

# **A widening gap:** The financial benefits of delaying retirement

November 2013

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# **A widening gap:** **The financial benefits of delaying retirement**

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## Foreword

Working beyond the traditional retirement age of 65 years has been promoted by successive Federal Governments to help people's ability to fund their later years and ease pressures on government spending. In Australia there has been little research to identify what impact working longer has on people's retirement savings.

Using longitudinal data from the Household, Income and Labour Dynamics in Australia (HILDA) project, in this study Deborah Schofield of University of Sydney and colleagues quantify the household wealth of people who work from their early 60s through to 65 and beyond, and compare it those who do not work through these ages. The wealth of people who remain employed is significantly greater than that of those not employed, even after adjusting for different education, gender and family type. The detrimental impact on savings of not working beyond their early 60s is shown in the small decline in financial assets of such people.

This study also quantifies the greater wealth of people with a chronic health condition that work longer compared with those out of the workforce. Such evidence demonstrates the benefits for retirement savings of making workplaces accessible for people with chronic health conditions. A range of interventions such as flexible working arrangements and workplace modifications can aid in promoting longer working lives and help people to remain self-sufficient in retirement.

This report is published by the National Seniors Productive Ageing Centre in conjunction with another study from the same authors *Working beyond 65 – what's realistic?*

Dr Tim Adair  
Director  
National Seniors Productive Ageing Centre

November 2013

## About National Seniors Productive Ageing Centre

National Seniors Australia (NSA) is a non-profit organisation that gives voice to issues that affect Australians aged 50 years and over. It is the largest membership organisation of its type in Australia (200,000 members) and the fourth largest in the world.

National Seniors Productive Ageing Centre is an initiative of National Seniors Australia and the Australian Government Department of Health and Ageing. The Centre's aim is to improve quality of life for people aged 50 and over by advancing knowledge and understanding of all aspects of productive ageing.

The Centre's key objectives are to:

- Support quality consumer-oriented research informed by the experience of people aged 50 and over
- Inform government, business and the community on productive ageing across the life course
- Raise awareness of research findings that are useful for older people
- Be a leading centre for research, education and information on productive ageing in Australia.

For more information visit [www.productiveageing.com.au](http://www.productiveageing.com.au) or call 03 9650 6144.

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This report uses data from the Household, Income and Labour Dynamics in Australia (HILDA) survey.<sup>1</sup> The HILDA Project was initiated and is funded by the Australian Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the authors and should not be attributed to either FaHCSIA or the Melbourne Institute.

<sup>1</sup> [www.melbourneinstitute.com/hilda](http://www.melbourneinstitute.com/hilda)



## Executive Summary

### Purpose of this report

The Australian Government is seeking to encourage people to work past the age of 65 in order to maximise their retirement savings. Even though there is an important relationship between people working past the age of 65 and wealth accumulation, there is little published research on the topic.

This report seeks to measure the benefits of prolonging participation in the workforce by examining the relationship between work and wealth accumulation.

### Key findings

#### Employment and wealth in people aged between 61 and 65 years

The main findings of our study of people aged between 61 and 65 years include:

- Those who were working in 2006 had, on average, 1.6 times the wealth of those who were not working but also had more than double the debt
- Of those still employed in 2006, half had a household net worth over \$472,200 and half below this amount
- People who were still working four years later in 2010 had, on average, 1.8 times the household net worth of people who were not employed between 2006 and 2010. The difference was not dependent on age, sex, education or family type (couple only, couple with children, single person, single with children)
- Of those employed between 2006 and 2010, half had a household net worth above \$598,700 and half below this amount
- There was no difference in the value of total assets between those who were employed in 2006 and 2010 and those who were employed in 2006 but not in 2010.

#### People in poor health aged between 61 and 65 years

The study examined the difference in wealth accumulation in those with poor health (a chronic health condition). Results collected in 2006 and in 2010 compared the total wealth, financial assets, non-financial assets and debt for people who were employed and those who were not employed.

The key findings for people in poor health aged between 61 and 65 years include:

- Those who were employed in 2006 had more financial and non-financial assets than those who were not employed but they also had more debt
- Those who remained employed until 2010 had more than four times the typical (median) value of financial assets than those who were not employed in 2006 and 2010.

### Conclusion

These findings show that people who are in their early 60s or older have better retirement savings if they remain in work. This is the case even for people with a chronic health condition.

