

The Future of Retirement

What the world wants





Foreword

The Future of Retirement is an immensely important and exciting project – the world’s most comprehensive study of global attitudes to ageing and retirement – examining issues that affect all of us in three central areas of our lives: work, money and plans for the future.

The research helps to give a more human context to the issues raised by the ageing of the world’s population. Alone, the projected statistics can be overwhelming: by 2030 one in four people in Western Europe will be older than 65, and by 2050 one in five of the world’s population will be over 60. The extent of the change can blind us to the fact that, as our survey shows, most people are positive and optimistic about later life. In other words, the changes, though great, are welcome.

Knowing about people’s attitudes to retirement can inform policies in ways that demographic projections on their own cannot. To improve our analysis of the data we are collecting – and to ensure that it is available to those who study ageing – this year we have worked with the Oxford Institute of Ageing, part of Oxford University’s Social Sciences Division, who have brought their expertise and academic rigour to the analysis and reporting of the data.

Another change this year has been to extend the research from 10 to 20 countries and territories, and from 11,000 to 21,000 individuals. And this year we have also surveyed employers – 6,000 of them – to discover their attitudes to their older employees.

As a major employer itself, HSBC will be affected by the ageing of global populations. We employ over 284,000 staff in 76 countries and territories around the world, and those staff deal with 125 million customers. Few other companies are so connected to people throughout the world. HSBC’s success over the last 140 years has rested on knowing its employees and customers, their attitudes and ambitions, and acting accordingly.

It is in our own interest – as well as the common interest – to know more about people’s attitudes towards retirement and later life. To this end, we have again worked with Dr Ken Dychtwald’s consultancy, Age Wave, and with the market research company Harris Interactive. This year’s report, *The Future of Retirement: What the world wants* asks some pressing questions:

- What is retirement – and what do people want from it?
- How do we want to pay for retirement – individually and as a society?
- When will we retire – and will we be old when we do?
- Do employers believe younger workers are better than older ones?
- Are employers doing enough to prepare?

I believe that the answers to these questions, reported here, will help individuals, employers and governments to respond positively to the challenges raised by population ageing. I hope they go some way towards helping us all to live well in what will be an older, and I believe wiser, world.

Stephen Green,
Group Chief Executive,
HSBC Holdings plc

We're not relying on the government to support us in our old age, but we would welcome more guidance from them.



Global key findings

- People want to pay for their retirement by means of government-enforced additional savings rather than by paying higher taxes or taking lower pensions.
- People no longer believe that governments alone will provide for them in old age.
- So long as they are healthy and able, people increasingly want to do something active in their retirement rather than just resting.
- People overwhelmingly reject mandatory retirement on the grounds of age.
- As they age, people increasingly demand flexible working practices.
- People believe that family, friends and fitness are more important than money for a happy old age.
- The aspirations for retirement of “trendsetters” in the transitional economies are beginning to converge with those in more advanced economies.
- Employers feel that employees should be able to work to any age so long as they are capable of doing a good job.
- Employers say that older workers are just as productive as younger workers.
- In all regions of the world, too little is being done to retain the skills and experience of older workers.
- Few employers, large or small, are really prepared for the coming global skills shortage that population ageing will cause.

HSBC's *Future of Retirement* survey has examined these trends for the first time, as they flow from Western Europe and North America into the transitional economies of Latin America, Eastern Europe, Asia, the Middle East and Africa.

The survey

In 2005 HSBC published the results of its first global survey, *The Future of Retirement in a World of Rising Life Expectancies*. That survey covered 11,000 adults (aged 18 and over) in ten countries and territories across four continents. The first global study to investigate people's hopes, dreams, priorities, aspirations and fears, it showed that across the globe attitudes towards ageing and later life – and people's expectations of it – were positive. The survey also showed that people want more flexibility and freedom in the way they retire than employers and laws often allow.

This year's report, *The Future of Retirement: What the world wants*, has been undertaken by HSBC in collaboration with three leading organisations. The report is authored by the Oxford Institute of Ageing, part of Oxford University. The lead advisor was Age Wave, a consultancy headed by gerontologist Dr Ken Dychtwald, HSBC's Special Advisor on Global Ageing, and the global fieldwork was undertaken by Harris Interactive.

