

Retirement and retirement intentions

Many people look forward to retirement as a period to do all the things for which there was never enough time during their working lives. However, one less positive aspect of retirement is the fact that most people will have less income when they retire.

Retirement can negatively affect economic growth if it leads to lower participation in the labour force and the loss of skills. The high life expectancy of Australians, together with a low fertility rate, suggests that in future years there will be a relatively smaller working population to support those people who aren't working. The needs of an ageing population will put pressure on the capacity of government to adequately fund government payments, programs and services. In anticipation of this, there are various policies in place, particularly around taxation and superannuation, to encourage mature age workers to stay in the workforce for longer.

How many people are retired?

In 2007, according to the Survey of Employment Arrangements, Retirement and Superannuation, there were an estimated 7.7 million people who were aged 45 years or over. Of these, 3.1 million people were retired. In other words, around two-fifths of people aged 45 years or over were retired.

Data sources and definitions

Most of the information in this article comes from the 2007 Survey of Employment Arrangements, Retirement and Superannuation. The information relates to people aged 45 years and over.

When thinking about age at retirement, it's important to remember that the data only refer to 'surviving' retirees aged 45 years and over in 2007. This means that the distribution of age at retirement in this population is not representative of the age at which all people retire. For example, a person who retired at the age of 40 in 1982 (and would have been 65 in 2007) was more likely to be alive to participate in the survey than a person who retired at 65 in 1982 (who, if alive, would have been 90 in 2007). While this will have some effect on all of the estimates of age at retirement, the effect would be more pronounced for people who retired a long time ago, so most of the analysis in this article relates to people who retired less than twenty years before the survey was conducted in 2007.

Retired people (or retirees) are those people who had previously worked for two weeks or more, who were not in the labour force (i.e. were neither employed nor unemployed) and who did not intend to look for, or do, paid work in the future.

Not surprisingly, the older that people were, the more likely they were to be retired. Women tend to live longer and retire earlier than men, and so in 2007 there were more retired women (1.8 million) than retired men (1.3 million). The average age at retirement for women was 47, compared with 58 for men.

Retirement status and retirement intentions, people aged 45 years and over – April to July 2007

	Men by age group (years)							Women by age group (years)						
	45-49	50-54	55-59	60-64	65-69	70+	Total	45-49	50-54	55-59	60-64	65-69	70+	Total
	%	%	%	%	%	%	%	%	%	%	%	%	%	%
Retirement status														
Retired	4.5	6.7	16.5	35.9	67.7	90.8	36.6	6.9	13.8	31.3	56.5	84.4	97.1	48.2
Not retired	95.5	93.3	83.5	64.1	32.3	9.2	63.4	93.1	86.2	68.7	43.5	15.6	2.9	51.8
Employed														
Intends to retire	86.9	85.5	82.4	81.8	76.2	56.0	83.3	89.6	89.3	87.3	86.9	77.7	72.3	88.1
Never intends to retire	13.1	14.5	17.6	18.2	23.8	44.0	16.7	10.4	10.7	12.7	13.1	22.3	*27.7	11.9
	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	'000
Total people(a)	742.1	666.8	627.8	521.4	396.2	805.6	3 759.8	754.6	681.4	636.6	519.1	402.4	983.7	3 977.6
Total retired	33.0	43.4	101.0	179.7	264.7	726.8	1 348.6	49.4	90.0	188.2	273.6	320.9	875.8	1 797.8

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) Includes a small number of people whose retirement status could not be determined or who had never worked for two weeks or more. These two groups of people were excluded before calculating the percentages for retirement status shown in this table

Source: *Employment Arrangements, Retirement and Superannuation, Australia* (ABS cat. no. 6361.0)

Why do people retire?

Of the 1.9 million retirees who had worked at some time in the last 20 years, the most common main reason for retiring was the retiree's health. This was a more common reason for retired men (38%) than retired women (25%). People who had retired at a relatively young age (before their 50th birthday) were particularly likely to have done so for reasons relating either to their own health or someone else's. Half of the people who had retired by age 49 said that their own health or physical abilities was the main reason they retired. This trend was even more marked for men who had retired before their 45th birthday, almost 80% of whom had done so for health reasons (compared with 37% of women).

Other common reasons for retirement for men included financial reasons (20%) and being retrenched or made redundant (10%). While financial considerations were likely to influence men, women were more likely to make their decision about retirement based on family considerations. Common reasons for women to retire included caring responsibilities (15%) and to spend more time with their family or partner (13%).

Why do people come out of retirement?

About 310,000 people who were working in 2007 had previously retired (that is, stopped working with no intention at the time of ever working again). The most common main reason for this group to return to work was financial need (36% of men and 42% of women who had previously retired). Another common reason for men to come out of retirement was because they were bored or needed something to do (32% of men gave this as their main reason for returning to the workforce compared with 14% of women).

