

## An Investigation of The Retirement Behaviour of Older Australians

by

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## Executive Summary

Key findings from the research include:

- The limited extent to which survey participants had retired from full time work at or after Age Pension entitlement age. Most commonly, men had retired “early” (that is, aged 45 years or more, up to, but not including, pension age). Whilst many women had retired at age 45 or less, those who had continued in the full time labour force beyond that age, also typically reported early retirement.
- The extent to which early retirement had been initiated by factors beyond individual control - 81 per cent of men and 64 per cent of women who retired early over the period from 1992 to 1996 did so for “induced” reasons such as employment problems, health problems (both of self and others) and compulsory retirement policies.
- The importance of employment problems in inducing early retirement, particularly amongst men. The survey indicated that of those who had retired early over the period from 1992 to 1996, 50 per cent of men and 31 per cent of women demonstrated evidence of significant employment problems prior to their retirement.
- The role of public and private sector restructuring and rationalisation in inducing early retirement, with 20 per cent of all male recent early retirees citing an early retirement package as a reason for their retirement.
- Overseas research suggests a process of psychological withdrawal, with those who were financially able progressively redefining themselves as retired rather than unemployed. Retirement is regarded as the preferred option, as it enables those faced with limited prospects of re-employment, to regain some sense of personal control over their lives.
- In Australia, the male discouraged job seekers who had retired early over the period from 1992 to 1996 typically retired after a sustained struggle to find full time work. On average, these men reported that they had stopped looking for full time work approximately 3 years after they had finished their last full time jobs.
- The widespread incidence of induced early retirement with all occupational groups affected by induced early retirement.
- The high rate of self-employment reported by older men.
- The low incomes reported by many men who said that they were in full time employment.
- The high degree of dependence on government pensions/benefits reported by men who had retired before pension age for other than voluntary reasons.
- The low incomes notified by men who reported induced early retirement - these typically involved incomes below \$15,000 per annum. Most commonly, men who indicated induced early retirements reported receiving lump sums on retirement of less than \$40,000.
- The frequently abrupt timing of the retirement decision - even where retirement was voluntary.
- The common expectation amongst those who were still in the labour force that early retirement would be a voluntary decision, based on lifestyle reasons and underpinned either explicitly or implicitly by the affordability of early retirement.

- Differences in early retirement practices according to gender and marital status.

While government policies and practices may be able to address distortions which encourage voluntary early retirement (such as by eliminating the gap between the superannuation preservation and Age Pension eligibility ages), such policy initiatives may have only limited impact on overall early retirement. This will be particularly so in the absence of labour market conditions supporting continued employment.

Furthermore, where measures are designed to reduce the affordability of early retirement (such as by tightening arrangements for the early release of superannuation benefits and/or access to social security), there is likely to be tension between ensuring the economic well being of those who, through reasons beyond their control, are forced to retire early and the public policy objective of not encouraging unduly early retirement at the public expense.

Much of the analysis supporting the current superannuation system is based on the assumption of forty years of continuous, full time employment. The results of this survey suggest that this assumption needs to be reassessed.

By challenging the attainability of the assumption of continuous, full time employment for forty years, this research gives rise to questions about:

- the adequacy of retirement incomes which will be delivered under the current system;
- the extent to which the system will meet the retirement needs of men (it has been widely acknowledged that, as a group, women are not well served by the current system): and consequently,
- the likely effectiveness of the system in reducing the transfer of costs to the next generation.

These are areas which require further investigation.

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# 1 Introduction

With the Superannuation Guarantee, Australia introduced a national employment-related superannuation system designed to ensure that individuals assumed greater responsibility in providing for their own retirement. Under the system (which covers all but the lowest paid employees) each individual's final benefits will, in most cases, be largely dependent upon the amount of contributions they are able to make (or have made on their behalf) over the course of their working life. In the case of those in defined benefit schemes, final benefits will depend on the number of years of qualifying service with the particular employer.

Whilst the system will take several decades to mature, when it does it is intended that it will play a major part in the provision of retirement income. While the unfunded government Age Pension will remain, it is envisaged that a large proportion of the population will rely on their own retirement savings for the whole or part of their retirement income. The attainment of this policy objective is critically dependent on individuals contributing (or having contributions made) to the system for forty years. It is also imperative that leakages from the system are prevented and that the benefits intended to support 'normal' retirement are not used for other purposes.

These critical dependencies are set against the background of a substantial decline over the past two decades in the labour force participation rates of Australian men in older age groups. In general, this decline has been explained by reference to a growing group of individuals using their superannuation accumulations to finance early retirement. Easier access to social security has also been cited as an explanatory factor, as has, in more recent times, the increased level of retrenchments.

Policy makers have sought to address a number of factors perceived as contributing to this outcome, such as the gap between the preservation age and the pension age which allows for double dipping. However, these changes, some of which will not take effect for several decades, reduce, but do not eliminate, the distortions inherent in the system. Recently, policy makers have also sought to provide positive encouragement to remain in the workforce beyond Age Pension eligibility age.

Retirement behaviour is complex. Research has demonstrated that retirement planning and actual retirement decisions are influenced by many considerations (including health, financial, employment, lifestyle and psychological factors). Mostly this research has been undertaken in other countries, with the retirement literature being particularly extensive in relation to the United States of America. However, this international research is of limited relevance to the Australian situation given major differences in social security and national retirement income systems.

The research outlined in this paper aims to bring about greater knowledge of the dimensions and reasons for early retirement in Australia, and thus increase understanding of how policy might be used to influence early retirement decisions.

## **2 The Survey**

### **2.1 The Survey Instrument**

A survey was developed to investigate retirement and retirement intentions. It was decided, with the support of the Australian Bureau of Statistics (ABS), to use several key questions from the questionnaire previously used in the ABS Retirement and Retirement Intentions Survey in order to ensure the compatibility of the data generated by this project with other existing Australian data sets.

The survey was included in the ABS's Population Survey Monitor in February and May 1996. From the 6,265 fully responding households, a person was chosen at random. If that person was aged 45 to 74 years inclusive, details on retirement or retirement intentions were obtained. In total, 2,443 persons aged from 45 to 74 years provided information on their retirement or retirement intentions as at May 1996.