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# **A widening gap**

**The financial benefits of  
delaying retirement**

## Introduction

### Background

As in many developed countries, Australia's population is ageing.<sup>2,3,4</sup> The ageing of national populations is a complex issue. As the number of younger working-aged citizens decreases compared to the number of older retired citizens (known as a changing dependency ratio), there is an increased demand for government spending on aged pensions, aged care, and aged health services. At the same time, there is less government money available to fund these changes.<sup>5</sup> To maintain economic sustainability and make the most of the available resources, the government encourages older citizens to become self-sufficient when they retire. A former Australian Treasurer has stated that:<sup>7</sup>

*...growth in the number of people of working age was expected to fall from around 1.2% per annum over the last decade to almost zero in forty years' time... But the number of people aged over 65 is expected to double over that period. This means that the ratio of working age people to support every person aged over 65 is expected to halve within forty years. Instead of 5 people of working age to support each person over 65 there will be 2½ people of working age for each person over 65. In the absence of significant policy change, this transition will involve a decline in Australia's trend economic growth rate and put unsustainable pressure on the Government finances.*

This highlights the national benefit of promoting self-sufficiency in retirement by encouraging people over the age of 65 to continue working.<sup>8</sup>

As well as helping our nation, continuing to work also has significant benefits for the individual. Remaining in the workforce increases income and increases future personal wealth. This is important because Australians are living longer and are spending more years in retirement, which means that people who have retired have to finance their lives outside the workforce for a longer period of time.<sup>9</sup> Without enough in their private savings, people may have to depend on government transfer payments. Research shows that those who rely on only the single-aged pension will be living on a very low income that is less than half the amount that 50% of Australians earn.<sup>10</sup>

<sup>2</sup> Schofield, D. and J. Beard (2005). "Baby boomer doctors and nurses: demographic change and transitions to retirement." *Medical Journal of Australia* 183(2): 80-83.

<sup>3</sup> United Nations (2007). *World Economic and Social Survey 2007: Development in an Ageing World*. New York, Department of Economic and Social Affairs. E/2007/50/Rev.1 ST/ESA/314. United Nations

<sup>4</sup> Ministry of Social Development (2010). *Age and sex structure of the population. The Social Report 2010*. Wellington, New Zealand Government.

<sup>5</sup> Visco, I. (2001). *Aging populations: economic issues and policy challenges*. Paris, OECD.

<sup>6</sup> Organisation for Economic Co-operation and Development (OECD) (2006). *Live longer, work longer: a synthesis report*. Paris, OECD.

<sup>7</sup> Costello, P. (2005). *Sustaining prosperity: New reform opportunities for Australia*. The Australian/Melbourne Institute Conference Dinner. Melbourne.

<sup>8</sup> Howard, J. (27 Aug 2003). "Address to symposium on Mature Age Employment Luncheon (transcript)." Retrieved Sep, 2008, from <http://pndora.nla.gov.au/pan/10052/20031121-0000/www.pm.gov.au/news/speeches/speech462.html>.

<sup>9</sup> Bloom, D. E. and D. Canning (2000). "The health and wealth of nations." *Science* 287(5456): 1207-1209.

<sup>10</sup> Headey, B. and D. Warren (2008). *Families, Incomes and Jobs, Volume 3: A statistical report on Waves 1 to 5 of the HILDA survey*. Melbourne, Melbourne Institute of Applied Economic and Social Research, The University of Melbourne.

The Australian Government knows that not everyone is able to work but it is seeking to encourage people to work past the age of 65 to maximise the financial benefits of individuals.<sup>11</sup> Other countries around the world are considering similar policies. There are changes occurring to the pension schemes in the United Kingdom where the Default Retirement Age is being removed to allow older people to work for longer if they wish to do so.<sup>12</sup> Despite the political importance of the relationship between participating in the workforce past the age of 65 and accumulating wealth, little research has been published on the topic.

## Purpose

This report examines the relationship between working past 65 years of age and accumulating wealth. It also looks at the relationship between continuing work and retirement savings for people who are in poor health.

<sup>11</sup> Schofield, D., R. Shrestha, et al. (2011). "Quantifying the effect of early retirement on the wealth of individuals with depression or other mental illness." *British Journal of Psychiatry* 198: 123-128.

<sup>12</sup> Centre for Policy on Ageing. (2011). "Policies on Ageing." Retrieved 30 August, 2011, from [http://www.cpa.org.uk/cpa/policies\\_on\\_ageing.html](http://www.cpa.org.uk/cpa/policies_on_ageing.html).

## Data and Method

### Data collection

The Household, Income and Labour Dynamics in Australia (HILDA) Survey was used to collect results for this report. The HILDA Survey is a longitudinal survey where the same households have been questioned every year since 2001. The households surveyed in 2006 are part of Wave 6 and those surveyed in 2010 are part of Wave 10. The results represent people living in private dwellings in various parts of Australia. Information collected included personal characteristics (such as age and sex), employment, education, income, and employment characteristics (such as employed full-time or part-time) and experiences (such as intentions to retire). The survey also collected detailed information on individual and household wealth, including total household wealth, household financial assets, household non-financial assets, and household debt.<sup>13</sup>

### Participants

This report specifically focuses on people aged between 61 and 65 in 2006 (Wave 6) and assesses their wealth in 2006 and four years later in 2010 (Wave 10, when they were aged 65 to 69). The analysis measured the difference that being employed and being out of work for these four years had on the amount of wealth held in 2010. There were 582 people aged between 61 and 65 in Wave 6 of the HILDA Survey and they remained a part of the sample between 2006 and 2010.