Men were almost twice as likely as women to return from retirement to a job with duties that were less demanding than their last job before retirement (36% and 19% respectively). Women were only slightly more likely than men to return to a job with more flexibility or more control over the hours they worked (26% and 19%). Overall, about one-fifth of people who returned to work (22%) had the same working arrangements as their last job before retiring.

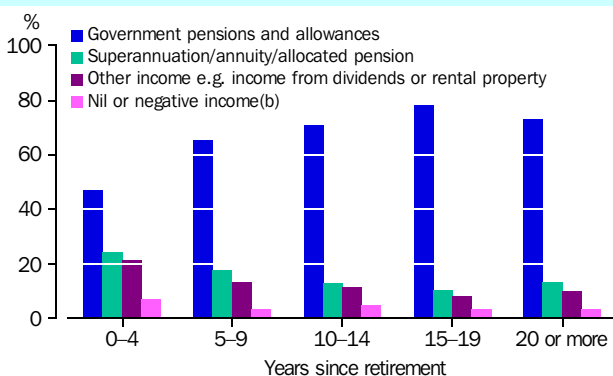
Current sources of personal income

Government pensions and allowances was by far the most common source of personal retirement income for both men and women, with around two-thirds of both sexes relying on this as their current main source of income. The longer people had been retired, the more likely they were to have this as their main source of income.

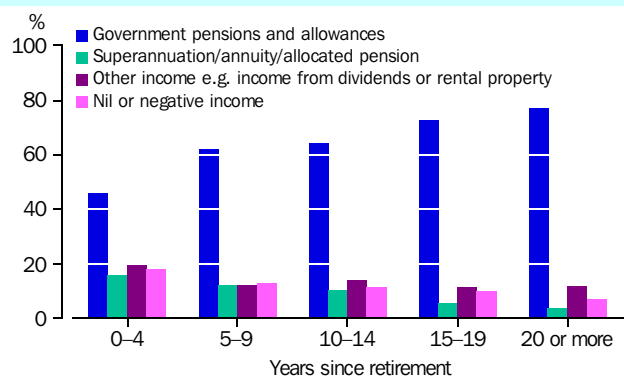
Women were much more likely than men to have either no income or negative income. In 2007, 10% of retired women aged 45 years and over had no, or negative, personal income (and therefore were relying on savings, assets or their partner's income) compared with 4% of men. Almost one in five women who had retired in the last four years had no (or negative) personal income. While some people with no personal income may have quite a high standard of living, relying on a partner's income may be of concern if family circumstances change (for example as a result of divorce or death of a partner).

There were notable differences for retirees, when compared with those workers who intended to retire, regarding their main (expected) source of income at retirement. Superannuation was the main source of income at retirement for only 16% of those people who had retired at age 45 or over¹ during the 20 years before the survey, while almost half (47%) of those who intended to retire expected this to be their main source of income. This change

Retired men aged 45 and over, main source of personal income^(a) – April to July 2007



Retired women aged 45 and over, main source of personal income^(a) – April to July 2007



(a) The percentages in these graphs were calculated after excluding those people whose main source of income was not stated

(b) The estimates for 'nil or negative income' for men have a relative standard error of 25% to 50% for all categories except '0-4 years since retirement'

Source: [Employment Arrangement, Retirement and Superannuation, Australia](#) ABS cat. no. 6361.0)

reflects the impact of compulsory superannuation initiatives that were introduced in the late 1980s and early 1990s. See the article on superannuation, also in the March 2009 issue of *Australian Social Trends*, for more details on Australians' use of superannuation.

Retirement intentions

While the fertility rate in Australia has recently increased, it is still below the replacement level (the rate of births needed for women to replace themselves and their partners).² Although the effect of this may be partly offset by increases in the numbers of young skilled migrants to Australia, the large numbers of people retiring from the labour force may be reflected in a decline in labour force participation.

Over one million people plan to retire in the next ten years

There were 3.9 million employed people who were aged 45 and over in 2007 and 85% of these (3.3 million people) intend to retire at some point. Over one million people plan to retire in the next ten years. However, not everyone plans to retire. One in seven employed Australians (aged 45 or over) intend to keep working for the rest of their lives.

...are people planning to work for longer?

In 2007, the average age at which employed people intended to retire was 64 years (64 for men, 62 for women). This is five years later than the average age at retirement for retirees. Of those people who had retired in the 20 years prior to the survey, and were at least 45 when they retired¹, the average age at retirement was 59 years (60 years for men, 57 years for women).

