

Working More at Older Ages: Exploring the Responses to Changing Life Expectancy and IS Policy Reform

R G Gregory

What will I do tonight

- Broad brush approach with emphasis on getting macro facts correct so that we can develop confidence as to what are sensible questions to focus on and what are the ball park answers.
- Describe completed work years and changing patterns by age
- Focus on some key IS policy initiatives and comment on their effectiveness for increasing work years among older age groups
- Conclusions and key messages

Work Life 15-64

Men, women and total

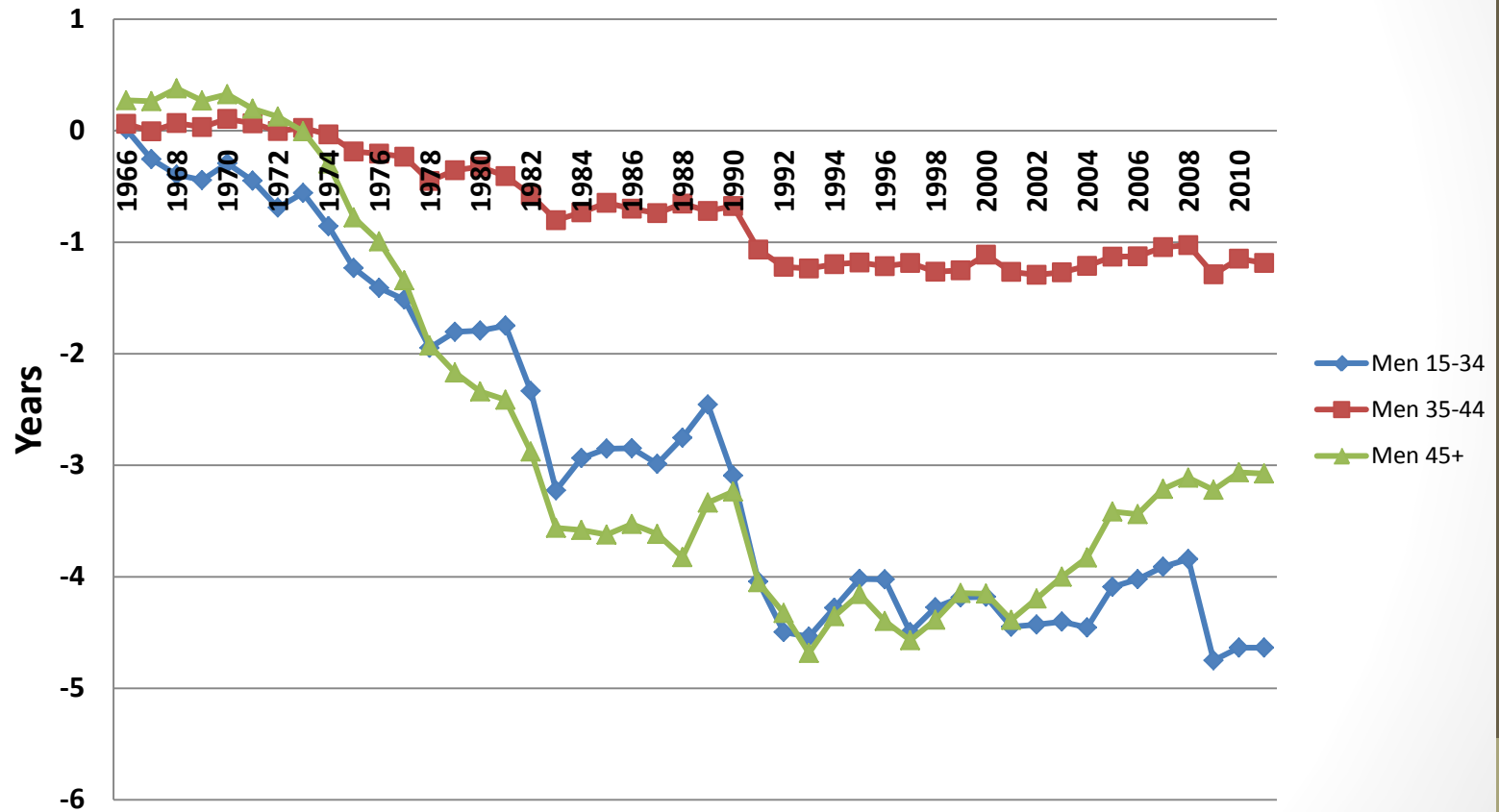
The work life concept

- Straightforward: similar to a life table
- I take the average full-time employment population ratio of each age group at a point of time and then add these ratios weighted by the number of years in the group.
- If the 25-34 year old full-time employment ratio is 80 per cent this group contributes eight years to the work life of the average person. If the age group is 15-19, an 80 per cent full-time employment ratio contributes four years
- If the part-time employment population ratio of the 25-34 age group is 20 per cent then the contribution to work life is twenty per cent of ten years weighted by .4 (because employment is part time). Contribution is 9.6 months.
- Two differences from the macro participation rate
Population changes, and relative size of cohorts, are ignored.
Part-time work is weighted

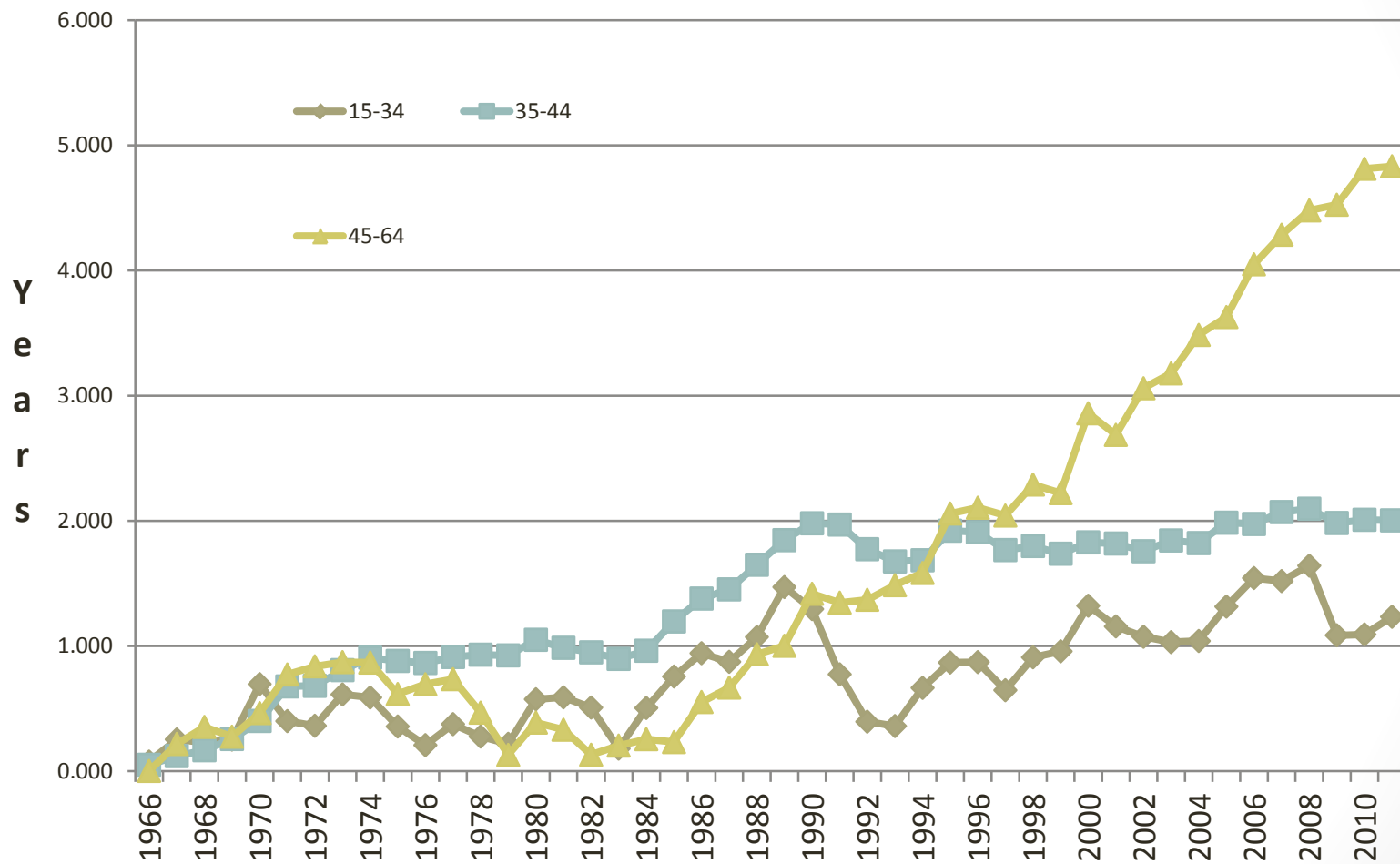
**Table Years of Life Expectancy, Work Life and Non-Work
45 years onwards**

				1966- 2012							
		Life Expectancy		Work Life		Non work					
Males		1966	27		17.5		9.5				
		2010	36.3		14.3		22				
	Change		9.7		-3.2		12.5				
Females		1966	32.3		4.5		27.8				
		2010	40.4		9.3		31.1				
	Change		8.1		4.8		3.3				
Total		1966	59.3		22		37.3				
		2010	76.7		23.6		53.1				
	Change		17.4		1.6		15.8				

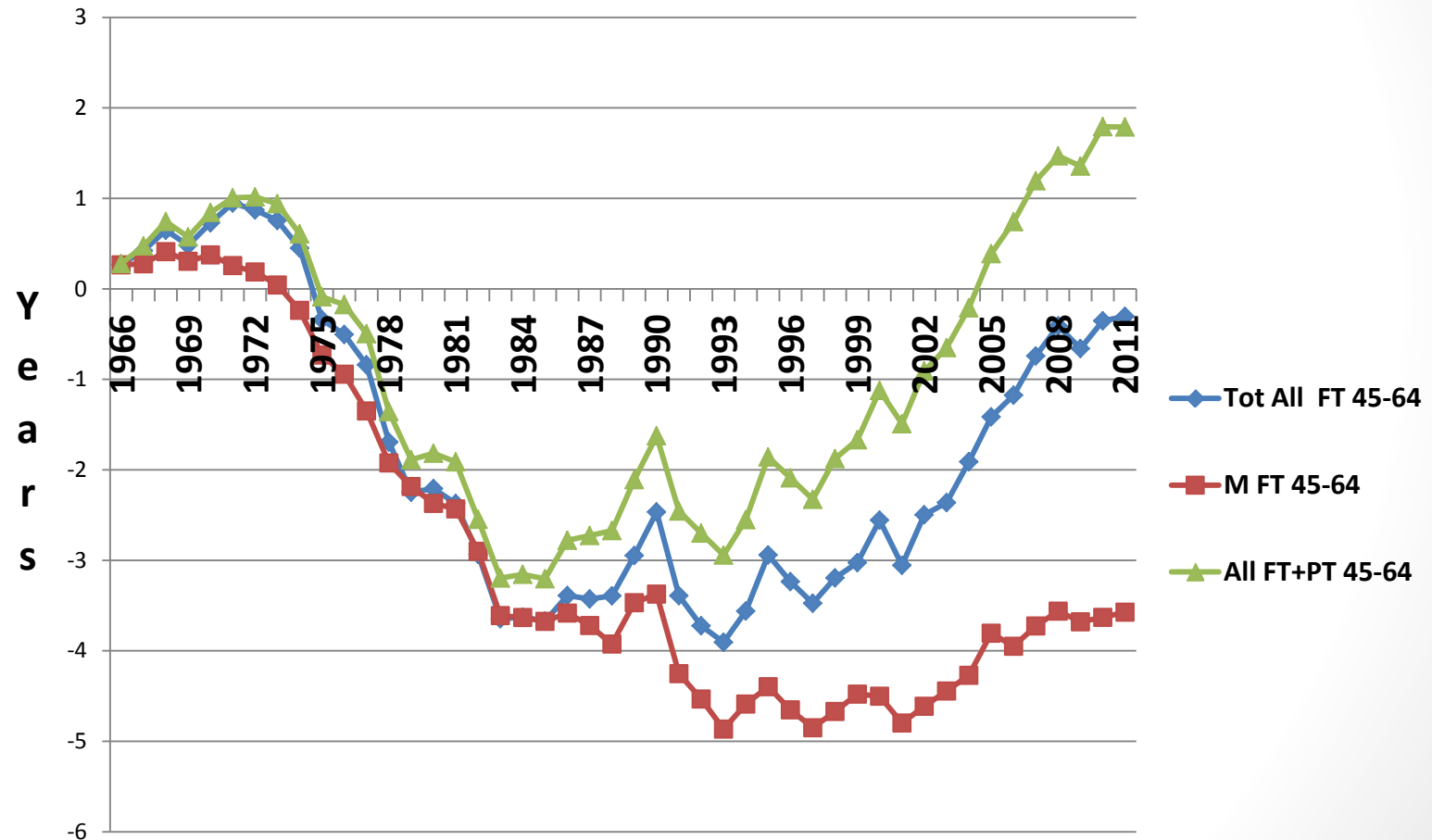
Additional Work Years Men 1966-2011



Change in Womens Work Years by Age Group



Additional Working Years Total 1966-2011



Work Life and Life Expectancy

- Lesson 1
 - Working more years at an older age cannot make a large contribution and certainly not sufficient. The increase in life expectancy is too great.
- Lesson 2
 - It is women and the younger age groups that have the most potential years to increase their work
- Lesson 3
 - It follows that if there is a problem a major contributor to financing longer life expectancy has to be savings.
- Lesson 4
 - I will show later that there is not much to be gained from increasing work life post 65 years