### Methods of analysis

A number of different statistical methods were used to analyse the results collected for this report. Initial descriptive analysis was used to calculate the value of wealth held by people aged between 61 and 65 who were employed (full-time or part-time) and who were not employed in 2006. The mean (average) and median (half of the people have more than the median value and half have less than the median value) values of the total household net worth (total assets minus debt), non-financial assets (made up of home assets, other property assets, business assets, collectables and vehicles), financial assets (made up of bank accounts, superannuation, cash investments, equity investments, trust funds and life insurance) and total debt was assessed. For those who were part of a couple, this value was halved to represent the person's share of the assets and any debt. Results were weighted to represent the total Australian population.

Linear regression models were used to measure the difference in total household assets, financial assets, non-financial assets and debt in 2006 between those who were employed and those not employed. These were adjusted for age, sex, education and family type (couple only, couple with children, single person, single with children). Linear regression models were also used to measure the difference in total household assets, financial assets, non-financial assets and debt in 2010 between those who were employed in 2006 but not working in 2010, those not working in both 2006 and 2010 and those employed in both 2006 and 2010. The results were adjusted for age, sex, education and family type.

Only the results of the descriptive analysis were presented for people with a chronic health condition (a condition that lasted, or is likely to last, for six months or more) because there was a smaller number of people in this category. The mean and median values of the total household net worth (total assets minus debt), non-financial assets (made up of home assets, other property assets, business assets, collectables and vehicles), financial assets (made up of bank accounts, superannuation, cash investments, equity investments, trust funds and life insurance) and total debt were assessed.

<sup>13</sup> Household debt was based upon debt from joint credit cards, own credit cards, HECS debt, other personal debt, business debt, home debt, other property debt and overdue household bills.

## Findings

### Working between the ages of 61 and 65 years

#### Employment and wealth in 2006

There were 721,100 people aged between 61 and 65 in 2006. Of these people, 255,200 (35%) were employed (either full-time or part-time) in 2006.

The median value of household net worth for those who were employed in 2006 was \$472,200, compared with \$301,000 for those who were not employed (Table 1).

Those who were aged between 61 and 65 years and were still employed in 2006 had, on average, 1.6 times the wealth of those who were not working. However, they also had more than double the debt. Table 1 shows that the average (mean) and the typical (median) asset values were higher for employed 61 to 65 year olds in 2006. The value of non-financial assets<sup>14</sup> for both those who were employed and those not in the labour force was larger than the value of financial assets.<sup>15</sup> Those who were employed had a median value of debt of \$1,300, whereas those not in the labour force had \$0. The large difference between the median and mean values for debt indicates that while the typical person has quite low debt (half owe less than \$1,300 and half owe more) there are some people in this age group that have very high levels of debt and this has produced the high average values for debt.

Regression results show there was a significant difference in the value of total assets, financial assets and non-financial assets held by those not working compared to those in employment, adjusting for age, sex, education and family type (see Appendix 1). However, there was no significant difference in the value of debt attributed to those not working compared to those who were employed.

**Table 1:** Household net worth in 2006 for people aged between 61 and 65

Employment status in 2006	Number of people (n)	Household net worth		Financial assets		Non-financial assets		Debt	
		Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)
Employed	211	879,100	472,200	348,900	132,600	554,000	318,500	48,500	1,300
Not in the labour force	371	542,400	301,000	232,300	78,000	328,600	215,000	20,900	0

*n:* Number of people responding to question.

#### Employment and wealth in 2010

Four years later in 2010, only 143,800 people who were aged 61 to 65 in 2006 were still employed. Overall, 20% of people aged 61 to 65 in 2006 were employed in 2006 and 2010 and of those employed in 2006, 56% were still employed in 2010.

The median value of household net worth for those who were employed in both 2006 and 2010 was \$598,700. The median value of household net worth for those who were employed in 2006 but were not working in 2010 was \$510,400. For those not working in both 2006 and 2010, the median value of household net worth was \$373,800.

<sup>14</sup> Non-financial assets consisted of home assets, other property assets, business assets, collectables and vehicles.

<sup>15</sup> Financial assets consisted of bank accounts, superannuation, cash investments, equity investments, trust funds and life insurance.

The household net worth in 2010 is shown in Table 2. Those employed in 2006 and 2010 had the highest median value of financial assets and non-financial assets. There was little difference in the median value of non-financial assets between those who were employed in 2006, those not working in 2010 and those not working in both 2006 and 2010. All had a \$0 median value of debt, indicating that mean (average) debt level was due to a concentration of debt among a small proportion of this population (Table 2).

Results from the regression analysis showed that there was no significant difference in the number of total assets, financial assets and non-financial assets held by those employed in 2006 and not working in 2010 compared to those in employed in 2006 and 2010, adjusting for age, sex, education and family type. There also was no significant difference in the value of debt attributed to those who were employed in 2006 and not working in 2010 compared to those who were employed in 2006 and 2010 (see Appendix 2). The relatively low earnings of those who continue to work may explain this result, with almost 70% of these people earning less than \$500 per week.

