



## There's more to pensions reform than making us work for longer

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▼ [Jane Parry](#)

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Talk of changing pensions connects with us at an emotional level – how secure do our futures look? And crucially, how much power do we have over this process? It is a tricky business for the Treasury, too, as its [recent retraction of the pensions review](#), due to feature in the spring budget, shows.

A new savings plan for low-earners, hastily announced before the budget, reflects how the government needs to be more proactive about encouraging people to save for their retirement. But even on the government's estimates, the scheme would only be taken up by [one in six of those eligible](#). The way we work is at the heart of this issue.

Proposals floated by the chancellor in a [consultation paper](#) published last summer looked at reducing or scrapping tax relief on pensions. It was a surprisingly radical move for the government. The plan looked set to penalise higher tax payers, who benefit the most from the tax relief they receive on pension savings under the current system. At the same time, it would save the public purse up to £35 billion a year.

But less than a week after [discussion had turned to the reforms](#) and the upcoming budget, it began to ruffle a few too many feathers in the run-up to the EU referendum. Vocal among the critics of the mooted reforms were the [vested interests](#) of the pensions industry.

Major reform is urgently needed. We have never lived so long as we now do and [Public Health England](#) recently announced that life expectancy has risen yet again. With baby boomers hitting retirement age, the pension age population is exploding once more. While we may be living longer, we are not necessarily reaching old age in good health. Quality of life is a [growing concern](#), with three-quarters of us likely to reach state pension age with compromised health.

Hence, while the state pension age edges steadily upwards, early or forced retirement is still the norm for the majority. The option of working longer is not equally open to all. Cries that [we will have to carry on working into our 70s](#) fail to recognise how impossible this is for many, and the transformation that is needed in the health of the nation to make it even remotely possible. In fact, calculating how we could work in later life – not necessarily full time, or in the same way that we work at other points in our lives – could be immensely valuable.

### New dynamics

Just as we are ageing differently, we are also working (and indeed retiring) in very different ways from a century ago when the state pension was established for those aged [70 – and life expectancy was just 51](#). Changes in the labour market in recent decades have been dramatic, and understanding these [new dynamics](#) will be key to supporting retirement transitions in the future.

We exist in a global economy, an ever-expanding part of our work is digitised, and economic crisis and demographic changes mean that work has become more fluid and unpredictable. With constant technological developments taking place, including robots [to care for an ageing population](#), the ways in which we work is likely to carry on shifting.



George Osborne, chancellor of the exchequer. Lauren Hurley / PA Wire

Thus, policymakers must review outdated models of retirement based upon the professional male notion of an upwards career trajectory in a single workplace, and look beyond the statutory age of retirement. The breadwinner model is all but gone; few families can live off a single income and women now enter the labour market [at least as well qualified as men](#).

Young people are increasingly expected to [work as interns](#) in order to break into professions and the number of people on short, fixed-term or zero hours contracts is [on the rise](#). For these people, employment protection is unreliable and pensions planning precarious.

Indeed, unpaid work goes on in different forms over the course of a lifetime, and often has an intimate connection to paid work. Key demands include taking time out to care for children and grandchildren, or ageing and ill loved ones. While necessary, this inevitably damages people's ability to save for retirement. We need pensions schemes that reflect these working patterns, not those which shore up a cliff-edge retirement model. A sudden end to work, which most people experience and which often equates to a jump into the unknown, is more detrimental to health in later life than [phased alternatives](#).

The challenge is not so much how to keep the wealthy saving, but how to open up the possibility of saving to those focused on surviving in the new world of work. Osborne is understandably concerned about damaging trust among higher earners. But if we are truly to take a longer-term focus on retirement, and promote secure and well-planned transitions out of work among an ageing population, we need to look less at those whose futures are most assured and already saving, and more at people whose options are restricted from every angle and whose planning strategies are thwarted.





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