Extending work life at older ages

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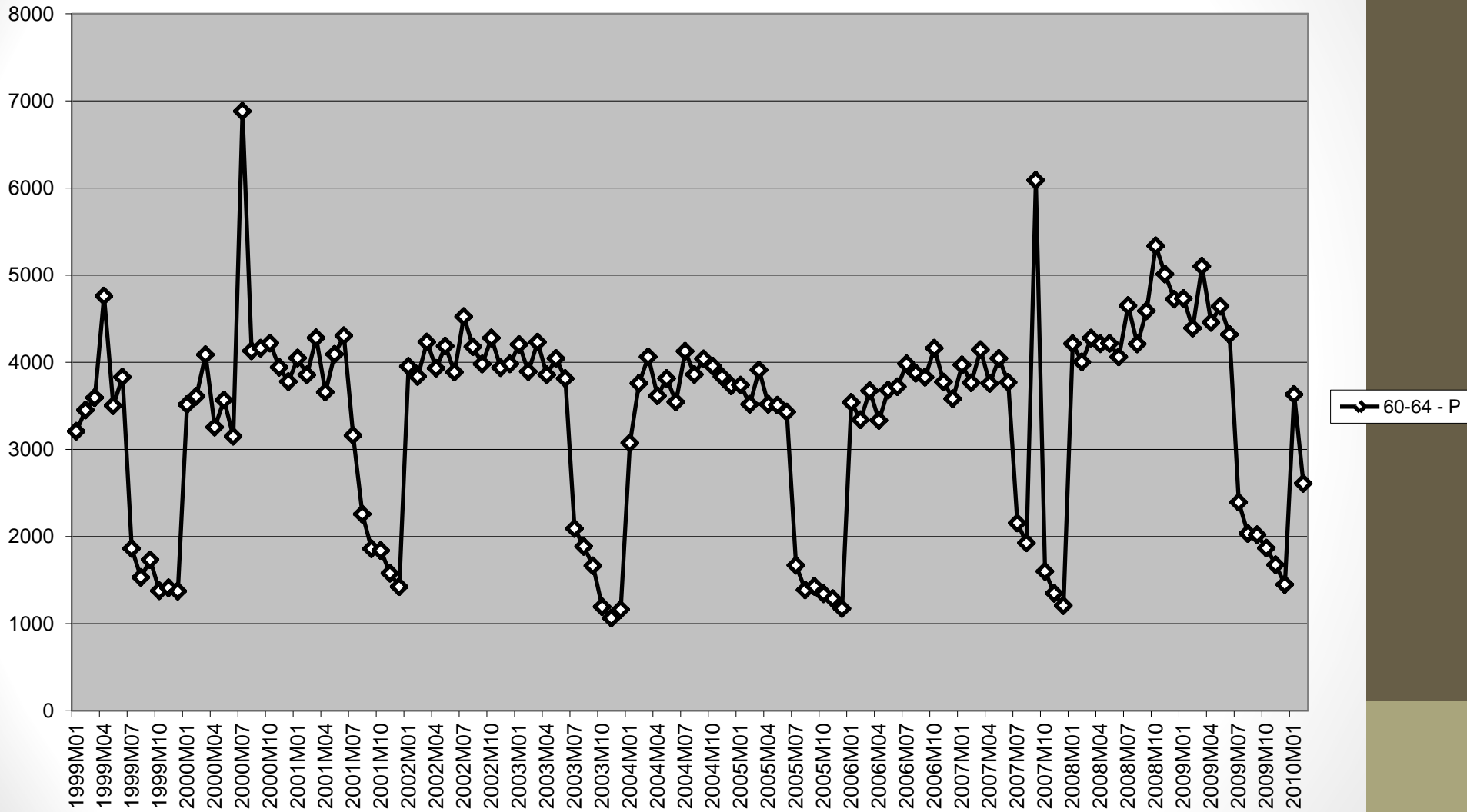
Extending the Qualifying Pension Age

- It is often thought that if the qualifying pension age is increased this will increase work force participation
- The logic is simple. If people cannot access the age pension they must work.
- This is completely misleading and very wrong
- I will give two examples. First I begin with the women's pension reform then discuss men

Extending the Qualifying Pension Age For Women

- Began in 1993. Extended six months beginning from 60 years each eighteen months.

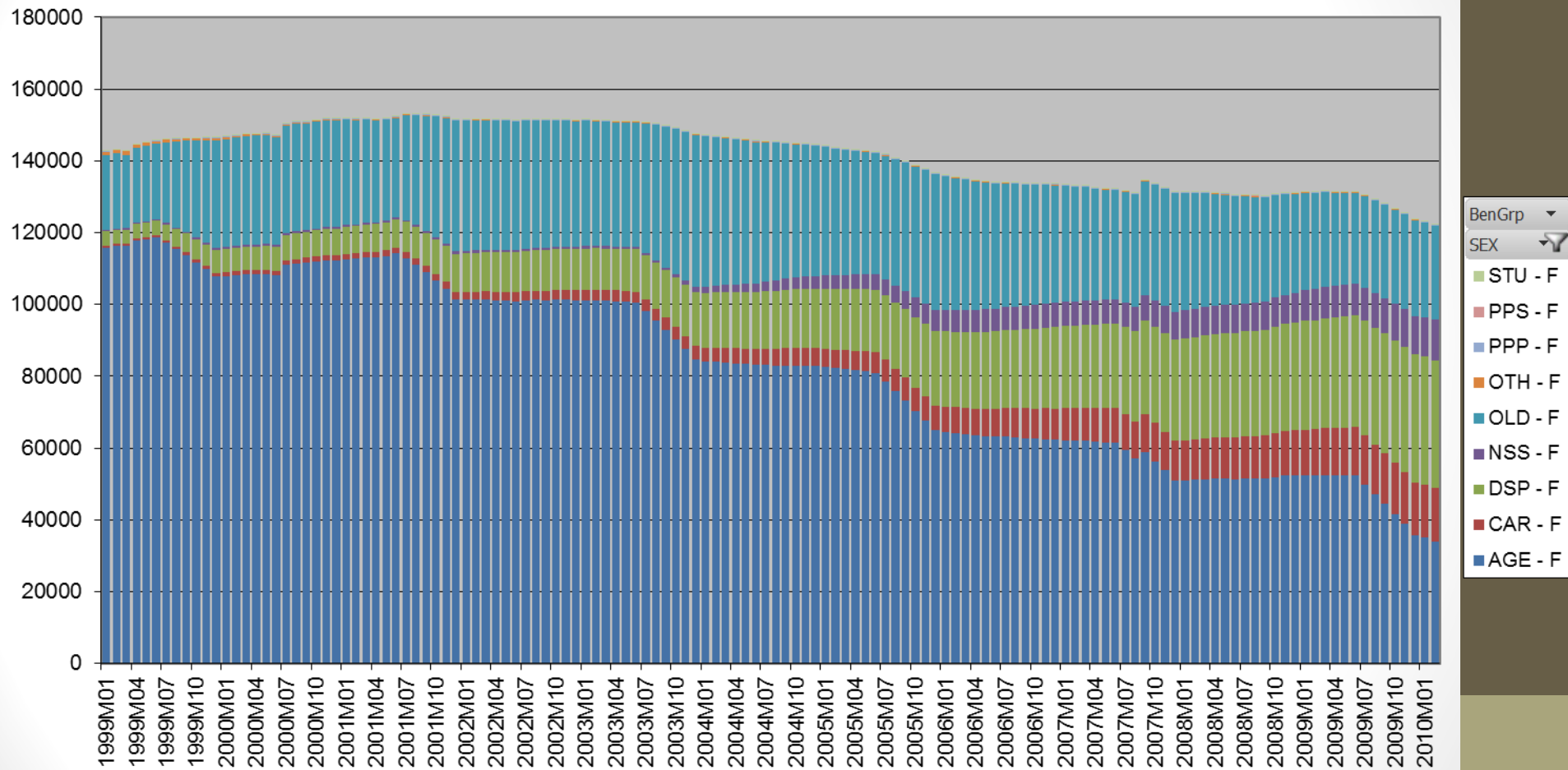
All IS Inflows Partnered Women 60-64



I. BEN... Age... Ptnr...

Sum of...

