rate of working retirees who receive no pension is very low, suggesting that most people opt to receive the pension besides their income and then receive a lump sum payment after they stop working, for example to pay off debts (see case study 4 on the UK public healthcare provider). It should be noted that in Member States with a deferral option, some groups are excluded from this option, such as civil servants and judges in Hungary. Furthermore, some Member States only allow it if income is high enough (in Malta, for instance, if income is above the national minimum wage) or the number of hours worked is above a certain threshold (for example, Denmark has a threshold of 1,000 annual hours). Sometimes there is a minimum deferral period (such as 90 days in the Czech Republic).

Table 12: Public pensions and work after retirement, EU, 2012

	Deferral possible?	If deferred: additional pension accumulated (% per year)	If not deferred: in combining income from work and from pensions, are there limits to earnings from work for the pension to be reduced or cancelled?
Austria	Yes	65–68: 4.2% 68+: None	< 65: If above €349.01 per month, the pension is fully withdrawn. 65+: No limits.
Belgium	Yes	No increment, but the last 45 years (44 for women) are used in calculating pension benefit, so can improve pension.	If above €21,436.50 (single) or €26,075 (dependent child), the pension is reduced by the amount that surpasses the limit. If earnings are 15% above the limit, the pension is fully withdrawn.
Bulgaria	Yes	4% (higher than before pension age: 1.1%).	No limits.
Cyprus	Yes (until 68)	To fill gap if years of contributions are missing.	No limits.
Czech Republic	Yes	6%	No limits. Additional annual 0.4%, receiving full pension. Early retirement: Restrictions.
Denmark	Yes (max. 10 years, interruptions possible)	Deferral period to average life expectancy ratio when the pension is drawn (if life expectancy for a 68-year-old is 17.1 years, increment for deferring a year from 67 = 5.8% (1/17.1)).	Partial means test of supplementary pension.
Estonia	Yes	10.8%	No limits.
Finland	Yes	4.8% after 68. No adjustment between 63 and 68 because of accelerated pension accrual (4.5%).	No limits. Additional pension accrual annual 1.5% until 68.
France	Yes	Contributed < 40 years: 5% Contributed ≥ 40 years: 10%.	No limits for 65+ or for 60 to 65 who have contributed for at least 40 years.
Germany	Yes	After 67: 6%	Means-tested benefit (if full: €180 per month) for > 64: Reduced by 30% of income earned, and by 100% if income > €180. Early statutory retirement (< 65): Amounts earned in excess of €400 per month are deducted from pensions.
Greece	Yes (until 68)	3.3% (max. 3 years, max. replacement rate 80%)	Possible after 55. Limit: monthly pension income > €733 reduced by 70%, with an increment for dependent children.
Hungary	Yes	6.2%; pension is recalculated only if at least 356 days of work since postponement at 62 (statutory retirement age)	Limit: 18 times the minimum wage (HUF 1,674,000 or €6,027)
Ireland	No	-	Limit: €38 per week under the state pension (transition), which is payable for one year. The state pension (contributory) is not subject to an earnings test for regular pension.
Italy	Yes (until 70)	5.62%	No limits. Nevertheless, disability allowances, for example, are cut progressively if annual income is above €23,826.40 and survivor's pensions if income is above €18,229.77.
Latvia	Yes	Higher pension because more contributions and lower estimated period of pension payment (used in formula).	No limits. Pension contribution rate is lower when income from work is combined with income from pensions than when pensions are deferred.
Lithuania	Yes (max. 5 years)	8%	No limits.

## Income from work after retirement in the EU

<b>Luxembourg</b>	No	-	No limits, contributions paid are refunded.
<b>Malta</b>	Yes (until 65)	Yes, up to ceiling.	No limits. Contribution rate: 10% of salary (or maximum contribution) until 65 when pension contribution stops.
<b>Netherlands</b>	No	-	No limits.
<b>Poland</b>	Yes	Same as before retirement age.	Limit applies to pensioners below legal retirement age (in old system).
<b>Portugal</b>	Yes	Yes, up to ceiling and until 70.	No limit, but for three years after pension not allowed to work in the same company/group as before pension (sanction: fine and mandatory choice between pension and work).
<b>Romania</b>	No	-	No limits, but only allowed to combine pension and work if pension is lower than the gross average salary (RON 2,117 or €463 per year).
<b>Slovakia</b>	Yes	6.5%	No limits.
<b>Slovenia</b>	Yes	After minimum pension age: Additional years of insurance up until full pension age attract a higher accrual rate. After full pension age: In the 1st year, monthly 0.3%, 2nd year 0.2%, 3rd year 0.1%. Maximum: 7.2%.	Some limitations.
<b>Spain</b>	Yes	2%, 2.75% and 4%, respectively, for careers below 25 years, between 25 and 37 years, and over 37 years.	Before 65: Pension benefit reduced according to the length of the working day. 65+: No obligation to replace the remaining working hours.
<b>Sweden</b>	Yes	Automatic actuarial adjustments. No additional pension rights can be accrued after age 65 for the occupational pension.	No limits.
<b>United Kingdom</b>	Yes	10.4% (or a taxable lump sum of the deferred pension plus interest – choice made when pension claimed).	Pension credit is reduced by full income receipt, as long as income is below the threshold. Pension credit guarantees income of GBP 137.35 (€168.77) per week (GBP 209.70 (€257.72) for couples, with supplements for some groups, such as disabled, carers).

Source: Based on OECD (2011), Holzmann and Guven (2009), EU (2011), MISSOC (2012), Scherger et al (2012, forthcoming) as well as input by Sonia de Paz Cobo (Universidad Rey Juan Carlos) and own research by Eurofound

Several Member States have moved in the direction of systems where deferral is possible and additional accruals make it attractive to work beyond retirement, or where earning income besides receiving a pension is made a more attractive option. For example, in Finland, from 2004 the national pension can be deferred after the age of 65 and the pension is then increased by 0.6% for each month by which retirement is postponed (decreased to 0.4%, an annual 4.8%, since 2005). Alternatively, from 2005, it also became possible to take the old-age pension while earning income from work and accruing additional pension rights (at an annual 1.5%) until the age of 68 (OECD, 2011). While in Belgium deferral was already possible for people working in the private sector, it has recently become an option for civil servants as well.

While there are many other factors at play in determining the rate of retirees who work, it is interesting to note that Belgium, a country where deferring public pension is unattractive (as no increments are obtained) and where income after retirement is deducted (partly) from pension benefits, has among the lowest (reported) employment rates in the EU27 among 65- to 69-year-olds (4.1% in 2010) (Table 1). In Member States where private occupational pensions play a major role, the incentives in these schemes also matter, according to the lines described for the public pension. For example, in Spain, several private pension funds do not allow their clients to start receiving their pensions if they continue working.

### ***Employer and employee social security contributions***

Besides additional pension accrual and impact on pension receipt, social contributions matter as well. For example, in Luxembourg it is not possible to defer public pensions and accumulate additional pensions, but employment still provides additional income and, for those working beyond retirement, social contributions are refunded at the end of the year. In the UK, those working beyond the statutory pension age are exempt from paying national insurance contributions. In other Member States, such as the Czech Republic and Italy, employee and employer social security contributions (to health insurance, public pensions and so on) are still to be made by post-retirement workers. A 2004–2007 pilot scheme in Italy offered workers the possibility to postpone retirement by three years. Pensions would remain unchanged, but while in employment, they would be exempt from social security contributions. Their income would increase by an amount equal to 32.7% of their gross salary: the sum of the worker's contribution to social security schemes (8.7%) plus the employer's contribution (24%), without any added taxation. While some showed interest, it was relatively unattractive to employers, and mainly employees with high incomes would benefit.

### ***Favourable taxation regimes***

Taxation policies also matter. If income on top of pensions (if not deferred) is heavily taxed, retirees will be less likely to take on paid employment. Taxation can also stimulate people to defer pension receipt (and thus stimulate them to continue working to obtain income). An example includes a proposed Belgian occupational tax system reform. In particular, if workers take their occupational pension as a lump sum at the age of 60, the part accrued by employers' contributions will be taxed at a flat rate of 20%, where it is currently taxed at 16.5%. However, if workers wait until they are 61, the rate will be 18%, it will 16.5% at age 62 to 64, and will go down to 10% at age 65 (IPE, 2012). As with social contributions, there are also tax incentives that affect employers. For example, employers in Sweden have been exempt from payroll taxes for all employees over the age of 65.

