

Rise of the Grudge Workforce

A research report

November 2013



Introduction

A quarter of Australia's Baby Boomers say they will be working into their 80s because they don't have enough money for retirement, according to stunning new research from Suncorp Superannuation.

Suncorp's *Rise of the Grudge Years* report has uncovered a disconnect between Australians ideal and real retirement ages, leaving many in the workforce a decade longer than they would like.

Suncorp Superannuation research has revealed that 70% of Australians would not be emotionally or physically prepared to work till the grave, yet research has revealed 2.6 million will need to out of financial necessity.

The report's findings warn of an unprecedented explosion in workforce participation rates in the next decade due to a booming grey collar workforce obliged to work their golden years away due to inefficient retirement transitioning and planning.

The traditional retirement of a caravan and chasing the summer is simply not a reality for a quarter of Australians over the age of 65.

The findings come amid recent Government statistics that reveal more than a doubling of Australians working over the age of 55 years in the past decade¹, and represent the changing dynamic of Australia's workforce participation rates and an alarming warning for Australia's Baby Boomers.

The *Rise of the Grudge Workforce* report provides an in-depth look at the dramatic changes expected in Australia's ageing workforce, due to the disconnect between ideal and real retirement ages of Australians. The findings uncover:

- A 52% increase to Australia's oldest workforce (65+ years) in the next decade
- One in three Baby Boomers (1.8 million) need \$300,000 or more in their super before they retire
- The average age of entering an ideal retirement is 65, while the reality is almost half won't be able to retire until they are in their 70s and beyond.

¹ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6227.0May%202012?OpenDocument>

Australia's oldest workers getting older

Australia's workforce is getting older. In 2001 there were just over 1 million workers aged over 55 in the workforce, a decade later this figure almost doubled to 1.9 million.

The last decade has given rise to the 'grey collar' worker. Due to greater life expectancy and increased health, more Australian men and women are working longer than taking an early retirement. However, the increase in most part is due to even older Australians working longer. The ABS found that 25 per cent of Australians aged 65 to 69 are still working, and more of them full-time than part-time. Furthermore, 102,000 people were working in their 70s, 80s and even their 90s, up from 59,000 a decade earlier.

Table 1: Work status of Australians²

	Generation Y	Generation X	Baby Boomers
Working full-time	47%	59%	36%
Working part-time	21%	19%	25%
Not working	6%	6%	6%
Full-time study	14%	1%	0%
Self employed	2%	5%	7%
Retired	0%	0%	21%
Home maker	7%	8%	3%
Maternity/Paternity leave	1%	1%	0%
Other	1%	1%	2%

Table 2: How Australian workforce participation rates have changed for 65-69 year olds³

	2001		2011	
Men	62,000	19%	155,000	33%
Women	28,000	8%	87,000	18%

The fast-rising participation rates among older workers reflect changes in the economy, employer attitudes and aspirations. This is reflected more broadly with Australians waiting until later to marry, have babies and buy houses - retirement is just not an option for many 60 + year olds.

Yet, this is just the tip of the iceberg, currently the over 65 workforce in Australia represents just 3% of the total workforce⁴. Suncorp Superannuation research reveals that this workforce segment will grow to represent a whopping 23% over the next 10 years, with 1.2 million Australians expected to remain in the workforce over the age of 65 primarily due to financial necessity.

