

## Hang onto your dentures, it's going to be a long shift

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A few years back it dawned on me that due to my late start and interrupted time in the full-time workforce I would not be able to retire at the age of 65.

A couple of years ago Wayne Swan made this belief official when he announced in the 2009-10 budget that everyone born after January 1, 1957 would only be able to access the pension at the age of 67.

I would like to beat my breast, curse the sky and say damn you I need my rest, I've earned it!! But one of the consequences of an ageing population and an increase in life expectancy is the realisation that 65 is not what it used to be. And if living longer means I have to work longer, then I'm quite OK with that pay-off.

The [Australian Bureau of Statistics series on life expectancy](#) is wonderful to examine if you have any desire to start contemplating your own mortality, and while I shall try to stay on the bright side of the data, one of the interesting aspects to look at is the additional years you have left once you reach 65.

Back in 1890 when an Australian male was born, you could put the ruler on him, size him up, test the miasma with your finger, and say he was a good chance to survive another 47.2 years. When getting to 50 years old is batting above average, it does not make retiring at 65 seem all that of a bonus. So when Alfred Deakin introduced the aged pension in 1908 it was never going to be too much of a trouble on the government's purse.

However those boys born in 1890, if after getting through two world wars and The Great Depression did reach the glorious age of 65, they could actually expect to live around another 12 years and get to 77. Meaning they could spend the last 15 per cent of their life in retirement.

When male baby boomers decided to be created in 1945, so that rock and roll, teenagers, drugs and the Vietnam War could all occur, the life expectancy for them was a much sturdier 66.1 years. So even at their birth those boys could look forward to the time when after they had given birth to Generation X, survived the greed decade of the 1980s, and gotten past the turn of the millennium without too much trouble they could retire. In fact it was expected they would get there – the first generation where such a thing happened.

Even better news for those baby boomers who actually have survived the minefields lain in front of them throughout their lives to reach the age of 65 in 2010, they can expect to live another 18.7 years (the female 65-year-old baby boomers are even better placed – they can expect another 21.8 years).

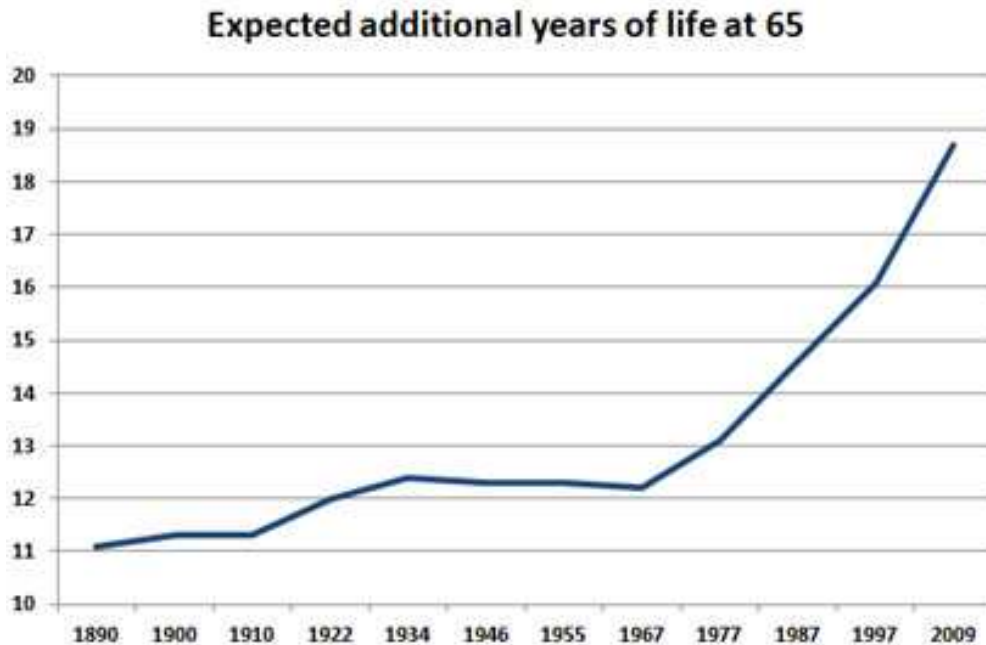
Thus such male baby boomers if they retired at 65 and lived those expected 18 more years will have spent 21 per cent of their life retired.

That's a fair amount of life.

Just as 40 is the new 30, 65 ain't 65 anymore.