### **Case study 7: Italian public university**

#### **University of Camerino**

<b>Sector</b>	Public sector university
<b>Employees</b>	1,100, of which 10 are retirees
<b>Gender balance</b>	40% female, 60% male (50% female versus 50% male for working retirees)

All 10 working retirees are full-time professors with flexible temporary contracts and figure as 'self-employed'. They all have a university degree (there are also 15 retired professors doing unpaid voluntary work.)

One of the working retirees was offered a proposal by the university to retire at the age of 62, when he became entitled to a public (seniority) pension (i.e. the main Italian early retirement scheme). He received a contract for eight years, until 70, the statutory retirement age for university professors. The remuneration by the university amounts to 30% of what he used to receive, but by adding this to the pension, overall he earns more while his tasks and work content remain unchanged.

The number of professors employed by the university is very important, as it determines the number of degree courses the Ministry entitles the university to provide. The university saves 70% on salaries by offering professors the above-mentioned agreement. Nevertheless, retired professors (paid or unpaid) will not be counted anymore by the Ministry in a new law that will soon be implemented.

### ***Other financial incentives***

Financial incentives affecting the supply of labour can also stem from decreased costs because of access to services. For example, lack of health benefits in retirement can discourage workers from leaving the labour force. This particular issue is especially relevant in the US, where most citizens

receive health benefits from their employers and the loss of these benefits can substantially raise the cost of retiring (Johnson, 2004). Nevertheless, it is important to keep such benefits in mind in policymaking in the EU.

Subsidies can also play a role. If a company receives a state payment for employing disabled people, this can disproportionately incentivise them to employ groups that have disabilities. As the likelihood of having a disability increases with age, retirees are among these groups. Nevertheless, in several Member States such subsidies only apply to employees below the pension age (see case studies 8 and 12 on the Czech security company and the Polish cleaning company), providing a strong disincentive to hire disabled retirees.

### Case study 8: Czech security company

Agentura Pancěj Ltd	
<b>Sector</b>	Services in the fields of security, protection of property and persons, real estate management and maintenance, and agency work for people with disabilities.
<b>Employees</b>	1,005, of whom 985 with permanent contract (65 retirees, 45 with permanent contract)
<b>Gender balance</b>	22.4% female, 77.6% male (7.7% female versus 92.3% male among working retirees)

As part of a national policy, the company receives a public subsidy (CZK 8,000 per month) for each disabled person it employs. When any of the 815 disabled employees with a permanent contract reaches the retirement age, the subsidy is discontinued. The company usually keeps retirees for about one year after their retirement and then terminates the contract. It attempts to retain the best-performing workers on permanent contracts. The security agency also hires retirees, mostly former staff, for short-term jobs. These retirees replace staff who are absent, for example, due to illness, or answer to a short-term need for more workers. They often work as doorkeepers and receptionists for the agency's clients.

One of the employed retirees used to work as an X-ray operator in the field for which she studied. When she retired, she started to work for the security agency as a cashier. She holds the upper secondary degree that was required for this position. She works part time, for 30 hours per week. The main reason for employment is that the public pension does not allow her 'a decent living in the capital city'. Furthermore, it helps to fulfil her continuous need for self-actualisation, to be in contact with people and to maintain a clear mind. Her satisfaction is boosted by working in a nice team, being respected by her co-workers personally and professionally and by not encountering the intergenerational pressure and age discrimination she encountered elsewhere in the labour market.

### Information provision

Besides actual legislation, information provision also matters. It was a common observation in the case studies that employers and employees had no clear idea about the regulatory framework surrounding work after retirement, including the consequences for pension receipts (see case studies 2, 10 and 13 on the Italian supermarket, the Polish ship R&D centre and the Dutch retiree job agency). In such a context, tax and benefit rules have an unknown impact and employers can be hesitant about employing a retiree, while retirees can be hesitant about taking up work because they are unsure what the financial and administrative consequences are.

For example, a recent (2008) change in Danish law allowing retirees to earn up to about DKK 30,000 (approximately 4,000 on 16 October 2012) per year without any deduction in their supplementary pension had little impact on employment rates, partly because many retirees do not know about the regulation (Larsen and Ellerbæk, 2012). Information gaps were also identified as one of several barriers in a Dutch study on work after retirement (AStri, 2006).

Governments can do something, firstly by designing simple systems. Furthermore, they can stimulate the dissemination of information. An example includes a Dutch website ([www.65pluswerkt.info](http://www.65pluswerkt.info)) that informs employees who are considering working after their retirement and employers considering hiring retirees.

## Avoiding need

Ideally, nobody should have to work beyond retirement age to make ends meet. Governments can play a role in avoiding this.

In ensuring future pension adequacy and long-term financial sustainability of pensions systems, *maximising employment years and minimising the effects of career breaks is crucial. This entails raising employment rates and pension coverage – notably for the youth and women – for example by crediting involuntary career breaks and increasing the effective retirement age, including by tightening early retirement pathways and enhancing conditions and incentives for older workers to work longer and finding ways to adapt pension rights to developments in life expectancy.*

(European Commission, 2011a)

However, even when a financial safety net is in place, unawareness among retirees can produce inadequate income, with the lower-educated being particularly at risk. For example, in England, 4 million people are entitled to pension credit, guaranteeing a basic income (see Table 12). Nevertheless, one in three of these pension credits go unclaimed. Governments can make benefit systems more proactive and user friendly. Ideally, systems would be well designed and there would be no need for information provision. In practice, though, enhanced access to information provides a (second-best) solution. Besides government information services, there are NGOs that help pensioners claim their benefits (such as A2B in Belfast).



## Motivation for companies

The case studies focused on organisations that employ retirees. As a consequence, there is a selection bias, with all these organisations likely to see a ‘business case’ in employing retirees. While this limits potential analysis of whether there is an overall business case, it permits investigation of these companies’ motivations.

Firstly, several of the case study organisations mentioned the importance of a diverse workforce, with being retired or not listed among one of the specific dimensions of diversity, beyond, for example, age as such. Diversity can be beneficial internally for the work environment (see case study 10 on the Polish ship R&D centre). More often, though, when speaking about the importance of employing retirees more specifically, reference was made to the client base. It was frequently judged important for the composition of the workforce to be similar to that of (potential) customers, to make clients feel more ‘at home’ and to better understand clients’ preferences (see case studies 9, 16 and 19 on the Czech senior job agency, the UK DIY and garden centre and the UK warranties provider).

### Case study 9: Czech senior job agency

Q4work, part of TRISYSSTE Member States Ltd	
<b>Sector</b>	Brokering work for seniors and people with disability
<b>Employees</b>	5, of which 2 working retirees
<b>Gender balance</b>	80% female, 20% male (100% female among working retirees)

All employees have upper secondary or higher education and work part time. The founder of the company reports being interested in hiring retirees because they better communicate with people of a similar age and status and they best understand customers’ needs. This is important for a company that brokers work for senior workers. Furthermore, the founder finds retirees to be loyal and less in need of training because of extensive knowledge. Flexible working hours, part-time working arrangements and allowing for more frequent absences from work (for medical check-ups, for example) were mentioned as ways to attract and retain retirees.

Secondly, companies that are looking to fill positions in need of flexibility, for example to adapt quickly to changing demand for the companies’ services, find that retirees cater willingly for their needs. Retirees often accept, and may even prefer, temporary contracts, part-time work, irregular workloads and on-call shifts. The same holds for fee-for-service based payments or project-based contracts. They also are sometimes more willing to work unpopular shifts, especially when having no dependents (see case study 19, the UK warranties provider).

Third, some collective agreements do not cover retirees and certain legal arrangements do not apply to retirees. Such gaps can form barriers, but sometimes they also bring advantages to companies. There are large differences among sectors, but as mentioned in the previous chapter, retirees are often cheaper and easier to fire and minimum wages do not always apply to them.

Fourth, because retirees usually have some income from pensions, they sometimes accept relatively low payments (see case study 1 on the German newspaper in Chapter 3). Another reason for this is that they relatively often work for non-financial reasons.