IS Partnered Women 60-64 years

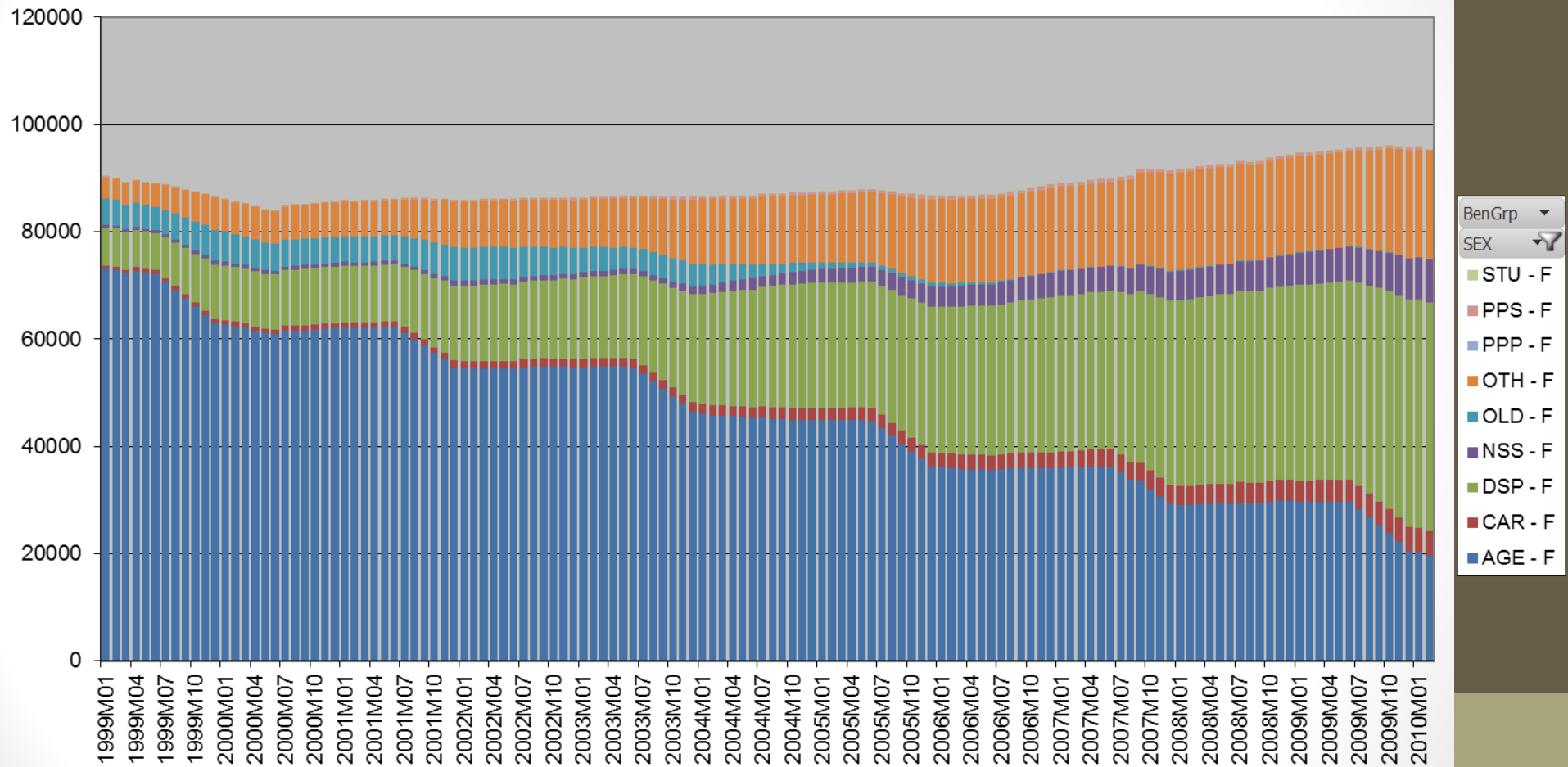


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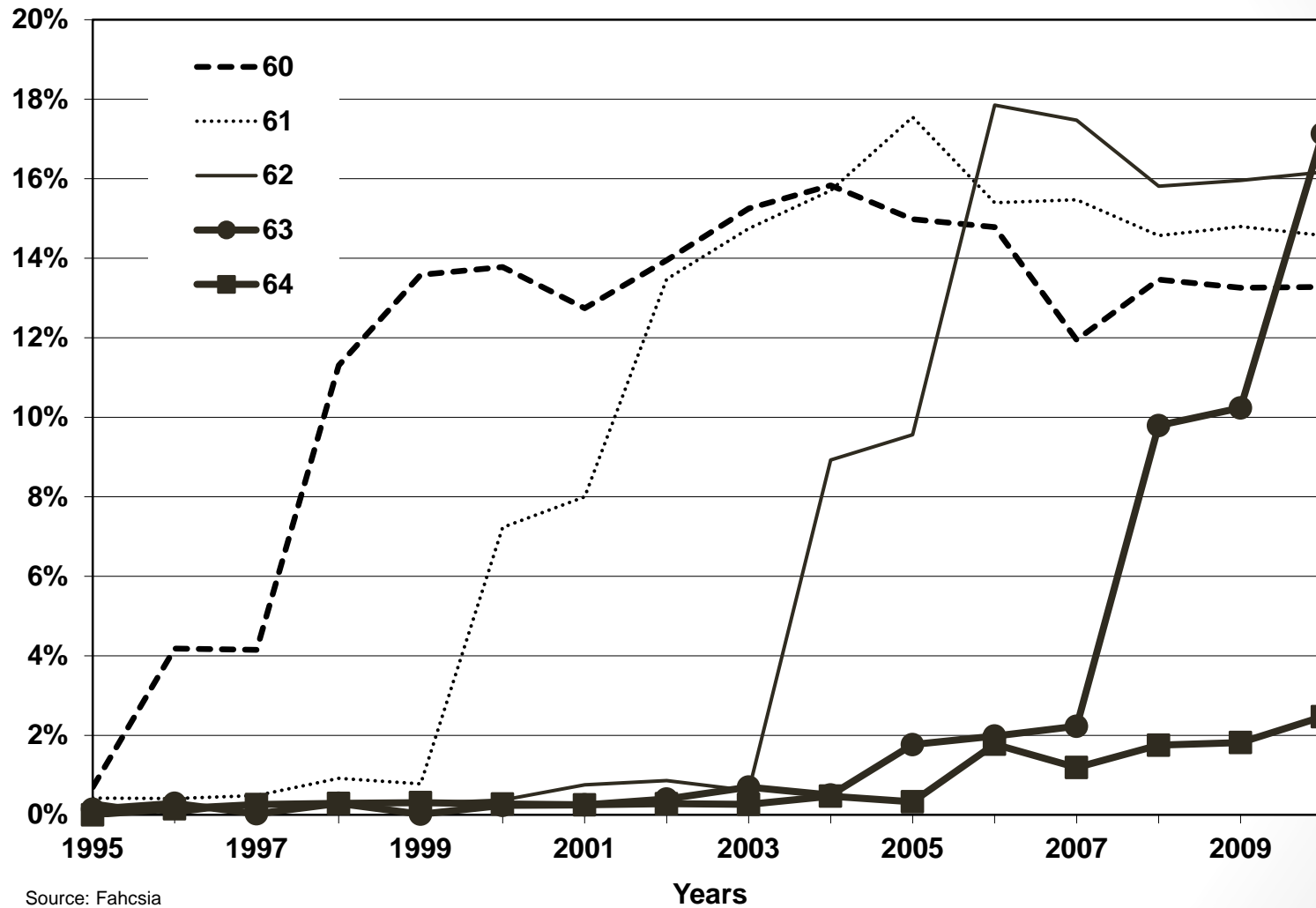
IS Single Women 60-64 years



BenGrp ▾
SEX ▾
STU - F
PPS - F
PPP - F
OTH - F
OLD - F
NSS - F
DSP - F
CAR - F
AGE - F

P... ▾

Females by Age, DSP Rate of Receipt as a Percent of Population 1995-2010

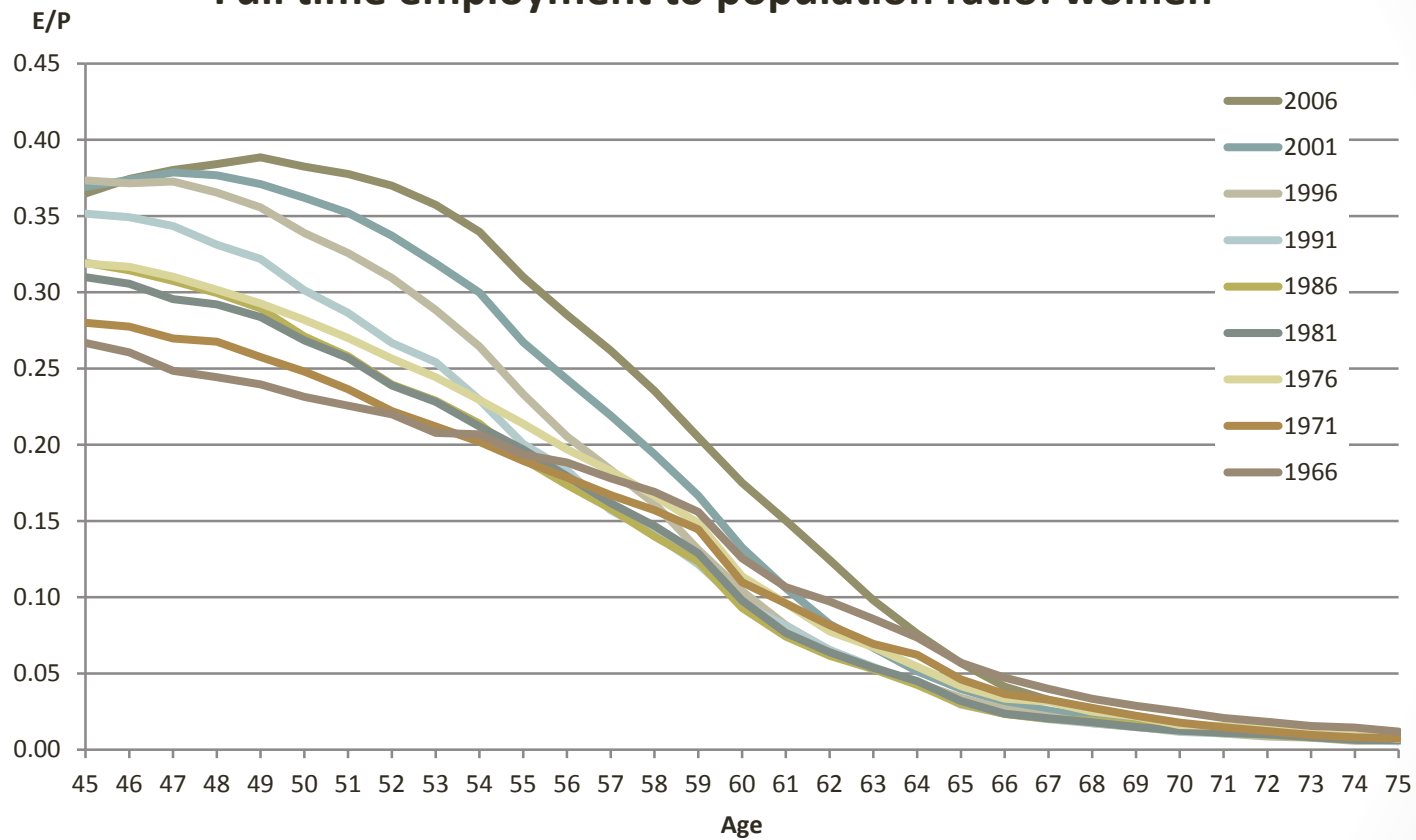


Source: Fahcsia

No large impact on IS

Can we detect an
employment effect

Full time employment to population ratio: women



Lesson 1

Program Substitution high so little
IS effect

Lesson 2

No obvious employment effect

Lesson 3

Reform must start at an earlier age
(see next two slides)

Lesson 4

Are there lags?

Dependent Spouse Reform

Dependent Spouse must seek and qualify for own IS

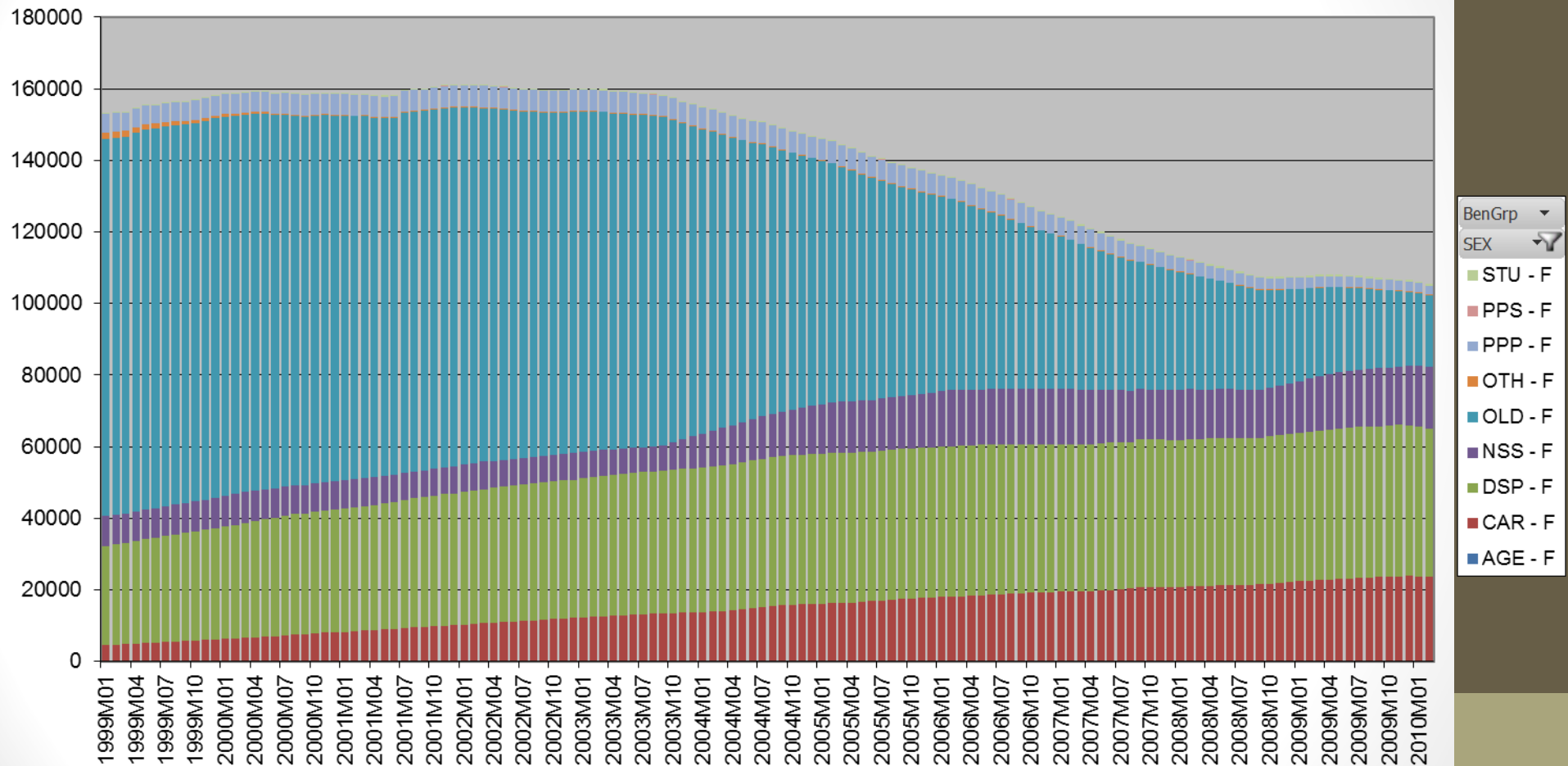
Grandfathering removed 2003 for those over 49 years

Compare married and single women

I. BEN... Age... Ptnr...

Sum of...

