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# Retirement and ageing: A reordering of priorities

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Suppose we could live forever? How would we prioritise our time? Would we retire? In *Einstein's Dreams*, Alan Lightman playfully and beautifully describes different theories of time. In one of his vignettes, he writes:

In this world, there are two times.  
There is mechanical time and there is body time.  
Those in body time do not keep clocks in their houses.  
Instead, they listen to their heartbeats. They feel the rhythms of their moods and desires.  
Then there are those who think their bodies don't exist. They live by mechanical time.  
They rise at seven o'clock in the morning. They eat their lunch at noon and their supper at six.  
They arrive at their appointments on time, precisely by the clock.<sup>1</sup>

This idea of mechanical and body time from Alan Lightman illustrates two directions to consider in how we think about retirement. The first direction tends to focus on determining the retirement 'age' (*mechanical time*) and how that number is rising, along with increasing life expectancy. The second direction takes a life course perspective, where retirement does not occur at a specified age for a distinct period of time. Instead, people make decisions to work or not work throughout their lifespan based on their individual physical and cognitive abilities and preferences —

they follow the *body time* approach. In this chapter, I will discuss both directions in terms of where we are heading and where an alternative path could take us.

In Australia, the retirement issue that is currently receiving national attention is from the May 2014 federal budget proposal, which includes increasing the age Australians are eligible for the pension from 67 to 70 by 2035. This proposal, which is targeted to those born on or after 1965, means that starting in 2023, the pension age will increase by six months every two years. Treasurer Joe Hockey said this move will prepare Australia for the demographic challenges posed by an ageing population.<sup>2</sup>

The demographic trends of population ageing are also gaining international attention with organisations ranging from the Organisation for Economic Co-operation and Development (OECD), the World Health Organization (WHO) and the United Nations producing numerous reports that call for a change in attitudes, policies and practices in order to prepare for an older population. The Standard & Poor's Ratings Services called ageing populations one of the two global mega-trends, alongside climate change, that dominate global economic risks.<sup>3</sup>

Population ageing is a global issue, and while the change to having older populations started in wealthier regions such as Europe and North America, people around the world are now living longer and every country is experiencing this change at some level. In the middle of the 20th century there were 14 million people on the whole planet aged 80 years or older. By 2050, if this demographic trend continues, there will be 400 million people aged 80 years or older.<sup>4</sup>

The Australian Treasury's Intergenerational Report in 2010 focused on the challenge for future economic growth in having an increasing proportion of the population over 65. By 2050 in Australia, there will be about a quarter of the population over 65. This means between now and 2050 the number of people between the ages of 65 to 84 will double and, even more notable, the

number of people over 84 is expected to quadruple.<sup>5</sup> Although I work in population health, I find these figures difficult to truly comprehend in terms of our potential to live longer with no necessary end in sight, and how our life trajectories (including the concept of retirement) will adjust.

The bottom line is population ageing is becoming more recognised in Australia and around the world. There also seems to be a growing public sentiment that these demographic trends will likely lead to changes in how resources are allocated. Yet, as expected, there is a strong controversy over how to make these difficult economic and political decisions. For example, a proposal to raise the retirement age to entice people to work longer is being considered and implemented at different levels in private and public schemes in many countries. In Australia, the backlash to increase the age pension eligibility was noted in the Melbourne newspaper, *The Age*, where they conducted an online poll that asked whether the increase was fair: the vast majority of votes, 73%, said it was not fair, out of 15,298 votes.<sup>6</sup> The negative reaction is particularly felt by those with physically demanding jobs where this increase in age pension eligibility is more than working a few more years; it may not be physically possible for some, or very challenging for others. There is also the expectation that Frances Underwood, a 30-year-old registered nurse summed up: 'I think people should be able to enjoy retirement when they still have years to enjoy it.'<sup>7</sup>

These reactions to raising the age pension eligibility are reasonable concerns that reflect larger social equity issues and should not be ignored, even with the well-documented challenges posed by an ageing population. Treasurer Joe Hockey's position, as well as many other politicians who take this view, are less justifiable if additional trends in the ageing workforce are considered. In particular, the emerging trend that both men and women of all ages are increasingly less interested in securing full-time permanent employment and open to part-time work that is more

compatible with study, family needs, and declining health and energy.<sup>8</sup> The retirement debate has the potential to be about more than fiscal policies that steadily increase an invented retirement age. It could take into account these types of workforce trends that acknowledge people's desires to come in and out of the workforce at different ages throughout their lifespan.