Fifth, it is often cheaper to keep a retiree (potentially on reduced hours) than to attract a new person, as they are in need of little training (see case study 9, the Czech senior job agency). When many baby boomers simultaneously retire, such continued employment also avoids loss of skills. Regardless of unemployment, specific sectors and companies are struggling to find people to fill vacancies. To avoid eventual skill loss, retirees were reported to either mentor younger colleagues part time to help them develop or informally exchange knowledge (see case study 10, the Polish ship R&D centre),

while in other cases retirees gave collective training (see case study 1, the German newspaper in Chapter 3).

The case studies show that a shortage of labour with certain expertise has induced companies to overcome obstacles, but – somewhat counter-intuitively – the economic and financial crisis has done so as well in some occasions. The increased need to decrease costs triggered some of the examined organisations to retain workers, as it would avoid recruiting and training costs. Furthermore, in one of the public sector organisations examined (see case study 7 on the Italian public university), a hiring freeze in the public sector had the impact of enhanced effort in retaining retirees. Massive early retirement as part of downsizing, or as avoidance of further pension cuts, has also led to some enhanced public sector post-retirement employment as a compensatory arrangement or to fill gaps (as in Ireland, for instance).

Lastly, social motivations were also mentioned. Employers reported that they knew of the difficult financial situation of the respective retiree and by giving access to work they helped them to gain some additional income to allow for a decent living (see case studies 2, 6 and 20 on the Italian supermarket, the Czech government ministry and the Austrian graphics equipment company).

### Case study 10: Polish ship R&D centre

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Centrum Techniki Okrętowej	
<b>Sector</b>	Publicly owned (Ministry of Treasury) joint-stock company: ship design and research centre, with research and development in water-borne transport and shipbuilding.
<b>Employees</b>	140 permanent and 20 contract bases (10 retirees)
<b>Gender balance</b>	31% female, 69% male

Most employees (60%) are highly educated. On average, they work around five years beyond retirement. Nevertheless, due to recent perceived uncertainties about the possibilities to combine paid work and pensions, many people chose to leave the labour market when reaching the statutory retirement age.

Retirees usually work part time or with flexible working time with a permanent or temporary contract. The type of the employment and time distribution depend on the company's current and future needs as well as the willingness of the individual employee. Health status and family aspects are taken into account. A success factor is that there are clear descriptions of requirements, i.e. tasks, duties, evaluation criteria, availability of the retiree in light of working time (hours, working days).

The company seeks to retain retirees who can take on the role of consultants or mentors in order to secure competences. The interviewed retiree was retained as the loss of his skills in hydromechanics would have implied a loss of competence for the company. For the employer, advantages of continued employment for retirees have been to secure the continuation of functions that otherwise would indicate drastic changes, the possibility of introducing flexible forms of employment and costs savings. Moreover, it assures a workforce that balances youth and maturity. These aspects are both noted as creating added value, such as enhanced professional ethics, natural exchange and transfer of knowledge. Negative aspects of employing retirees were also mentioned, such as conservative attitudes, objection towards changes and gaps in competences related to computer-based knowledge and language skills.

For the employee, motivation includes work satisfaction (especially when working many years in the same company), lifelong learning (knowledge and skills), a social dimension (being with colleagues, friends), contributing to the company development and success, and healthcare benefits and other financial benefits. The interviewed working retiree stressed that activity keeps him up to date with engineering knowledge and allows him to be with other people who are interested in the same area of competence.

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An important role is played by institutions that promote the temporary placement of retirees in certain companies. Temporary job agencies are among them. Some job agencies seek to recruit older workers in general, and retirees form an important share of them (see case study 11, the Swedish senior job agency). Other job agencies explicitly recruit retirees (see case study 13, the Dutch retiree job agency). Employment through these agencies is in a broad range of jobs, but frequently low skilled. Other agencies explicitly focus on the expertise of high-skilled older workers, mostly retirees who want to do specific assignments (see case study 24, the Austrian business consultancy).

## Case study 11: Swedish senior job agency

Seniorjobbarna	
<b>Sector</b>	Temporary job agency for older people
<p>Vacancies involve work such as household work and gardening work. Usually tasks are somewhat lower skilled than those of the retirees' previous work. Retirees who are employed through Seniorjobbarna report motivations such as wanting to do good, to be needed and to retain a social network, but (secondary) financial reasons were also reported. Institutional facilitators considered important by the company and retirees include benefit tax rebates on household work and, more specifically, on retirees' payroll taxes.</p>	

Another group of companies mainly seeks to provide incentives to current workers to retain them after they retire (see case study 10 on the Polish ship R&D centre). Companies that are especially eager to retain retirees include those that work in sectors with high proportions of workers approaching retirement, especially when they are high skilled, high performing and hard to replace. These efforts tend to depend on market demand for particular services of the company. The case of Kodak in Austria (case study 20) shows how complex the dynamics can sometimes be. On the one hand, the company seeks to motivate employees to take early retirement in order to hire younger personnel with new technical skills, but on the other hand it stimulates work after retirement for some.

Other companies recruit retirees for specific tasks. Sometimes this is part of a broader strategy, based on the business case arguments mentioned above, of explicitly searching for retirees. In other instances, it just refers to the occasional employment of a few retirees (see case study 12, the Polish cleaning company).

## Case study 12: Polish cleaning company

Euroclean	
<b>Sector</b>	Cleaning services and import and distribution of cleaning equipment, accessories and chemicals
<b>Employees</b>	150 (1 retiree)
<p>Euroclean hires partially disabled people on temporary contracts, benefitting from the State Fund for the Rehabilitation of the Disabled. Several of these employees used to be retirees. No particular working conditions were offered to retirees, but generally good communication between younger and older employees contributed to a good working atmosphere. Retirees recently became exempted from this scheme and the company does not hire them anymore.</p> <p>Nevertheless, the company employs one retiree in the Human Resources and Wages Department. She is eight years older (68) than the statutory retirement age for women and was recruited as a retiree in a customary recruitment process. Before reaching retirement age she was working in a different company. Thus, she has returned to the labour market after some time of full retirement without paid work. She applied for the job as an accountant focusing on salaries and work regulations, which is her area of expertise. She works full time on a permanent contract.</p> <p>The retiree is satisfied with working past retirement age and stresses the need for positive 'adrenaline' in order to be able to keep up with the work and to cope with the working environment. Therefore, she hopes to continue to work as long as possible. The main incentive for the employee is to stay occupied, i.e. to not get isolated and inactive. This aspect may be related to the importance of being able to work. Another crucial factor, on the financial side, is to have the possibility to obtain additional salary to guarantee adequate income.</p>	

## Facilitating by informing

There is often a mismatch between what employers think their employees want and what the employees actually want. The opposite is also true – retirees also hold expectations about what their employers can offer and what they cannot. While such mismatches can occur in many situations, there are particularly strong presumptions attached to retirement. In the case studies it was reported that retirees sometimes think 'employers might not need them anymore' and that 'colleagues would not welcome working retirees' (see case study 13 on the Dutch retiree job agency). When employers were asked in a US survey which of a number of options they thought their employees were interested

in during retirement, answers differed greatly from what employees actually reported. For example, while 21% of responding employees reported they would never work for pay again, employers thought this would apply to 45% of workers. Employers also thought that more of their workers would wish to work part time in retirement than to go back and forth between leisure and work, while employees attached more importance to being able to move back and forth between work and leisure than to work part time during their retirement.

Retirees can also refrain from expressing their desire to work because they assume certain work options are not meant to be for them (see case study 19 on the UK warranties provider). To change such views, employers can use well-designed PR through specific media (for example, certain radio stations or local newspapers) that are most likely to reach retirees.

Furthermore, several of the cases raised the issue that retirees were unsure about the consequences for their finances of additional income (Chapter 4, 'Information provision'). This can prevent them from taking up work. As mentioned above, governments can play a role here, but so can companies. Pre-retirement counselling can be used as a tool. When recruiting retirees, such information can also be provided as a way to attract them (see case study 13, the Dutch retiree job agency below).

