Retirement for All Australians

Dr Kate O’ Loughlin
Ageing, Work & Health Research Unit
ARC Centre of Excellence in Population Ageing Research (CEPAR)

Centre for Disability Research & Policy Seminar
Disability and Retirement: Inclusive and Active Ageing, 14 June 2013
Presentation Overview

1. Background: historical and contemporary developments
2. What do we know about the retirement process?
3. Australia’s baby boomers
4. Policy implications
What is retirement?

› Relatively new concept
  - not uniform across countries and cultures
  - linked to industrialization and wage labour (e.g., manufacturing vs farming)
  - linked to social welfare and retirement income provisions
Why the focus on retirement now?

› Population Ageing: Global, National, Social, Individual
  - a triumph and a challenge (WHO 2002)
  - ageing revolution compares to the industrial and electronic revolutions (Kofi Annan, UN, 2002)

› By 2050 one out of four Australians will be 65 years or over; their numbers will exceed those of people aged 18 years or over

› A woman at age 60 years now can expect to live to 90 years

› New demographic categories: Third Age; Fourth Age (Laslett 1991)
Retirement income provisions in Australia

› Occupational superannuation introduced for employees in banking and public sector in mid 19th century

› National retirement income policy: introduction of means-tested age pension in 1909

› Private compulsory retirement savings with introduction of Superannuation Guarantee in 1992

› Three pillar system: age pension, superannuation, private saving (property, shares)

› Retirement ‘industry’!
In 2010-11 average age at retirement for people aged 45 years and over was 53.3 years (57.9 years for men and 49.6 years for women).

For men who had retired from the labour force:
- 27% had retired aged less than 55 years
- 53% had retired aged 55-64 years
- 20% had retired aged 65 years and over

The average age at retirement for recent retirees (those retired in the last five years) was 61 years.
Retirement intentions (ABS 2011)

› Of those aged 45+ years and working full-time
  - intend to transition to part-time work before they retire (41%)
  - never intend to retire (13%)
  - financial security main influence on when to retire (36%)
  - own health or physical ability likely to influence retirement decision (25%)
  - when eligible for a pension (10%)
Timing of retirement

› Gradual or abrupt? Voluntary/involuntary?
› Reason for leaving? Financial security; redundancy; health; discrimination; family responsibilities (eg, caring for older/frail relatives)
› How much control over decision?
› Gradual: allows time for people to make changes to their lifestyle
› Abrupt: depends on who makes the decision
› Having control over the timing and manner of leaving work has a greater positive impact on psychological and social wellbeing; enhances wellbeing in later life and facilitates longer workforce participation (De Vaus et al 2007)
Financial stability/instability

› Current retirees
  - Over 60% primarily dependent on age pension; 17% state superannuation as main source of current personal income (ABS 2011)
  
› Only 15% of female and 23% of male retired baby boomers relying on superannuation as primary income source

› Around 50% of current mature-aged workers expect superannuation will be their primary source of income (ABS 2011)

› Those not financially self-sufficient will be over-represented by women and lower socioeconomic groups
  - accrue significantly less retirement wealth than men and those with greater socioeconomic resources

› Impact of the global financial crisis (GFC)
Health status

- Trends in disease prevalence expected to cause 50% increase in number of health-induced retirements by 2020 (Schofield et al 2009)
  - 64% of Australian workers aged 45 to 64 already experiencing at least one of the top 20 work-limiting health conditions (Schofield et al 2008)
  - Almost 20% of Australian baby boomers already retired (ABS 2011); 20% of those due to poor health (Humpel et al 2010; Jackson et al 2006)
  - Involuntary retirements negatively impact on retirees’ living standards and psychological health (Schofield et al 2011; De Vaus et al 2007)
Ageing Baby Boomers in Australia Study

• ARC Linkages Project 2008-2011 (Kendig, De Vaus, Wells, Black, O’ Loughlin); project partners National Seniors Australia, US AARP

• Objectives:
  • To examine the economic, policy and population context for Australia’s ageing baby boomers
  • To identify socio-economic influences on financial satisfaction and satisfaction with other life domains of older workers and recent retirees
ABBA Study - Methodology

- **Mixed methods**
  - Focus groups: 15 Focus Groups (participants aged 50-62 years) recruited from National Seniors Australia membership
  - National CATI survey (N=1009); baby boomers aged 50-64 years; 70% employed, 30% retired
Key Findings

• Focus groups:
  • Lack of control; uncertainty over financial security
  • Many expected to delay retirement or considered going back to work
  • Precarious nature of employment situation related to age or ‘nearing’ retirement – redundancy, short-term contracts, special projects
› Obtaining work, returning to work
Focus groups

• Expressed concerns and a sense of uncertainty over their financial security; lack of control

“*We may even end up having to go back to full-time work…. [A]t the moment all our plans are slowly unravelling…..*” [about GFC] (Retired woman, Adelaide)