There was a significant difference in the value of total assets, financial assets and non-financial assets held by those not working in 2006 and 2010 compared to those in who were employed in 2006 and 2010, adjusting for age, sex, education and family type. However, there was no significant difference in the value of debt attributed to those not working in 2006 and 2010 compared to those who were employed in 2006 and 2010.

**Table 2:** Household net worth in 2010 for people aged between 61 and 65 in 2006

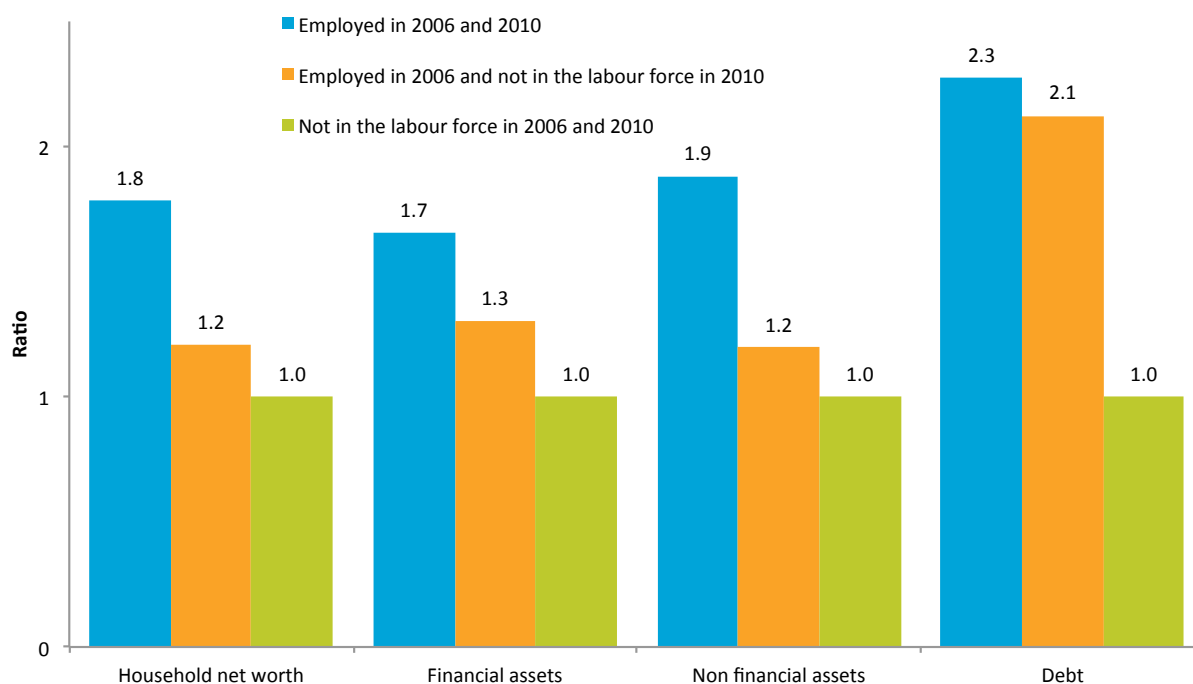
Employment status	Number of people (n)	Household net worth		Financial assets		Non-financial assets		Debt	
		Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)
Employed in 2006 and 2010	118	1,006,200	598,700	366,400	206,200	684,200	460,000	55,000	0
Employed in 2006 and not in the labour force in 2010	93	680,600	510,400	288,900	170,300	434,600	270,500	51,400	0
Not in the labour force in 2006 and 2010	363	564,800	373,800	221,800	76,100	363,400	252,500	24,200	0

*n:* Number of people responding to question.

Employment can have an impact on the accumulation of household wealth as shown by the mean values for assets and debt in Table 2. Analysis of the mean values for assets and debt are represented in Figure 1 as a ratio of the level of those ‘Not in the labour force in 2006 and 2010’ (which was assigned a value of 1.0). For example, on average, a person employed between 2006 and 2010 had 1.8 times the household net worth of a person who was in the same age group and was not employed during either of those years. A person aged between 61 and 65 years who was employed in 2006 and had retired by 2010 had 1.2 times the household net worth of someone who was not working.

The results do not explain the reason that people who were employed had double the average debt of those not working. One explanation could be that people continue to work because they have high debt levels. Another is that their earnings allow them to maintain higher levels of debt.

**Figure 1:** Ratio of household net worth and debt by employment status in 2006 and 2010 of those aged between 61 and 65 in 2006



Source: Table 2

The ratios in Figure 1 suggest that working up to and past the retirement age is associated with a significant increase in the value of household assets. The estimated average financial and non-financial asset values of those employed over the period outperformed the values of those who were not working.

The impact of continuing to work up to and past the retirement age and the growth of retirement savings is shown in Table 3. Between 2006 and 2010, the financial assets of those who remained employed in 2006 and in 2010 increased by \$59,400 (suggesting a potential \$14,850 per annum return for each additional year of employment). The financial assets of those employed in 2006 and not working in 2010 increased by \$34,300. The financial assets of those who were not working in both 2006 and 2010 decreased by \$1,950.