The questions asked sought to ensure that all reasons for the respondent's retirement or retirement intentions were captured and that the pre-coded response categories used in this survey isolated the impact of reasons identified in the literature as likely to be important. Information on other aspects of retirement/retirement intentions (including the timing of the decision to retire in relation to the actual retirement) was also obtained. Attachment A provides further information on sample size, sampling errors and other technical characteristics of the survey.

### **2.2 Definition of and Evidence of Retirement**

The focus in this study is on retirement from full time work. In investigating whether respondents had ceased or were intending to cease full time work, the respondent's perception of full time work was accepted.

Consistent with the Retirement and Retirement Intentions Survey, retirement was defined in terms of respondents having ceased full time work aged 45 years or more and not intending to work full time or look for full time work in the future.

In order to determine retirement status, respondents were questioned about their current labour force status. Where people were neither employed full time nor looking for full time work, they were asked "Do you intend to look for, or take up, full time work at any time in the future?". Those who said "no" and those who had indicated that they were permanently unable to work were asked about the age at which they had left their last full time job. No further questions were asked of those who had never had a full time job or had left their last full time job at less than 45 years of age.

Other respondents were asked if they had looked for full time work since they finished their last full time job. Where they indicated that they had, they were asked about the age at which they had stopped looking for full time work. This was taken as the age of retirement for these respondents. Where respondents had indicated that they had not looked for full time work after leaving their last full time job, the age at which they had

left their last full time job was taken as their retirement age. Respondents who did not know the age at which they left their last full time job and/or the age at which they stopped looking for full time work were identified separately.

The men and women who had moved into retirement after they had finished their last full time job were asked “Why did you leave your last full time job?” retirement for this group were based on the responses to this question. The ABS interviewers were told not to accept responses such as “I wanted to retire” and were advised to probe further to identify the underlying reasons. The survey sought to identify all reasons for retirement and the interviewers were instructed to prompt with follow up questions such as “Were there any other reasons?”

Survey participants who indicated that they had sought full time work after they had finished their last full time job were asked “Why did you stop looking for full time work?”. Again the survey sought to identify all reasons and the ABS interviewers were instructed to prompt with follow up questions to ascertain if they were any other reasons.

Where respondents were deemed to be retired they were asked how long before they stopped full time work had they decided to do so. In deference to their personal situations, this question was not asked of people who had looked unsuccessfully for full time work after they had left their last full time job. It was also not asked of those who had given job loss and/or inability to get a full time job and/or compulsory retirement as reasons for their retirement.

Persons who were employed full time or looking for full time work, together with those who indicated that they intended (or probably intended) to look for, or take up, full time work at any time in the future were deemed to have not retired from full time work. These people were asked about the age at which they planned to permanently give up full time work (“intended retirement age”). Where people advised an intended retirement age, they were asked why they planned to give up full time work at that age. The ABS interviewers were instructed to prompt with follow up questions to obtain all reasons. These became the reasons for retirement intentions.

Where respondents mentioned multiple reasons for their retirement/retirement intentions, they were asked to identify the “main reason”. Where respondents mentioned only one reason, this was taken to be the “main reason”.

### 3 Retirement Behaviour

This section focuses on the men and women who participated in this survey who were not in, or were not intending to return to, the full time labour force.

#### 3.1 Age and Other Characteristics of Retirees

Of the men and women surveyed who were aged between 45 and 74 who were not in, or were not intending to return to, the full time labour force, most had stopped full time work before pension age (Table 1). The men who participated in the survey had retired most typically in the decade before they turned 65. For women, the most common pattern was one of mid-career retirement, where retirement occurred before the age of 45. A small proportion of men (mainly younger men) also demonstrated this type of mid-career retirement.

**Table 1: Retirees by Age of Retirement**

	Men (%)	Women (%)
Less than 45 years	10.9	49.0
45 years to 54 years	17.0	20.6
55 years to Pension Age	57.8	9.7
Pension Age	10.2	4.6
Beyond Pension Age	3.1*	5.1
Never had Full Time Job	**	9.1
Don't know	**	1.9*
Total	100.0	100.0

Note: \* corresponds to 10,000-40,000 cases  
\*\* corresponds to less than 10,000 cases.

Notwithstanding the importance of mid-career retirement, particularly for Australian women in the age cohort surveyed, the focus of this survey was on those who retired after age 45 year, with particular emphasis on “early” retirees, that is, those who retired before Age Pension age. Little information was specifically obtained about mid-career retirees.

Amongst the men who participated in this survey, there was no evidence of any relationship between marital status and retirement age, with similar proportions of those who were married, those who were separated/divorced/widowed and those who had never married reporting early retirement.

In contrast, whilst early retirement was the dominant profile for married women, the very small group of women who had never married who participated in the survey were approximately equally divided between those who had retired pre and post pension age. Whilst the numbers involved were very small (and below the number of



cases considered sufficiently reliable by the ABS), 47 per cent of these women who had never married did not stop full time work until after they had passed pension age.

The men and women who had participated in the survey had worked in a range of jobs prior to their retirement from full time work. In order to facilitate analysis, these were combined into several broad occupational groupings: managers, administrators, professionals and para-professionals; clerks, salesworkers and personal services workers; tradespersons; and plant and machinery operators and drivers, labourers and related workers.

In each of these groupings, the dominant profile was one of early retirement, with similar proportions retiring before reaching pension age. Amongst early retirees, the average age of retirement was also similar across these groupings. This is interesting in that a number of studies in other countries have shown that workers in blue collar occupations retire earlier than their white collar counterparts. These differences have been attributed to various factors such as injury/illness on the job (Dillingham 1981) and lower job satisfaction in blue collar occupations (Quinn, Staines and McCulloch 1974).

### **3.2 Reasons for Retirement**

One of the most striking results was the difference in the reasons cited between those who had retired pre pension age and those who had retired post pension age (Table 2). Amongst those who had retired post pension age, the reason most frequently cited by both men and women was “reached compulsory retirement age”.