This is the second direction — the *body time* approach — where a number of researchers are proposing to shift the concept of mass retirement at a specific age to a more flexible model that takes a life course perspective. This approach would involve destandardising the life course so that age-driven patterns of when we engage with life's activities, such as education, work and family, lose their predictive power.<sup>9</sup> Instead, people could combine these roles at different ages throughout the lifespan based on their individual needs and preferences. This blurring effect between distinct life phases of 'career' and 'retirement' seems to resonate with a growing number of boomers who are at or nearing retirement age and have another 25 years — a quarter of a century or more — to have paid work, become social entrepreneurs, volunteer or stay engaged in various other ways.

The rise in average life expectancy means that there is an opportunity for more choices on how to spend our increasing years, not less. Our longer lives are more than potential economic risks, and raising the retirement age reflects short-term thinking. At the other end of the spectrum is Google Director of Engineering and futurist Ray Kurzweil, who is famous for his long-term predictions. Kurzweil has made many public claims that we are close to everlasting life and humans will soon live forever. The retirement debate could be enriched by incorporating longer-term thinking and considering the prospect of how having long lives will change how we prioritise our time, and may change the thinking around whether retirement is still a desirable goal. A flexible approach involves listening to ourselves, Lightman's idea of body time, and gradually making adjustments between life's commit-

ments — career, family, study, leisure and health — that may lead to a more honest and fruitful discussion about retirement.

**Mass retirement: Earlier retirement and longer lifespans**  
 Given the expectation of retirement is commonplace, I found it surprising to learn how relatively recent this concept is and how in many developing countries people continue to work in their later years. The concept of mass retirement, as a distinct period of time where people reach a certain age and then have the opportunity to rest and enjoy the fruits of their labour, only started in the late 19th century and did not reach full maturity until after World War II.<sup>10</sup> It was not until the 1950s that the necessary social policies and institutional arrangements through private or state pension schemes were in place to support retirement for a large percentage of the population. Within only a few generations, the retirement concept moved from a possibility to that of the present day, where many consider it a right, as the current debate over Australia's increase in age pension eligibility highlights.

Once the institutional arrangements were in place to support mandatory retirement or pension age eligibility, this began to have a remarkable effect in that people were living longer, yet retiring earlier. An example of this trend in Australia is during the time period between 1960 through to the mid-1990s. In Australia, the age at which people retired fell by four years for men, from 67 to 63 years, and for women by six years, from 67 to 61 years, while the average life expectancy for men increased from 68 to 75 years and for women from 74 to 81 years.<sup>11</sup> Since the mid-1990s, both men and women are retiring slightly later, with a 1.5-year increase to 64.5 years for men and 62.5 years for women, but average life expectancy over the same time period has increased by 5 years for men to 80 years and 3 years for women to 84 years.<sup>12</sup>

It seems counter-intuitive that people would retire earlier, just as they were starting to live longer. Currently, the move is slowly upward, where Australians are retiring at later ages, but

longevity is far outpacing it. The earlier comment from the registered nurse, Frances Underwood, about her concern for people to be able 'to enjoy retirement when they still have years to enjoy it' is a common sentiment. It also brings up a challenging scenario — what is a reasonable number of 'years' to have in retirement and how will this number adjust to longer lifespans?

I have a personal story that demonstrates this scenario and perhaps why an alternative model based on a life course perspective may be a better fit to accommodate our increasing years. I have three sets of great aunts and uncles and they have all been retired longer than I have been alive. All three couples retired in the late 1970s around the age of 60 and have been retired for over 35 years. They are all in their mid-90s and had not planned on having over three decades (in the case of one couple nearly four decades) to enjoy their retirement. It is difficult to prepare for such a long period of retirement, even with a secure pension.

Each couple has had to adjust to somewhat strained financial circumstances because they had not planned on living as long as they have and they also do not know how many more years they have ahead of them. Given people are living well into their 90s, a more flexible model that does not use age to determine when individuals are making life transitions is needed. A model that allows for people to come in and out of the workforce at different stages throughout their lives would suit our increasing lifespans and reduce the financial uncertainty that comes with having multiple decades in retirement.