**Table 3:** Value of financial assets in 2006 and 2010 by employment status for people aged between 61 and 65 in 2006

Employment status	Financial assets in 2006		Financial assets in 2010		Difference in medians (\$)
	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	
Employed in 2006 and 2010	378,900	146,800	366,200	206,200	59,400
Employed in 2006 and not in the labour force in 2010	310,200	120,000	289,200	154,300	34,300
Not in the labour force in 2006 and 2010	223,300	78,000	221,700	76,050	-1,950

### Working with a chronic health condition

Forty-five per cent of people aged between 61 and 65 in 2006 stated that they had a chronic health condition. Even though there are apparent financial benefits in continuing to work, many people may not be able to because of poor health. Twenty-eight per cent of people aged between 61 and 65 who retired in 2006 and were surveyed for this report stated that the reason they were no longer working was because of ill health. A small proportion (24%) of people with a chronic health condition continue to work.

This following section of this report examines the financial benefits to people with a chronic health condition who are still working.

#### Employment and wealth in 2006

There were 357,400 people aged between 61 and 65 in 2006 who had a chronic health condition. Of this group, 84,300 (24%) were employed (either full-time or part-time) in 2006.

In 2006, the median value of household net worth was \$374,300 for those aged between 61 and 65 with a chronic health condition who were working. The average median value for people with a chronic health condition who were not working was \$265,600 (Table 4). Those people with a chronic health condition who were aged between 61 and 65 years in 2006 and were employed also had more debt.

The results in Table 4 show that the average (mean) and the typical (median) asset values were higher for employed 61 to 65 year olds with a chronic health condition in 2006 when compared with those who were not working. The value of non-financial assets for both those who were employed and those not working was greater than the value of financial assets. Among people who had a chronic health condition, those who were employed had a median value of debt of \$2,500, whereas those not working had a median debt of \$0. The large difference between the median and mean values for debt indicates that while the typical person has quite low debt (half owe less than \$2,500 and half owe more) there are some people in this age group who have very high levels of debt.



**Table 4:** Household net worth in 2006, population aged 61 to 65 with a chronic health condition

Employment status in 2006	Number of people (n)	Household net worth		Financial assets		Non-financial assets		Debt	
		Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)
Employed	62	577,900	374,300	196,400	92,800	436,400	318,000	55,000	2,500
Not in the labour force	188	488,200	265,600	189,100	65,000	322,700	208,500	23,700	0

Source: HILDA Wave 6

n: Number of people responding to question.

### Employment and wealth in 2010

Four years later in 2010, 51,000 people who were aged between 61 and 65 in 2006 and had a chronic health condition were still employed (60% of the population who were employed in 2006).

The median value of household net worth for those who had a chronic health condition and were employed in both 2006 and 2010 was \$724,300 (Table 5). The median value of household net worth for those who were employed in 2006 but were not working in 2010 was \$391,000. For those people who were not working in both 2006 and 2010, the median value of household net worth was \$312,200.

The results in Table 5 show the household net worth in 2010 of people who had a chronic health condition in 2006. Those employed in 2006 and 2010 had the highest median value of financial assets and non-financial assets. While people who were employed in 2006 and were not working in 2010 had a higher value of financial assets than those not working in 2006 and 2010, people who were out of work in 2006 and 2010 had a higher value of non-financial assets. All people had a median debt value of \$0. Despite a median debt value of \$0, the mean value of debt was \$141,900 for those employed in 2006 but not in 2010. This indicated that some people in the group had a very large amount of debt, unsupported by the income they earned. The number of people answering the questions in this group was low so the results should be interpreted with caution.

**Table 5:** Household net worth in 2010, population aged between 61 and 65 in 2006

Employment status	Number of people (n)	Household net worth		Financial assets		Non-financial assets		Debt	
		Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)	Mean (\$)	Median (\$)
Employed in 2006 and 2010	38	768,700	724,300	209,300	227,500	590,800	515,000	32,800	0
Employed in 2006 and not in the labour force in 2010	24	643,700	391,000	296,800	131,000	488,700	260,000	141,900	0
Not in the labour force in 2006 and 2010	185	497,400	312,200	190,100	48,500	344,700	345,000	39,628	0

Source: HILDA Wave 10

n: Number of people responding to question.

## Conclusion

Based on the 2010 Intergenerational Report estimates, the proportion of people of traditional working age is expected to decrease while the number of people aged over 65 is expected to double between 2010 and 2050.<sup>16</sup> Without any significant change to policy, this will result in a decline in Australia's economic growth rate trend and put "unsustainable pressure on the Government finances".<sup>17</sup> It also provides the opportunity for older workers to make up a larger portion of the workforce in Australia.