Some of those who had retired before attaining pension age also cited “reached compulsory retirement age”. It should be noted that all Australian States, with the exception of Tasmania, have progressively abolished compulsory retirement over recent years. In the future most retirees will retire under a different framework from that which applied when most of the men and women who participated in the survey retired.

Amongst those who had retired before pension age, “own health problems” were conspicuous, as were several employment problems: “able to get early retirement package”, “lost my job/business closed” and “unable to get full time work”. Whilst access to an early retirement package was an important reason cited by the men who retired before pension age, few of their female counterparts reported this reason. This is not surprising given that men and women tend to lead their working lives in different ways, with men more likely to fit the categories typically offered early retirement packages. In a brief review of the limited literature on English early retirement schemes, Cliff (1991) notes that whilst most such schemes are described as voluntary, in practice, employers and employees do not necessarily perceive them as such.

**Table 2: Reasons Cited for Retirement: All Reasons Mentioned**

	<b>Retirement Age</b>			
	<b>Pre-Pension Age</b>		<b>Post-Pension Age</b>	
	<b>Men</b>	<b>Women</b>	<b>Men</b>	<b>Women</b>
	<b>(% of Totals)</b>		<b>(% of Totals)</b>	
<b>Employment Reasons</b>				
Reached compulsory retirement age	6.4	2.5*	68.3	36.1
Able to get early retirement package	12.8	**	**	**
Lost my job/business closed	8.5	19.3	**	11.8*
Unable to get full time work	7.7	3.2*	9.9*	**
<b>Financial Reasons</b>				
Could get super lump sum/pension	3.5*	2.1*	**	**
Could live on super till Age pension	2.4*	**	**	-
Could get Government pension/benefit	9.3	**	20.4*	10.7*
Could afford to retire	11.2	8.4	**	**
<b>Health Reasons</b>				
Own health problems	38.5	29.2	**	13.8*
Care for sick family member/friend	6.2	7.7	**	**
<b>Lifestyle Reasons</b>				
Stopped while health still good	2.4*	2.8*	10.2*	**
Retire with husband/wife	3.3*	8.4	**	16.5*
Spend more time with family/friends	**	8.2	**	**
Spend more time doing other things	4.2*	7.3	**	6.7*
Wanted part time work	2.0*	5.6*	-	**
Did not like job	2.5*	1.8*	-	**
<b>Other</b>				
Other	5.7	12.0	-	6.1*
Don't know	-	-	-	**
No reason	**	**	-	**

Note: \* corresponds to 10,000-40,000 cases

\*\* corresponds to less than 10,000 cases.

## **4 Voluntary and Induced Retirement**

Based on an analysis of the reasons for retirement cited by the men and women who had retired before pension age, together with information about the socio-economic status of these participants, it appears that there were two fairly distinct patterns of early retirement. The first pattern was “voluntary”, in the sense that it was freely chosen. The second and more common pattern was “induced”, in the sense that whilst an element of choice may have existed in some possible retirement situations, retirement was actually initiated by factors beyond individual control. This second retirement pattern incorporates the “unexpected developments” referred to in the retirement intentions literature to explain differences between actual and intended retirements.

In this study, retirements induced by reasons beyond individual control are defined in terms of those who experienced employment problems, health problems and those who reported that they had “reached compulsory retirement age”. Employment problems were defined as unsuccessful job search immediately before retirement and/or attribution of retirement to any of “able to get early retirement package”, “lost my job/business closed” and “unable to get full time work”. Mention of “own health problems” and/or “care for a sick family member/friend” were taken as evidence of health problems. This distinction between retirements induced by employment and health reasons and those initiated for voluntary reasons is a common approach in the retirement behaviour literature (Henretta, Chan & O’Rand 1992).

The role of health problems in early retirement is the subject of some discussion in the literature. There is concern evident that the actual impact of health on labour force participation may be overstated as a result of poor health being used to rationalise early retirement. This tends to be expressed in terms of poor health being seen as more socially acceptable than a preference for leisure, although it has also been theorised that poor health may be used to rationalise employment problems.

Of those citing poor health as the reason for retirement, approximately two thirds either said that they had “had no choice” in their retirement decision or that they had made the decision less than six months before they actually stopped full time work. Very few who cited “own health problems” had made the decision more than one year before stopping full time work. This suggests that retirement was an abrupt withdrawal from the labour force for these men and women.

### **4.1 Two Patterns of Retirement**

When all of the reasons mentioned for retirement are examined, it is apparent that few retirees who reported induced early retirements also implicated financial or lifestyle reasons in their retirement decisions (Table 3). This tends to support the notion of two fairly distinct patterns of early retirement.

For the voluntary early retirees (who by definition excluded those who cited any employment or health reasons), the only single reasons where the number of mentions exceeded the minimum considered reliable by the ABS were “could afford to retire” in

the case of men and “other” reasons in the case of women. A breakdown of these “other” reasons was not available.

**Table 3: All Reasons for Retirement Cited by Those Retiring Before Pension Age**

	Voluntary Retirees		Induced Retirees	
	Men	Women	Men	Women
	(Per cent of All Early Retirees)			
<b>Employment Reasons</b>				
Reached compulsory ret. age	-	-	6.4	2.5*
Able to get early ret. package	-	-	12.8	**
Lost my job/business closed	-	-	8.5	19.3
Unable to get full time work	-	-	7.7	3.2*
<i>Those citing at least one</i>	-	-	33.9	25.1
<b>Financial Reasons</b>				
Could get super lump sum/pension	2.6*	**	**	**
Could live on super till Age Pension	**	**	**	-
Could get Govt pension/benefit	4.5*	**	4.7*	-
Could afford to retire	9.1	6.5*	2.1*	2.0*
<i>Those citing at least one</i>	15.1	8.8	7.1	2.0*
<b>Health Reasons</b>				
Own health problems	-	-	38.5	29.2
Care for sick family member/friend	-	-	6.2	7.7
<i>Those citing at least one</i>	-	-	43.9	35.8
<b>Lifestyle Reasons</b>				
Stopped while health still good	**	2.0*	**	**
Retire with husband/wife	2.9*	5.5*	**	3.0*
Spend more time with family/friends	**	4.8*	**	3.3*
Spend more time doing other things	3.1*	5.8*	**	**
Wanted part time work	**	4.9*	**	**
Did not like job	2.3*	**	**	**
<i>Those citing at least one</i>	8.3	21.5	3.6*	8.4
<b>Other</b>				
Other	4.0*	9.9	1.7*	2.1*

Note: \* corresponds to 10,000-40,000 cases  
 \*\* corresponds to less than 10,000 cases.