IS Partnered Women 50-59 years



BenGrp
SEX

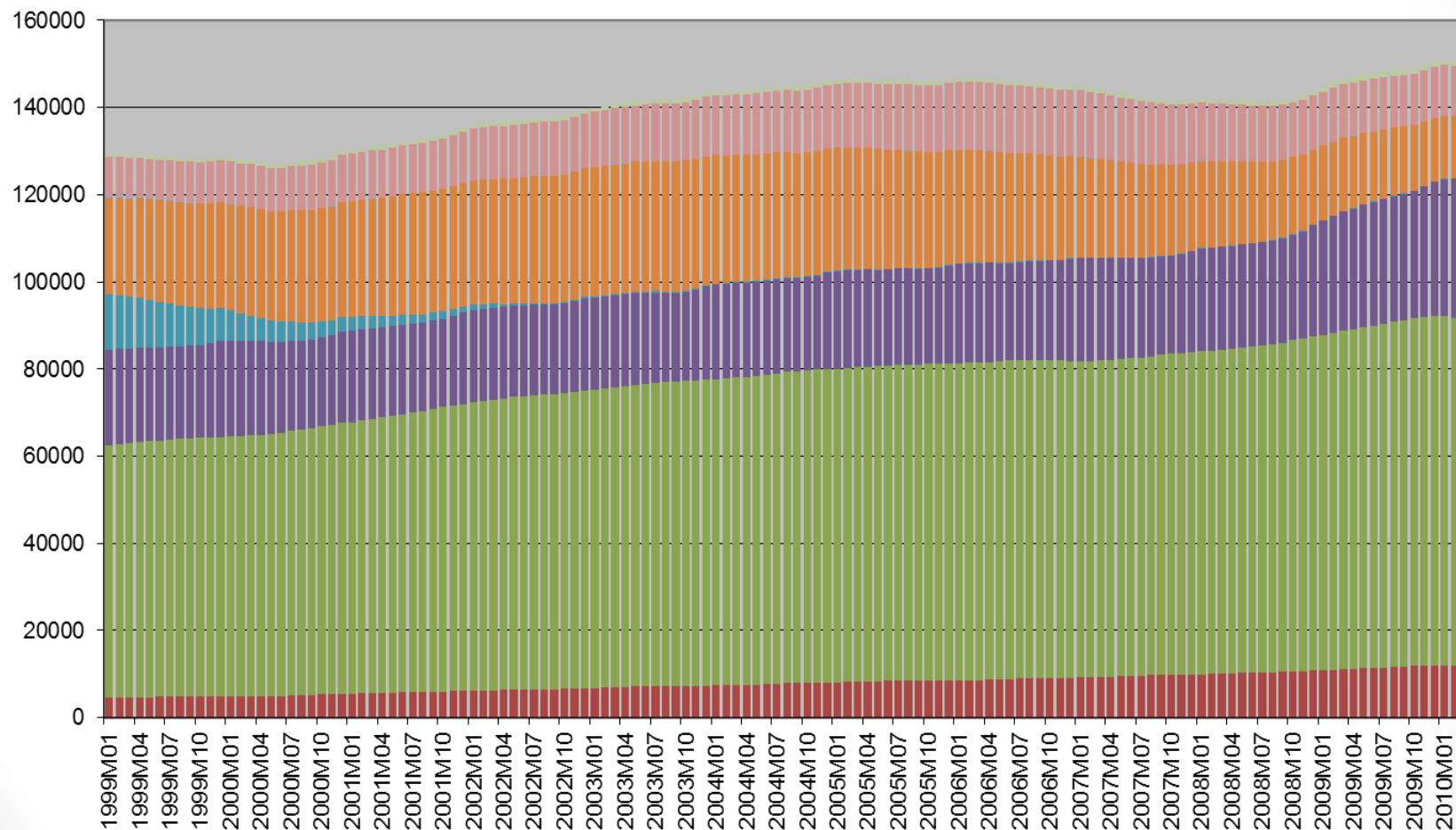
- STU - F
- PPS - F
- PPP - F
- OTH - F
- OLD - F
- NSS - F
- DSP - F
- CAR - F
- AGE - F

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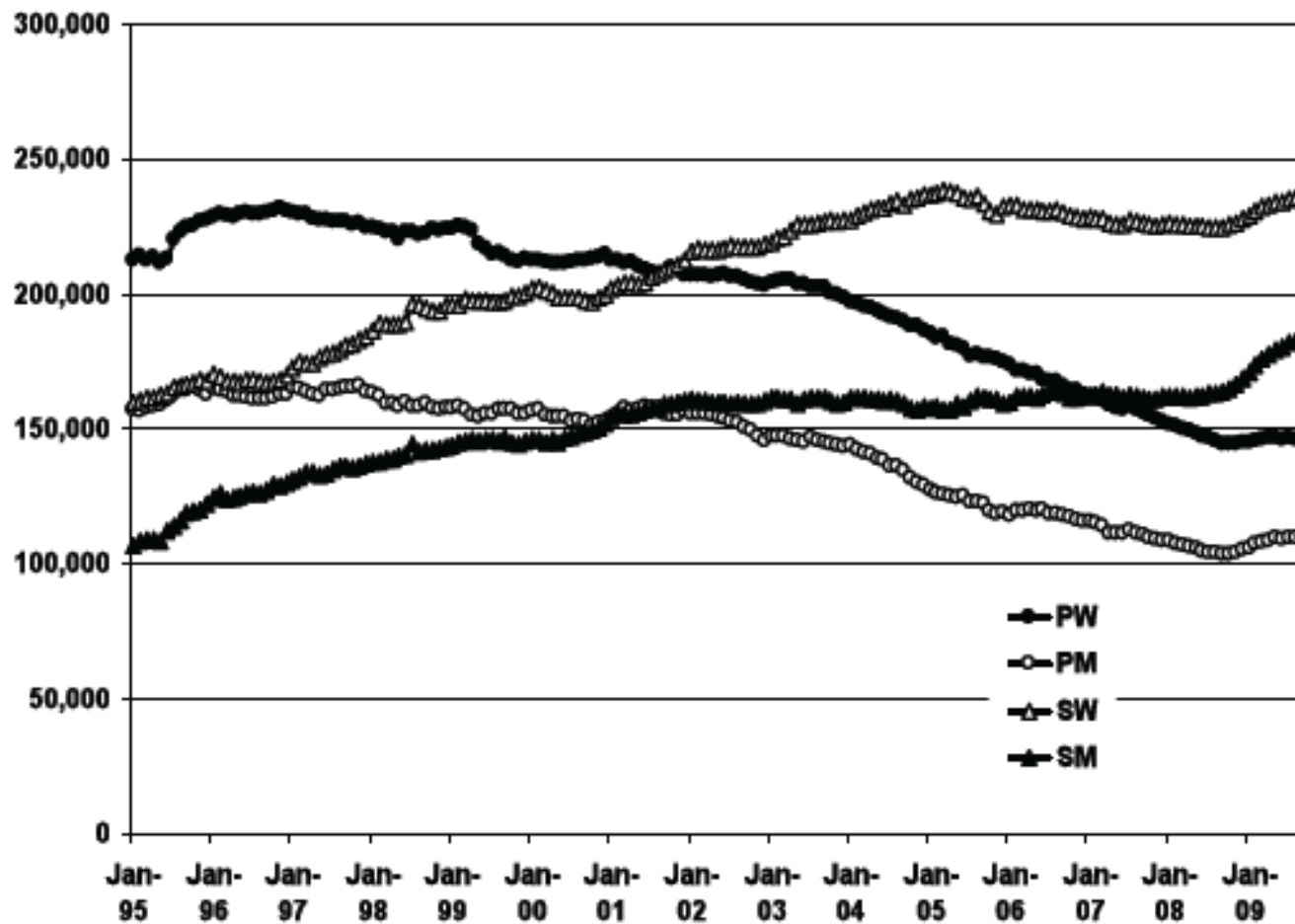
Sum of...

IS Single Women 50-59 years



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Figure 8 Total Income Support Stock by Sex and Marital Status 45-59
1995(1)-2009(9)



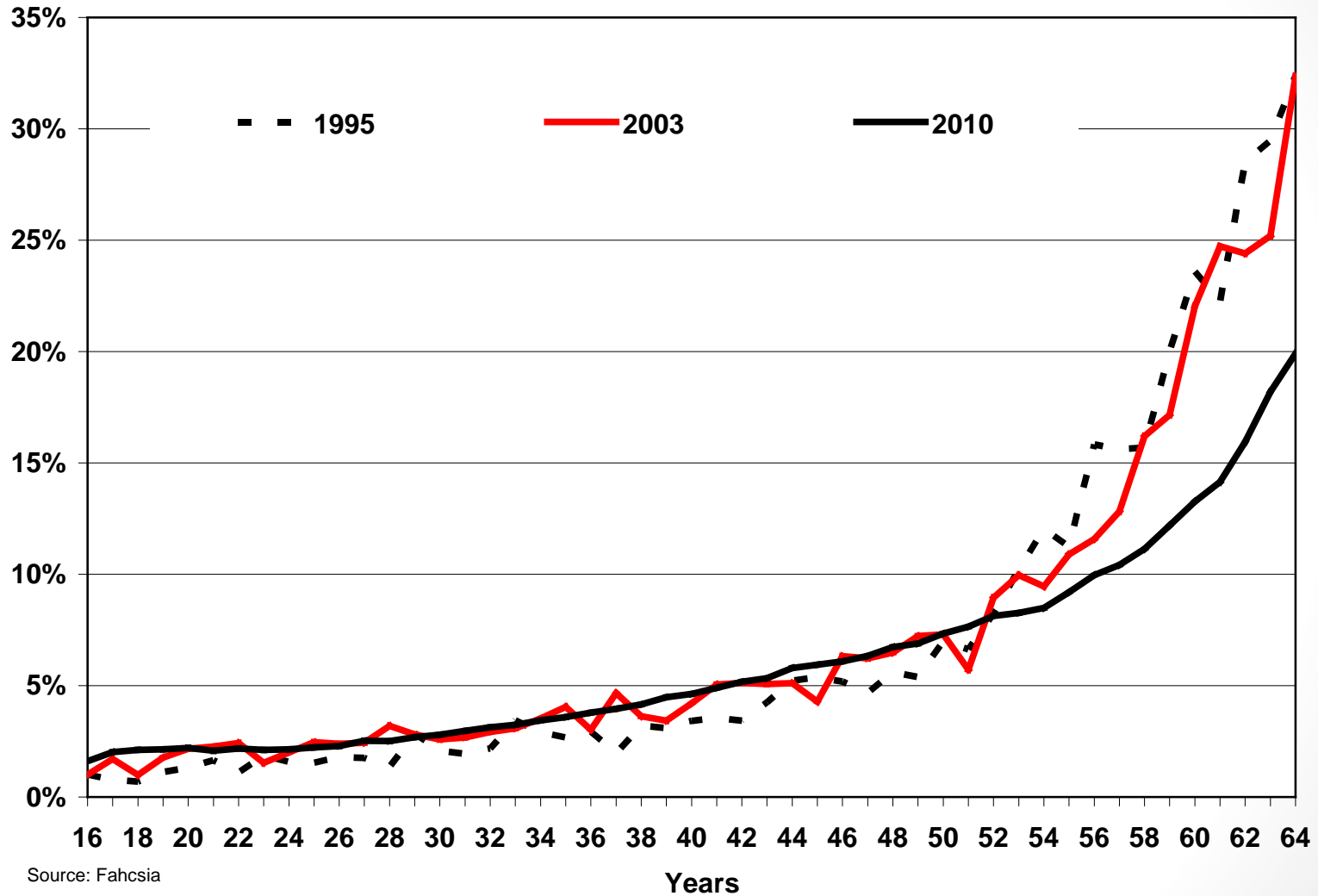
Spliced LDS, 1995(Jan)-2007(Jun), DEEWR 2007(Jul)-2009(Sept).