Keeping people in work and changing the concept of the 'traditional retirement age' has been identified by the Australian Government as a central part of its strategy to manage the anticipated costs of an ageing population. The Government is encouraging older workers to have greater involvement in the workforce so that they can improve their living standards when they retire.<sup>18</sup> The Australian Government has made many changes to give older workers better opportunities to continue working. These include:

- Passing the Age Discrimination Act 2004<sup>19</sup>
- Making changes that allow workers to continue working while drawing on a superannuation pension
- Introducing concessional taxation of superannuation funds with the removal of the 15% tax on lump sums and pensions from superannuation schemes after the age of 60 years, effectively making them tax-free<sup>20,21</sup>
- Increasing the age of eligibility for the Age Pension for women in Australia from 60 to 65 years of age<sup>22</sup>
- Increasing the qualifying age for the Age Pension from 1 July 2017.<sup>23</sup>

As well as the national benefits gained by encouraging older people to continue working, the results in this report have shown that there are personal financial benefits for those who continue to work. There is likely to be a widening financial gap between Australians who continue to work up to the traditional retirement age of 65 and those who retire. This is occurring because wages are growing at a faster rate than inflation.<sup>24,25</sup>

<sup>16</sup> The Treasury (2010). Intergenerational Report 2010. Canberra, Australian Government.

<sup>17</sup> Costello, P. (2005). Sustaining prosperity: New reform opportunities for Australia. The Australian/Melbourne Institute Conference Dinner. Melbourne.

<sup>18</sup> Australian Government (2004). A more flexible and adaptable retirement income stream Canberra, Commonwealth of Australia.

<sup>19</sup> Thomson's FindLaw Australia. (2004). "Age Discrimination Bill to Become Law." Retrieved 1/2, 2011, from <http://www.findlaw.com.au/news/default.asp?task=read&id=20603&site=LE>.

<sup>20</sup> Treasury. (2004). "A more flexible and adaptable retirement income system." Retrieved 1/2, 2011, from [http://demographics.treasury.gov.au/content/\\_download/flexible\\_retirement\\_income\\_system/flexible\\_retirement\\_income\\_system.pdf](http://demographics.treasury.gov.au/content/_download/flexible_retirement_income_system/flexible_retirement_income_system.pdf).

<sup>21</sup> Australian Government. (2006). "A plan to simplify and streamline superannuation." from [http://www.budget.gov.au/2006-07/overview2/html/overview\\_01.htm](http://www.budget.gov.au/2006-07/overview2/html/overview_01.htm).

<sup>22</sup> Australian Government. (2010). "Who can get age pension? ." Retrieved 1/2, 2011, from [http://www.centreflink.gov.au/internet/internet.nsf/payments/qual\\_how\\_agepens.htm](http://www.centreflink.gov.au/internet/internet.nsf/payments/qual_how_agepens.htm).

<sup>23</sup> Australian Government. (2011). "Age Pension Eligibility." Retrieved 1/2, 2011, from [http://www.centreflink.gov.au/internet/internet.nsf/payments/age\\_eligible.htm](http://www.centreflink.gov.au/internet/internet.nsf/payments/age_eligible.htm).

<sup>24</sup> Australian Bureau of Statistics (2008). Employment Arrangements, Retirement and Superannuation, Australia, Cat 6261.0. Canberra, ABS.

<sup>25</sup> Australian Bureau of Statistics (2010). Consumer Price Index, Australia, 6401.0. Canberra, ABS.

This pattern is expected to continue as labour shortages allow people to ask for higher wages.<sup>26</sup> Also, the number of people with superannuation is increasing and the average superannuation balances in 2020 are predicted to be double those of 1999.<sup>27,28</sup> As a result, older workers in the future could have greater levels of savings than people working at present. The gap between those who work past the traditional retirement age and those who do not will widen even further.

While the results of this study clearly showed the financial benefits of working up to the traditional age of retirement, the financial benefits to a person working into their 60s and beyond was less clear. More research is needed to further explore the financial situation of people who continue to work past the traditional retirement age.

Despite the financial incentives to remain working, many people may not be able to do so, mainly because of ill health. In Australia, 29% of men and 19% of women said that ill health was the reason for stopping work.<sup>29</sup> Forty-six per cent of people aged between 45 and 64 were not working because of ill health.<sup>30</sup> In this report, 28% of retired workers aged between 61 and 65 said that the main reason for retiring was ill health. This is consistent with the results in the 2012 Consultative Forum on Mature Age Participation, where all of the forum members ranked physical illness, injury and disability as high or very high barriers to employment for mature age workers.<sup>31</sup> Policies to improve people's income by encouraging them to continue working should take into account the key role that health plays in this situation.

This report has documented the financial benefits of continued employment for those with a chronic health condition. People in poor health who continue to work into their 60s had a far higher median value of net household worth than those who stopped work. This is consistent with the results of existing studies that show that people between 45 and 64 years who are in poor health and leave work experience personal financial loss. The income of this group is 80% lower than those who remain working. They also have 80% less wealth when they reach 65 years compared with those who remain working.<sup>32,33,34</sup> However, this report has demonstrated the financial benefits of continuing to work past 65.

<sup>26</sup> Productivity Commission (2005). *Economic Implications of an Ageing Australia*. Research Report. Productivity Commission. Canberra. Canberra, Australian Government.