### Case study 13: Dutch retiree job agency

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Pittig	
Sector	Private, for-profit temporary job agency for retirees
<p>Pittig, established in 2011, has one office in Amsterdam, aiming for national coverage with its internet site. Its founder was inspired by his mother (a physiotherapist) who wished to work in retirement but felt society might not need her anymore. He encouraged her, and she now works in promotion.</p> <p>There are several temporary job agencies in the Netherlands that focus on older workers and early retirees (Oudstanding, Rvaring, 50+ Carrière). Pittig, though, focuses on retirees only, as do a few other Dutch job agencies (Uitzendbureau 65plus, Actief 65+). The financial side of regaining employment is somewhat more attractive for those who have passed the statutory retirement age, as additional income does not affect state pensions, while it would more often affect early retirement arrangements. Pittig's media partner is Telegraaf Media Group (TMG). Besides its national daily newspaper (<i>De Telegraaf</i>), TMG publishes regional dailies, free newspapers and magazines, which are relatively well read among retirees.</p> <p>About 40 placements have been achieved in the first few months of Pittig's existence, on average for around 20 hours per week and a duration of six months. Vacancies involve, for example, nursing, cleaning, sales, supervising university exams, driving lease cars from point to point and teaching at primary and secondary schools. Around three-quarters are retirees with previous experience in the area. This is often the case, for example, for receptionists. One-quarter took on work in a sector new to them, such as a retired medical doctor who currently enjoys being a driver. Many of the working retirees realised after a few months in retirement that they do not want to be out of the labour force for the rest of their lives, often for social reasons.</p> <p>Generally, the company finds it harder to attract companies than retirees. Pittig searches to attract companies by emphasising retirees' loyalty, their high motivation because their choice to work is often because of free will and their superior flexibility. On the other hand, Pittig attracts retirees by convincing them that work is a way to stay active and socially integrated, that society needs them, that they can work with flexible working times and that it provides some extra income. It aims to remove the doubts about the impact on their pensions and the doubt that they are not needed anymore. Pittig also provides information to both retirees and companies employing them about administrative issues, such as consequences for pension receipt from other sources. This was considered necessary because when retirees would enquire at the relevant institutions about consequences for their income if they continue working, they would often be met with an attitude of 'why are you asking this, you should enjoy your retirement'.</p>	

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Creating an 'age-friendly' reputation (attracting media attention) can also facilitate recruiting retirees. Some companies even have a reputation of specifically employing retirees (see case study 16, the UK DIY and garden centre). Such reputations greatly facilitate the recruitment of retirees. Naturally, this is a strategy that is more likely to work for relatively large companies.

## Facilitating by pooling

In facilitating the administrative issues and addressing the knowledge gaps surrounding work beyond retirement, joint pooling of the group of retirees by companies can help. One possibility is to establish a collective labour agreement, clarifying the situation of a group of retirees and pooling risks (see case study 14 on the Dutch collective agreement for working retirees). Another option is to make use of temporary job agencies for seniors or retirees (see case studies 9, 11 and 13 on the Czech senior job agency, Swedish senior job agency and Dutch retiree job agency), providing employment options within a clear framework and with limited risks and administrative burdens for the employer.

### Case study 14: Dutch collective agreement for working retirees

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#### Doorwerk-CAO

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**Collective labour agreement between an association of around 200 employers (Vereniging van Doorwerkgevers) from various sectors and a labour union (LBV), covering around 1,200 working retirees.**

The initiative was inspired by observed problems with the employment of retirees. Many employers would be hesitant about employing a retiree because, for example, disability insurances would expire at retirement. Large costs would have to be incurred when the retiree would fall ill for prolonged periods because of lack of insurance coverage. Furthermore, the contract is automatically dissolved and the retiree has no right to the minimum wage anymore. The collective agreement deals with working conditions and includes some arrangements such as the entitlement to a day off when a grandchild is born. After entering retirement or early retirement, employees become employed by Doorwerkgever BV, the executive organisation of the collective agreement. They are then placed with the employers who offer them contracts of three months, which can be prolonged indefinitely. The employer's risk of covering absence from work is thus limited to three months. Interest is largest among employers in sectors that are coping with shortages on the labour market, such as technology.

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## Facilitating by flexibility

Flexible work arrangements have been identified as important in facilitating post-retirement work (Deller and Maxin, 2009; Reday-Mulvey, 2005). The need for flexibility often stems from care commitments for partners, parents or grandchildren. Such care commitments differ from care for children in that they are less predictable in terms of flexibility needed (compared to, for example, bringing and collecting children from school) and duration. Health reasons or simply the desire to combine work effectively with leisure or volunteering also play a role. When retirement is perceived as a reward for a working life, it finally allows retirees to exercise some autonomy in their use of time (Parry and Taylor, 2007). The emerging paradigm of flexible careers and the importance of maximising job fit are relevant for workers of all ages. As some people wait until retirement to adapt work to their preferences, there is a lot to learn from the experiences of retirees that can be used to shape jobs for workers of all ages. In the US context, it has been shown that poor work–life fit is significantly associated with intention to quit among those working in retirement (Brown et al, 2010). While companies need flexible work arrangements to retain and recruit retirees, employers also often prefer flexible work arrangements, especially arrangements that allow companies to adapt to fluctuations in demand. Companies also feel attracted to flexible work arrangements under specific circumstances. Several of the companies investigated see hiring retirees as an opportunity to cater for this flexibility.

Flexibility has various dimensions, with sometimes different importance for employer and employee. This study sheds some light on which dimensions are of particular importance under which circumstances and for which groups of retirees. It has been noted already that flexible work, such as part-time and temporary contracts, is more common among working retirees than among other

employees. The case studies illustrate why certain arrangements might be of particular importance to attract and retain retirees. They do not necessarily correspond to the most frequent arrangements.

It should be noted that if job content does not allow for flexibility, alternative options can be envisioned, for example by providing support services to look after dependants of employees if emergencies arise. In a previous Eurofound case study, there actually was a retired former employee providing such on-call services for a German chemical sector company (Eurofound, 2011b).

### **Working hours**

Working full time is more difficult for many older workers for a number of reasons. Capacity, care responsibilities and having a partner who left the labour market are among them. Nevertheless, 'difficulty' is not the only reason why flexible part-time working arrangements are needed. Another reason purely lies in (sometimes already long-held) preferences. Many employees would like to work fewer hours than they actually do. This mismatch becomes more pronounced when employees grow older, when overall they prefer to work less than they actually do (Eurofound, 1998).

Retirement can provide the opportunity to align the desired hours with the actual hours worked. If there is no clear need to continue full time, and if after a certain age retirement seems the obvious choice, then why would people continue working full time if their preference would have been part time? The idea of combining a part-time job and a partial pension is more appealing than full retirement to almost two-thirds of Europeans (European Commission, 2012b). Reducing working hours increases the likelihood that an employee would like to stay working long beyond retirement (Lachowska et al, 2008; see also case study 15, the Swedish tools company). Furthermore, as retirees fall outside of many standard contractual agreements and as standard full-time permanent contracts expire in many EU27 Member States when an employee reaches retirement age, contractually there is more scope for adjusted working hours.

### **Case study 15: Swedish tools company**

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The Sandvik Group	
<b>Sector</b>	The development, production and distribution of tools for metal cutting, equipment and tools for the mining and construction industries and products in stainless materials
<b>Total employees</b>	10,000 employees in Sweden, 47,000 to 48,000 globally

Employees above the lower limit of statutory retirement (61) avail of the possibility to reduce their working time by 80%, 60% (only for white-collar workers) or 50% (for both white- and blue-collar workers). Income is not reduced proportionally, as the loss is compensated in the form of a partial pension for 55% to 60% (depending on collective agreement) by the company. Currently, about 300 blue-collar workers and 200 white-collar workers are benefiting from this possibility. In addition to these in-house resources, the company offers each employee who takes part in the initiative the option to meet a pension consultant to discuss its personal financial effects. It is emphasised that the initiative is a possibility rather than a right, as managerial approval is needed. Moreover, taking part in the initiative may include alternating work assignment or position, which has caused some difficulties in the process.

One objective of the initiative was to improve older workers' health, thus decreasing the need for early occupational pensions and decreasing relatively high sick leave. An external evaluation judged the measure successful on both counts. Other objectives were to open career paths for younger employees in the company, as the partial pension scheme allows for younger employees to take on some of a retiree's responsibilities and simultaneously get tutoring from an employee with more experience, and rationalising the production processes by organising work in a way more suitable for employees.