² Suncorp Attitudes to Super 2013 respondents surveyed in March 2013

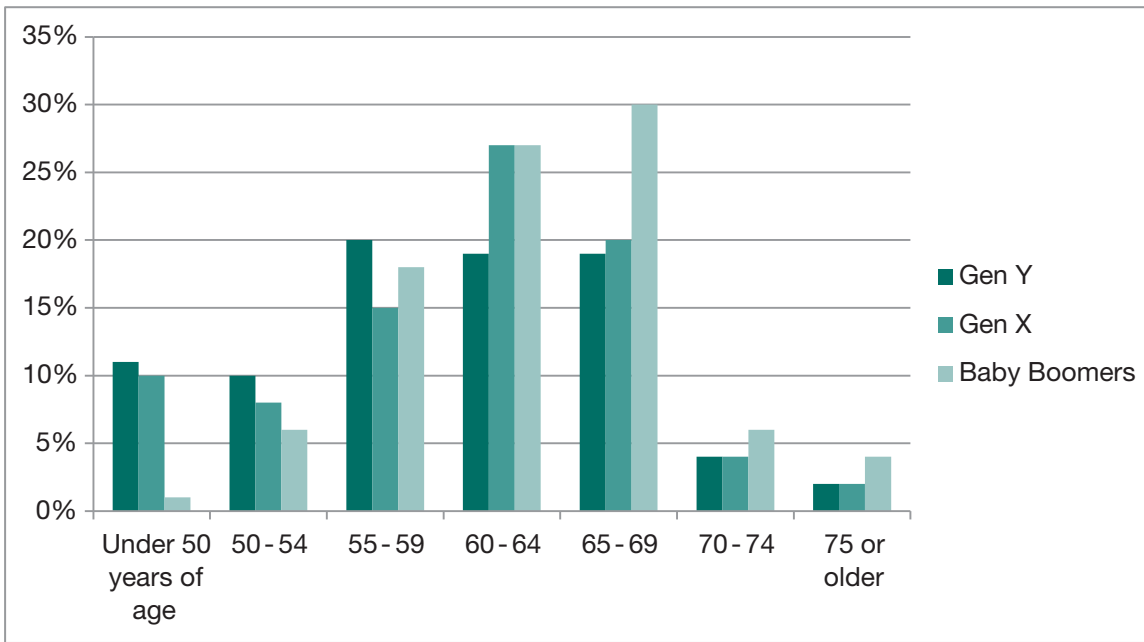
³ <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by+Subject/4125.0~Jul+2011~Main+Features~Labour+force~1110>

⁴ <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6227.0May%202012?OpenDocument>

The grudge years

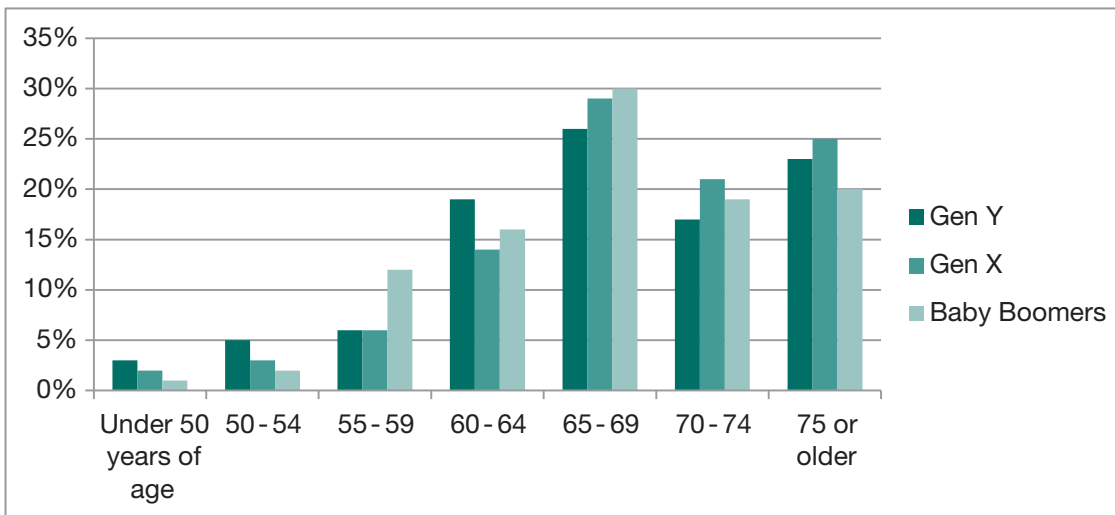
There is a great expectation gap when it comes to Australians ideal retirement age and their level of wealth at retirement compared to reality. For the first time, the working years of resentment have been revealed as 11 years for the average Australian worker. These years represent the 'grudge' years for Australians aged 65+ and are different to working purely for the enjoyment and activity that work provides. Instead they are forced to work due to economic reasons.

