

Keep on keeping on: Predicting who will be able to work until they are 70 years old

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The Commonwealth Government announced in its 2015 budget that, in addition to increasing the age of eligibility for the Age Pension to 67 years by 2023, it plans to further increase the age of eligibility to 70 years by 2035. The economic drivers for this policy were emphasised twelve months earlier in the National Commission of Audit Report (2014):

Once the impacts of an ageing population and expected lower growth prospects in the longer term are taken into account a growing fiscal gap will emerge at all levels of government across Australia if current expenditure and revenue policies remain unchanged.... Today we have five people working for every one retired person, by 2050 we will only have 2.7.

However, the capacity of people to work until the age of 70 not only depends on employment opportunities and having the “right” incentives in place, but the health capacity of people. Although the Australian population is living longer, there is evidence that they are not a healthier population (Productivity Commission report on An Ageing Australia, 2014).

Ill-health is a major barrier to work. Just over 25% of men and 21% of women aged 45 and older, who retired from full-time employment in 2012-13, reported doing so because of ‘their own sickness, injury or disability’.

The fundamental role of health in enabling labour force participation has, and will continue to be, a key concern for policymakers. The Council of Australian Governments’ (COAG) current agenda for human capital and mature-age employment states that: “The foundation of the nation’s human capital is the health of its people. A strong economy requires a healthy current and future workforce”.

This IRT funded research project provides much needed information about how many people will have the health capacity to remain in paid work beyond the age of 65.

Aim of this project

To determine who is likely to be able to keep working until the age 70 and who is not.

Specific aims are:

- To estimate the number of people aged 65-69 with work capacity
- To estimate the number of people aged 65-69 who are likely to be working
- To estimate the number of people aged 65-69 who are likely to be in full-time and part-time work
- To estimate the number of people aged 65-69 who are likely to be unable to work due to their own ill-health
- To determine the main long-term health conditions that have the greatest impact on the labour force participation of people aged 65-69.

Data

The data sources for this research comprised of the Australian Bureau of Statistics' (ABS) Surveys of Disability, Ageing and Carers (SDAC) 2009 and 2012. Our modelling is based on the population aged 45 to 64 years old. We re-weighted the SDACs 2009 and 2012 data to reflect the profile of the subsample aged 45-69 years in 2015 using a generalised regression reweighting algorithm programmed in a SAS (a statistical software package) macro called *GREGWT*, developed by the ABS. Population and labour force projections for 2015 from the Commonwealth Treasury that were used in the 2015 Intergenerational Report were used as benchmarks for re-weighting.

Methods

We developed a logistic regression model, based on the population aged 45-64 years, for the odds of labour force participation and used the model to estimate the probability of labour force participation for each individual in the 65-69 age group.

Whether an individual would be in the labour force or not was then simulated using Monte Carlo simulation by comparing the estimated probability with a series of uniformly distributed random numbers between 0 and 1. We used age, sex, highest level of education, presence of a long-term health condition, marital status, region of residence, and home ownership as explanatory variables in the logistic regression model.

Results

It was estimated that in 2015, around 818,970 people aged 65-69 years were not in the labour force. Of these, 1.5% (12,000) were not in the labour force due to ill-health. If the retirement age was lifted to age 70, the number of people aged 65-69 years who are estimated to be out of the labour force would decrease to 627,700. However, the percentage of those who would leave the labour force due to their ill-health among those out of the labour force would increase to 15.6% (97,700).

If the retirement age was lifted to age 70, about 45% of people aged 65-69 years would participate in the labour force, a 17 percentage point increase from the current 28% labour force participation rate of 65-69 years age group. Of the estimated 512,700 people aged 65-69 years who are likely to be in the labour force under the changed scenario of the retirement age increasing to age 70, 98% are projected to keep working until the age of 70

(500,600 people: 312,600 in full-time and 188,000 in part-time work). Men, individuals with a university degree, and home owners are more likely to be in the labour force.

The five main chronic conditions keeping most people out of the labour force in 2015 in the 65-69 years age group are: arthritis, back problems, diseases of the musculoskeletal system & connective tissue, diabetes and tumours/cancers. Arthritis and back problems alone are estimated to account for 40% of the total number of people aged 65-69 years who are out of the labour force due to their ill-health.

Should the age of retirement increase to 70, around 97,700 Australians aged 65-69 years would be out of the labour force due to their own ill-health or disability.

Discussion and conclusions

The findings in this report are of national policy significance because they address one of the key concerns of those affected by increases to the age eligibility for the Age Pension: "Will I be able to keep working until I'm 70?" It provides evidence about the capacity of people aged 65-69 years to work, which was previously unavailable. This information can be used to develop policy which is consistent with the identifiable work capacity of individuals, rather than their "assumed work capacity" based on increased longevity.

IRT Foundation supports research, education and advocacy activities, and partnering with the community to create age-friendly communities.

This project was funded through IRT Foundation's Research Grants program. Our research program is committed to building knowledge into ageing well in Australia.

IRT Foundation is continually engaging the community to create opportunities for people to age positively. We will assist people to participate, contribute and enjoy living as they move from their working life, transition into retirement and then into their later life.

We are a key part of IRT Group's commitment to giving back to the community.

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