“We have to work longer because what we had twelve months ago is not what we’ve got now. We have to work longer to achieve our goals ……” (Man in full-time work, Tamworth)

“I am not prepared that the market place is now dictating my income. I don’t know how to cope with the market place…” (Retired women, Sydney)

“I’m angry that the government gave us 9% super guarantee..and then allowed the super funds to play on the stock market…” (Women in full-time work, Launceston)
Focus Groups

› **Precarious employment**
  
  ‘I’ve been through single parenthood, I’ve been through redundancy…. [and] now it’s rolling contracts… I’ve just signed another one for 2 years’ (Woman, 55 years old)

  ‘I had retirement forced on me at 56 through redundancy…I did the usual thing and tried to get back into work but there were problems, mainly age related – I haven’t had full-time work since, just bits and pieces of project work’ (Man, 60 years old)

› **Obtaining employment**

  ‘I was advised [by employment agency] about 12 months ago to take my age off my CV. I was proud of the fact that I was in my early fifties; thought of myself as quite young, active and involved!’ (Woman, 54 years old)
Focus Groups

› Attitudes and values

› ‘I was in the multinational sphere…hop aboard the international circuit, the normal tour of duty is three years…youth comes into it because you get on the merry go round and travel the world. As you get older, if you don’t quite make the mark in the three years, then it’s a quick nudge, you’re off the belt and tumbling down…a mature age worker out of work.’ (Man, 58 years old)
• Women significantly less satisfied with finances than men (single & partnered)

• More women than men reported that they were worse off financially and would postpone plans to retire

• more marginal employment status (part-time, casual), lower superannuation benefits due to interrupted work history

• research also shows that women who are divorced report having a worse financial position; this affects retirement preparation and timing and increases reliance on the age pension

› Women indicated trust in the government’s ability to continue to pay age pension benefits

› Having a mortgage, still working, living in a metropolitan area and those in poor health were significantly less satisfied with their financial status (after controlling for income and other factors)
Main Findings

Satisfaction profile (means) by change in financial status (better off, about the same, worse off) over the past year  Source: ABBA 2009
<table>
<thead>
<tr>
<th>Social activity</th>
<th>Health and wellbeing</th>
</tr>
</thead>
<tbody>
<tr>
<td>› Boomers, whether retired or still working, emphasized the importance of staying active both physically and mentally in their retirement years. The majority of participants reported high levels of social activity</td>
<td>› The majority of boomers recognized the importance of maintaining good health and remaining active as they age; they perceived themselves as being healthier, fitter and more active than their parents</td>
</tr>
</tbody>
</table>
Activities

**Current level**

- Key areas of activity identified:
  - Voluntary work
    - Many are engaged in voluntary work in their communities
  - Travel
    - Boomers are well travelled; participants reported that travel plans had been factored into their financial planning for retirement
  - Sport and leisure
    - Many reported being engaged in sports at a competitive level or as a leisure pursuit, in service clubs, bridge clubs etc
  - Other areas of activity
    - Providing support/care for elderly parents; managing finances and home maintenance

**Expected level**

- Key areas of activity identified:
  - Voluntary work
    - those planning retirement indicated likelihood of increasing their involvement in voluntary work
  - Travel
    - For retired boomers, travel is important but many talked about being more selective about travel for financial reasons or because they wish to stay closer to home
  - Sport and leisure
    - Remaining involved in sport/leisure activities was linked to maintaining physical and mental health for both the retired and those planning retirement
  - Other areas of activity
    - Many anticipate providing ongoing supportive role for their ageing parents; having more time to spend with grandchildren was important but not in a direct caring role
Implications for policy

• Treasurer’s IGR reports (3 Ps of Population, Participation and Productivity) are reshaping policies, expectations and cohort life chances.

• Whilst Australians in our study have indicated lower financial satisfaction than before the GFC, unemployment has remained low and house values stable than other OECD countries

• Looming questions for boomers’ and policy makers’ – ability to work (health, discrimination and age friendly jobs)

• Further financial crisis – GFCII??

• Maintaining greater mix of self provision and government pensions will be needed to meet contingencies
References

• Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia, 6238.0, December 2011


• Bateman, H. (2002). Retirement income strategy in Australia. Economic Analysis & Policy, 32 (1), 49-69


• National Seniors Australia Productive Ageing Centre, Still Putting In: Measuring the Economic and Social Contributions of Older Australians, 2009.

• National Seniors Australia Productive Ageing Centre, Stereotype Threat and Mature Age Workers, December 2011


• Schofield DJ, Shrestha RN, Percival R, Kelly SJ, Passey ME, Callander EJ. (2011). Quantifying the effect of early retirement on the wealth of individuals with depression or other mental illness. The British Journal of Psychiatry, 198 (2),123-128