When I was growing up my grandparents were old. I don't mean old as in the way young kids see everyone above 18 as old, I mean old as in they were aged before their time – except it was their time. Even looking at photos of them now with my matured eyes, they look old. Their generation had a hard life. They lived through tough times, had diets that regarded salad as something the communists probably ate, viewed penicillin as just about the greatest miracle ever invented (probably right), had to raise those Elvis-loving baby boomers, and by the time they had reached 65 they were done. Not in life I should say, for three of my four grandparents made it to 80, but they were done with work.

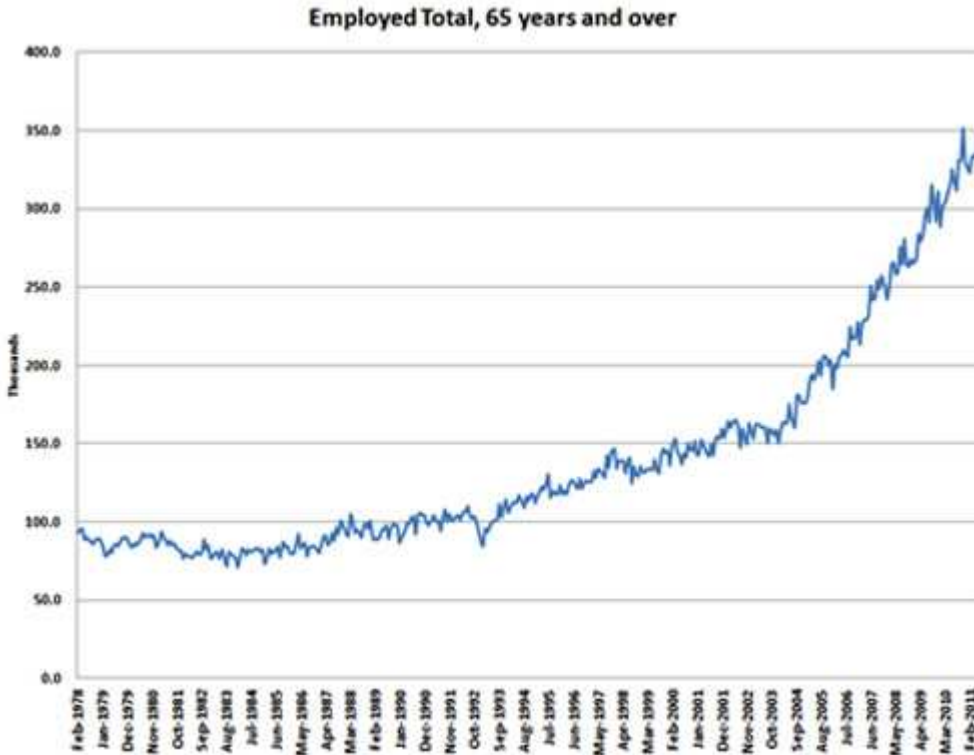
And rightly so. In the 30 years from 1946 to 1976 the additional life expectancy for 65-year-old males had only increased 0.9 years. In the 30 years since then it has increased five years.



Which brings us to the issue of older workers.

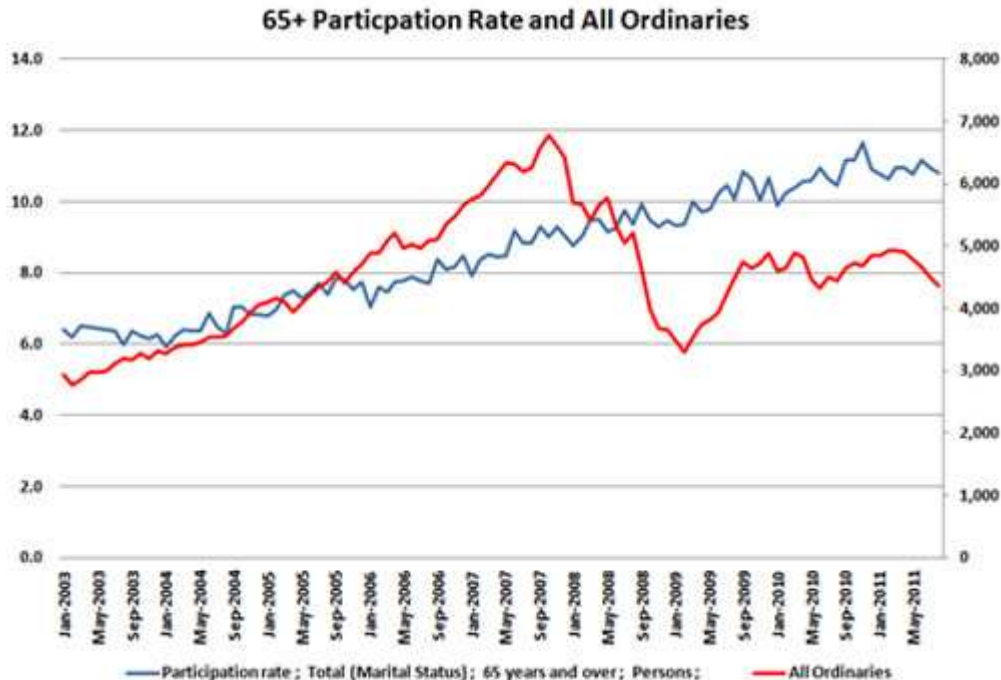
Last week The Daily Telegraph (and other news.ltd papers) ran with a big front page story titled "Graveyard Shift", wherein we were informed in sombre and shocking tones the rather unshocking fact that "an extra 92,000 Australians have opted to remain in the workforce past 65 since August 2007, bringing the total to 334,000".