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Flexible working hours does not only refer to working relatively few – but constant – weekly hours, but also to being able to occasionally increase or decrease working hours. This can be necessary to adapt to altering caring commitments or health conditions (see case study 15 on the UK DIY and garden centre below) or for the company to adjust to demand.

## Case study 16: UK DIY and garden centre

B&Q	
<b>Sector</b>	DIY and garden centre, with 330 stores across the UK
<b>Employees</b>	33,908 (3,007 retirees)
<b>Gender balance</b>	42.9% female, 57.1% male (42.4% versus 57.6% for retirees)

The company started recruiting older people especially in the 1980s when it was rapidly expanding and demand for staff was high. Experience showed that older people can benefit the business with their wealth of skills and life experience, with age diversity reflecting the customer profile. A 1989 experiment with a store entirely staffed by over-50s provided evidence for enhanced profits, less absenteeism, enhanced customer satisfaction, lower staff turnover and decreased 'shrinkage' (loss through waste, breakage and theft). Currently, retaining and recruiting older people is 'business as usual'.

B&Q has a strong reputation as an older age-friendly employer and as welcoming pensioners who are starting a second career. This facilitates recruitment. Most employees (95%) have a permanent contract, as have almost all (99%) working retirees. Around 60% of those working retirees were recruited beyond their retirement age, while 40% continued working at B&Q after they reached the retirement age. White-collar office staff tends to leave when they reach the retirement age, so retention is primarily associated with lower-paid, and lower-skilled, positions.

Employees are entitled to work alternative hours, including term-time hours. Part-time work is particularly common among retirees: 81% work less than 30 hours per week, compared to 57% in the workforce overall. Flexibility also extends to work location. Should an employee wish to increase their hours, they can work the alternative time in an alternative store if necessary. An employee may reduce working hours during a period of ill health or for caring reasons. Once the employee wishes to work an increased number of hours again, this can be taken up in alternative stores.

### *Project-based work/prolonged breaks*

Several case study companies call on retirees only when needed, and retirees who do not depend on the income in order to make ends meet seem satisfied with such arrangements (see case studies 10, 17 and 24 on the Polish ship R&D company, the German engineering company and the Austrian business consultancy). They use them as a reservoir of experienced workers for specific projects when demand is there. A clear example also comes from a documented case study in the US (Dychtwald et al, 2004), Aerospace Corporation's Retiree Casual Program. The programme relies on a database of approximately 500 retirees, of whom around 200 are working at any one time. The 500 retirees work up to 1,000 hours per year for their old base salaries, sometimes less, depending on roles and responsibilities.

Such project-based assignments allow them to have prolonged breaks, but such breaks can also be arranged in contractual form. Such breaks seem to be particularly appreciated by retirees (see case study 17, the German engineering company). About half of the nurses surveyed in a UK study indicated that working in the winter and having summers off would encourage them to delay retirement. Nevertheless, another 10% saw working summers and having winters off as an attractive scenario for altering retirement plans (Cyr, 2005). In the case studies, the possibility to take long breaks, or to be able to work occasionally on a project basis without commitments too long in advance, was also mentioned by working retirees.

### Case study 17: German engineering company

Enterprise for mechanical engineering	
<b>Sector</b>	Mechanical engineering, producing pumps and fittings
<b>Employees</b>	More than 15,600 worldwide, 2,000 at the headquarters
<b>Gender balance</b>	18% female, 82% male

The company headquarters only employs a 'handful' of retirees, mostly engineers with university degrees. They work as freelancers; they are only offered a temporary contract (and social insurance contributions paid) in exceptional cases, at most for a few months.

The company reports that retirees working as tour guides (all are retired) and giving seminars seem to be more relaxed than others in the company, which both the retirees and the people attending seminars and tours appreciate. The works council sees no problem in having retirees working in these areas, but prefers not to see them on permanent contracts. Hiring retirees is also seen as a consequence of excessive downsizing during past harsh times.

An interviewed retiree is 65 years old. When he was 60, he took early retirement, being granted the status of 'severely disabled'. Before, he worked as an engineer in research and development, spending periods in India and Iran. Back in Germany, he took a more commercial role in a department responsible for the production and sale of pump stations. Extensive travelling and customer contacts became more and more stressful for him. The retiree currently works as a tour guide at short notice for visiting groups with interests in his fields of expertise. He also gives eight to 10 1.5-day seminars yearly, which are scheduled six months in advance, which implies knowledge transfer to not yet retired employees. The job as tour guide was offered immediately after retirement. A few weeks later, the person got knowledge about the job as instructor and applied for this job successfully. He works to earn some extra money to supplement his statutory and occupational pensions, for travelling and for similar luxuries. His children live in the US and he visits them regularly for periods of several weeks. While the retiree feels colleagues accept him well, an interviewee from HR says remarks such as 'What's that old fellow still doing here?' are still heard.

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For the group of retirees referred to so far in this section, reliability of continued work does not seem to be a major issue, with mention of loose oral agreements and critical assessment by retirees of their willingness to continue given the circumstances (see case study 18 on the German public employment agency). Nevertheless, for those who rely on work to make ends meet (see case study 1 on the German newspaper), such project-based work can be too insecure. These low-paid retirees would probably move to another company if they are not offered a longer-term contract, regardless of small wage differences. Income security is of utmost importance to this group.

### Case study 18: German public employment agency

Federal Employment Agency	
<b>Sector</b>	Public body offering a broad range of services in the labour and training markets for citizens, companies and institutions (for example, placement of job-seekers and promotion of vocational training)
<b>Employees</b>	94,441
<b>Gender balance</b>	Two-thirds female, one-third male

The employers' representative interviewed claims that there are currently only isolated cases of working retirees, but an extension of this type of employment is planned. Disability pensioners or civil servants in early retirement are paid up to €400 per month, the amount which can be earned without negatively impacting these retirees' pensions, and are exempt from social contributions. Freelance contracts are also common and are often concluded orally. 'Regular' pensioners (former employees) are employed either on a freelance basis or under a normal employment contract subject to social insurance contributions. There are numerous different fields of employment for pensioners. They are recruited on a temporary basis for certain tasks/projects, for example as consultants to introduce short-time allowances, as instructors in training programmes for human resources development within the organisation, providing support in building up international labour market administration bodies or working as mentors or tutors.

An interviewed working retiree (male, 63 years) receives a civil service pension and works on a freelance basis as a seminar instructor. He invoices for the seminars after they have been held. There are no prior written agreements, and on the existing basis of mutual trust such agreements are not considered necessary either. His employer approached him to ask if he would hold a seminar on 'Preparation for Retirement' to be offered for the organisation nationwide. In addition to this seminar, he works as an instructor for the seminar 'Taking on Executive Responsibilities as a Deputy'. He applied for this position in response to an internal vacancy. Ideally, he would like to hold five or six two-day seminars per annum. He intends to work as a seminar instructor only as long as he feels healthy enough to do so and handle the task to the satisfaction of everyone involved. He expects that the time will come when he will be too far removed from daily business practice, in spite of his work as an instructor, for him to present his topics in a credible and genuinely practical way. When he reaches the age of 65, he intends to assess the situation for the first time and decide whether or not he will continue.

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### **Start and finish times and breaks**

Especially for employees with caring commitments, flexible start and finish times and the option of having breaks can provide a solution. While such arrangements are important for retirees and those who are not yet retired alike, once again retirees are more often in a position to leave work altogether if arrangements are not adapted to their needs. Similar to other older workers, they less frequently – but still often – need to bring children to school, but they are more likely to need somewhat more irregular breaks to take parents or partners to medical checks or provide emergency care.

### **Work content**

Retirement can be a natural time to adjust work content, both for the employer and employee. From the retiree’s perspective, a feeling of ‘being fulfilled’ and ‘making room for the next generation’ can exist, opening possibilities of changing into lower-skilled jobs (see case study 13 on the Dutch retiree job agency). A study among educational institutions suggested that people will be motivated to continue working after retirement when organisational support and possibilities for a change of work role are available (Bal and Visser, 2011).

It should be noted that it is not only about taking on simpler tasks, but sometimes retirement provides an opportunity for reassessing conditions under which work can be prolonged, for example changing the job design into one which requires less standing (see case study 19, the UK warranties provider below). While ideally this should happen continuously over one’s working life, this does not always happen.

