

Pensions Policies Should Focus On Jobs, Not Retirement

Old age pensions are among the greatest achievements of civilization. When we count the milestones in the history of civilization, we usually think of Roman law, British parliamentary government, French art, or Russian literature. Many people think that Germany's greatest contribution to civilization was classical music. But many other countries also gave birth to great composers. Germany's truly unique contribution to civilization was the invention of the old age pension.

Germany established the world's first national old age pension program in 1889. Old age pension programs in the United Kingdom (1908) and the United States (1935) came much later, and were modeled on the German system. Germany originally set the retirement age at 70, but allowed for payments earlier in cases of long-term illness or disability. The retirement age was later reduced to 65 years old, and 65 eventually became the standard retirement age in the US and UK as well.

Old age pensions for people over age 65 transformed society as much as electricity or the automobile did. But unlike these purely technological inventions, old age pensions also civilized society. Before old age pensions, people who were too old to work quickly fell into poverty and dependence. Private homes were full of unwanted and abused grandparents, while the public streets were full of elderly beggars. Old age pensions allowed people to live in dignity and independence even when they were no longer able to work.

The original goal of old age pensions was not to allow people to retire from working. It was to support them when they could no longer work. That's why, in most countries, people can access their pensions early if they are blind, disabled, or too sick to work. The basic idea behind the old age pension is "social security": making sure that people can

maintain their positions in society even when they can no longer work. It was never about ensuring a leisurely life in retirement.

In fact, research suggests that retirement is not good for you at all. Men are particularly prone to depression in retirement, and men who do manual work tend to suffer even more than those in desk jobs. After controlling for their overall levels of health, people who continue to work tend to be happier and stay smarter than those who retire. In order to stay healthy, people should work as long as you can. One should retire when he/she can't work anymore, no matter what the retirement age is in your country.

Raising the retirement age

In most Western countries, the standard retirement age is around 65 years old, with slow increases planned to raise this by one or two years over the next few decades. In Germany, the United States, and the United Kingdom alike, the retirement age is being raised in steps from 65 years old to 67 years old. Other countries have slightly different plans, but the overall trend is clear: old age pensions will start later and later in life as people live longer.

People are also living healthier. People today tend to think of old age pensions as a way to support themselves in retirement after a lifetime of work. But the real goal of government policy should be to keep people in jobs for as long as they are healthy enough to work. In the days when most people worked jobs that required hard physical labor, very few were strong enough to keep working past the age of 65. Today, most jobs require much less physical effort than they did in the past, while at the same time most people are healthier in than previous generations. As a result, there's no reason why store clerks, company managers, and university professors shouldn't work well into their 70s.

Although people tend to be angry about increasing retirement ages, the fact is that most countries are probably raising their retirement ages by too little. An unhealthy 65-year-old who is unable to work due to physical limitations should receive a disability pension, not an old age pension. A healthy 65-year-old should be working. It's better for the person, and better for society. After all, in most industries, a healthy 65-year-old is likely to be much more useful and productive than a healthy 25-year-old. The society as a whole benefits from keeping that 65-year-old in employment.

Government's responsibilities

Instead of complaining about higher retirement ages, people should be pressuring their governments to ensure that people over age 60 have access to good jobs with good working conditions. The real problem for elderly people in most countries is that good jobs are hard to find. If governments are going to raise the retirement age, they have a responsibility to help create good jobs for people in their sixties. Fortunately, governments have a lot of tools they can use to help keep elderly people employed.

In most countries, the government is the single largest employer. Many young people try to get government jobs in their twenties so that they can have a stable income for their whole lives. Governments should seek to reverse that pattern and give old people preference over young people for jobs that require no specialized expertise. Young people should be encouraged to work in the private sector, not seek lifelong employment in a government job.

In addition to moving elderly people from old age pensions into useful employment, this "old people first" strategy would also provide the government with a flexible workforce. Since people over age sixty are likely to continue working for only five or ten years more, it is politically easy for governments to phase out positions as staffing needs change. Older workers are also more likely to be willing to transition into part-time employment, or to work seasonally, relying on partial old age pensions to top up their salaries.

Governments should also rigorously enforce anti-discrimination laws. Many companies don't want to employ older people because mature workers are more likely to be aware of their legal rights, to insist on being treated fairly, or to join trade unions. Governments should take the side of older workers in these disputes. While it is tempting to take the side of businesses in disputes with workers, governments should remember that every unemployed elderly person is an elderly person who must be supported by the state.

Give the voters a positive choice

Russia is in the process of raising its retirement age from 60 to 65 for men and from 55 to 60 for women. Accountants justify this change by pointing to the number of years people will live in retirement and the

amount of money the state will have to spend on old age pensions to support them.

Instead of offering voters a harsh financial choice between old age pensions and money for other state services, governments should offer voters a positive program of higher retirement ages in exchange for better quality jobs.

Western countries have a very poor track record of promoting work instead of retirement. Most Western countries offer small financial incentives to elderly people to stay in the labor force, while doing very little to increase the number of jobs available to them. East Asian countries like Japan, South Korea, and Singapore are more active in creating private and public sector jobs for the elderly. These countries have rapidly aging populations and thus are working much harder to limit their old age pension liabilities.

In Japan, the standard retirement age is 65, but people can start taking old age pensions at any age between 60 and 70. The longer they wait, the higher their pension. There are proposals to increase this voluntary retirement age all the way up to 75 years old. Just as important, the Japanese government has actively lobbied companies to keep people employed beyond age 65. Japan also has a nationwide public-private partnership, the Silver Centers, for employing unskilled elderly workers in state-subsidized part-time jobs.

Russia's population profile is more like that of Japan than that of the United States. While it makes sense for Russia to raise its retirement age, the Russian government should also be working hard to increase employment opportunities for elderly Russians. That means creating jobs — and encouraging the private sector to employ more elderly people, too. Instead of going to the voters with a tough plan for cutbacks in old age pensions, the Russian government should be offering to help them find good jobs.

Few people want to see their retirement age raised. No matter what the government does, many people will complain. But many more people might support the idea of working longer if there were better job opportunities available to them. The accountants are right that the retirement age must be raised. The politicians should be smart enough to see the positive side of that equation, and develop policies that increase employment as an alternative to retirement.

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