Amongst early retirees, particularly voluntary early retirees, there was some evidence of working couples coordinating retirement. There was some support for joint retirement, where both partners withdraw simultaneously from the workforce, indicated by reference to “retire with husband/wife”. However, whilst this was cited as the main reason by most of the female voluntary early retirees who mentioned it, few

of the male voluntary early retirees or female induced early retirees who mentioned this reason accorded it the same importance.

In terms of the main reasons for retirement, the men who had retired before pension age for voluntary reasons, most commonly attributed their retirements to financial reasons (59 per cent), whilst their female counterparts most frequently cited lifestyle reasons (52 per cent).

The main reasons cited by men and women who had reported induced early retirements were concentrated on health reasons (men: 55 per cent, women: 54 per cent) and employment reasons (men and women: 38 per cent). Few of these early retirees who reported induced retirements cited any other main reasons.

## 5 Timing and Reasons for The Retirement Decision

Even where early retirement was voluntary, retirement was an abrupt decision for many of the participants in the survey (Table 4).

**Table 4: When Was The Decision To Retire Made: Those Retiring Before Pension Age For Voluntary Reasons**

	Men (%)	Women (%)
Less than 6 months before FT work stopped	32.4	46.6
6 months to less than 1 year before	17.7*	29.6
1 year to less than 2 years before	19.3*	9.3*
2 years or more before	18.4*	5.0*
Had no choice	**	**
Don't know	7.8*	6.8*
Total	100.0	100.0

Note: \* corresponds to 10,000-40,000 cases  
 \*\* corresponds to less than 10,000 cases.

One possibility is that the retirees who participated in the survey may have made and re-made their retirement plans a number of times before they fixed on a particular point and actually retired.

Another possibility is that once the affordability of retirement has been established, potential voluntary retirees may be very responsive to lifestyle developments and may make the decision to retire quickly. These developments may be positive (eg the retirement of a spouse, specific leisure opportunities, etc) and/or negative (eg work problems such as a change in job duties/personnel, the expectation of future health problems, etc). The very limited pre-planning demonstrated by the female voluntary early retirees, and the importance they accorded to lifestyle reasons, is consistent with this type of scenario, particularly given that for this group the affordability of early retirement tends to be supported by the continued employment of their partners (discussed below). However, another possibility is that this finding may reflect the often noted reluctance of Australians to undertake long term planning.

### 5.1 Retirement Over The Period From 1983 To 1996

Between 1983 and 1996 there is evidence of a deterioration in the labour market for older workers, particularly men. This is demonstrated by the increase over this period in the proportion of men who said that they looked unsuccessfully for full time work before retiring early (Table 5).

Notwithstanding that the period from 1992 to 1996 was a period of cyclical upturn, in proportionate terms, more men retiring early reported that they had looked unsuccessfully for full time work before retiring, than was the case for men retiring over the periods from 1983 to 1989 (which despite a temporary downturn in 1985-86,

was generally a period of recovery) and over the severe and sustained recession from 1989 to 1991.

**Table 5: Retirement Behaviour: Those Who Retired Before Pension Age By Estimated Year of Retirement (a)**

Estimated Year of Retirement	Men (%)	Women (%)
1983 - 1988		
% who looked for FT work before retiring	5.0*	-
1989 - 1991		
% who looked for FT work before retiring	10.1*	**
1992- 1996		
% who looked for FT work before retiring	23.1	8.6*

Note: \* corresponds to 10,000-40,000 cases

\*\* corresponds to less than 10,000 cases.

(a) Estimates of the number of years since retirement were derived by the ABS based on the information on the age at retirement and age at the time of the survey.

Longitudinal research examining the labour market withdrawal of pre pension age men who were not working sheds some light on the processes involved in the decisions of older workers to commence, to continue and to conclude searching for employment (Jackson and Taylor 1994). This research, which was conducted in England in the early 1980s, found a process of psychological withdrawal, with those who were financially able, progressively redefining themselves as retired rather than unemployed. Retirement was generally regarded as the preferred option, as it enabled these men, who were faced with limited prospects of re-employment, to regain some sense of personal control over their lives.

The male discouraged job seekers who had retired early over the period from 1992 to 1996, typically retired after a sustained struggle to find full time work. On average, these men reported that they had stopped looking for full time work approximately 3 years after they had finished their last full time jobs.

The deterioration in the labour market for older male workers is also demonstrated by the increase in the rate of employment problem experience exhibited by male early retirees. A staggering 50 per cent of all men who retired early over the period from 1992 to 1996 demonstrated evidence of employment problems. The effect of recent public and private sector restructuring and rationalisation is evident in the finding that 20 per cent of all men who retired before pension age over this period reported that an early retirement package was a reason for their retirement.

In total, approximately four in five men and two in three women who retired early over this period reported retirements consistent with the concept of induced early retirement. Such a high proportion of early retirements apparently initiated by factors beyond individual control has implications both for national retirement incomes policy and for labour market policy. This is aside from the devastating consequences for

individuals who find themselves in a situation where retirement occurs as a result of reasons beyond their control and at a time not necessarily of their own making.

Amongst men who had retired early over the period from 1992 to 1996, it was not possible to discern any evidence suggesting any variations in the incidence of induced retirement across particular occupational groupings. However, when this analysis is repeated for all men who retired early, there is some evidence to suggest that men who had worked as trades persons in their last full time job were less likely to have experienced voluntary early retirements (Table 6). Amongst women surveyed, the incidence of voluntary early retirement was similar in white collar occupations. However, in blue collar occupations, the retirement profile appeared to be more in line with that of men who worked in the same sorts of jobs than with other women.