The current workforce is also at a different stage in 2014 compared to where it was in the late 1970s when my great aunts and uncles retired. Particularly in Australia, there is much greater diversity in terms of employment, with many people employed on a casual and part-time basis. Professor Sue Richardson, a leading labour economist, points out that Australia is unique in that it offers protections to people employed in these less permanent positions and does not link employment to health care and

unemployment benefits, unlike the United States and European countries.<sup>13</sup> In addition, Richardson notes the wage-setting rule, which is a rule worth replicating in other countries, requires casual positions to have a loading between 20–25% on top of the hourly rate in order to compensate for the absence of annual and sick leave.

The wage-setting rule as well as not having employment linked to government benefits and having the same protections as full-time workers (that is, against unfair dismissal, discrimination and receive compulsory superannuation) are all desirable for older workers who want to engage in casual, paid work. Australia is in an advantageous position to adopt a more flexible model to support people coming in out of the paid workforce throughout different stages of their lives.

The social policies and institutional arrangements that Australia has established for casual and part-time workers reflect elements of the WHO's active ageing policy framework. In this framework, the WHO encourages people to work into their later years and claims more people would continue to work if they were engaged in dignified work, meaning properly remunerated and protected.<sup>14</sup> While people engaged in casual and part-time work in Australia still experience insecurity compared to their full-time counterparts, the types of assurances raised by Professor Richardson align well with the WHO's active ageing policy framework; specifically, by having the ability to protect older workers as they come in and out of the workforce, even after they retire from full-time positions and pursue re-employment. These assurances, though, are only a starting point. If the Australian government is going to encourage people to work longer through raising the age pension eligibility, then greater incentives and support are needed.

The concept of active ageing has received strong endorsement in how it has transformed public sentiment to view ageing in a more positive light, but it has also come under substantial criticism for being too narrowly focused on paid work. In the next section, I

will provide examples from researchers who have embraced the idea of active ageing, including its emphasis on paid work, the concerns with having a narrow economic focus on what active ageing is, and the challenges for older workers.

### Active ageing and retirement: Benefits and concerns and challenges

Increasingly, the concept of active ageing is largely being interpreted within an economic framework, focusing more on participation of older people in employment. Initially, the WHO definition of active ageing was interpreted as inclusive of physical, social and psychological wellbeing throughout the life course, with less emphasis on participation in the labour force. The definition in 2002 defined active ageing as:

Enabling individuals, including frail and disabled people in need of care, to realise their potential for physical, social and psychological wellbeing throughout the life course. The word 'active' is not intended simply to refer to an individual's ability to be physically active or participate in the labour force, but to participate in society according to his or her needs, desires and capabilities.

The OECD and national governments of high-income countries have supported 'active ageing' as mainly a driver to encourage people to work longer, and have not necessarily considered whether this view is congruent with older people's experiences. In addition, while a growing number of employers are considering ways to retain and recruit older workers, age discrimination in the workplace is still very present. There is a real concern that these policies could place people in an illogical situation where they are expected to keep working, but are unable to find employment. In contrast, there are researchers, policymakers and employers who consider active ageing means being gainfully employed and that this is a new, necessary stage in life.

## Benefits

The emphasis on paid work is a popular idea for people who follow Mark Freedman's Encore Career approach, which he defines as a ten- to fifteen-year career that occurs after retirement and focuses on social purpose work.<sup>15</sup> Freedman exudes confidence in the idea of people continuing to work, mainly because retiring at 60 today means there are still decades of vitality ahead, and it is an opportunity for people to attempt to find new roles with work that is personally meaningful and makes a social impact. These new roles tend to be within the education and health care sectors where there is an issue of labour shortages in the upcoming retirement waves. These are positions where people tend to report personal fulfilment, and feeling they matter to the larger society.

Freedman notes the growing financial insecurity around retirement, particularly in the United States, but it applies in other countries as well. The trends of disappearing pensions, inadequate savings and rising health care costs in combination with longer lifespans are making traditional retirement increasingly unaffordable. Disappearing pensions in the United States have occurred largely due to the shift to a defined contribution pension scheme, where the employer is not responsible for providing a pension based on future earnings and often it is the employee who contributes to this pension during their working years. The benefits of staying in a position or starting an Encore Career are becoming increasingly necessary from a financial perspective.