Graph 1: Thinking about your retirement and the money needed. What age do you ideally want to retire?



Comparing the realistic age of retirement to survey participants' ideal age of retirement there is a significant expectation gap regarding their level of wealth at their retirement age.

Graph 2: Thinking about your retirement and the money needed. What age do you realistically expect to retire?

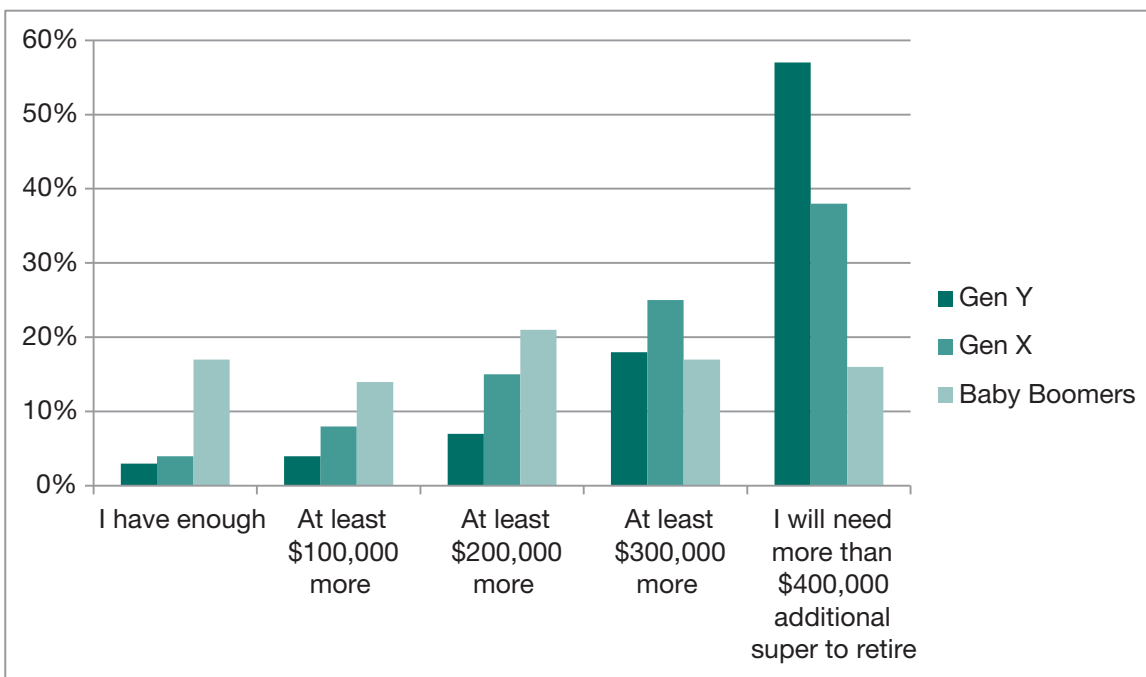


For 3% of Australians their ideal retirement age is 75 or older, yet 42% realise that in reality they will be working into their 70s, with 23% of these acknowledging that they could be working into their 80s.

This is at odds with the ideal retirement age preference of 60-69 for 48% of all Australians, and reflects an alarming disconnect between what Australians want in their retirement and what they are actually working towards.

Perhaps more alarming is how much more super Australians need before they retire, with 36% of all Australians needing \$400,000 + more in their super before they retire. Only 18% of Baby Boomers or 990,000 of the 5.5 million Australian Baby Boomers currently have enough for their retirement.