**Table 6: Retirement Behaviour: Those Who Retired Before Pension Age By Last Full Time Job**

Per cent reporting Induced Retirement	Men (%)	Women (%)
Managers , Administrators, Professionals & Para-Professionals	70.3	58.0
Clerks, Salesworkers & Personal Services Workers	71.7	54.9
Trades persons	90.0	(a)
Plant/Machinery Operators/ Drivers, Labourers & Related Workers	77.1	75.3
All Last Full Time Jobs	76.6	62.3

*(a) There were a small number of women who had been Trades persons in their last full time job and these have been combined with Plant/Machinery Operators/Drivers, Labourers & Related Workers.*



## 6 Financial Situation of Early Retirees

In the case of men, an examination of the financial situations of those who reported voluntary and induced early retirements provides some evidence to support the concept that these represent two fairly distinct patterns of early retirement.

For men who had retired before Age Pension age and who were still under retirement age at the time of the survey, induced retirement was most commonly associated with reliance upon government pensions/benefits as the main source of income (Table 7). In contrast, of their counterparts who had retired for voluntary reasons, superannuation/other retirement income schemes and investment income was the only income source where the number of mentions considered sufficiently reliable by the ABS.

In terms of income arrangements reported by women who had retired before pension age and who were still under pension age at the time of the survey, “someone else’s income” was the most frequently mentioned main source of income. However, this income source was not important for women who had retired before pension age and who were post pension age at the time of the survey. Most commonly, these older women reported that their major source of income was government benefits/pensions.

“Someone else’s income”, which is included in the “Other” category, provides evidence of working couples coordinating retirement. Specifically, it provides evidence of secondary retirement, which is where the husband works longer or more steadily than the wife. In contrast, there was negligible evidence of substitute retirement, which involves the wife working instead of the husband.

**Table 7: Current Main Source of Income of Those Who Retired Before Pension Age: By Reasons Reported**

	Voluntary Retirees		Induced Retirees	
	Men	Women	Men	Women
	(% of Totals)		(% of Totals)	
<b>Retirees Under Pension Age At Time Of Survey</b>				
Superannuation/Other Retirement Scheme/Investments	61.0	22.8*	17.8	16.0*
Government pensions/benefits	24.5*	19.1*	68.3	23.2
Other	14.6*	58.0	13.8*	60.8
<b>Retirees Over Pension Age At Time Of Survey</b>				
Superannuation/Other Retirement Scheme/Investments	42.6*	15.2*	21.4	29.8
Government pensions/benefits	49.9	80.3	76.7	65.6
Other	**	**	**	**

Note: \* corresponds to 10,000-40,000 cases  
 \*\* corresponds to less than 10,000 cases.

As well as differences in the main source of income according to whether early retirement was voluntary or induced, there were also differences in incomes reported by these two groups (Table 8). Whilst men who reported voluntary early retirements and who were under pension age at the time of the survey were approximately equally divided between those who reported personal incomes above and below \$15,000 (corresponding to the top and bottom halves of the personal income distribution), their counterparts who reported induced early retirements were concentrated in the bottom half of the personal income distribution.

The situation was more complex for women who had retired before pension age and who were still under pension age at the time of the survey, due, in part, to the role played by “someone else’s income” in supporting women’s early retirements.

**Table 8: Income of Those Who Retired Before Pension Age: By Reasons Reported**

	Voluntary Retirees		Induced Retirees	
	Men (%)	Women (%)	Men (%)	Women (%)
<b>Personal Income</b>				
Retirees Under Pension Age At Time Of Survey				
\$0 - \$15,000	42.7*	64.4	80.0	88.6
\$15,001 and over	57.3	35.6*	20.0	11.4*
Retirees Over Pension Age At Time Of Survey				
\$0 - \$15,000	68.7	98.5	84.6	82.4
\$15,001 and over	31.3*	**	15.4	17.6*
<b>Household Income</b>				
Retirees Under Pension Age At Time Of Survey				
\$0 - \$31,000	55.5	39.1*	76.2	55.4
\$31,001 and over	44.5*	61.0	23.9	44.6
Retirees Over Pension Age At Time Of Survey				
\$0 - \$31,000	84.6	98.2	88.2	74.2
\$31,001 and over	**	**	11.8*	25.8*

Note: \* corresponds to 10,000-40,000 cases  
 \*\* corresponds to less than 10,000 cases.

### 6.1 Superannuation Arrangements of Recent Retirees

Approximately two thirds of men who had retired early over the period from 1992 to 1996 reported receiving a superannuation lump sum payment. This figure applied to both those who reported voluntary retirements and those who reported induced retirements. In contrast, regular and continuing superannuation payments were less prevalent with only 24 per cent of all men who had retired before pension age over this period reporting that they currently received (or would receive) regular and continuing payments from a superannuation scheme. Only around one third of women who retired early over this period reported receiving a superannuation lump sum payment, with 12 per cent (below the figure considered reliable by the ABS) reporting that they

currently received (or would receive) regular and continuing payments from a superannuation scheme.

Where male recent early retirees had reported induced retirements and had received a superannuation lump sum payment, many of these men had received small sums. Some 57 per cent of these men reported lump sum payments totalling less than \$40,000, with only 29 per cent reporting total lump sum payments of \$100,000 or more. In contrast, of those recent early retirees who reported voluntary retirements, 56 per cent reported lump sum payments of at least \$100,000 (although this figure should be regarded with caution as the number of cases involved fell below the minimum considered sufficiently reliable by the ABS).

In terms of those men who had retired over the period from 1992 to 1996, there were few who had retired early having received large superannuation lump sum payments (ie totalling \$100,000 or more) and who were still under pension age at the time of the survey.

Of that group of recent early retirees who had received smaller lump sum payments (ie up to \$100,000), 25 per cent reported superannuation as their main source of income (however, this figure should be regarded with caution as the corresponding number of cases fell below the minimum considered reliable by the ABS). For 50 per cent of this group, government pensions/benefits were reported as the current main source of income.

## 7 Retirement Intentions

This section focuses on the retirement intentions of survey participants who were still in, or who were intending to return to, the full time labour force.

### 7.1 Evident Uncertainty

Sizeable proportions of the men and women surveyed who had not yet retired were uncertain about their retirement intentions. Of those who had not yet retired, 26 per cent of men and 37 per cent of women indicated that they did not know when they intended to retire (Table 9).

