



# Income from work after retirement

## 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 responded by raising retirement ages and discouraging early retirement arrangements, with the expectation that 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 retirees have shown the largest increases in Finland, the UK, Lithuania, Germany and Austria.

#### Motivational factors

- Additional income is a motivation. For retirees who work, work provides over half of 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 contacts 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 ages, 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 past 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 pay off through savings from public pension deferral and avoidance of undeclared work. Wage- and means-tested pensions are a disincentive to work.
- Clear information and regulation is needed so that retirees who want to work, and employers who want to hire them, can do so.
- Open labour market policies, support for integration and availability of jobs benefit people of all ages. Many retirees already give 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.

### Further information

The report *Income from work after retirement in the EU* is available at <http://www.eurofound.europa.eu/publications/htmlfiles/ef1259.htm>

For more information, contact Hans Dubois, Research Officer, at [hdu@eurofound.europa.eu](mailto:hdu@eurofound.europa.eu)