More than 21,000 adults have been interviewed in 20 countries and territories across five continents, which comprise 62% of the world's population. Following on from last year's report, which examined people's attitudes to ageing, retirement and later life, *The Future of Retirement: What the world wants* extends the investigation to cover families, the workplace and the role of governments in meeting people's hopes and dreams. This year more than 6,000 private-sector employers have also been surveyed across the same 20 countries and territories, gauging their attitudes to older workers and the issues presented by global ageing and changing models of retirement. The scope and nature of this survey make it the largest of its kind ever conducted.

The Future of Retirement: What the world wants is split into three documents:

- *The Future of Retirement: What people want*, aimed at a general audience and focusing on our survey of the general public.
- *The Future of Retirement: What businesses want*, aimed at employers and focusing on our survey of them.
- This executive summary, which provides an overview of both reports and introduces the subject of ageing populations.

There is a range of data contained in these three reports. For further in-depth analysis and supporting material log on to www.thefutureofretirement.com

The ageing world

The world is maturing. Projections by the United Nations show that by 2050, more people will be over 60 than under 15. Western Europe and Japan are already “mature” having more old people than young ones – and they will be joined by the rest of Asia in 2040 and the Americas shortly after. In Western Europe this maturing process took more than a century: the proportion of under-15s first began to decline in the mid-nineteenth century, and did not fall below that of over-60s until 2000. Asia will make the same transition much more quickly – in less than 25 years.

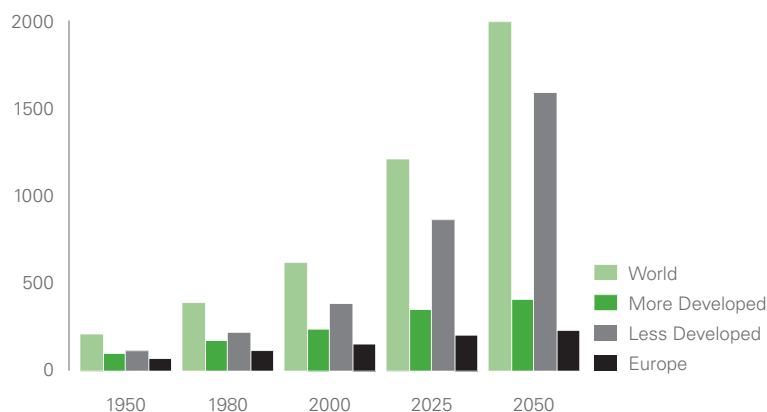
The extent of the ageing of the world’s population is staggering. By 2030 it is projected that over half of Western Europe’s population will be over 50, and at the age of 50, people will have a life expectancy of another 40 years. At the same time, 25% of the population will be over 65, and 15% will be over 75. Yet in terms of sheer numbers, the developing economies of Asia, Latin America and Africa will lead the way. These regions are already home to two thirds of the world’s older people.

This is not a passing phenomenon. Many people believe that the ageing population is mainly a result of the large “baby boom” generation progressing from youth to old age. While this is having an enormous effect, the ageing of the baby-boomers – those born in the years after the Second World War – is only part of a larger long-term movement towards older populations. Global population ageing is a trend that heralds long-term shifts in individual and societal attitudes and behaviour. This trend is restructuring the world’s societies.


Changing attitudes – in advanced and transitional economies

This, the second of HSBC’s global surveys, has captured these shifts in attitude. In particular, the survey explores the new patterns of retirement that are spreading from the advanced economies of Western Europe and North America to the transitional economies of Eastern Europe, Asia and Latin America. In these transitional economies the survey has focused on “trendsetters”. These are people who live mainly in towns and cities, and who work in the service sector or other modern areas of the economy such as the information technology industry. They contrast with the greater numbers of people still in traditional, rural, family-based employment, or working in primary industries such as mining, fishing or forestry. These trendsetters are already taking on the behaviour and lifestyles of their peers in Western Europe and North America, and there are indications that they will also follow the advanced economies in adopting the new forms of retirement and ways of living in later life. The attitudes and behaviour of this key group of individuals and employers may well influence those of the wider population in the transitional economies in the future.

People aged 60 years and over, 1950–2050 (in millions)



Source United Nations World Population Prospects, 2004 Revision



When I leave work I don't plan to sit around for twenty or thirty years — I'm going to live the life I always wanted.



I know the world is getting older,
but I'm not sure how it will affect me
and what plans I need to make.

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Our findings

We have released two reports in which we discuss our findings in depth, one aimed at a general audience (*The Future of Retirement: What people want*) and one at employers (*The Future of Retirement: What businesses want*). These reports are structured around five key questions.