### **Case study 19: UK warranties provider**

Domestic and General	
Sector	Provider of warranty and production services for domestic appliances and heating systems
Employees	800 (9 retirees)
Gender balance	53.9% male, 46.1% female (11.1% versus 89.9% for retirees)

Domestic and General (D&G) strives to have a diverse workforce to reflect its customer base. It removed the default retirement age prior to the 2011 national legislation. The largest challenge for D&G is to attract retirees to work in the customer service team at the call centre. The company reports that one of the principal barriers is that retirees assume such work to be reserved for young people. The company invests in PR to change this view. It attracts older people using radio stations aimed at older listeners.

Previously, D&G trialled an induction group for mature workers (50+) only with the intention that people at similar points in life would generate mutual support. However, feedback from these sessions indicated that participants did not wish to be singled out and wanted more diverse interactions with fellow employees.

Flexible working is the main request made by retirees, with most working part-time hours. Adjustments have been made to job descriptions to accommodate health issues, for example.

One female working retiree is a trainer for call centre workers. She collects her state pension and works on reduced hours of 30 hours per week over four days, during evening shifts which are relatively unpopular among people who, in contrast to her, have dependents. During the months leading up to retirement, she experienced back pain that was aggravated by standing to deliver training sessions in a classroom environment. As an experienced trainer, D&G was keen for her to carry on in the role, so they negotiated reduced hours and a change in job description to include varied tasks that did not involve as much standing. An interviewed male working retiree was recruited as a call handler within the heating team at age 60. He worked full time until 74. His motivation was to be ‘out of the house’ and to stay active.

In the examined cases and from the analysis above (Chapter 3, ‘Continuity from previous employment’), it is clear that work beyond retirement often does not involve a change in job content, but rather in work intensity. In several of the cases, retirees were actually reported to be motivated to continue working to stay in touch and up to date with their specific area of expertise, for which they sometimes hold great passion (see case studies 10 and 20 on the Polish ship R&D centre and

## Income from work after retirement in the EU

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the Austrian graphics equipment company). Companies can benefit by recognising this and catering for this need.

### Case study 20: Austrian graphics equipment company

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Kodak Gesellschaft m.b.H.	
<b>Sector</b>	Equipment in printing, X-ray and photo graphics
<b>Employees</b>	125

By default, employees retire at 60, but agreements on work after retirement may be signed on an individual basis. Overall, 10% of employees are above the male statutory pension age of 65. Most have high qualifications and are offered time flexibility and part-time contracts. They combine income from pensions with income from work.

An interviewed sales manager indicated he would like to work beyond retirement on a part-time contractual basis. Nevertheless, he felt there were pressures to go into early retirement because of national policy measures and of what he perceived as 'expected behaviour'. An HR manager reported that people are more willing to work after retirement if they can make use of experience and skills. Furthermore, sometimes social considerations play a role, offering an employee a few years of work into retirement to help secure income adequacy.

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### Work location

Another dimension of flexibility that can be important for retirees is flexibility of work location. In the case studies, retirees noted that one of the considerations they made was that work was near their homes (see case study 2, the Italian supermarket), and if travel became very intensive this was mentioned as something that might prevent them from continuing work well into retirement (see case study 21 on the Italian choir). In a US study, among those over 60 who wanted to work, but who found it difficult to find the work they wanted, 41% reported it was because they did not want to travel a long distance to work (Merrill Lynch, 2006). In one case study the availability of different outlets allowed some flexibility (see case study 16 on the UK DIY and garden centre). In particular, ICT provides much scope in this area (see de Hoyos et al, 2012, forthcoming).

### Case study 21: Italian choir

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Lirico Marchigiano Vincenzo Bellini choir	
<b>Sector</b>	Lyric singing during operas and concerts
<b>Employees</b>	54, of which 1 is a retired worker
<b>Gender balance</b>	50% female, 50% male; the working retiree is male

The retired worker is a 65-year-old lyric singer (tenor). In the past this work was his 'second job' in parallel to his main work as an Italian teacher in secondary schools. He started his main occupation in 1972 at the age of 25 and kept teaching in different schools in the Marche region until he retired in 2004 when he was 57. In 1978 he started to work with the choir, which he kept on doing continuously after retirement from his main job. While the income from work has no direct impact on pension receipts, the retiree does mention the tax burden on this additional income. It is usual for the company to employ retired people, even if currently only one of the choristers is employed.

The retiree's working time is the same as that of his colleagues: five hours per day on average. The main reason for working after retirement is his great passion for the job: music, singing and studying new scores. Furthermore, the work allows him to stay in contact with other people. The supplemental income has always been helpful. The work climate has worsened a bit during the crisis due to lack of work, causing dissatisfaction among colleagues. He lives with his wife and would continue work forever, but the burden of daily commuting (sometimes 120 kilometres daily by car, returning late at night) in combination with care for grandchildren might make him decide to give up working in a couple of years.

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## Facilitating by training

Age barriers also seem to have a role in training. Overall, older workers receive less training than younger workers. Only 30% of employees over 50 years old received training paid for by their employer, compared with 36% of workers aged between 30 and 39 years (van Houten, 2011). This does not necessarily point to age-based discrimination by employers in providing access to training. Older people might be less eager to take up training themselves. Furthermore, their needs could well be smaller because they are more experienced (see case studies 2, 4 and 9 on the Italian supermarket, the UK public healthcare provider and the Czech senior job agency). Lastly, employers are less likely to invest in training for workers who are likely to exit the company soon after the training, and are more likely to invest if the training stimulates the employee to stay longer with the company. Nevertheless, it is expected to be retirement that matters here rather than age as such. ‘The sooner they expect to retire, the shorter the payback period to recoup an investment in upgrading their skills. If the expected retirement age rises, so should investments in training, which would allow workers to remain productive longer’ (Munnell and Sass, 2008, p. 100). If employers know that older employees might stay for several years (sometimes even more so than younger ones, who are inclined to switch companies more often), they will be more inclined to invest in training. Furthermore, people who are included in training are more likely to like their jobs and to want to go on for longer.

## Facilitating by tailor-made approaches

Overall, retirees in the EU27 are relatively often in a position where they can accept or decline certain work options because they have a basic pension income to fall back on. Individual preferences and needs differ largely among retirees, with, for example, different retirees requiring different types of flexibility. Furthermore, from the employer point of view, available options are also individual specific. As a consequence, arrangements are often made on an individual basis (see case study 22 on the Austrian electronics company below).

### Case study 22: Austrian electronics company

Siemens Austria	
Sector	Electronics development and production
Employees	20,000

By default employees retire at 60, but agreements on work after retirement may be signed on an individual basis. Both employee and employer needs and wishes are identified and addressed. The nature of these contracts therefore depends on the earlier contracts for the employee as well as on the demands that the employer and employee have. Motivations for working retirees include financial offers, increased public pension and part-time work.

This does not mean that institutionally these processes need to be ad hoc. For example, employers may wish to institutionalise pre-retirement conversations with individual employees to explore options and potentially reach individual agreements. This is especially relevant because of the information problems mentioned above. Not only do these needs differ among individual retirees, they can also be hard to identify beyond trust-based conversations with individual employees. For example, employees can be reluctant to raise caring commitments for older parents or partners (see case study 23 on the UK cooperative). Formal policies stimulating one-to-one conversations with managers were pointed out to be a potential solution.

With regard to the timing of such conversations, from both the employer and retiree perspective, it is important to have such conversations *before* or *soon after* retirement because retirees are less likely to be eager to work after retirement if they wait too long, for example after more than two years (Helman et al., 2008). From the retiree’s point of view, employers will be less likely to hire them after a similar period of inactivity (Karpinska et al., 2011). A few months after retirement might still be fine, as retirees are confronted with the reality of not working anymore, which some might like less than they thought they would (see case study 13 on the Dutch retiree job agency), and for employers, six months of inactivity might not influence their recruitment decisions (Karpinska et al, 2011).

