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Retirement ages and pensions

It is a pity that the work and pensions debate, enlivened in the UK last week by the publication of Adair Turner's first report in his role as chairman of the Pensions Commission, should be focused so heavily on saving for retirement.

The idea of funding our later years by working longer is dismissed far too pessimistically in "work until you drop" stories that assume that retirement is some kind of leisure-packed ideal to which we must all aspire. Such assumptions ignore a continuing urge to contribute to society and the associated feelings of rejection among many of the recently retired.

When Charles Booth, the Victorian shipping magnate, concluded in his momentous study, *Life and Labour of the People in London*, published in 1903, that much of the existing poverty 100 years ago was created by old age, the common practice of the time was to send the ageing poor to work houses.

The link between work and compulsion remains a source of fear when the debate should really be focused on extending access to the workplace with a variable range of involvement for those who might seek to lengthen their working lives. Booth envisioned a time when the elderly "can still remain members of the society to which they are accustomed". His sentiments hold good today.

People of all ages need to maintain their membership of society and that should include an economic contribution, where possible. Now that improving health is extending the working capacity of many far beyond the state pension age of 65 (for men), there is a growing need for longer careers or second careers offering opportunities for the over 50s to enjoy a richer, more varied, and more significant involvement in working life.

Studies in Sweden and the US suggest, as the Pensions Commission report noted, that "for many people increasing life expectancy is associated with an increase in the number of years of healthy active life".

Yet most employers remain focused on the younger workforce. This should not be surprising because the practice of too many companies in the past few years has been to use surpluses in their pension schemes to shed their older workers through early retirement. The widespread decline in surpluses has curbed these practices - bad news for those seeking to go early but good news for those who want to work to their contractual retirement age.

But should we have age limits at all? The UK's educational grants system has a cut-off age of 55 on the assumption that study beyond this age can have no possible economic benefit for society. That is nonsense.

A retirement age of 65 is itself artificial, the result of western economies and private pension schemes following the precedent established by Germany, the first country to establish a state pension system. Introduced in 1889, it was based on a retirement age of 70, reduced to 65 in 1916.

Age limits have lost their relevance as life expectancy has risen. In the UK in 1950 retiring workers could expect to spend 18 per cent of their adult lives in retirement.

Today that proportion has risen to just over 30 per cent. Such inactivity is not only economically unsustainable, it is no longer acceptable from a moral and cultural standpoint.

It is not limits that we need, but better ways to make use of all the experience that goes to waste when people retire early. The answer has to go beyond lengthening job tenures. The idea that people should simply continue working the same way through a lifetime lacks imagination.

In fact there is growing evidence that the productivity benefits of work differ with age. David Willetts, the shadow secretary for work and pensions, speaking at a conference in London last week organised by the Third Age Employment Network, pointed to a study in the US that compared the relative success of the artists Picasso and Cezanne.

The study, carried out by David Galenson, professor of economics at the University of Chicago, compared historical references and auction house prices for the work of each artist to gauge the most successful periods of their careers.

Picasso's best work, it appears, was produced in his mid to late 20s whereas Cezanne produced his most important work around the age of 66. Prof Galenson notes that both artists had contrasting approaches to their work. Cezanne viewed his work as a series of experiments. Once one painting was completed, he was eager to move on to the next. Picasso, on the other hand, treated each of his completed works as an achievement in its own right.

In a related study looking at other artists, Prof Galenson concluded that where conceptual innovation was considered important, artists produced their best work early in their careers. But great art that relied on experimentation and craftwork tended to be produced later in a career.

More recently, in a study co-authored with Bruce Weinberg of Ohio State University, Prof Galenson has found the same features when comparing the work of leading economists.* Those with innovative ideas tended to introduce their concepts early. But those who derived their ideas from a body of evidence tended to do so later in their careers.

"Although some academics appear to believe that creativity is exclusively associated with youth, others understand that there are two different cycles of creativity," they write.

The findings could have a bearing on workplace organisation since they suggest that the nature of productivity differs between age groups. Where in the past the focus has been on crude measures of output, there needs to be a better understanding of the ways that people approach work at different stages of their careers. New ways of rewarding and recognising people may be needed to reflect these differences.

Mr Willetts notes that retirement ages have traditionally been related to a labour market where people expect higher pay as careers progress. A retreat from service-level increments over a lifetime career, he believes, will weaken the case for conventional retirement ages.

The "up and out" progression of careers does not seem to make much sense any more if it results in the premature end to a promising career. Employers need to explore ways of retaining expertise that could envision stepping down from a higher-

paid to a lower-paid responsibility or allow various deviations from the full-time salaried model. At the same time employees need more transparent and, possibly, individual ways of building their retirement benefits so they can extend their independence.

It may be that, ultimately, market forces will be strong enough to shape the kind of transitions throughout our working lives that will allow people to provide for their futures. Balancing the needs and demands of an ageing workforce will not be easy but the urge to dabble too heavily in regulated social engineering should be resisted.

**Creative Careers: The Life Cycles of Nobel Laureates in Economics:*
www.econ.ohio-state.edu/weinberg.

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