Year

Policies also spill across
genders in ways that may be
anticipated

Look at disability rates of
men

Males by Age, DSP Rate of Receipt as a Percent of Population 1995-2010



Dependent Spouse Reform

Very large effects and minimum substitution effects to other programs

Lesson 4

Substitution effects vary by reform– cannot tell a priori

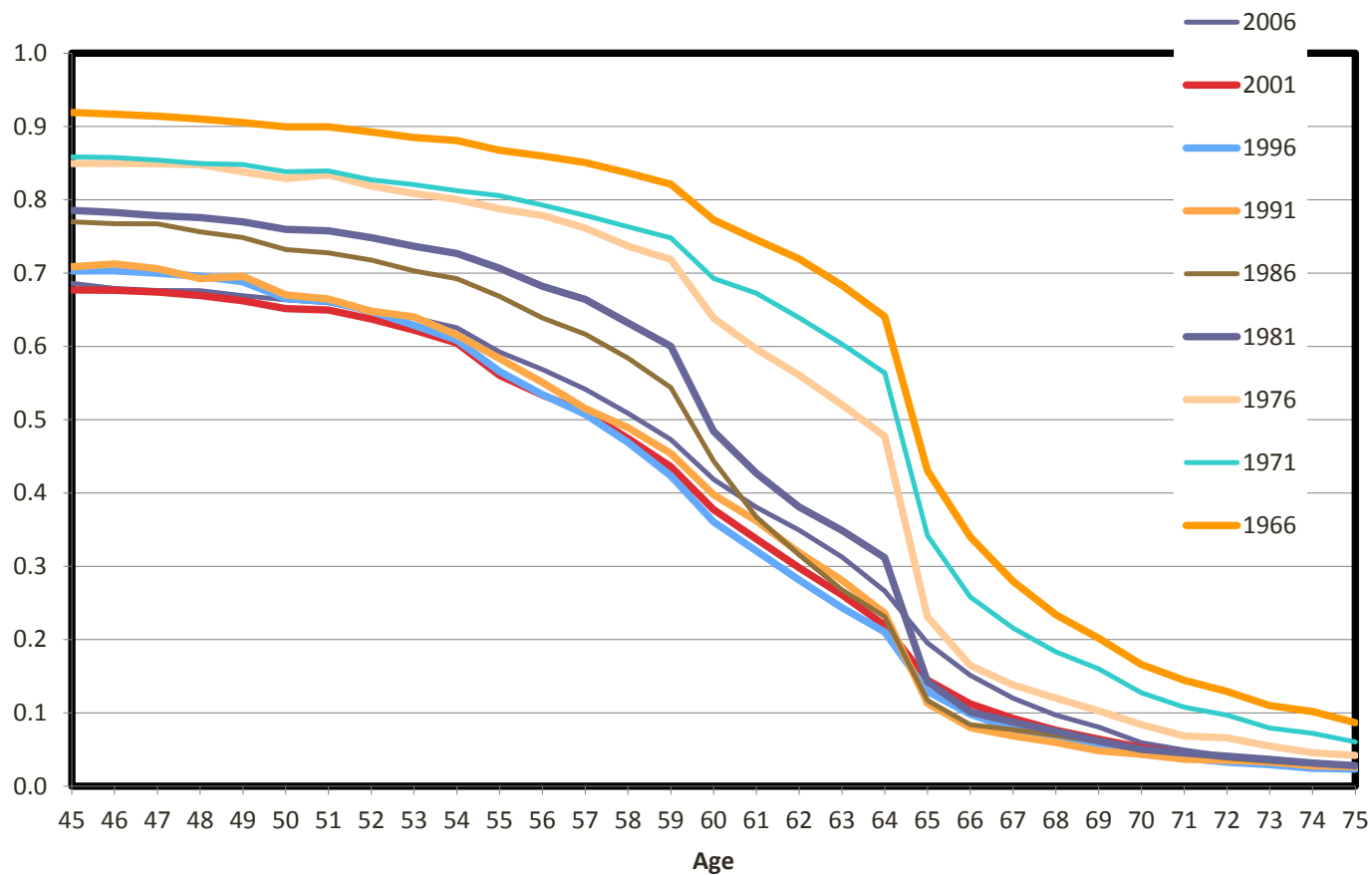
Lesson 5

Dependent spouse change affected married men

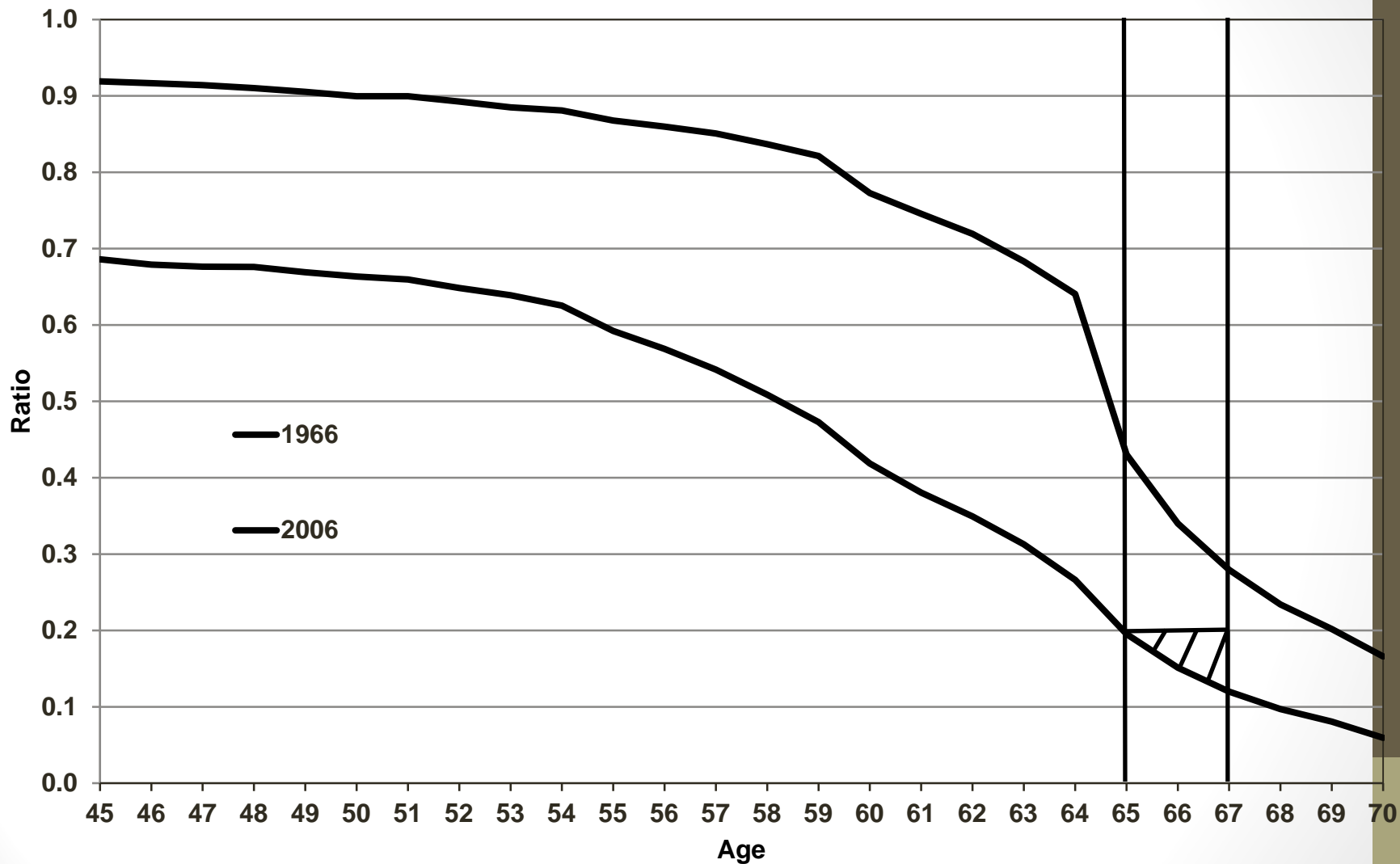
The Male Pension Qualifying Age
to be increased in steps to 67
years of age

Full time employment to population ratio: men

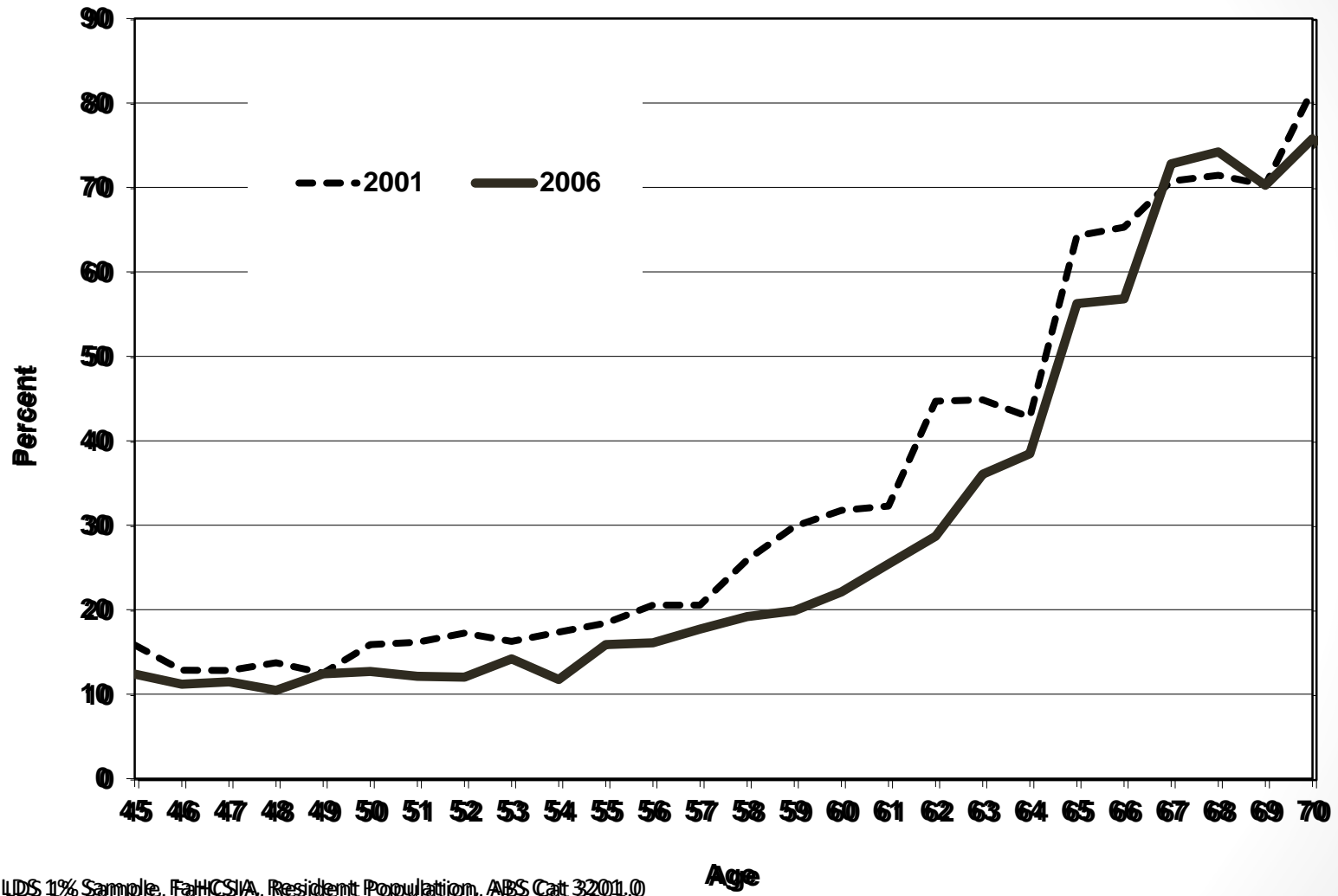
E/P



Males - Full time Employed to Population Ratio Single Age and Census Years



**Males, Income Support to Population, 45-70 by single year ages
June 2001 and 2006**



Source: LDS 1% Sample, FATHCSIA, Resident Population, ABS Cat 3201.0

Table 2a Male Age Pensioner 2005 Inflow for 65 year olds ('00's)

	Number			Percent	
	Total	Full Age Pension*	Part Age Pension*	Full Age Pension*	Part Age Pension*
Age Pension Inflow -	477	235	242	49	51
No Previous Welfare	124	15	109	12	88
Previous Welfare	353	220	132	62	38

Table 2b Female Age Pensioner 2004 Inflow for 62 year olds ('00's)

	Number			Percent	
	Total	Full Age Pension*	Part Age Pension*	Full Age Pension*	Part Age Pension*
Age Pension Inflow -	421	237	184	56	44
No Previous Welfare	63	7	56	11	89
Previous Welfare	358	230	128	64	36

* Two months into the Age Pension.

Male Pension Qualifying Age

- **Lesson 1**

- Program substitution high

- **Lesson 2**

- The change in pension age will not even compensate for the increase in life expectancy over the period. The logic is simple. If people cannot access the age pension they must work.