...deciding when to retire

For people who were working in 2007, were aged 45 or over, and intended to retire, the main factors influencing their decision about when to retire were: financial security (this was the main factor for 44% of men and 37% of women); personal health and physical abilities (19% of men, 20% of women); and reaching the eligibility age for an age or service pension (8% of both men and women).

Those people who said that financial security was the main factor influencing their decision intended to retire at 63 on average (64 for men and 62 for women).

People who believe that their health will be the main factor determining when they retire expect to retire, on average, two years later

than those who think that financial security will be the driver. It may be that people are hopeful that health problems will occur later in life while those waiting for a sense of financial security before retiring hope that this can be achieved earlier. However, health problems are difficult to predict, and this is evident when the main factors influencing retirement intentions are compared with the main reasons for retirement among those who have already retired (aged 45 or over at retirement¹, who had worked in the twenty years to 2007). The average age at retirement for those retiring for health reasons was 57, whereas the average age at retirement for people retiring for financial reasons was 61.

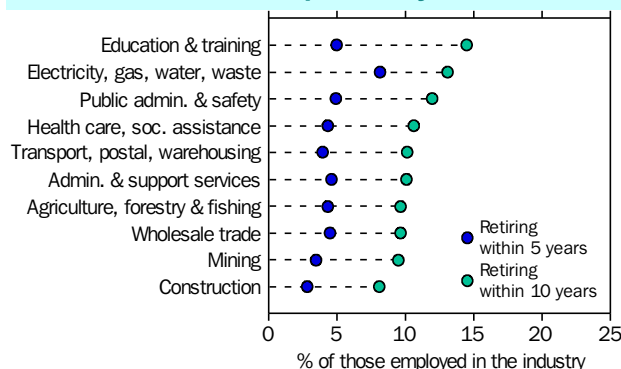
Another unpredictable factor affecting retirement decisions is job security. While less than 1% of workers intending to retire expected being retrenched or made redundant to be the main factor influencing their decision about when to retire, 8% of those people who retired in the twenty years to 2007, who were 45 or older when they retired¹, said this was the main reason they had retired. The average age at retirement for this group was 57 years (58 for men and 55 for women).

...industry

The industries which had a relatively large proportion of their workforce intending to retire within 10 years included education and training (14% of people whose main job was in this industry intended to retire before 2017), electricity, gas, water and waste services (13%); and public administration and safety (12%).³ These industries tended to have higher proportions of older staff than other industries. At least 40% of staff in all three industries were aged 45 or over and around 15% of staff were aged 55 or over.

Conversely, other industries had relatively small proportions of their workforce intending to retire within ten years. Only 3% of those

People intending to retire within 10 years, selected industries – April to July 2007



Source: ABS Survey of Employment Arrangements, Retirement and Superannuation

working in the accommodation and food services industry (where staff tended to be fairly young, with less than 20% aged 45 or over) intended to retire in this time frame. Around 5% of those in the arts and recreation services and the 'other services' industries³ (where around one-third of staff were 45 or older) planned to retire before 2017.

The average age at which employed people intended to retire was 64. Agriculture, forestry and fishing was the industry with the oldest average age of intended retirement, at 66. Farmers tend to be much older than people working in other occupations. The median age of farmers in 2006 was 52 years, much higher than the median age of 40 years for people working in all the other occupations combined.

At the other end of the spectrum, people in the mining industry were intending to retire while they were younger. The average age at which these people intended to retire was 62, and this was also the average for people employed in the electricity, gas, water and waste services industry and the arts and recreation services industry.

...winding down to retirement

About 1.1 million people, or 41% of the 2.8 million people working full-time in 2007, intend to switch to part-time work before retiring. Nearly two-thirds (64%) of these people plan to stay with their current employer when they change to part-time work. The average age at which they intend to make this change is 60 years. Another 12% plan to work part-time, change employer and change to a completely different line of work, and 5% plan to change employer and work part-time with no other plans to phase in retirement. The average age at which people intend to make these changes is 59 years. Other, less common, plans for winding down to retirement include working on a contract basis and becoming self-employed.

Almost three-quarters of a million people plan to keep working full-time until they retire. Most (almost 70%) of these people plan to keep working for their current employer with no plans to phase in retirement. A further 18% intend to stay with their current employer but with less demanding duties.

Not many people plan to change employer before retirement. About 3% of people who intend to work full-time until they retire plan to change employer and have no other plans to phase in retirement. Another 3% plan to change employer and move to a completely different line of work. The average age at which people plan to implement these changes is 53 years.

International comparison



The official age of retirement is when a worker can receive a pension. One difference between Australia and many OECD countries is the different ages at which men and women receive the age pension. The qualification age for Australian women is progressively increasing, and will reach 65 in 2013.