**Table 9: Survey Participants by Intended Age of Retirement**

	Men (%)	Women (%)
45 years to 54 years	1.4*	4.2*
55 years to Pension Age	19.3	26.4
Pension Age	30.3	16.8
Beyond Pension Age	4.8	15.9
Intend to Never Retire	10.9	6.5
Don't know	26.2	37.3
Total	100.0	100.0

*Note:* \* corresponds to 10,000-40,000 cases  
\*\* corresponds to less than 10,000 cases.

It is interesting to note that this uncertainty was not confined to those who were furthest away from pension age, with similar levels of uncertainty demonstrated across all pre-pension age groups.

Within much of the literature on retirement, there is a presumption that retirement is a rational, orderly process. For example, both the lifecycle model of retirement in the economic literature and the expectation-intention-action model of retirement in the psychological literature are predicated on the assumption that individuals make logical, coherent assessments about a multitude of factors. This is notwithstanding that it is acknowledged that unexpected developments (such as health problems and economic factors) are important in explaining differences between expected and actual retirements.

The uncertainty about retirement exhibited by the men and women in this survey may be symptomatic of current conditions, in that it may be viewed as a rational response to an uncertain world. However, this uncertainty may also reflect the often noted short term outlook of Australians and their reluctance to undertake long term planning. Another possibility is that it may reflect a realisation that for many, retirement will occur as a result of reasons beyond their control, and not necessarily at a time of their choosing. Given the experiences of their contemporaries who had already retired from

full time work conclusion, the uncertainty demonstrated by the non-retirees appears both rational and reasonable.

For the men included in the survey, uncertainty varied according to the type of work performed. The men who worked in white collar and service occupations displayed a lower level of uncertainty about their retirement plans than did the men who worked in blue collar occupations. One possibility is that those employed in blue collar occupations were more likely to be exposed to illness/injury on the job and would be less able to continue to work if such problems were encountered.

Self employment also provided both options and uncertainty for some respondents. Self employment was an important form of employment for the men in the survey, with approximately one in five being self employed (this excludes those business owners with employees). These men were more likely to be uncertain about when they would retire from full time work than their contemporaries who were wage and salary earners.

## **7.2 Intended Retirement Age**

The survey participants who had firm retirement intentions and who had not yet reached pension age were approximately equally divided between those who intended to permanently give up full time work before and after attaining pension age. These retirement intentions were in marked contrast to the actual behaviour of their contemporaries who had already retired from full time work, most of whom had retired before pension age.

Whilst the retirement intentions of the men surveyed did not vary according to marital status, there were marked differences in the retirement intentions of the married and single women in the survey. Whereas the married women were approximately equally divided between those who intended to retire pre- and post- pension age, the majority of those women who had never married or who had married and who were single at the time of the survey intended to retire after attaining pension age.

There was evidence of different patterns of retirement intentions being typically associated with different levels of household income. Most commonly, men who lived in low income households indicated that they intended to retire from full time work after they attained pension age. In contrast, men who lived in high income households (defined as households where total annual gross income was \$60,001 and over) mostly intended to retire before they reached pension age.

There was evidence from the survey suggesting some underemployment amongst men. This is based on the low total gross income from all sources reported by some men who said that they were employed on a full time basis. Some 6 per cent of all men who notified that they were employed on a full time basis reported total gross incomes from all sources of less than \$15,000 and approximately one quarter of these men said that their total gross income from all sources was less than \$25,000.

### 7.3 Those Intending To Retire Pre-Pension Age

Most of those men and women surveyed who stated that they were intending to retire before pension age cited lifestyle and financial reasons (Table 10). These reasons are consistent with the standard concept of voluntary early retirement and research which suggests that the main reason for the long term decline in participation rates is that older Australian's have been able to substitute leisure for work as real wealth has increased, underpinned by growth in real wages (Reid 1989).

**Table 10: Reasons Cited for Retirement Intentions: All Reasons Mentioned**

	Intended Retirement Age			
	Pre-Pension Age		Post-Pension Age	
	Men (%)	Women (%)	Men (%)	Women (%)
<b>Employment Reasons</b>				
Will reach compulsory retirement age	5.8*	**	43.1	37.1
Able to get early retirement package	4.2*	**	-	**
Expect to lose job	**	**	**	-
Unable to get full time work	-	**	**	-
<i>Those citing at least one</i>	11.1	**	43.1	37.3
<b>Financial Reasons</b>				
Could get lump sum superannuation	17.8	11.1*	4.2*	6.4*
Could live on super till Age pension	4.7*	**	1.9*	**
Able to get government pension/benefit	**	-	7.8	12.4*
Can afford to retire	36.0	21.2*	10.2	19.7
<i>Those citing at least one</i>	52.5	27.7	21.7	37.9
<b>Health Reasons</b>				
Own health problems	6.8*	**	6.4*	**
Care for sick family member/friend	**	**	**	**
<i>Those citing at least one</i>	6.9*	**	6.5*	**
<b>Lifestyle Reasons</b>				
Stop while health still good	23.5	19.3*	10.5	6.9*
Retire with husband/wife	7.4*	17.8*	4.1*	6.4*
Spend more time with family/friends	16.5	15.7*	11.8	12.2*
Spend more time doing other things	36.5	36.2	16.6	22.3
Want part time work	8.0*	11.6*	2.1*	8.6*
Do not like job	**	**	-	**
<i>Those citing at least one</i>	57.6	81.9	30.3	38.9
<b>Other</b>				
Other	12.3	**	8.9	9.5*
Don't know	**	**	**	**
No reason	**	**	4.3*	**

Note: Totals do not add to 100% due to multiple mentions.

\* corresponds to 10,000-40,000 cases  
 \*\* corresponds to less than 10,000 cases.

Of those men who were intending to retire before pension age, only 16 per cent did not cite at least one financial or lifestyle reason for their retirement intentions. The corresponding figure for women was 7 per cent. Whilst men nominated lifestyle reasons (40 per cent) and financial reasons (36 per cent) as the main reason for their pre pension retirement intentions, women mostly nominated lifestyle reasons (71 per cent). It appears that when people consider that they will be able to afford to retire, lifestyle factors become important. For women from high income households, approximately 90 per cent indicated an intention to retire early for lifestyle reasons.

