

Rethinking retirement readiness

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“We are starting to see the power of a co-creation framework with both clients and with digital innovators in which we consider the question: *What if, instead of us creating products for our clients, we co-created and collaborated with them as to what products and services they needed?*”

In response to what they believed were the most significant “pain points” in the employment journey for both employees and employers, the answer was almost unanimous:

- > the risk of retrenchment; and
- > the reality of retirement...before you are ready

Based on this, the obvious question was what should the retirement industry be doing more effectively if we are going to address these pain points? The answer looks like nothing that currently exists, yet seems intuitively obvious.

The first step is to change the narrative so that we think differently about the problem we are trying to solve. This may seem like an unusual starting point but it was fundamental to making sure that we all started to think differently. Let’s stop using the terms “retirement” and “retrenchment”. Both those terms seemed to suggest something terminal. If we were going to be effective in guiding employees through these transitions so that they could go on to be ready, resilient and resourced, we need everyone to think of the problem as simply solving for that period of a person’s life where they would no longer have the underpinning of an employer. Once we make that mind shift, the solutions we contemplate become, by necessity, far broader.

On another level, the narrative change has also made employers think differently. One of the more encouraging outcomes is that employers have begun to appreciate that they have responsibility to the broader South African society of ensuring that employees who leave their protection would:

- > go on to continue to be productive contributors to South African society, or
- > be well insulated from social and economic implosion.

This change of mindset came about by sharing several insights from recent research:

1. Increasing longevity isn’t about saving for a longer retirement but making people more productive for longer

At the South African Digital Economic Summit 2019, Dr George Freidman made the point that if human beings were living longer – and they are – then we needed to focus on developing ways to make them productive contributors to the broader economy for longer. When the UK reframed the costs of caring for the aged against the value they could add to the economy after retirement, they found that older people were making a net contribution of R683 billion ... and this was expected to grow to R1 314 billion by 2030.

2. The “secret sauce” for economic growth? Know-how

As Riccardo Hausmann highlighted in his impassioned plea to South African policymakers, if entrepreneurship and the growth of small to medium-sized business were the real workhorses of job creation, the “secret-sauce” of sustainable growth in these businesses is know-how. With skills and experience at a premium, South Africa desperately needs to find ways to reintroduce those valuable assets that may be potentially lost through retirement and retrenchment. The multiplier effect for job creation of such an exercise would be significantly greater than youth training programmes.

An important step is to ensure that everyone involved forms an emotional connection to what happens to people when they go through these transitions. Research was undertaken to find out how individuals would be impacted if they were required to take early retirement with immediate effect – how resilient would they be to such a shock. Consideration was given to topics that went well beyond simple financial

resourcing, including issues of health, family obligations, support networks, fall-back options, skill redeployment and alternative income generation.

What emerged was that the impact of early retirement or retrenchment goes far beyond the financial issues and gets right to the heart of what it is that makes us all feel human – a sense of connectedness.

Two things occur at retirement and retrenchment:

- 1 The employee no longer benefits from the very thing that made them feel human: daily acknowledgement of their existence and value from colleagues and friends in the workplace.
- 2 The workplace no longer benefits from the employee’s experience and skill set.

“What often goes under-appreciated is that these events can be potentially traumatic on both sides. What it does mean, though, is that before we can even begin to think about helping people with financial planning or developing a further source of income, we need to make sure that they have the emotional stamina to make the transition smoothly,” says Cabot- Alletzhauser. And it has become evident that we need to go significantly beyond financial advice, which is an important point policymakers should seriously consider. There is also need for a holistic, integrated solution that recognises that individuals have different needs which should be addressed. Importantly, we should acknowledge that this requires new concepts that currently do not exist in the conventional advice framework being applied to these two issues of retirement and retrenchment.

