ARC CENTRE OF EXCELLENCE IN POPULATION AGEING RESEARCH

MEDIA RELEASE

10 September 2012

MORE OLDER WORKERS WILL HELP AUSTRALIA PROSPER

Australia's GDP could be four per cent higher if it had the same mature labour force participation rates as some comparison countries, such as New Zealand. New research released today by the ARC Centre of Excellence in Population Ageing Research (CEPAR) reveals an increase in workforce participation rates for people aged 55 and above would result in a significant economic boost for the country. A ten percentage point increase in the participation of these workers could increase GDP by four percent

We are living healthier and longer lives, and it follows that we are going to have to work longer in order to pay for it. Australian Government Actuary statistics show that Australia's life expectancy has been increasing significantly. It stands at 23 years for 60 year-old males, and 26 for females, among the world's highest.

"If a person retires at 60 and lives until the age of 80 – he or she will have worked for about half their life. This may not be enough to maintain our quality of life and allow for the increased health costs of ageing populations. And life expectancy is expected to keep increasing, so unless people work longer, they will be spending an ever-greater proportion of their life in retirement. This is why governments around the world are rightly encouraging us to work longer," Professor Piggott said.

It is concerning that the average retirement age in Australia is three years younger than 40 years ago. The OECD estimates that Australian labour force participation moves from 82 per cent for 50-54 year olds to 53 per cent for those aged 55-64, and then plummets to 25 per cent for ages 65 to 69.

"Relative to 50 years ago, current mature age workers are healthier and can expect to live much longer. For the most part, the work they do is less physically demanding. Therefore, retiring should be happening later, not earlier," CEPAR Senior Research Fellow, Rafal Chomik said.

The most important determinant of retirement age is access to retirement income – the age pension and superannuation benefits. The age pension access is being gradually increased from 65 to 67 years of age and superannuation access is being increased to 60. But the tax-free access age is stuck at 60.

"The age at which people can access tax-free superannuation benefits should also be lifted from 60 to 62 years of age – a two year increase in line with the aged pension; or from 60 to 65 years of age – a five year increase in line with the Superannuation access age. This would undoubtedly keep people in the workforce for longer," Professor Piggott said.

"If we are to meet the challenges of population ageing, further policy reform is needed to keep people in the workforce," he said.

You can read the full research brief at http://www.cepar.edu.au/media/93861/participation_paper_without_logo_s.pdf

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