Book reviews

Old Age in English History

Pat Thane

(Oxford University Press, 2002; ISBN 0-19-925024-3; 536pp; paperback; £25)

On Global Aging: Old Age income systems in the EU and other major parts of the world

Jan B. Kuné

(Physica-Verlag, 2003; ISBN 3-7908-0030-9; 156pp; paperback; £26.50)

It is true that our governments are not cruel (like the former government of Iraq) or fundamentalist (like the former government of Afghanistan) or anti-democratic (like the government of Zimbabwe). They do not beat us or arbitrarily commit us to prison cells dripping of condensation. For that we must be grateful.

But there are days when even the joys of a Western liberal administration give way to a mild gasp of despair. Such a despondent moment emerged when the Public Accounts Committee of the House of Commons, a somewhat self-important organisation, issued one of the more lightweight reports on the pensions movement. In 17 expensive pages (£7.50 but available free on its website) it complains that the regulator established by itself, or at least the parliament of which it is part, lacks sufficient teeth to prevent another

Maxwell-style fraud against pension schemes.

Well, er, yes. That was known at the time the whole system was revised in 1997 following the Pensions Act 1995. Even parliament itself cannot simply by passing an Act reform the UK and make it safe against muggers, rapists, murderers — and pension stealers. So the self-serving and pointless press release offers nothing new to human knowledge or even scheme member protection — and may well add to further regulation, which will in itself achieve little.

That foolish report (OPRA — Tackling the risks to pension scheme members, HC 589, 2nd May, 2003) did, however, contain a couple of tables which should cause us all concern — and the implications of which the Report resolutely refused to turn. First, the number of company pension schemes in the UK had fallen in less than ten

years from 130,000 to 100,000. It did not explore why (much to do with the actions of parliament itself) or what might be done to reverse the trend. The second observation it made put all the rest of its efforts in the shade — the effects of an ageing population, it noted, is one of the reasons for its concerns. Falling stock markets, increasing demographic costs and reduced state provision may result in political pressures which are unmanageable over the next 20 years.

The UK's ageing population means that parliament should be doing all in its power to encourage provision for retirement income and subsistence when individuals are too old to work. And it is not, or if it is, it is just dabbling.

The need to do something, rather than mumble about a badly managed regulator which can only operate at the margins, is emphasised by a couple of recent books which do indeed examine the heart of the problem.

The first is a fascinating study of 'Old Age in English History' by Pat Thane, a prolific writer, acknowledged authority on the subject and historian of the Labour Party. Particular chapters cover the growth (but not yet the decline) of occupational pension schemes — and the notion of retirement, a relatively modern concept. Her major interest is the history, but she devotes one chapter at the end to the ageing of the population. She points out that the ageing of populations is moving fast: 7 per cent of the population of Japan was aged over 65 in 1970, and 14 per cent by 1996. The doubling of the proportion of older people which had taken 26 years in Japan, took 45 years in Britain (to 1975), 115 years in France, 85 years in Sweden and 75 years in the USA. The hint at the end of the chapter is that one of the solutions will be the employment of older people, but the problem for the

government is that there are few jobs available even for the over 50s.

The question is explored on a wider platform in Jan Kuné's book 'On Global Aging'. This is a study which has emerged from yet another of the institutes on pensions that have been formed in the last decade (the Pensions Policy Institute in London, the UBS Pensions Research programme at the LSE in London, The Leverhulme Centre in Bristol, the Independent Pensions Research Group (also at the LSE), The Pensions Institute at Birkbeck College, London, similar groups at City University London, Boston USA, Wharton USA, and several European Universities). These institutes have come together almost at a time when the institutions they are studying appear to have an uncertain future — and government policy towards them is ambivalent.

This study is a more academic review, densely written and providing a handy summary of statistics which are broadly available elsewhere. Its strength is its concentration on economic modelling, and on the various contributions that private and public sector pensions can offer to the policymaker. It also comes to very similar conclusions as to future developments: older people will have to work longer (but at better jobs and under improved conditions), pensioners will receive less, the growth in economic wealth will be able to support a doubling of the aged population (assuming the working population do not wish to improve their own standards, which is questionable — and assuming economic growth will continue, not guaranteed). Indeed there is a suggestion that economic growth will slow as the population ages.

One conclusion is that the role of the private sector will have to increase — the state will be unable to meet the

requirements not only of pensions but of healthcare and other care costs. Paying for this with a population that still suffers (at least in the rest of the EU) with an expensive unemployment rate will not be easy. Private provision will not be easy without a successful capital market (currently not prospering, but if capitalism has any role at all, bound to recover eventually) and most importantly fiscal neutrality. There is little prospect of a private pension system without its either being compulsory or the removal of fiscal disincentives or both. The UK, at present, is not a happy place to establish a private pension system as the figures in the Public Accounts Committee report indicate.

Both books conclude that something must or will develop, although Jan Kuné's is more optimistic that national economies will find their own solutions. Few developed societies can accept an

impoverished older generation. The balance between capital and labour may change, but we may need to develop some lateral thinking and adopt a combination of solutions including later retirement ages, lower state pensions, and some improved form of intergenerational solidarity (if we adopt the European model) or better fiscal arrangements (if we adopt the Anglo-American model). Whatever develops it is certain that the current arrangements are unsustainable. Both these books in their different ways explore the issues, one from an historical context, the other from an economic position, both are instructive and will be required reading by policymakers. If only the Public Accounts Committee could read as well as it passes the buck we would all be much better off.

Robin Ellison
Editor