Where employment and health reasons were cited, there was little mention made of financial and lifestyle reasons. In total, 18 per cent of men and 9 per cent of women mentioned employment and/or health reasons in connection with their pre-pension retirement intentions.

The desire to retire while one's "health was still good" was an important reason for the both men and women who were intending to retire early.

It is interesting that more intending early retirees did not include financial reasons amongst the reasons they mentioned for their retirement intentions. In total, only 52 per cent of men and 28 per cent of women who were intending to retire before pension age implicated one or more financial reasons in their retirement intentions. This is surprising given that for the majority of these intending early retirees, retirement intentions were clearly predicated on the assumption that early retirement was affordable (Table 11). In the case of men who intended to stop full time work before pension age, the vast majority expected to be self supporting, either through superannuation, other retirement income schemes, investments or part time work.

Table 11: Those Intending To Retire Before Pension Age: Expected Main Source of Income After Full Time Work Stopped  
 (per cent)

	<i>Men</i>	<i>Women</i>
Superannuation/Other Ret. Scheme	57.4%	15.6%*
Investments	15.2%	17.8%*
<i>Independent Retirees</i>	72.6%	32.6%
Part Time Work	12.5%	**
Government Pension/Benefit	11.7%	**
Someone Else's Income	**	42.6%
Other	**	**
Don't Know	**	**
Total	100.0%	100.0%

Almost all of the men in the high household income group expected that they would be self supporting once they stopped full time work, with approximately two thirds indicating that they expected that superannuation (and other retirement income schemes) would their major source of post retirement income (Table 12). For men

who lived in low and middle income households, part-time work and a government benefit were more commonly seen as playing roles.



Table 12: Men Intending to Retire Before Pension Age: Expected Main Source of Income After Full Time Work Stopped  
Household Income < \$31,000 \$31,001-\$60,000 \$60,001&Over

	< \$31,000	\$31,001-\$60,000	\$60,001&Over
Superannuation/Other Ret. Scheme	43.4%	47.0%	68.5%
Investments	20.0%	10.1%*	17.0%*
<i>Independent Retirees</i>	63.4%	57.1%	85.5%
Part Time Work	20.8%*	13.6%*	11.1%*
Government Pension/Benefit	13.6%*	25.7%*	**
Other	-	**	**
Don't Know	**	**	-
Total	100.0%	100.0%	100.0%

Notwithstanding the evident importance of superannuation in the plans of intending early retirees, relatively few men cited access to superannuation as a reason for their retirement intentions. Of those men who intended to retire before pension age and who cited superannuation (or some other retirement income scheme) as their expected main source of income after they stopped full time work, only 24 per cent mentioned access to superannuation in the form of “can get lump sum superannuation payment/superannuation pension” as a reason for their retirement intentions.

In contrast, for women, intended early retirement was made possible, most commonly, by their partner’s income. Amongst women who were intending to retire early “someone else’s income” was the most frequently cited expected main source of post retirement income.

#### **7.4 Family Context**

In two employee households where the partner interviewed intended to retire before attaining pension age, there was evidence of working couples planning to coordinate retirement. This provides some support for two of the retirement patterns described by Henretta and O’Rand (1983). However, these results should be treated with caution as the number of cases involved is less than the minimum considered reliable by the ABS.

Where women who were surveyed lived in households with two employed persons, 30 per cent of those who intended to retire before pension age cited “retire with husband” as a reason for their retirement intentions. The corresponding figure for men was 12 per cent. However, whilst the women surveyed who cited this reason mostly included it as the main reason for their retirement intentions, it was of less importance to the men. This tends to suggest that women may be more likely to follow the retirement timing set by their husbands.

There was negligible evidence of planned substitute retirement amongst the intending retirees who participated in the survey. Substitute employment involves the wife working instead of the husband.

## 7.5 Those Intending To Retire Post Pension Age

Amongst those men and women who were intending to retire after attaining Age Pension age, the significance ascribed to compulsory retirement age is striking. This is interesting in the context that compulsory retirement is now effectively prohibited in all mainland states. The importance ascribed to compulsory retirement by those surveyed may reflect a lack of awareness of the legislative changes (not all of which had been implemented at the time of the survey) and/or the use of the term “compulsory retirement age” to reflect customary or pension retirement age.

Compared with their contemporaries who were intending to retire before pension age, the men who were intending to retire after attaining pension age, were significantly less likely to attribute their retirement intentions to lifestyle or financial reasons. The men who were intending to retire after attaining pension age most commonly cited employment reasons as the main reason for their retirement intentions (40 per cent).

For those women who were intending to retire after attaining pension age, employment reasons, lifestyle reasons and financial reasons assumed similar levels of importance.

When compared with those who were intending to retire early, proportionally fewer men who were intending to retire after attaining pension age were expecting to be self supporting in retirement (Table 13).

**Table 13: Those Intending To Retire Post Pension Age: Expected Main Source of Income After Full Time Work Stopped**

<i>(per cent)</i>	<i>Men</i>	<i>Women</i>
Superannuation/Other Ret. Scheme	32.2%	31.8%
Investments	11.9%	11.4%*
<i>Independent Retirees</i>	<i>44.1%</i>	<i>43.2%</i>
Part Time Work	2.5%*	**
Government Pension/Benefit	43.1%	36.9%
Someone Else's Income	**	7.9%*
Other	**	**
Don't Know	7.0%*	8.5%*
Total	100.0%	100.0%

## 8 Key Findings

This research was designed to increase knowledge about the retirement behaviour of older Australians. It has done so, with the results of this survey calling into question the extent to which policy initiatives to delay retirement may be effective. These results also prompt concerns about the appropriateness of some aspects of the current superannuation system.

For most of the men and women who participated in this survey and who had retired before pension age, it appears that early retirement had been initiated by developments beyond individual control. Amongst these early retirees, the dominant pattern was one of what might be termed “induced” early retirement in the sense that retirement had been motivated by constraints such as employment problems, health problems (both of self and others) and compulsory retirement policies.