<sup>27</sup> Australian Bureau of Statistics (2008). *Australian Labour Market Statistics*, Oct 2008. ABS Cat. No. 6105.0. Canberra, ABS.

<sup>28</sup> Kelly, S., A. Harding, et al. (2002). *Live Long and Prosper? Projecting the Likely Superannuation of the Baby Boomers in 2020*. Sydney, AMP.Natsem.

<sup>29</sup> Australian Bureau of Statistics (2009). *Retirement and Retirement Intentions, Australia, Jul 2008 to Jun 2009*, Cat. No. 6238.0. Canberra, ABS.

<sup>30</sup> Schofield, D., R. Shrestha, et al. (2008). "Chronic disease and labour force participation among older Australians." *Medical Journal of Australia* 189(8): 447-450.

<sup>31</sup> Temple, J. and T. Adair (2012). *Barriers to mature age employment: final report of the Consultative Forum on Mature Age Participation*. Melbourne, Productive Ageing Centre, National Seniors Australia.

<sup>32</sup> Schofield, D., S. Kelly, et al. (2010). "Long term financial impacts of CVD: Living standards in retirement." *International Journal of Cardiology* 155(3): 406-408.

<sup>33</sup> Schofield, D., E. Callander, et al. (2011). "Labour force participation and the influence of having back problems on income poverty in Australia." *Spine* 37(13): 1156-1163.

<sup>34</sup> Schofield, D., R. Shrestha, et al. (2011). "Modelling the cost of ill health in Health&WealthMOD (Version II): lost labour force participation, income and taxation, and the impact of disease prevention." *International Journal of Microsimulation* 4(3): 32-36.

Remaining in the workforce past the age of 65 has the potential to offset the high costs of poor health, which include treatment costs, changes to living arrangements and buying aids or equipment.<sup>35</sup> Many effective health care interventions have been shown to increase the number of people who can remain working. These include medication and physical therapies and treatments for conditions such as arthritis, back problems, and diabetes.<sup>36,37,38</sup> While these interventions have traditionally been admired for the benefits to younger workers, they have the potential to allow older people to extend their time in the workforce, giving these people the opportunity to improve their financial standing.

In general, remaining in the workforce has health benefits for healthy people as well as those with chronic health conditions. The relationship between unemployment and health was highlighted by a British study in the 1980s that collected information over many years.<sup>39</sup> Australian studies also showed that unemployment has negative effects on the mental health of young people.<sup>40,41</sup> Research in the USA has also showed that there is a relationship between unemployment and mental health. In one study, men aged between 35 and 60 years reported higher rates of depression and anxiety after becoming unemployed.<sup>42</sup> A German study reported higher rates of psychological distress among German men over the age of 45 years. Their distress levels improved when they started working again.<sup>43</sup> Also, working increases the rates of social participation among individuals with ill health<sup>44</sup>, while the health benefits of socialising and interacting with others has been well-documented.<sup>45,46</sup> These results show that continuing to work may contribute to the improvement of a person's health, particularly for those who have a chronic health condition.

<sup>35</sup> Tibble, M. (2005). Review of existing research on the extra costs of disability. London, Department of Work and Pensions.

<sup>36</sup> Yelin, E., P. Katz, et al. (2001). "Impact of etanercept (Enbrel®) on health care use and employment in early RA."

<sup>37</sup> Buchbinder, R., D. Jolley, et al. (2001). "Breaking the back of back pain " Medical Journal of Australia 175(5 Nov): 456-457.

<sup>38</sup> Passey, M., R. Shrestha, et al. (2012). "Impact of diabetes prevention on labour force participation and income of older Australians." BMC Public Health 12(16).

<sup>39</sup> Moser, K., P. Goldblatt, et al. (1990). Unemployment and mortality in Goldblatt P ed. Longitudinal study: mortality and social organisation. London, OPCS.

<sup>40</sup> Banks, M. (1982). "Unemployment and the risk of minor psychiatric disorder in young people: cross-sectional and longitudinal evidence." Psychol Med 12: 789-798.

<sup>41</sup> Morrell, S., R. Taylor, et al. (1994). "A cohort study of unemployment as a cause of psychological disturbance in Australian youth." Soc Sci Med 38: 1553-1564.

<sup>42</sup> Linn, M., R. Sandifer, et al. (1985). "Effects of unemployment on mental and physical health." Am J Pub Hth 75: 502-506.

<sup>43</sup> Frese, M. and G. Mohr (1987). "Prolonged unemployment and depression in older workers: a longitudinal study of intervening variables." Soc Sci Med 25: 173-178.

<sup>44</sup> Callander, E. and D. Schofield (2013). "The relationship between employment and social participation amongst Australians with a chronic health condition." BMJ Open 2013(3).

<sup>45</sup> Bloom, J. R., S. L. Stewart, et al. (2001). "Sources of support and the physical and mental well-being of young women with breast cancer." Social Science and Medicine 53(11): 1513-1524.