- **Lesson 3**

- If the object is to increase employment and decrease IS policy must start at an early age than 65 years

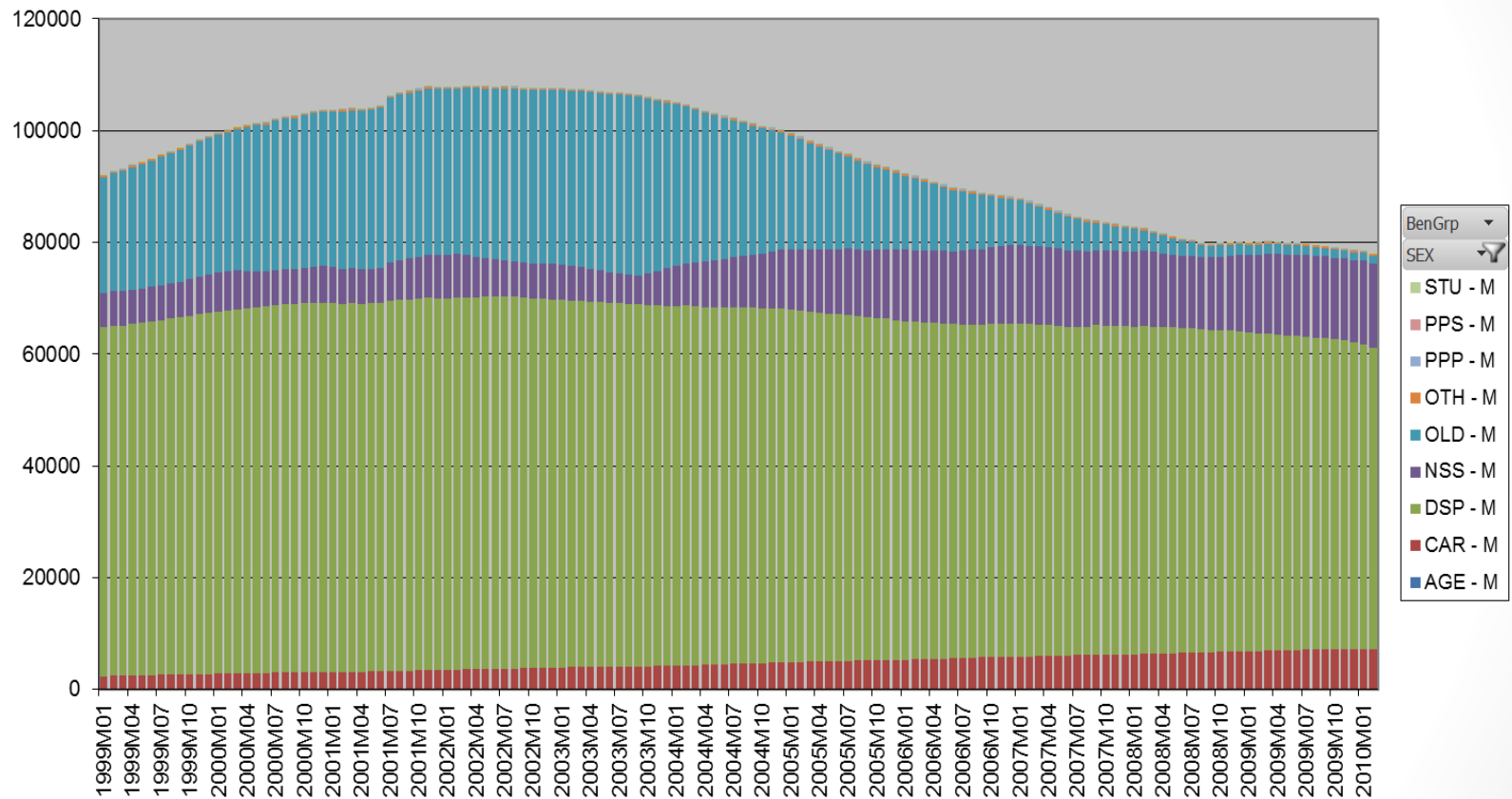
The End

- I hope you can see how simple data can affect judgements as to how the world works
- Outside researchers need more access to IS and employment data so that we can work out what is going on
- We need people who can put different data sources together
- Notice nothing about superannuation savings. It does not impact on the picture on the short run but will begin to matter in the future but not clear how
- Spend-down, early retirement etc
- Exciting agenda out there.

I. BEN... Age... Ptnr...

Sum of...

IS Married men 60-64 years

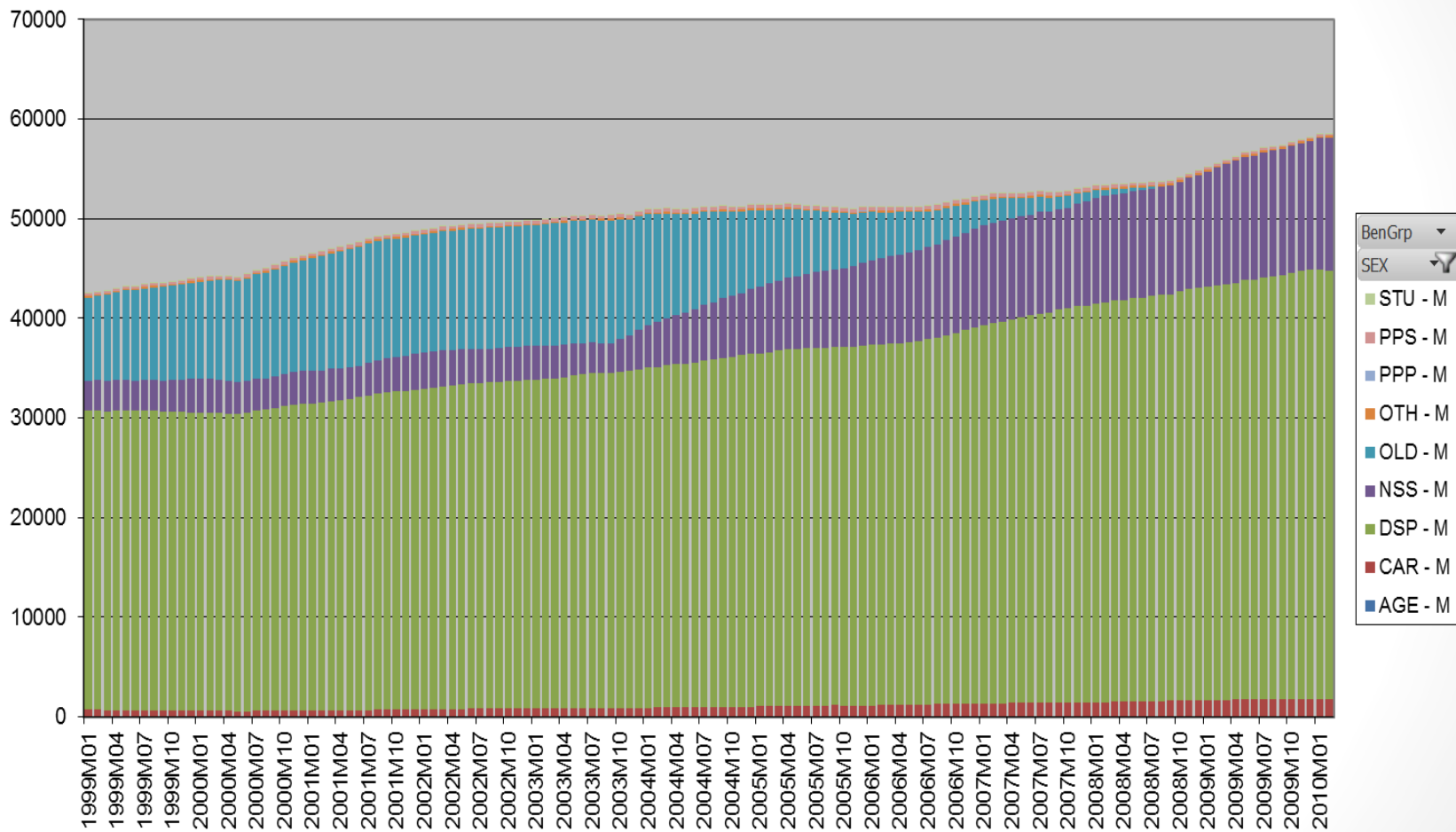


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I. ▾ BEN... ▾ Age... ▾ Ptnr... ▾

Sum of...