What people want

1. What is retirement?

"I want to do something new when I'm older"

So long as they are healthy and able, people increasingly want to do something active in their retirement rather than just resting. While this is most apparent in the advanced economies of Western Europe and North America, in every region many of those who are able and willing to continue working are considering an active retirement. In the advanced economies, the developed health and social infrastructure means that the older population is increasingly healthy and active. However, many people in the transitional economies do not have the opportunity to retire. Of those who do, the majority are in need of rest after a life of hard labour and poor health. Yet many of the trendsetters who are beginning to adopt Western lifestyles, particularly in Asia, also appear to be looking forward to an active old age. These individuals may be "leapfrogging" the idea of retirement as a period of rest and relaxation, going straight for the new model of active retirement.

"Family, friends and fitness are more important to me than money in old age"

Many people in the advanced economies have a positive view of old age and retirement, and this optimistic view is now spreading in transitional economies among those who are pioneering a more active retirement. In most countries and territories we surveyed, families, friends and fitness are seen as the key factors for a happy retirement and old age.

2. How will we pay for retirement?

"I don't believe my government will bear most of the financial cost of supporting me in retirement"

People are increasingly recognising that governments will not be their sole source of support in old age. This is true in both advanced and transitional economies. In the advanced economies there is still a strong view that governments should provide for our old age, but little confidence that they will. In the transitional economies there is an overwhelming acceptance that governments should not and will not look after us in our old age.

"Given help I will save for my old age"

In almost every country and territory the majority of people reject the traditional policies for funding retirement – raising taxes, lowering pensions or lengthening working life. Given the choice, they would rather save for old age – but they know they need help to do so. The favoured option in almost all countries and territories across all age ranges is enforced additional private savings.

3. When should we retire?

"I don't believe anyone should lose their job because they are too old"

Across the globe, irrespective of respondents' age, the majority of people reject enforced withdrawal from the workplace at a fixed age. The majority of employees and employers feel that people should be able to carry on working to any age so long as they are still capable of doing their job well.

What businesses want

4. How do older workers compare with younger ones?

“My older workers are just as valuable as their younger colleagues”

Almost everywhere employers see older workers as more loyal and reliable than their younger colleagues, and just as productive and motivated. In the advanced economies the idea that older workers should make way for younger ones is waning, and negative stereotypes are discredited. As they age, older workers want more flexibility in the way they work—which could mean working part-time or being able to move in and out of the workplace as their circumstances change.

5. Do employers and employees think alike?

“We all need to do more to prepare for the upcoming skills shortage”

Few employers seem to have grasped the impact ageing populations could have on economic productivity – and indeed their own businesses. Within companies the impending skills shortage and the experience drain as older people leave the workforce will have a significant effect on recruitment, retention and productivity. However, the sharp fall in fertility throughout the advanced economies – and, increasingly, in the transitional economies too – is already making it difficult for employers to recruit the people they need, especially in information technology. The problem is often made worse by the unnecessary and premature loss of experienced older workers from the labour force under current regimes that encourage early retirement. The problems are further compounded by the fact that most organisations lack systematic programmes for mentoring and transferring experience.

I work just as well as my younger colleagues, but increasingly I want more flexibility to pursue my passions in life.



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Conclusion

The results of this year's *Future of Retirement* survey supply much cause for optimism. They show that individuals the world over are realising the practical limitations on what their governments and employers can do to support them in later life, and they reveal that the greatest proportion of people believe that the solution is for individuals to take responsibility for their own future, helped along by governments and employers.

We must all, as individuals, tailor our expectations to this new state of affairs. We know that people live longer, stay healthier and want to be more active in later life, and we should expect these developments to have an effect on the way we manage our working lives and the transition to retirement. For example, in order to fulfil our aspirations for a similar standard of living in retirement as in working life, we will need to save more. Working beyond the age of 65 will also help, and it will bring other benefits, as our survey respondents indicate, such as providing meaningful and valuable activity and giving us a way to stay engaged with other people of all ages.

Employers need to recognise these facts about the ways their employees will want to work, the length of their working lives and the implications for the way they are managed and rewarded. These are significant changes, and all employers will take time to digest them and to alter their processes, practices and, above all, attitudes.