<sup>46</sup> Lynch, E. B., Z. Butt, et al. (2008). "A qualitative study of quality of life after stroke: The importance of social relationships." Journal of Rehabilitation Medicine 40: 518-523.

Making the workplace more accessible to older people in poor health may encourage them to remain working for longer. For example, modifying the work place for people with arthritis results in them remaining in the workforce and an improvement in retention rates.<sup>47</sup> Similarly, flexible working arrangements may allow older people to remain in the workforce for longer.<sup>48</sup> While Queensland workers aged 65 years and over were the most likely to have flexible start and finish times, relatively few had the option to work from home or to have alternative work places (when compared to people aged between 25 and 44).<sup>49</sup>

It is important to overcome the health barriers for older people to continue working because older people with lower incomes are at higher risk of developing chronic health conditions. One recent Australian study found that 31% of people over the age of 65 with low incomes also had poor health.<sup>50</sup> Therefore, health may act as a factor that widens the inequality among older Australians by influencing who works beyond the age of 65.

<sup>47</sup> Lacaille, D., S. Sheps, Spinelli, J., Chalmers, A., Esdaile, J. (2004). "Identification of Modifiable Work-Related Factors That Influence the Risk of Work Disability in Rheumatoid Arthritis." *Arthritis & Rheumatism* 51(5): 843-852.

<sup>48</sup> Hill, T., C. Thomson, et al. (2008). "What kinds of jobs combine care and employment." *Family Matters* 2008(80): 27-32.

<sup>49</sup> Australian Bureau of Statistics (2010). *Flexible Working Arrangements in Queensland*, Oct 2010. Canberra, ABS.

<sup>50</sup> Callander, E., D. Schofield, et al. (2012). "Multiple Disadvantages Among Older Citizens: What a Multidimensional Measure of Poverty Can Show." *Journal of Aging & Social Policy* 24: 368-383.

## Appendices

### Appendix 1: Results of linear regression models for household wealth in Wave 6 of the HILDA survey

	Estimate	95% CI		p-value
Household net worth				
Intercept	10.672	-0.165	21.509	0.054
Employment status	0.715	0.246	1.184	0.003
Age	0.030	-0.151	0.212	0.742
Sex	-0.155	-0.570	0.259	0.462
Family Type	-0.489	-1.008	0.030	0.065
Household financial assets				
Intercept	13.643	2.986	24.299	0.012
Employment status	0.941	0.457	1.425	0.000
Age	-0.048	-0.229	0.132	0.598
Sex	-0.092	-0.563	0.380	0.703
Family Type	-0.640	-1.248	-0.033	0.039
Household non-financial assets				
Intercept	14.079	6.291	21.867	0.000
Employment status	0.494	0.132	0.857	0.008
Age	-0.033	-0.165	0.098	0.618
Sex	-0.172	-0.501	0.157	0.304
Family Type	-0.282	-0.731	0.167	0.218
Household debt				
Intercept	17.695	4.525	30.865	0.009
Employment status	0.338	-0.366	1.042	0.345
Age	-0.149	-0.372	0.074	0.190
Sex	0.657	-0.020	1.333	0.057
Family Type	-0.040	-1.009	0.929	0.935

Family type: couple only, couple with children, single person, single with children

## Appendix 2: Results of linear regression models for household wealth in Wave 10 of the HILDA survey

	Estimate	95% CI		p-value
Household net worth				
Intercept	11.046	3.051	19.042	0.007
Working in 2006 and not working in 2010	-0.327	-0.704	0.050	0.089
Not working in 2006 and 2010	-0.887	-1.318	-0.456	<0.0001
Age	0.042	-0.097	0.180	0.552
Sex	-0.232	-0.603	0.138	0.219
Family Type	-0.489	-0.990	0.012	0.056
Household financial assets				
Intercept	12.256	2.064	22.449	0.019
Working in 2006 and not working in 2010	-0.334	-0.934	0.266	0.274
Not working in 2006 and 2010	-1.205	-1.764	-0.646	<0.0001
Age	-0.005	-0.181	0.172	0.959
Sex	-0.171	-0.662	0.320	0.494
Family Type	-0.550	-1.210	0.110	0.102
Household non-financial assets				
Intercept	12.111	3.173	21.049	0.008
Working in 2006 and not working in 2010	-0.363	-0.842	0.117	0.138
Not working in 2006 and 2010	-0.763	-1.281	-0.244	0.004
Age	0.015	-0.141	0.171	0.851
Sex	-0.243	-0.619	0.133	0.206
Family Type	-0.277	-0.777	0.222	0.276
Household debt				
Intercept	19.289	3.914	34.663	0.014
Working in 2006 and not working in 2010	-0.866	-2.325	0.592	0.243
Not working in 2006 and 2010	-0.803	-1.759	0.154	0.100
Age	-0.165	-0.432	0.102	0.225
Sex	0.418	-0.484	1.320	0.362
Family Type	0.595	-0.553	1.743	0.308

Family type: couple only, couple with children, single person, single with children



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