While an element of choice which may exist in such retirement situations, the evident importance of induced early retirement is contrary to the presumption apparent in much of the Australian and international retirement literature that early retirement is, upon the whole, a voluntary decision. The pattern of induced retirement reported by the majority of early retirees was also contrary to the voluntary retirements, based on lifestyle reasons, and underpinned either explicitly or implicitly by the affordability of retirement, envisaged by the majority of those who had not retired at the time of the survey and who were planning early retirements.

The apparent extent of induced early retirement is depressing, not only with respect to the consequences for the men and women whose lives were affected, but with respect to the superannuation system and the scope for policy makers to influence behaviour to delay retirement. In total, 81 per cent of men and 64 per cent of women who retired early over the period from 1992 (coinciding with the commencement of the recovery after the 1989-1991 recession) to the time of the survey, reported retirements fitting the definition of induced early retirement. White collar and blue collar occupations appeared to be similarly affected.

Of those recent early retirees, 50 per cent of men and 31 per cent of women demonstrated evidence of employment problems. This includes the men (23 per cent) and women (9 per cent) who reported that they had searched unsuccessfully for full time work immediately prior to their retirement. The impact of recent restructuring and rationalisation is evident in the finding that 20 per cent of all male recent early retirees attributed their retirement to their ability to get an early retirement package. Of the men who demonstrated employment problems, only 62 per cent cited an employment reason as the main reason for their retirement, thereby indicating that focusing upon the main reason for retirement may underestimate the extent of the interaction between employment problems and early retirement.

Health problems were also important in initiating early retirement, with 32 per cent of men and 28 per cent of women who retired early over this period citing “own health problems” as a reason for their retirement. If, as has been suggested in the literature, poor health may be used to rationalise early retirement, being seen as more socially

acceptable than admitting to employment problems, this would understate the magnitude of labour market problems faced by older workers, and compound the challenges for labour market policy and retirement incomes policy.

To the employment problems manifest amongst recent early retirees must be added circumstantial evidence of under-employment amongst some pre pension age men who reported that they were still engaged in full time work, but whose reported low levels of personal incomes appear difficult to reconcile with full time work. Significant reliance upon self employment was also evident.

It has been asserted that the current system is largely based around the employment profiles of men with middle or higher incomes and unbroken, full time, long term careers. Consequently, the extent to which the careers of such men are cut short by induced early retirement has significant implications, not only for the men involved, but also for their partners. To the extent that the working lives of men resemble those of women (in terms of typically broken careers and frequent part-time and/or low paid work), neither men nor women will be well served by the current system.

The timing of the retirement decision in relation to actual retirement is an area which also warrants further investigation. Only 38 per cent of men and 14 per cent of women reported that they had made the decision to retire more than one year before they actually retired. This raises a number of interesting possibilities, including that Australians are reluctant to undertake long term planning.

The survey findings are of consequence in any assessment of the current superannuation system. Specifically, the apparent importance of induced early retirement serves to promote questions about:

- the extent to which the removal of existing distortions (such as by eliminating the gap between the preservation and pension ages) will reduce early retirement;
- the adequacy of retirement incomes likely to be delivered under a mature system;
- the extent to which the existing system will meet the retirement needs of men (the ability of the system to meet the retirement needs of women has been widely questioned); and
- the likely effectiveness of the retirement income system in its objective of improving intergenerational equity by reducing the transfer of costs to the next generation.

## **Attachment A: Survey Characteristics**

### **A.1 The Survey**

The survey was included in the Australian Bureau of Statistics's Population Survey Monitor (PSM) in February and May 1996.

The survey instrument was pilot tested in the second half of 1995, with several questions undergoing minor modification. In broad terms, these modifications were designed to simplify the questionnaire and to refine pre-coded response categories. According to the Australian Bureau of Statistics, responses to the pilot testing indicate that the questions were understood and that the data obtained is of good quality.

A combined total of 8,866 households were visited for the February and May 1996 PSM's, with completed data obtained from 6,265 households. Data were not obtained from the other households due to refusals (816 households); dwellings vacant or under construction (1,001 households); residents being uncontactable during interview week (588 households) and death, illness or language problems (196 households).

From the 6,265 fully responding households, a person was chosen at random. If that person was aged 45 to 74 years inclusive, details on retirement or retirement intentions were obtained. In total, 2,443 persons aged from 45 to 74 years provided information on their retirement or retirement intentions.

ABS comparisons show some relatively small variation in the composition, by age and sex, of the PSM sample and the Estimated Resident Population (ERP). However, the ABS advise that the differences should not significantly affect any analysis of the data because the age/sex weights used adjust for the sample variation in the age sex distribution and thus help to minimise the effect of any resultant bias.

The ABS undertook several quality checks. A number of computer edits were applied to ensure datasets were both internally consistent and logically structured. Edits were applied to all variables to guard against invalid responses and to ensure that all necessary fields had been completed.

### **A.2 Weighting Pattern**

Expansion factors or 'weights' were inserted by the ABS in each person's record. This was to enable the data to be expanded to provide estimates representative of the whole population.

By weighting the survey responses, information is available which is representative of the approximately 5.0 million men and women aged 45 to 74 years inclusive (Table A1). Unless otherwise stated, weighted data have been used. This is consistent with the ABS' advice that, in general, weights should be used in producing estimates from the microdata set.

Table A1: Retirement Status of Men and Women Who Participated In The Survey

<i>(Number of weighted cases)</i>	<i>Men</i>	<i>Women</i>
Not retired from full time work	1497204	666783
Retired from full time work	869394	733797
Retired from full time work before 45 years	107174	898319
Never had full time job	2319	166056
Retired from full time work at age unknown	7808	34561
Total	2483898	2499516

### **A.3 Sampling Error**

It was not feasible for the ABS to provide separate standard errors for every estimate which could be derived from this microdata set. However, the ABS advise that only estimates greater than 40,000 (corresponding to a relative standard error of 25 per cent) are considered sufficiently reliable for most purposes. Estimates which are less than 40,000 should be treated with caution and viewed as being merely indicative of the magnitude involved. Estimates involving less than 40,000 have been marked with an asterisk in the tables in the paper. In accordance with ABS advice, where estimates are less than 10,000, these have been suppressed.