This is hardly Earth shattering (let alone front-page) news because the fact is the number of people over the age of 65 staying in the workforce has been increasing since about 1983, and the rate of increase has been steady since well before 2007.



As the above graph, via data from [the ABS](#), shows that since 2003 the number of over 65s employed has increased at an almost linear rate. Why The Daily Telegraph thought August 2007 was a good date to start calculating the figure from is rather beyond me – unless you can see a spike in the graph after that date that I can't.

The suggestion was also that this great increase in over 65-year-old workers was due to the global financial crisis and the destruction of people's superannuation accounts. If this were so, you would expect there to be some correlation between the stock market and the over 65 participation rate – because given the importance of the share market in superannuation portfolios, you would expect once things turned ugly in 2008, more over 65s would have chosen to stay in the workforce than when things were going good.



As you can see the increase in the participation rate (those working and those looking for work) of over 65s in the workforce has no correlation to the performance of the stock market.

So why are more people over the age of 65 staying in the workforce?

Sure some people may be staying in because they cannot afford to retire, but that is at the margin, which doesn't mean that their situation is to be dismissed, but rather that it should not be considered the rule. The main reason more people are working longer now is linked to the first graph in this article – over 65s are healthier now than ever before, and those who turn 65 next year will be healthier than those who turned 65 last year, and so as a result more will stay working. They will stay working because they can and also because it is financially good for them to stay working.

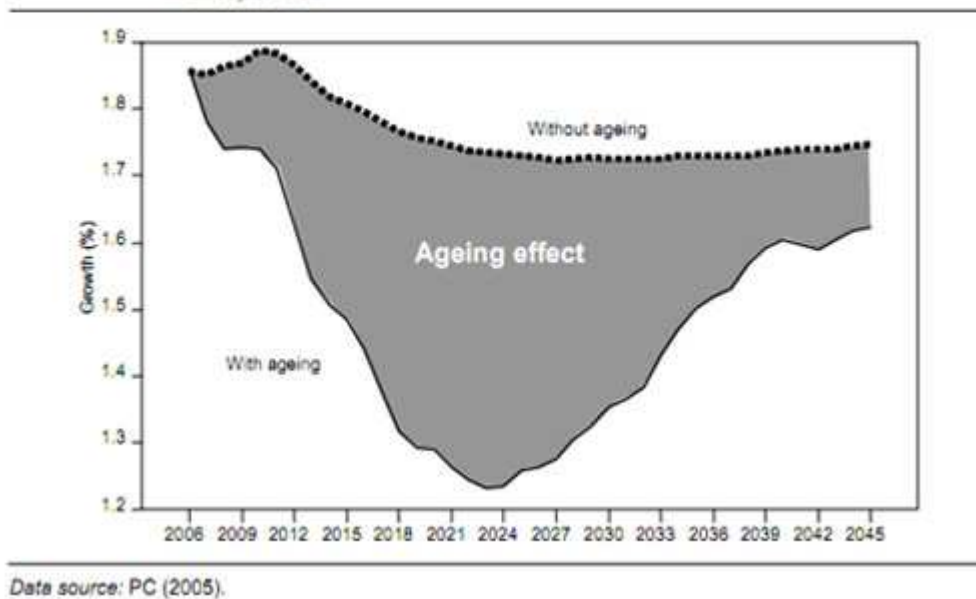
Since 2003 when Peter Costello reduced the reduction in the superannuation surcharge and the subsequent abolition of the surcharge in 2005, government policy has been geared towards encouraging people to contribute to their own superannuation and to stay in work for as long as possible.