Because the changes required will take time, employers need to start making them soon. Failing to do so means suffering twice – once when our older workers leave, taking their knowledge and experience with them, and again when the skills shortage becomes more severe and we find it impossible to recruit older people. We all need to take steps now in order to learn how to attract, recruit and retain older workers. There is, for example, some evidence to show that older people respond less well to traditional job advertising. Finding a solution will take imagination, and will require HR departments to develop innovative new methods that reach out beyond traditional recruitment practices.

Governments also need to take action, working to support individuals and employers as they adapt. The actions governments take will vary around the world, but everywhere they will be of the same order: making it clear to citizens what they can expect of their governments, what help is available, and what people must do for themselves. Clarity, advice and support will be the keys. Setting the tone will be an important part of this, moving social attitudes towards an acceptance of older people as full and valued members of society, whether at work or outside it.

Adapting to the world's ageing population won't always be easy, but it is necessary. Our survey gives us hope that the most important changes have already begun.

Methodology

Between October and December 2005, HSBC surveyed 21,329 adults over the age of 18 in 20 countries and territories. Of these, ten had been surveyed the previous year: Brazil, Canada, China, France, Hong Kong, India, Japan, Mexico, the UK and the USA. The ten countries surveyed for the first time in 2005 were Egypt, Germany, Indonesia, Malaysia, Poland, Russia, Saudi Arabia, Singapore, Sweden and Turkey.

Respondents were surveyed by means of an interview in which a standard set of questions were asked. These interviews were carried out by telephone, except in India, Indonesia, Japan and Russia, where they were conducted face to face. In each of the 20 countries and territories, around 1,000 people (between 943 and 1016) were interviewed, except for China, with 1,500 interviewees, India, with 1,506 interviewees, and Japan, with 1,350 interviewees. In Egypt, India, Indonesia and Saudi Arabia, the sample included only people who lived in urban areas.

In *The Future of Retirement: What the world wants*, data from the survey is presented globally and by country. Where a global percentage figure for responses to a question is given, that percentage is a simple mean, calculated by adding the percentages from each country and dividing by the number of countries. This provides a good overall reading of the general sentiment in those countries, rather than being weighted for population or number of respondents in the survey.

The survey covers the “advanced economies” of Canada, France, Germany, Japan, Sweden, the UK and the USA – those that industrialised early, have large service sectors, affluent populations and long-established pensions infrastructure and legislation. The survey also covers the “transitional economies” of Brazil, China, Egypt, Hong Kong, Indonesia, India, Malaysia, Mexico, Poland, Russia, Saudi Arabia, Singapore and Turkey.

Within the transitional economies the survey focuses on “trendsetters”. These are people who live mainly in towns and cities, and who work in the service sector or other modern areas of the economy, such as the information technology industry. They contrast with the greater numbers of people still in traditional rural, family-based employment, or working, sometimes in the state sector, in primary industries such as mining, fishing or forestry.

The survey of employers, conducted this year for the first time, covered the same 20 countries and territories. All interviews were carried out by telephone except in India and Indonesia, where they were conducted face to face. In total 6,018 private companies were surveyed. Companies represented a mixture of manufacturing, service and retail sectors, and a range of sizes according to local market definitions.

There is a range of data contained in these three reports. For further in-depth analysis and supporting material log on to www.thefutureofretirement.com

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Associates

Oxford Institute of Ageing

The Oxford Institute of Ageing, founded in 2001, is a multidisciplinary institute within the Social Sciences Division at the University of Oxford. It addresses the globalisation of ageing at the global, societal and individual level.

Under the directorship of Dr Sarah Harper, it carries out research into population ageing, analysing the economic, social, political and demographic implications at both the national and international levels. It also works with the corporate, policy, media and governance sectors, advising on the implications of population ageing. The Oxford Institute of Ageing has recently entered into a strategic alliance with HSBC.

Further information can be found at www.ageing.ox.ac.uk

Age Wave

Under the leadership of founder Dr Ken Dychtwald, Age Wave guides some of the world's largest companies, as well as governments, in developing products and services for "baby boomers" and mature adults. HSBC has been working with Dr Ken Dychtwald and Age Wave on *The Future of Retirement* project since 2004. In July 2005, Dr Ken Dychtwald took on the role of Special Advisor on Global Ageing to HSBC.

Further information can be found at www.agewave.com

Harris Interactive

Harris Interactive Inc. is one of the largest and fastest growing market research firms in the world. Based in New York State, this global research company blends premier strategic consulting with innovative and efficient methods of investigation and analysis.

Further information can be found at www.harrisinteractive.com

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