While the official retirement age for Australian men in 2002–07 was higher than the OECD average, Australia's life expectancy is also higher than most other OECD countries – the exceptions are Japan, Iceland and Switzerland.

Average official retirement age, OECD countries, 2002–2007

	Men		Women	
OECD countries	years	OECD countries	years	
Iceland	67	Iceland	67	
Norway	67	Norway	67	
United States	65.8	United States	65.8	
Canada	65	Canada	65	
Denmark	65	Denmark	65	
Finland	65	Finland	65	
Germany	65	Germany	65	
Ireland	65	Ireland	65	
Luxembourg	65	Luxembourg	65	
Mexico	65	Mexico	65	
Netherlands	65	Netherlands	65	
New Zealand	65	New Zealand	65	
Portugal	65	Portugal	65	
Spain	65	Spain	65	
Sweden	65	Sweden	65	
Switzerland	65	Switzerland	64	
Australia	65	Australia	63	
United Kingdom	65	Slovak Republic	62	
Poland	65	Japan	61	
Austria	65	Austria	60	
Japan	63	Poland	60	
Hungary	62	United Kingdom	60	
Slovak Republic	62	Hungary	60	
Czech Republic	62	France(a)	60	
Korea	60	Korea	60	
Belgium(a)	60	Belgium(a)	60	
Turkey	60	Czech Republic	59	
France	60	Turkey	58	
Greece(a)	58	Greece(a)	58	
Italy(a)	57	Italy(a)	57	
OECD average	63.6	OECD average	62.7	

(a) In Belgium and France, workers can retire at 60 with 40 years of insurance contributions; in Greece, at 58 with 35 years of contributions; and in Italy, at 57 (56 for manual workers) with 35 years of contributions

Source: OECD, [Statistics on average effective age and official age of retirement in OECD countries](#)

...expected source of income at retirement

Over half the men who intend to retire (and who were able to say what they expected their main source of income to be at retirement) expect superannuation, an annuity or an allocated pension to be their main source of income, compared with about two-fifths of women.

The second most common source of expected income was a government pension or allowance. Over one-quarter of people who intend to retire expect this to be their main income source (24% of men and 29% of women). The proportion expecting that this would be their main source of income at retirement increased with age, ranging from 22% of people aged 45–49 years to 35% of those aged 70 or over.

One in five women and one in ten men who intend to retire do not expect to have any personal income. Over half the women who intend to retire at a relatively young age (45–54) expect to have no personal income source when they retire.

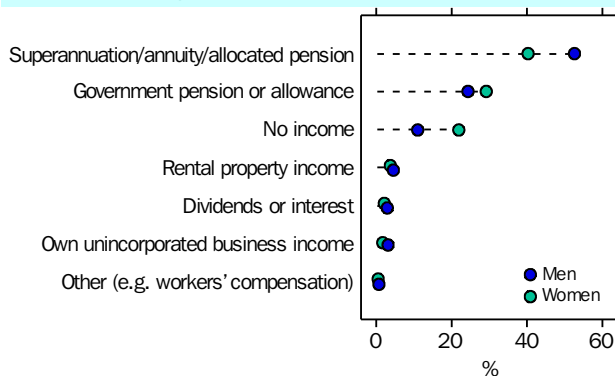
Looking ahead

As Australia's population ages, the plans that people have for retirement have become increasingly important to Australia's social and economic outlook. Since financial security is a key factor in many people's decision about when to retire, the global financial crisis, which has had an effect on superannuation balances and wealth, may cause some people to retire later than they had originally intended. There is a marked contrast between the patterns evident from retirees to date compared with the intentions of future retirees, and only time will tell whether people's intentions about when they might retire match reality.

Endnotes

- 1 Retirement intentions data were only collected for people aged 45 years and over. For this reason, the retired population has been restricted to those who retired aged 45 years and over when comparing the experiences of retirees with those people who have yet to retire, to aid comparability. Where no comparisons are made, the retired population includes those who retired before their 45th birthday.
- 2 Australian Bureau of Statistics 2008, *Births, Australia, 2007*, cat. no. 3301.0, ABS, Canberra.
- 3 The industries referred to in this article are based on the 2006 Australian and New Zealand Standard Industrial Classification. 'Public administration and safety' includes people who are involved in setting policy, overseeing government programs and creating laws. It includes, for example, police services and emergency services. 'Other services' includes a broad range of personal services (e.g. hair and beauty, dry-cleaning); funeral services; and maintenance and repair of equipment and machinery (e.g. cars, domestic appliances).

Main expected source of income at retirement^(a) — April to July 2007



(a) People who could not state their expected main source of income at retirement were excluded before calculating percentages

Source: *Employment Arrangements, Retirement and Superannuation* (ABS cat. no. 6361.0)