This of course is sensible policy – if your population is ageing, you need your workforce to age as well. As the [Productivity Commission](#) nicely put it in 2006:

*The higher the number of people participating in the workforce, or the more hours worked, the higher the potential output produced and, assuming everything else unchanged, the higher the potential level of GDP per capita.*

The Productivity Commission also estimated that due to the ageing population, Australia's workforce participation levels will fall to around 56 per cent by 2044 (currently it sits at 65.6 per cent). The impact of this on our GDP is pretty significant as the below graph shows:

Figure 1.2 Economic growth in Australia — a 40 year projection, 2005-06 to 2044-45  
Per capita GDP



Little wonder that Treasury's Dr David Gruen told Senator Mathius Cormann at the budget estimates committee in May:

*Senator, if you think about ageing, ageing has a very much more substantial impact on the growth rate of living standards in the future than does a carbon price. It is a lot bigger.*

Let's say that again – "a lot bigger".

So we should not be running front page stories about older people having to work, we should be running front page stories about what are governments and employers doing to encourage and help those over 65 to work.

Last week the Bureau of Statistics also released its latest issue of [Australian Social Trends](#) and noted:

*The older unemployed may be finding it more difficult to get a job than their younger counterparts, with a third of unemployed people aged 55-64 remaining jobless for a year or more.*

While the unemployment rate for older workers is low, and has been relatively steady for the last decade (around 3.25 per cent for 60-64 year olds and around 1-1.5 per cent for 65+) once workers in that age bracket become unemployed, the ABS found they will be more likely to become long-term unemployed than would their younger counterparts.

This is an area that is going to become more and more important to governments, employers (and possibly the media). When you look at the make-up of Australia's workforce you see a pretty stark picture when you examine what percentage of Australia workers are above 60 compared with those between 20-24:



Since 2009 we have more workers in the autumn of their years than those supposedly young and eager ones. And it would take a pretty brave person to suggest this is ever going to be reversed.

While of course we must worry about long-term unemployment of those in the early years of their working life – they have a lifetime of earning and productivity ahead of them, and it is vital they not be "lost" to employment – but the unemployment of those nearer retirement than high school is an issue that will soon move from Productivity Commission reports and policy forums to the front pages.

[The ABS](#) has found that workers over the age of 55 are not surprisingly more likely to be managers and professionals than those under 55, but it also found that while male older workers were slightly less likely to be labourers, they were more likely to be machinery operators and drivers than under 55 aged workers. This suggests that work for the over 55s need not just be the non-physical/white collar type. Indeed my father-in-law (if I may stray into anecdote) after a career working as an administrator in local government retired and now drives a school bus and also drives a truck carting flowers from the Adelaide Hills to market in Adelaide each week.

He is also a prime example of how just as younger workers now assume they will work in numerous careers over their working life, so too can older workers retire from their "career" and move into other work – if they have the appropriate training and skills (though God knows how he copes driving a school bus).

The Government has introduced measures to encourage older workers to continue to work. The "[New Work Bonus](#)" which began in July this year included changes so that the first \$250 of fortnightly employment income will not be counted under the pension income test. This measure is designed to encourage pensioners into part-time work – an area of which there seems to be much scope for growth given the percentage of 65+ aged workers working part-time has remained within the 50-55 per cent band for the past decade.

The Government also announced in March an Advisory Panel on the Economic Potential of Senior Australians and also an [Age Discrimination Commissioner](#) (Susan Ryan).

And far from decriing as a negative the suggestion that older people work past retirement, the head of the advisory panel, Everal Compton, told the ABC at the time of his appointment:

*There's got to be incentives for them to want to continue working, and of course one of those incentives is that you remain healthier and you live longer if you stay in some form of occupation, even part-time, than if you retire.*

*Those who retire and relax tend to die earlier and wind up in geriatric homes earlier than those who remain mentally active and physically active in work activities.*

For someone who not only knows he'll have to work past the retirement age, but hopes to live well past it as well, that is a work ethic I'm willing to embrace.