IS Single men 60-64 years

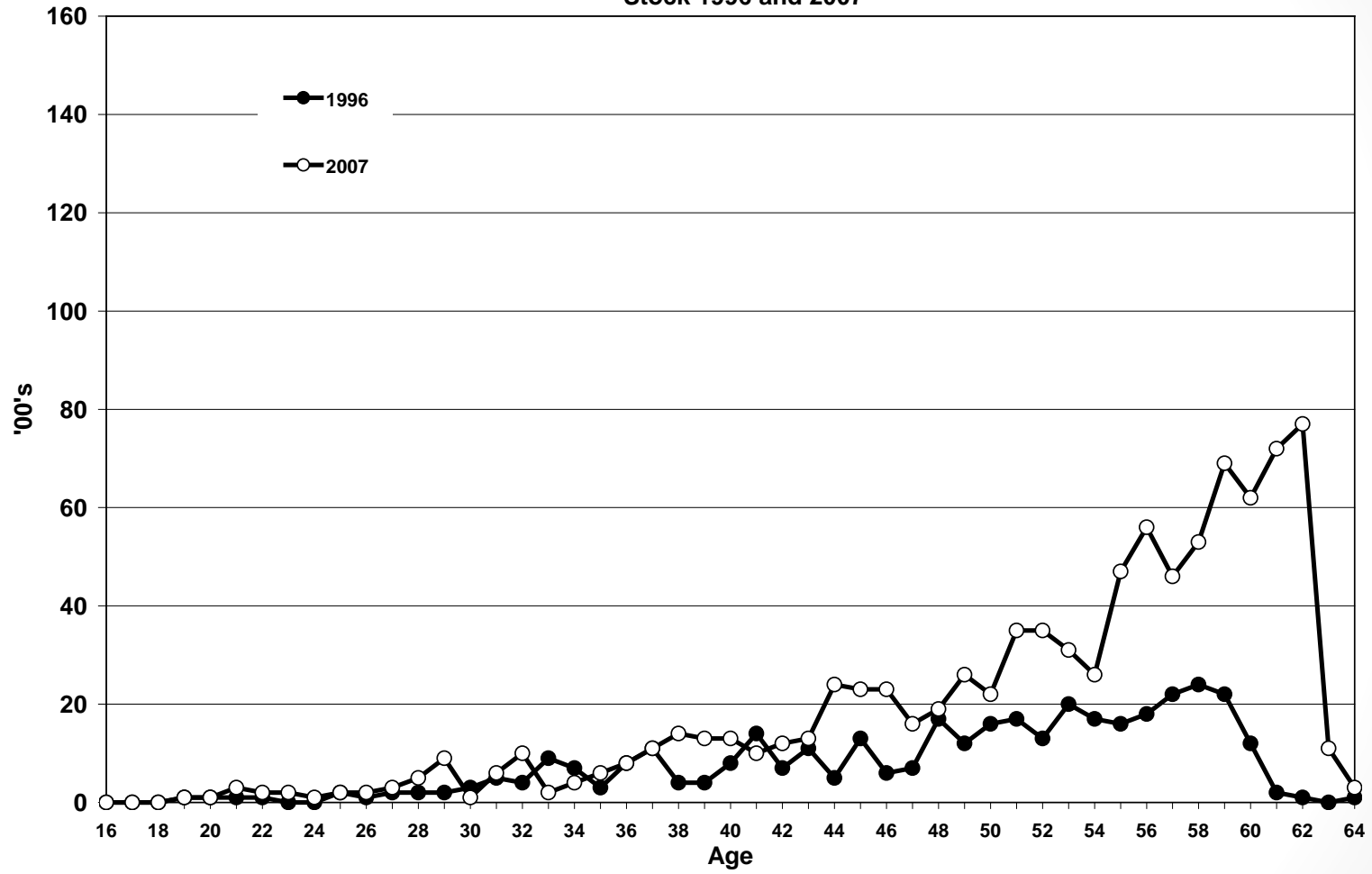


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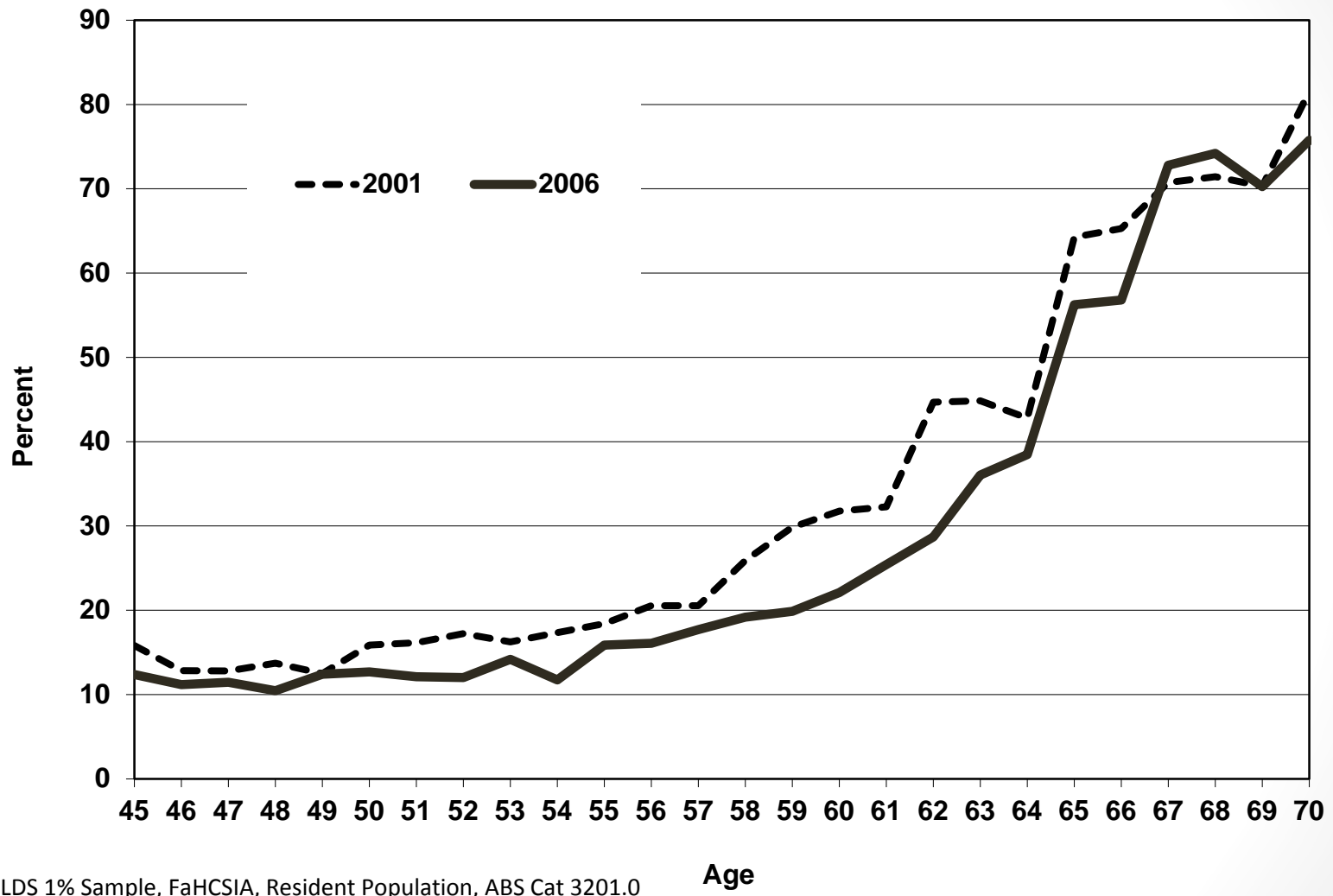
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Married Females DSP by Age
Stock 1996 and 2007

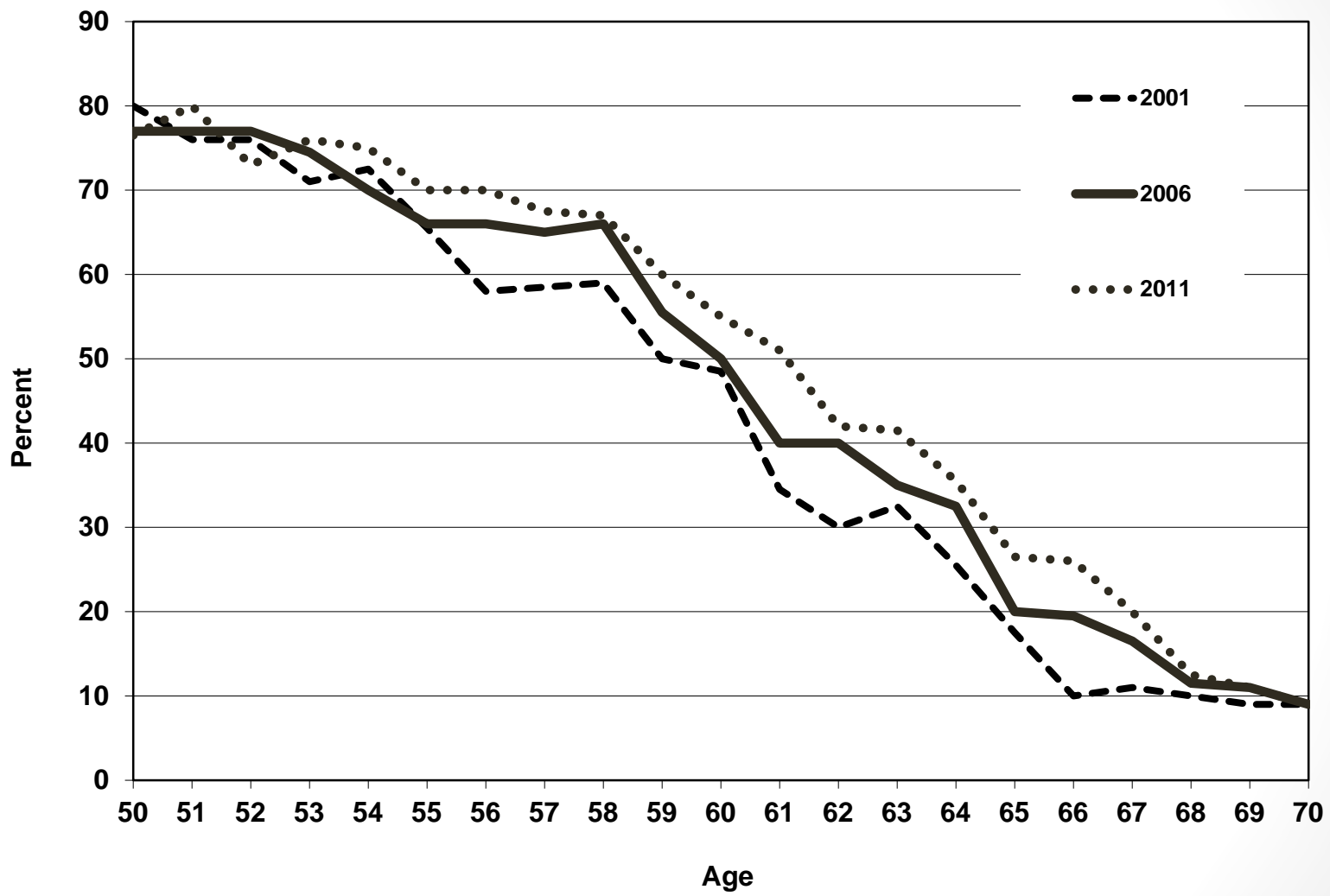


Males, Income Support to Population, 45-70 by single year ages
June 2001 and 2006

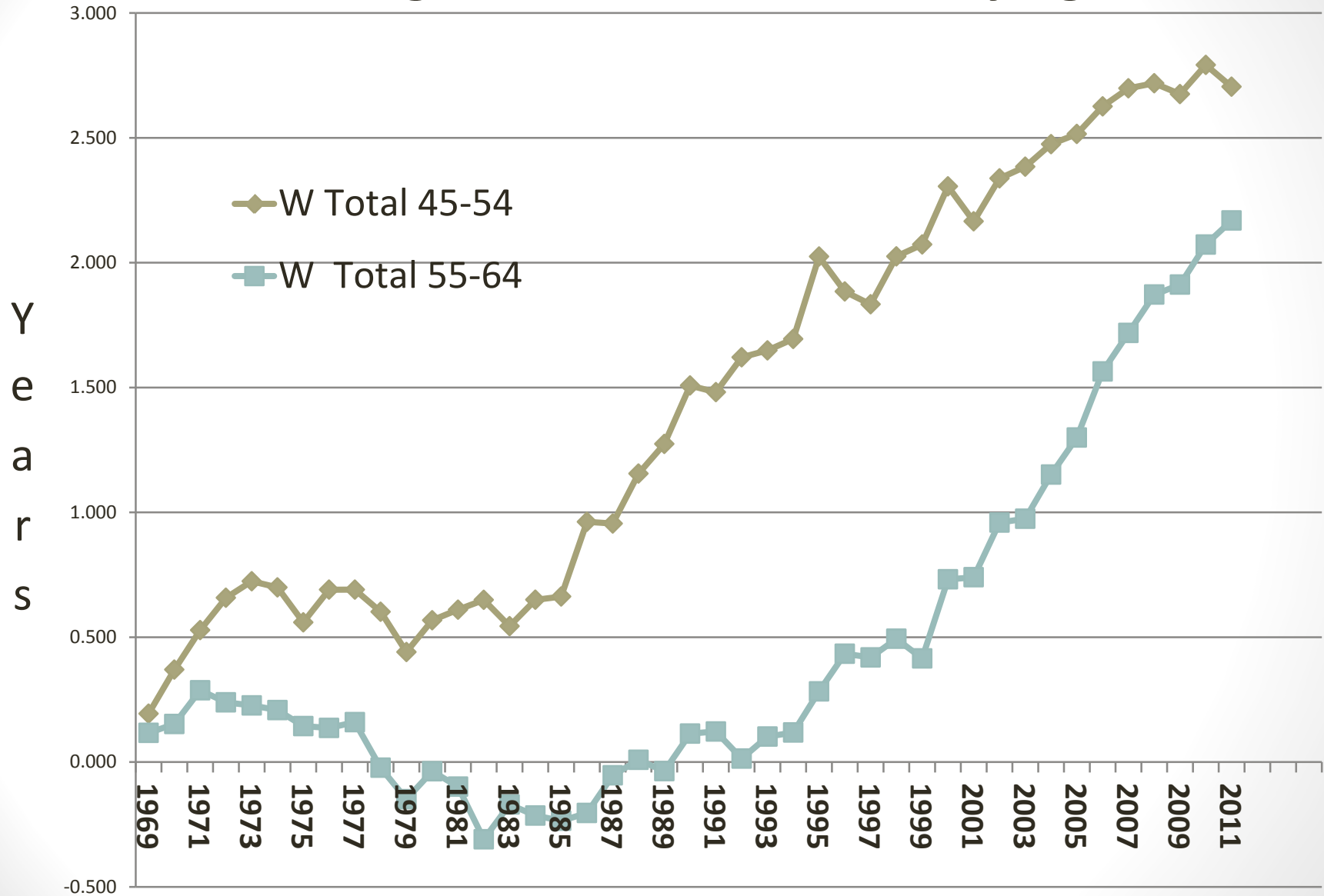


Source: LDS 1% Sample, FaHCSIA, Resident Population, ABS Cat 3201.0

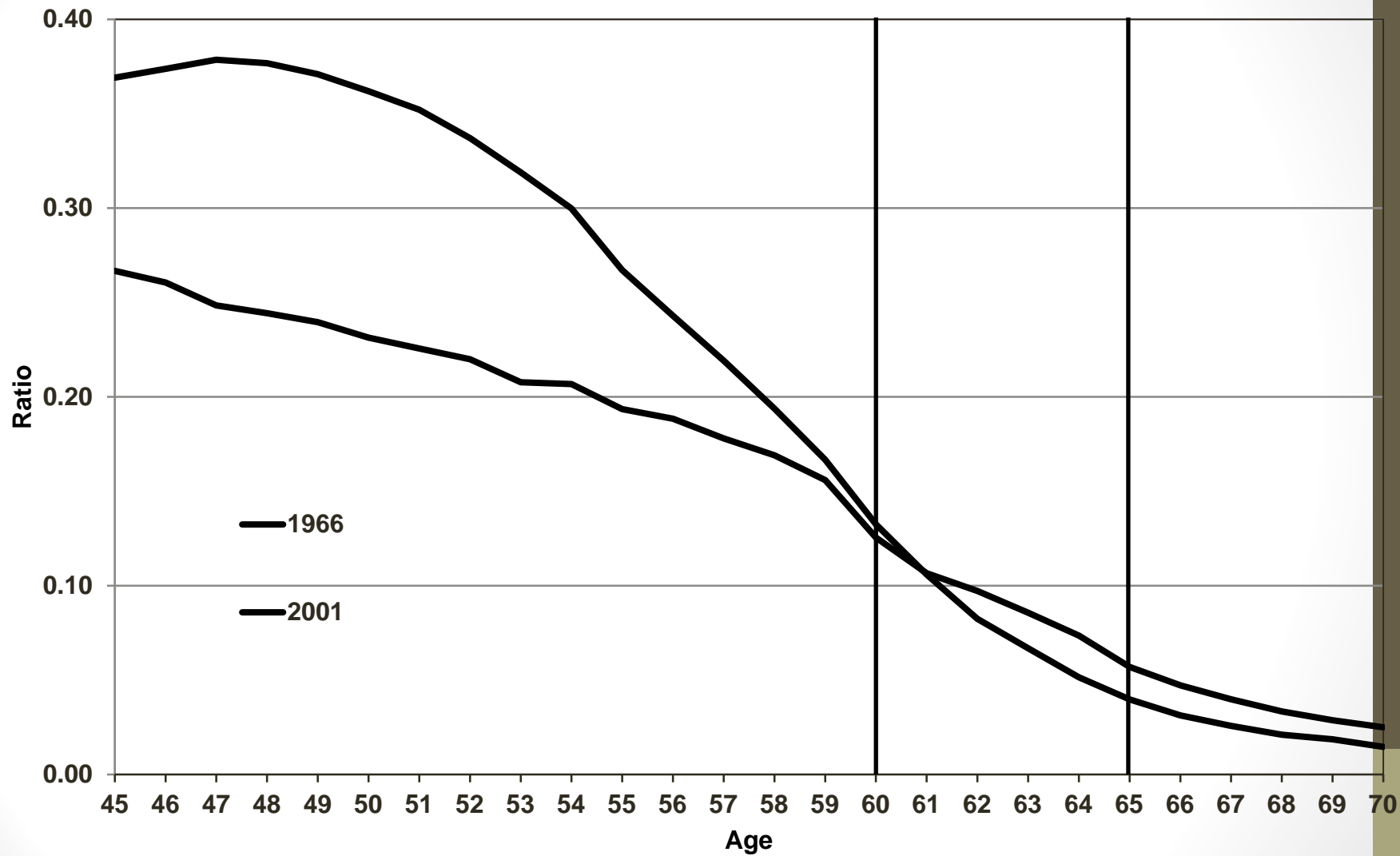
Males, Full-time to Population, Percent, by Single year ages
Nov 2001, 2006 and 2011