**Case study 23: UK cooperative**

<b>The Co-operative</b>	
<b>Sector</b>	Owned and controlled by its members (6 million), it operates in businesses such as food retail, farms, travel agencies, pharmacies, funeral care, financial services, motor dealerships and online electronics.
<b>Employees</b>	93,668 (5,535 retirees)
<b>Gender balance</b>	60.3% female, 39.7% male (80.8% versus 19.2% for retirees)

The elevated rate of women among working retirees can be explained by the lower retirement age for women (62) than for men (65). Of the 2,585 working retirees aged 65 and above (3% of the total workforce), 23% were recruited after the age of 65. Of those retirees who continue their employment with the Co-operative after retirement, almost all stay in their former jobs, with ‘downshifting’ being highly uncommon. None of the working retirees are in very senior roles, but it is unclear what the barriers are that prevent longer working lives among senior managers. Most are in low-paid, low-skilled positions in the food retail sector. As of 1 October 2006 the Co-operative abolished the default retirement age, five years ahead of the national abolition. It runs a two-day retirement course discussing finances, leisure time and health but also employment options.

The main change after retirement is a transition to part-time hours, with 89% working part time. The HR interviewee noted that many staff recruited after retirement ‘are a bit more keen’, thus providing better customer service due to higher commitment. Sickness absence is not perceived to be notably higher, with 4.1% among working retirees against 3.3% for other employees.

Individually tailored terms and conditions, caring policy and work–life balance schemes have evolved to ensure the workforce reflects demographic changes. Overall, one in eight employees is a carer. Among them are retirees. For example, one retiree was consistently late for work. From a one-to-one conversation with the line manager, it emerged that care responsibilities for the retiree’s elderly father caused the timekeeping problems. Changing his shift to start later in the day solved the situation. A recent formal carers policy was expected to contribute to people discussing eldercare more openly, as employees are often reluctant to raise such responsibilities, while tailored working arrangements can solve the situations in a mutually beneficial way.

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Besides governments and companies, retirees can also take initiatives, firstly, however difficult, by ignoring the pressure often put on them by social norms and by shaping opinions in society and at the workplace. Some 'self-discrimination' does take place (see case study 13 on the Dutch retiree job agency). It is interesting to note that Europeans aged 65 and over are much more likely to agree that older people are a burden on society than the population overall (25% versus 14%) (European Commission, 2009).

For employees who are about to retire, it can be of great benefit to speak with the employer on an individual basis to get a better sense of the possibilities of continued employment rather than assume they should retire. They can further actively inform themselves of the options and regulations.

Taking up training to increase their employability can also play a role. An interesting initiative in the US includes a traineeship programme where retirees can be placed at different companies typically for 6 to 12 months to develop new skills.<sup>4</sup> Retirees receive a stipend during this period. This funding comes from different sources, such as former employers, sponsoring companies and the government.

As can be seen from the analysis above, while a high share of self-employment among retirees does not reflect entrepreneurship, many retirees have still started their own companies. Even in a hostile labour market, retirees have thus been creating their own employment options, and frequently for others as well. While there is a risk of failure (see case study 2 on the Italian supermarket), self-employment also allows them to create working conditions that suit their particular needs (see case study 5, the Swedish self-employed consultants).

Retirees can also try to avoid the need to work against their will in retirement by guaranteeing enough income from other sources in retirement. While this is less of an option for those on low incomes and large financial commitments, it is an option for others who risk underestimating the savings needed for a comfortable retirement. Realistic projections can help them with this, as can transparent systems informing them of the income their pension savings guarantee so far, and effective protection of savings.

Lastly, retirees can organise themselves in various ways. Retirees can negotiate collective agreements with employers in Member States where this is a way to remove barriers (see, for example, the Dutch collective agreement for working retirees case study). They can also group into easily identifiable pools of experts (see case study 24 on the Austrian business consultancy below).

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<sup>4</sup> For more information, see <http://www.encore.org/fellowships>.

**Case study 24: Austrian business consultancy**

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**Austrian Senior Experts Pool (ASEP)**

<b>Sector</b>	Consultancy providing advice in the development, review and implementation of business concepts.
<b>Employees</b>	170 'members'

ASEP was founded in 1989. It is an association of former high-level managers who have chosen to work as consultants after retirement. Most are male (95%) and have a university degree (87%). All consultants at ASEP are 50+, with 72% above 65, the Austrian statutory retirement age for men (60 for women). Those who did not reach the statutory retirement age have availed of an early retirement package. A small number do not work beyond retirement, but took partial retirement and partly work for ASEP.

Reported motivations for retirees to work include the intergenerational transfer competence, possibilities to work abroad, the opportunity to take part in interesting projects and to maintain a certain income level. Some recruitment processes have started as a result of a retiree reading about the ASEP in newspapers, for example due to attention about one of ASEP's projects. Most are recruited through recommendation from another member. Interviews are conducted in order to clarify the association's activities and interests, which usually results in membership. A reported principal strength of retirees includes their networks of colleagues and clients built up during prior professional experience. ASEP retains competences by offering interesting projects and assignments to people who are socially acquainted with other members, rather than by seeking competence externally.

Clients are mainly small and medium-sized companies and start-ups in marketing, finance and controlling. The ASEP has experienced an increase in demand for their work, especially in areas such as temporary top management. Due to the generally negative perception of work after retirement in Austria, competition in recruiting retirees is perceived to be low. Interest to work is high among retirees. Nevertheless, an important challenge for the company is finding new members with precisely the suitable skills to fulfil the contracts made by the company when others leave.

Since many activities involve projects, flexibility is offered both in terms of part-time work or part-year work. Financially, facilitators are contract schemes that allow retirees to pay minimal taxes on extra income earned and a yearly premium of 4.2% on the assessment base to the statutory pension for every extra year in work after statutory pension age.

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In the past few years, most EU Member States have experienced an increase in uptake of work beyond statutory or occupational retirement ages. For these working retirees, earnings from work provide on average over half of their income.

This research seeks to explain the phenomenon of work after retirement and explores the types of paid employment where retired workers can be found and the characteristics of those working retirees. The report further identifies ways in which companies seek to recruit and retain retirees and has messages for governments, companies and retirees.

## **Explaining work after retirement in the EU**

On the one hand, the increase in uptake of work after retirement reflects pension inadequacy, exacerbated by increasing costs and decreasing income during the recent economic crisis. Retirees affected by income inadequacy often have worked for decades in precarious jobs or in unpaid work such as raising children and doing housework. A long-term solution should enable adequate pension systems, allowing these retirees to enjoy a well-deserved retirement without having to do paid work. Enhanced employment among younger cohorts and productivity increases can contribute to keeping such systems affordable. Nevertheless, in the short run, paid work after retirement has proven necessary for some of those who have inadequate incomes and manage to find suitable jobs to allow them to make ends meet. This applies for at least one-fifth of working retirees in the EU. Most of these retirees have low incomes, but this group also contains retirees with higher incomes who work because of financial need. They work beyond retirement because they need to, for example, in order to pay their mortgages or support people close to them.

On the other hand, the increase in uptake of work beyond retirement also reflects a different trend. Overall, people who have reached retirement age over the past few years are healthier than preceding generations, have a higher level of education and are often enjoying their professional life too much to let go completely. Their jobs play an important part in their life or they see work as a way to keep socially integrated, to contribute to society or to achieve self-actualisation. Such motivations play a larger role among retired than non-retired workers. Retirees who want to work often do appreciate the additional income, which allows them a higher living standard. Nevertheless, while motivations are often numerous, at least three-fifths of working retirees are mainly motivated by non-monetary aspects. This group of retirees who want to work is diverse and also contains many people with lower-skilled jobs. With part-time work options having become more available over the past few decades, possibilities have been created to continue working with decreased intensity. This allows many retirees to continue in paid work to the extent they wish, combining it with leisure, informal care and volunteering activities. If options for this group are facilitated, work after retirement can contribute to their quality of life, and to the long-term sustainability of systems that provide adequate income after retirement for all.

There are also many retirees who would like to work, but for different reasons do not have the opportunity to do so. They may not have found satisfactory work options that fit their preferences and expertise or that they can combine with caring responsibilities or health conditions. They may face discrimination because of being retired or because of age. Many of the unequal opportunities that exist before retirement also exist in the labour market after retirement, with few options for those who have been inactive or unemployed for prolonged periods before retirement.

## **Characterising work after retirement in the EU**

The overall increase in work after retirement in the EU is remarkable, especially during a time with decreasing employment rates overall. Regardless of normative considerations, it is interesting to get a better understanding of this phenomenon.

Who are these working retirees? They tend to be male and relatively young. While most have a low level of education, the highly educated are more likely to work after retirement. Retirees who live in urban areas and those who have a mortgage are also more likely to be in employment.