Graph 3: How much more super needed for retirement

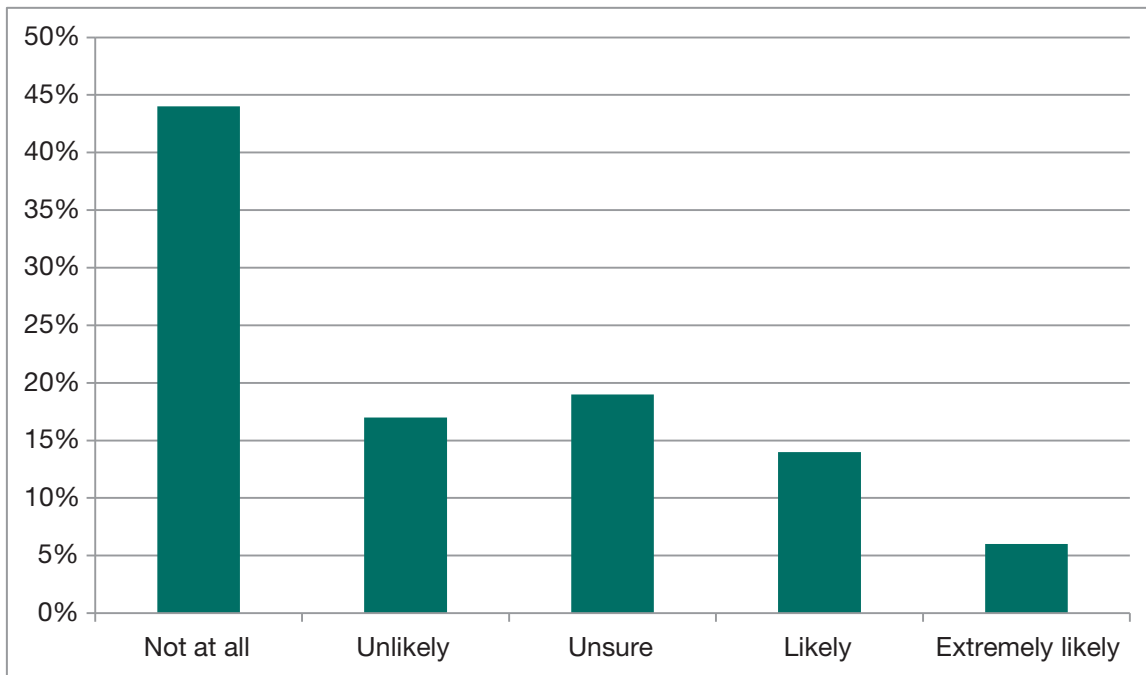


Replacing the 'grey collar' with 'no collar'

The age of the 'no collar worker' (working for pleasure and for not-for-profit pursuits), may soon become a thing of the past for Australia's oldest workforce group. In 2010, 40% of males over the age of 55 volunteered their time and energy. With paid workforce rates expected to climb in the next decade, volunteering and unpaid work, which contributes 11.6 billion dollars⁵ to the national purse annually could become a thing of the past.

Another factor to consider in regards to an ageing workforce is the ability of the population to work in their late 70s and beyond. Suncorp Superannuation research reveals that 61% of survey participants would be 'not at all likely' and 'unlikely' to be physically or mentally able to work beyond their 80th birthday.

Graph 4: Thinking about your retirement and the reality that the majority of Australians will be working well into their 70s due to insufficient retirement funds, how willing and able do you think you will be, both mentally and physically, to work until you are 80?



With an ageing workforce this presents greater problems, especially considering more and more Australians expect to work beyond the traditional retirement age to ensure their financial security into retirement.

Ideally, working into your grey years should be a choice, not begrudgingly undertaken due to insufficient retirement savings. The findings of the research highlight the importance of earlier retirement planning to reduce the grudge year gap, saving strategies like salary sacrificing and consolidating super funds are some of the examples of how Australians may be able to reduce the grudge gap between their ideal retirement age and reality.

⁵ <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/4125.0main+features4410Jan%202013>