There are well-documented social benefits that connect working longer with health, particularly cognitive stimulation. People who are engaged in Encore Careers report a common sentiment: 'I work for the same reasons I've always worked: camaraderie, intellectual stimulation and satisfaction of achieving a goal.'<sup>16</sup> Associate Professor Stephen MacFarlane also noted the benefits of employment on the brain in Chapter 5. He refers to the dangers of retirement for an ageing brain and the importance

of cognitive stimulation in later life to keep the brain active. Employment after retirement can be beneficial for keeping us connected with our community, personally satisfied and our brains active to potentially delay a diagnosis of dementia.

From an employer's perspective, there is a growing positive shift underway in how Australian employers view older workers and their attempts to address age-barriers to employment. These attempts range from a 'revolving door' approach where valued older workers may exit and re-enter an organisation many times after they formally retire, to ongoing part-time roles or seasonal work within the organisation.<sup>17</sup> These broad approaches are becoming more commonplace, as well as tailored work arrangements for specific individuals as they phase into retirement, which shows the degree of flexibility some employers have to retain and recruit older workers.

This shift of employers valuing older workers more may reflect the decrease in rates of age discrimination, which dropped by 10% in two years, from 28% in 2012 to 18% in 2014 in Victoria, Australia.<sup>18</sup> The decrease in complaints is substantial and a promising sign for the future, but one in five older workers still reported age discrimination in 2014, and this is an area where violations are often underreported.

### Concerns

The study mentioned above also notes the concerns: namely, age discrimination in the workplace. Employers may be interested in hiring older workers, but will they offer the same or similar benefits and protections that they offer the full-time counterparts? The financial benefits of working longer translate to a growing number of people who cannot afford long-term retirement due to the change in how pensions are set up, and increasing costs to support themselves as they age.

While active ageing encourages the idea of people working longer because of the financial, social and health benefits, there is

also the concern that older people are being forced to take on more risk in their later years. If people continue to work longer, will the fading safety net to provide for older people completely vanish? The benefits may all be true, but the concept of active ageing has the potential to distort the issues and minimise the personal nature of the decision to continue to work.

### Challenges

Irrespective of having a longer life span, there are additional reasons to consider why people opt out of the workforce when they reach a certain age. It is important to realise that age discrimination can occur both in paid work and in volunteering. There is an overlap between the two areas in that there is a general lack of planning for how to recruit and retain older workers and volunteers. Some employers claim that having older workers would involve creating new systems and more training, which is costly to implement. There are also cultural issues related to ageism and age discrimination for older workers and volunteers.

According to the Victorian Human Rights Commissioner, Kate Jenkins, age discrimination begins at about 45 years: older workers are more regularly chosen for redundancy and those as young as 50 are often asked when they are going to retire. There is legislation to protect older workers from discrimination in Australia under the Age Discrimination Act 2004 and in the United States there is the *Age Discrimination in Employment Act 1967*, but under both federal statutes it can be challenging to prove that age discrimination has occurred.

The fading of pension programs, in general, and steady rise in pension age eligibility in Australia may place an unfair burden on older workers if they are expected to continue working but are unable to find suitable employment. The life course perspective to coming in and out of the workforce at different ages would help address this potential gap. Australia's current protections for people employed in part-time and casual work is a solid start for

people to have flexible options in terms of how to engage with employment. The challenges faced by older workers could be an opportunity to research the types of arrangements, incentives and protections needed to improve the lives of workers at all ages.

### Conclusion: Reordering our priorities

The initial question of this chapter was, if we were to live forever, then how would we prioritise our time and would we retire?

The benefits of continuing to work include financial stability, social connections, intellectual stimulation and personal fulfilment. It is not surprising that the OECD, federal governments and some employers would adopt a framework like active ageing and narrow it down to focus on the economic productivity of older people, given the demographic projections of an ageing population.

There is an alternative to this approach, though, and it would enhance our increasing years for them to be less about the question of whether to work or retire, but rather, how do we want to live? Do we want the flexibility associated with listening to 'body time' or the certainty of 'mechanical time' and knowing the designated 'age' between work and retirement? Does your answer change depending if you are answering for yourself or on behalf of the next generation?

### Endnotes

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