What kind of work are they doing? About half of them are self-employed and the vast majority work part time. While it is relatively common for them to work in the agriculture and fisheries sector and the professional, scientific and technical activities sector, it is particularly uncommon for retirees to work in public administration. Furthermore, they relatively often work in SMEs.

Nevertheless, the typical working retiree is certainly not a self-employed, relatively young male doing part-time work and working in agriculture. Five sizeable groups can be identified. One large cluster includes relatively old agricultural and fishery workers, working few hours. Such post-retirement workers can be found most often in Austria, Greece, Poland, Portugal and Romania. The second cluster comprises younger part-time retirees who do elementary work or work in services and sales (mostly female), while the third is younger part-time retirees who do elementary work or work as technicians (mostly male). There is also a large group of highly educated retirees in urban areas who work part time as professional employees but are also often self-employed. This group is relatively dominant, for example, in Hungary, Lithuania, Poland and Sweden. Finally, there is a large group of self-employed people who work as managers or legislators or who are in crafts or trades. They are predominantly male. This group is particularly well represented, for example, in Belgium, Greece, Italy and Spain.

## **What can governments do?**

Governments can play an important role by guaranteeing pension adequacy so that retirees do not need to work in order to make ends meet. Nevertheless, considering that millions of Europeans are already working after retirement, governments need to improve the institutional settings in this regard. In doing so, it is important for governments to consider the potentially negative impact work beyond retirement might have, for example, by eroding the right to enjoy retirement and by glorifying work among people who might not be able to work. Furthermore, there are some conflicting messages that require careful consideration, as does public opinion, in particular with regard to the perception that retirees and non-retirees might compete for jobs.

The legal framework for the employment of retirees is not always well defined. Sometimes social protection measures do not apply to retirees. An example includes minimum wage regulations in some Member States. It is of potential concern that many retirees also seem to be willing to accept relatively low wages and insecure work arrangements because they have income from pensions to fall back on, or because they have no other options. It is also of potential concern that many retirees are formally self-employed, but in fact earn very little, working effectively as an employee in insecure arrangements. Often the situation is simply unclear or cumbersome. For example, in several cases retirees did not continue working straight after retirement, as they wished, but took breaks of some months simply because of administrative reasons. Tax regulation can also lack transparency and be overly complex. When the institutional framework was designed, increases in employment

rates among retirees might not have been foreseen. Now that governments are confronted with this development, legal frameworks need to accommodate it.

Governments can also play a role by fighting age discrimination and stereotypes. While this benefits people of all ages, retirees face specific issues. For example, retirement age can be used as an excuse to discontinue a contract purely on the basis of age. Other mechanisms are more subtle, such as retirees who wish to engage in employment but do not do so because they do not feel wanted anymore, they are exposed to stereotypical images of retirees enjoying leisure or they assume certain types of jobs are not meant for them. Information provision can change such stereotypes. Furthermore, with work beyond retirement becoming increasingly common, several stereotypes are likely to decline.

Financial incentives are another option. Systems can be designed such that not only the individual retiree and their dependents benefit from work beyond retirement, but also society as a whole. The individual can gain from increased future pension (for example, by additional accruals) or current income (for example, by being exempted from social contributions) and by doing something enjoyable. Society can gain, for example, from savings by public pension deferral, by the contribution the working retiree makes to the economy and by avoiding undeclared work. Means-tested public pensions provide a strong disincentive to work and save.

Because of concern to ensure fairness to all age groups, it is questionable whether it is desirable for employers to have strong financial incentives to hire retirees in particular, for example by being exempt from employer pension contributions. Nevertheless, the desirability of disincentives could also be challenged. Examples of disincentives include the fact that in some Member States, employers can claim disability pensions for workers below 65 but not for those above that age, and can face barriers to obtaining sick leave insurance for retirees.

Good labour market policies, and increased availability of jobs, are of benefit to people of all ages. Governments also have a role to play in the integration of 'outsiders' in the labour market. Many retirees already gave up looking for employment long before they retired. A significant share of inactive retirees would like to work, but they are not in employment for various reasons. Governments can support those retirees who are unable to find suitable jobs but would really like to work. Ideally, governments should address this problem before older workers reach the retirement age, as return to the labour market becomes more and more difficult after prolonged unemployment or inactivity. One could also think of new jobs, such as hybrid occupations, somewhere between volunteering and paid employment, to improve public services. This could respond to the specific motivations retirees have relatively often for searching employment, such as contributing to society, in addition to earning some extra income. Measures that facilitate and support self-employment can be beneficial for anybody, including retirees who want to create their own employment options.

### **What can companies do?**

As the case studies selected for this research deal with organisations that employ retirees, they all see a business case for recruiting or retaining retirees. Some employers appreciated certain characteristics of older workers in general, but also highlighted characteristics that they claimed to be specific to working retirees. One such issue is related to the increasing share of retirees among many companies' clients. To better understand the preferences of these clients and to better connect with them, employers attach importance to having a significant share of retirees among the company's workforce. Many employers interviewed in this research further appreciate that retirees are also often

eager to work part time or on a project basis. Employers also highlighted a particularly large work motivation among retirees. People who dislike their work are less likely to look for work in retirement, as they usually have a basic pension to fall back on, and many work for non-financial reasons.

Flexible work arrangements are important for older workers in general, but they seem to be even more of a determining factor for uptake of work among retirees. Most receive some pension income and can thus maintain their standard of living, while working reduced hours more in line with their preferences. The quantitative analysis above and evidence collected from the case studies provide evidence for part-time options and temporary assignments being particularly attractive overall.

Besides age-related stereotypes, retirees are affected by specific social norms, such as ‘what is this person still doing here, shouldn’t they be retired?’, ‘shouldn’t they make way for the young?’, ‘shouldn’t they enjoy their leisure?’ Stereotypes matter for people of all ages and are also important for retirees, especially because social motivations play a larger role for people to work after retirement than they do before retirement. Employers can retain retirees by acknowledging the importance of the work they do and by creating a work environment where retirees are well received by colleagues. They can also attract retirees by highlighting these issues in recruitment activities.

In the particular contexts of several Member States, regulation with regard to employment after retirement requires different contractual arrangements and administrative procedures. Sometimes employers also face problems in acquiring insurances for prolonged illness of employees beyond the retirement age. Furthermore, information deficits were identified as inhibiting retirees from taking up work and inhibiting employers from hiring retirees. While government measures can address these issues, companies and employee representatives have also developed responses. For example, a special collective agreement was developed for working retirees. Furthermore, several temporary job agencies have emerged that take on the administrative burden.

Retirees, or employees who are about to retire, often would like to work, but only under certain conditions. More often than those before retirement, they have the choice not to work. As this research showed, much work beyond retirement is a continuation of work with a former employer based on individual agreements between the employer and the employee. An exploratory conversation preceding retirement between the employee and the employer can remove assumptions of the retiree (‘they do not need me anymore’ or ‘they would not be prepared to let me continue working if not full time’) and of the employer (‘the retiree probably wants to enjoy retirement and stop working’, ‘the retiree probably would not accept a temporary contract’). From a company perspective, retirement provides a natural opportunity to adapt contractual arrangements, also because of the increased chance the employee will look for options elsewhere. A pre-retirement conversation allows a tailor-made post-retirement work option to be developed, taking into consideration employee and employer preferences.

### **What can retirees do?**

Retirees can also do something themselves if they wish to work. They can resist societal pressure to retire, try to avoid ‘self-discrimination’, get informed about options and regulations and take up training to increase employability. Employees who are approaching retirement can take the initiative to request conversations with their employers and not assume an absence of suitable options. Retirees can further join forces in expert groups or in negotiating collective labour agreements if needed. It is not only important to focus on the working conditions at retirement, as options before retirement predict those after retirement as well. For those who earn enough to save, seeking a better

understanding of the amount of resources needed for comfortable retirement can help in avoiding the need to work. Workers who suffer forced early retirement are particularly likely to be out of work involuntarily and also have an increased need to work. They face serious obstacles to finding work if they wish to do so, especially after some time outside the labour market. When negotiating redundancy packages with employers, arrangements which enhance the chances of finding a new job might be sought rather than one-off compensations that might seem attractive at first glance. Lastly, many retirees have established their own companies, creating work options for themselves and for others as well.



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