
'We Should All Work To Age 70'

By Henry Smorenberg Sun, May 20, 2012

Guest columnist Smorenberg, chairman of the World Pension Summit, says that we should all--individuals, companies and institutions--be planning for a standard retirement age of 70.

We are all getting older and staying in good health for longer. But even though carrying on working for longer would seem a logical next step, we've stayed where we are for decades, with no change in the official retirement age.

So many vested interests in so many countries see the age of 65 as sacred and an acquired right that is not up for negotiation. Indeed, one thing that helped François Hollande win the recent French presidential election was his irresponsible promise to reintroduce a retirement age of 60, after it only recently rose to 62.

In most Western countries, people stop work at between 60 and 62, while the 'workability index' for most European countries is 75. According to the OECD, a retirement age of 70 would currently be realistic, while working for longer has also been shown to result in people living longer and remaining in relatively better health. In other words, society is letting eight productive years go to waste.

Apart from trade union rigidity and politicians' inability to take decisions, we ourselves are the biggest barriers to longer working lives. Employers are doing too little to anticipate longer life expectancies in their workforce, with salary structures still based on rising salaries. Opportunities for retraining and updating skills so as to make more flexible use of older employees are being used too little and too late.

Similarly, working environments are not being adapted to accommodate older people, while pension, tax and insurance products are not yet equipped for longer working lives. We need to rid ourselves of the perception that 'old is expensive.'

But employees, too, are doing too little to anticipate change. Few people are taking responsibility for planning their personal financial future, whereas doing this properly is a way of anticipating the need to continue working into the fourth quarter of your life. The challenge now is to devise a series of cohesive measures to massage society into making better - and obviously responsible - use of those eight years of extra productivity.

I can already hear politicians claiming a special status for people in physically demanding jobs. There, too, anticipation - and at a younger age - is vital. Although there will, of course, always be some groups of people deserving special care, the fact remains that we need to accept that working until you reach an average age of 70 should become the norm.

The question now is what employers should be doing to anticipate society's need for change. What is the government actually doing? How flexible are trade unions being in helping to devise solutions? Who is educating citizens - particularly young people - to be more aware of the need for financial planning?

The results of a recent 'stakeholder' survey disappointed me. People obviously see what is happening, but there are absolutely no signs of any cohesive policies or combined efforts to create the right conditions. There is not even any basic research into what kind of action employers and employees could and would be willing to take.

I would suggest it's now high time to get that done. The various stakeholders seem trapped in a web of agreements, with the change needed in the retirement age simply being swapped for another issue in the political game. No one dares take that vital first step, with everyone looking at someone else to avoid having to step outside his agreed circle of maneuver.

Some people are happily looking at France and the plans to reverse the increase in the retirement age, with 'growth' as the new magic word. But who's going to invest and come up with the money at this stage of the crisis? The missing eight years of extra productivity all too easily get forgotten when policy for responsibly lengthening working lives is being devised.

I sense there's little point in waiting for action from politicians. Perhaps we should talk about 'making existing pension plans more flexible' rather than 'increasing the retirement age.' Insurance companies, pension funds and social security systems will need to anticipate people wanting to work longer. That means coming up with new products to allow delayed retirement on conditions that are satisfactory to all parties. In other words, finding a way of rewarding people who contribute to society for longer.

Perhaps those accepting hybrid retirement will be able to persuade governments, employers, unions and others that many people will be keen and able to remain in the workforce - providing the conditions are right and efforts are made to accommodate the different parties' wishes. There are also, of course, substantial numbers of older people whose provisions for retirement are inadequate and for whom continuing to work - possibly on a part-time basis - will simply be a necessity.

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