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Good Practices in Social Security

Good practice in operation since: 2007

Cessation of Pre-Retirement Allowance

A case of the Department of Social and Family Affairs

Department of Social and Family Affairs
Ireland

Summary

The PRETA scheme (Pre-Retirement Allowance) was subjected to critical review and having regard to a range of local and international factors and trends it was decided that it was no longer appropriate to have an early retirement scheme in place. It was, therefore, decided that the scheme should be phased out. Existing participants retained their entitlements, but no further applications were taken. Had the scheme been abolished entirely, an additional 11,000 people would have been counted amongst the unemployed.

CRITERIA 1:

What was the issue/problem/challenge addressed by your good practice?

Prior to July 2007 unemployed persons aged 55 years or over had an option to access a pre-retirement scheme, if they had been unsuccessful in job search efforts for a three year period. Under this means-tested scheme, titled Pre-Retirement Allowance (PRETA), the participant received payment equal to the unemployment payment to which he or she was entitled, but was not required to be available for or to seek work. Accordingly, these persons were not included in the count of unemployed benefit claimants. This scheme was introduced in 1990, when long-term unemployment was particularly high. Participants were not included in the automated referral of unemployed persons to the PES.

Effectively, unemployed persons over 55 years remained on PRETA until they reached pension age which was 65 years of age for the vast majority of recipients (Retirement Pension is payable at age 65, whereas an Old Age pension is payable at 66 years of age). PRETA numbers reached a high of almost 15,300 in 1994, but fell to approximately 11,000 at the end of 2006. Almost four-fifths of the recipients were male. The majority of new recipients were under 60 years of age (68 per cent in 2004) although significant numbers continued to apply for the payment over 60 years of age.

CRITERIA 2:

What were the main objectives and the expected outcomes?

Labour market conditions had improved dramatically since the introduction of PRETA in 1990. At that time the role of the Department of Social and Family Affairs (DSFA-the Benefits Agency) and other agencies such as FÁS (the PES) was largely passive in relation to long-term unemployed persons. The practical effect of conditions in 1990 was that many long-term unemployed persons over 55 years of age were unlikely to work again, and it was not meaningful to continue to ask them to prove that they were actively seeking employment. The drop in long-term unemployment since that time had meant that this rationale had largely disappeared.

The EU Lisbon strategy “Working together for growth and jobs” was central to the considerations regarding the scheme. One of its aims is to support active ageing through

appropriate working conditions, improved (occupational) health status and adequate incentives to work and discouragement of early retirement. The measure was also in keeping with the strategic visions for the welfare state set out by the National Economic and Social Council in its publication titled “The Developmental Welfare State”. This publication sought to outline a framework for the future development of social and economic services and suggested that activation supports should be offered to all of those of working age irrespective of how they came to receive their original contingency. The move away from early retirement was much more in keeping with thinking on the modernization of social welfare systems both domestically and internationally.

CRITERIA 3:

What is the innovative approach/strategy followed to achieve the objectives?

The PRETA scheme was subjected to critical review and having regard to a range of local and international factors and trends it was decided that it was no longer appropriate to have an early retirement scheme in place. It was, therefore, decided that the scheme should be phased out. Existing participants retained their entitlements, but no further applications were taken. Had the scheme been abolished entirely, an additional 11,000 people would have been counted amongst the unemployed.

CRITERIA 4:

Have the resources and inputs been used in an optimal way to implement the practice?

The EAP provided a mechanism where all those unemployed of 55 years and over could be systematically identified and referred to the PES for training, education, placement or other appropriate interventions. Accordingly, all new entrants to unemployment, aged 55 years or over, were included in the automated referral to the PES.

CRITERIA 5:

What impact/results have been achieved so far?

- In 2007 the employment rate for older workers (55-64) is 53.9 per cent (EU27 (2007) - 44.7 per cent), which compares favourably with the Lisbon employment target for 2010 of 50 per cent. The employment rate for older men was 66 per cent, while that for older women was 41.6 per cent.
- The overall employment rate (15-64 years) of 68.1 per cent dropped to 60.6 per cent for the 55-59 age category and to 46.1 per cent for the 60-64 age group.
- An annual increase of 1.5 per cent in the employment rate for women in the 55-59 age cohort and 2.4 per cent for 60-64 age group was experienced.

- The Eurostat data (2006) shows that the average exit age from the labour force in Ireland was 64.1 years, (EU27 - 61.2 years). The average exit age in Ireland, broken down by gender was 64.7 years for women and 63.5 years for men.

CRITERIA 6:

What lessons have been learned?

Policy measures introduced in a specific environment and for a specific purpose can prove inflexible when the environment changes. Subsequent amendments may only be advanced if current beneficiaries' entitlements are preserved.

CRITERIA 7:

To what extent would your good practice be appropriate for replication by other social security institutions?

Age dependent instruments may not achieve the optimal outcome in a labour market context and should be avoided unless procedures are in place for adaptation of such instruments as circumstances change.