

# What is the future of Retirement?

by Clare Mulligan



**R**etirement..... is this a word that is going to disappear from use for the generations following us? Well, if it doesn't disappear it will certainly change meaning.... Currently retirement means 'the action or fact of leaving one's job and ceasing to work' but new interpretations include 'second beginnings', 'a life change', 'second curve of career', or 'a new chapter'. The concept of retirement is dated, it was created during industrial times where the age of retirement was standardised for all employees, mainly to get older workers out of the workforce to make room for younger workers. Workplaces and working lives have changed and these changes along with the fact we are all living longer are altering both the concept and meaning of retirement.

According to Peter Drucker in his 1996 book 'The Pension Fund Revolution', he stated "Demographic change has been under way for over 100 years but became a 'revolution' when older people began living past retirement age around the 1960's and 1970s". Our increasing life expectancy is dramatically changing the percentage of our population who will be over 65. For Ireland the figures show that by 2050 50% of the current population will reach retirement age. Currently there are 6 people working to each one person in retirement, but this will drop in 2050 to two people for each one person in retirement. The concept of the

younger working generation paying for the older retired generation is not sustainable, and this 'demographic revolution' is now our current reality.

These demographic shifts will push the trend for people to work past age 65. However, we are already seeing this trend emerging in the workplace as the 'Baby Boomer' generation approach their normal retirement age. Some of these influencers and trends which are supporting the case for people working past 'normal retirement age' are as follows

## **1. Reduced Pension and Savings Pots**

People are looking for appropriate options and ways of creating revenue to meet demands for living longer and how to support this longer life with their reduced pension and savings pots

## **2. Less trust on one organisation to provide a career until retirement**

People find that they now trust less the idea of one company to provide their long term career. With the demise of plush benefits, requirements to work longer hours and the lack of full time opportunities, people are now more open to different work arrangements. They see having a few different options is more risk diverse that relying all on one company.

### 3. Knowledge Worker

As industrial workers, people had to go to a place of work to do their job, but this is changing as now as a knowledge worker, people can use their knowledge, intellect and skills to create their working style preference. People are more open to changing roles and taking on a more flexible arrangement influenced by the rise of our roles as knowledge workers. For these workers the attraction of project based work has become a more alluring alternative to the reliance of one organisation to provide a career. Organisations also prefer to employ knowledge workers for contract roles to meet project requirements as the employer contract is simpler and the organisations can remain more competitive by recruiting the brightest talent for each project requirement.

### 4. Technology

Access to technology and the ability to 'plug in' from anywhere is opening up the options for how and where people work. This is leading to more creative solutions for flexible working solutions. Being able to work reduced hours or less commuting suits the older worker

### 5. Generation Y

We also see a further push for a more flexible way of working from the younger group of Generation Y workers. The work ethics of this generation support a more flexible, project based and portfolio career attitude to their working life. As Generation Y start to dominate the workforce in numbers they will continue to influence our workplaces to their preferences. To compete for work, workers of all ages have to look at the Generation Y way of working.

### 6. Psychological Success

Research has shown us that people often want to keep working for other reasons apart from salary. It's also about psychological health, self-image, still being able to make an impact, social connections and mental stimulation. We are now seeing that the responsibility for careers is changing from the organisation to the individual and where psychological successes are a measure of success rather than salary, career advancement and position.

### So how will this impact the pensions industry?

There is now a demand for a holistic approach to a person's career, dealing with personal and work related issues, as the lines between work and life become more blurred, and people look for a more risk diverse solution than relying on one organisation making provision for their future. This holistic approach to careers and the

new emerging employment agreements are having a knock on effect to financial planning. If a person is employed on a contract basis, and is not eligible for the company pension scheme, or they are working past the 'normal retirement age' in some form, then what sort of financial advice will they need? These people will not be 'retired' in the traditional sense but they may be working on a part time or freelance basis. We will also see more and more of workers on contracts for large multinational organisations, who again will not fall into the remit of the staff pension scheme. How should the need for financial advice be met with contract workers whom often identify as part of the organisation rather than classing themselves as self-employed? These contract workers often do not engage in the planning for their financial futures as maybe a self-employed business owner would and are falling between the gaps for making pension provisions. Workplace trends may increase the pension adequacy issues in Ireland unless the industry can start to look at new solutions for the next generation of workers. These trends will continue to alter the traditional concept of retirement and the pensions industry will be faced with new consumer demands from their clients. This new third stage of life will provide more choice and flexibility for individuals and the financial products available will need to support their new needs. Organisations and individuals are looking at new ways to customise retirement transition, so the financial service providers will, in turn, need to innovate in order to provide appropriate financial planning to support this new environment.

## Article Author



**Clare Mulligan**  
**Organisational Psychologist**  
**Clare Mulligan Consulting**