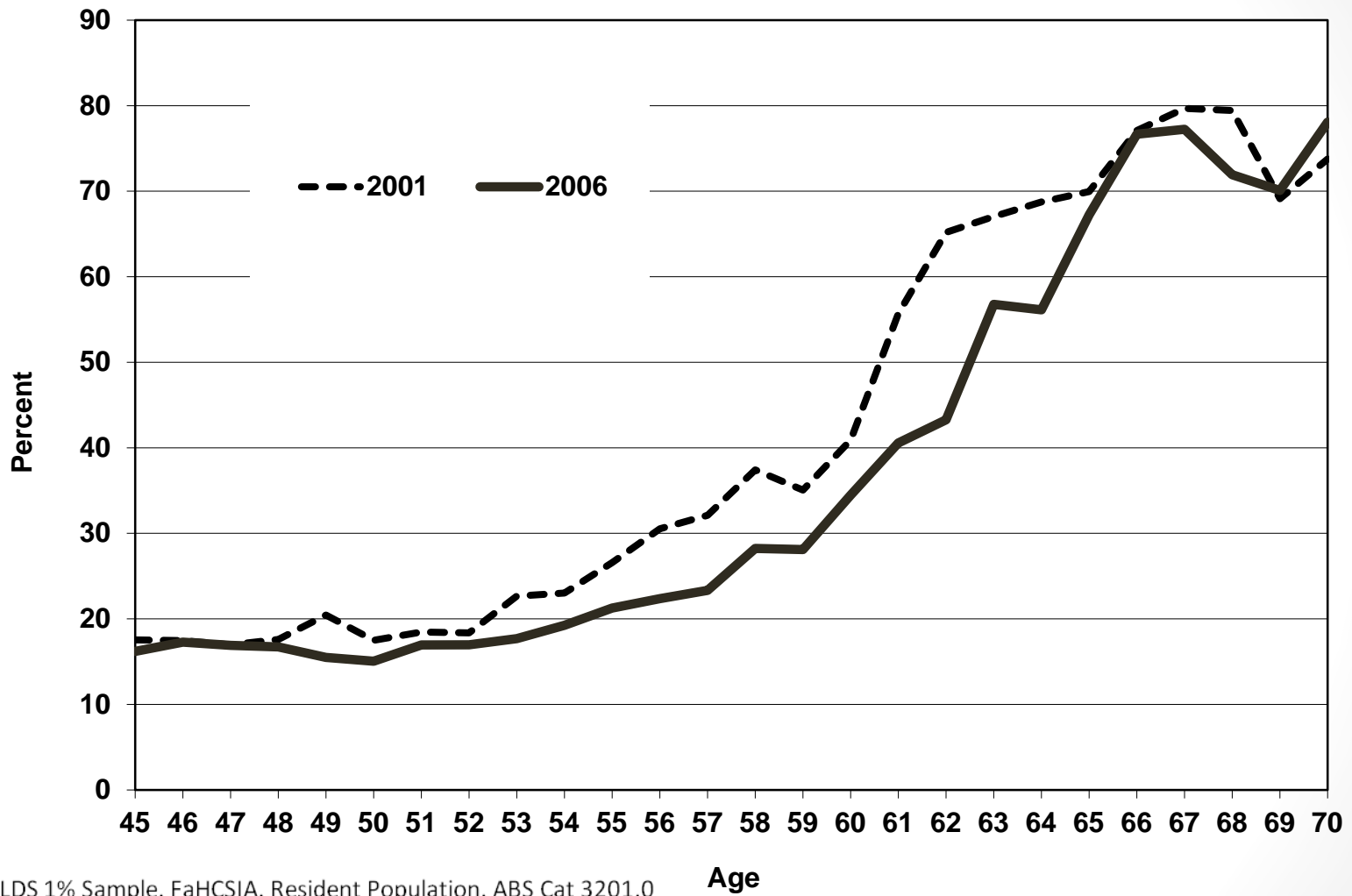
Change Womens Work Year by Age



Females - Full time Employed to Population Ratio Single Age and Census Years

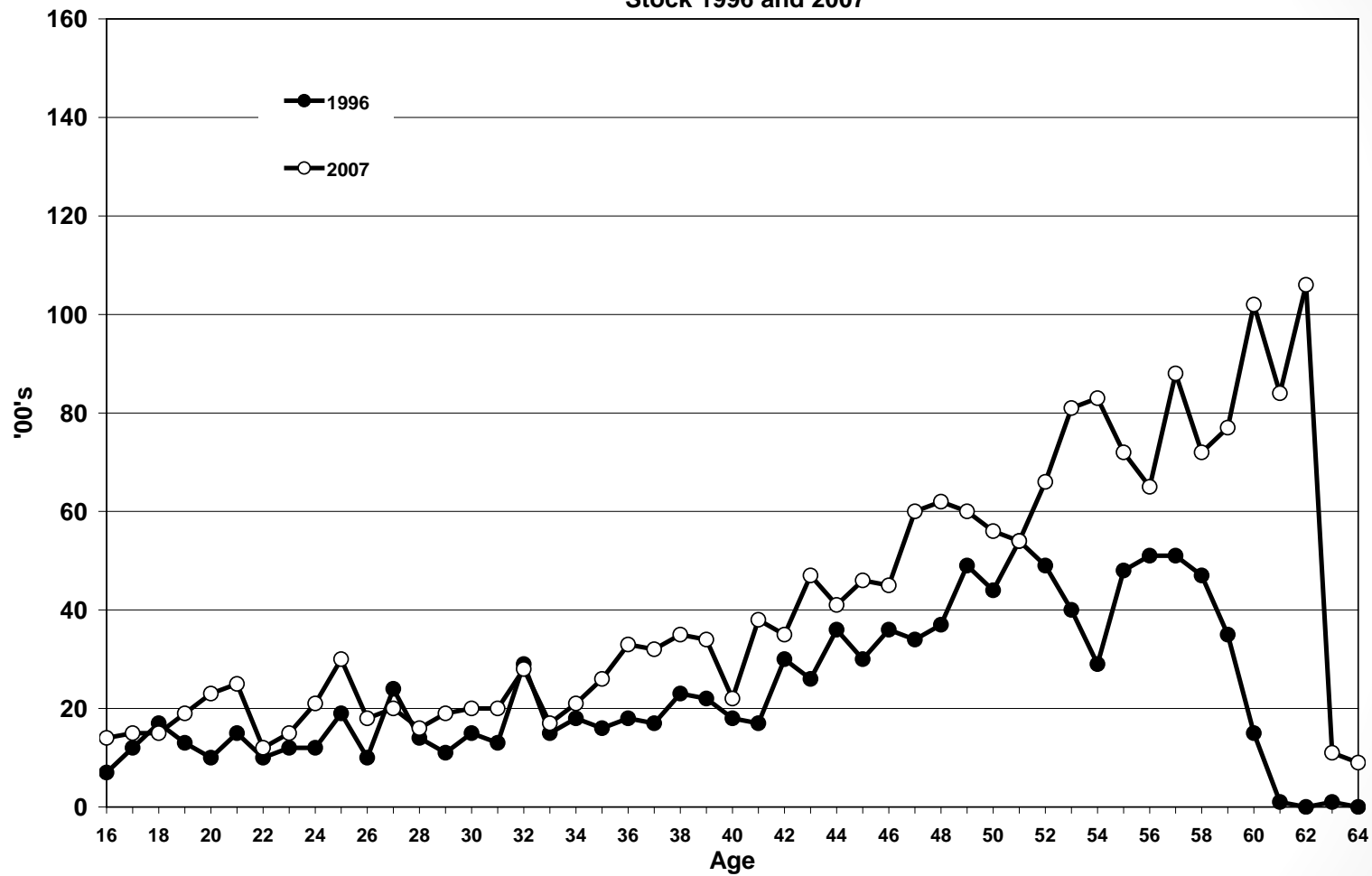


Females, Income Support to Population, 45-70 by single year ages
June 2001 and 2006

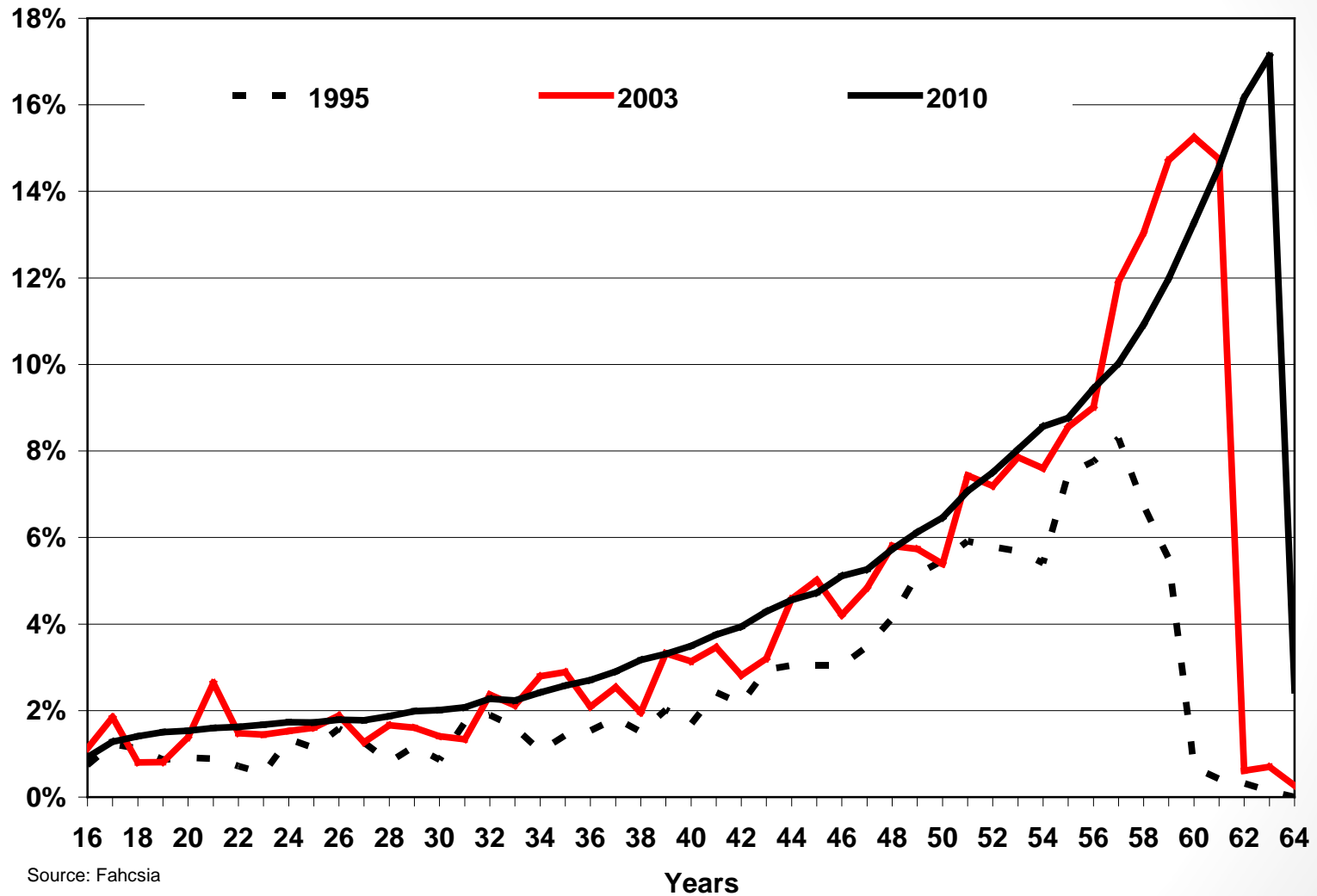


Source: LDS 1% Sample, FaHCSIA, Resident Population, ABS Cat 3201.0

Single Females DSP by Age
Stock 1996 and 2007



**Females by Age, DSP Rate of Receipt as a Percent of Population
1995-2010**



Males by Age Group, DSP Rate of Receipt as a Percent of Population 1995-2010

