

# WHEN WILL I RETIRE?







Meeting the changing needs of people aged over 45 years old in terms of housing, support services and work arrangements is a significant challenge facing Australia. In 2021, 39 percent of the labour force was aged over 45 years old, compared to 32 percent in 2001. Over the next 20 years, an increasing number of people will start to transition into retirement. Intergenerational reports prepared for the Commonwealth<sup>1</sup> and State Governments<sup>2</sup> highlight the challenges of an ageing population. As more people enter retirement, there will be significant impacts on economic growth and public finances.

### Measuring the age of retirement

There is no accepted approach for measuring the age of retirement. There is data on people accessing superannuation or aged pensions, but this doesn't account for people who are still working. Sample surveys<sup>3</sup> ask respondents if they are retired at a single point in time, but this does not capture the dynamic nature of the transition into retirement.

Without regular data on people's transition into retirement, it is difficult to develop policy and programs to deal with the challenges of an ageing population. To fill this void, KPMG Australia has prepared an age of retirement dataset.

### Retirement dataset

To measure the age of retirement, KPMG Australia has used the same approach as measuring life expectancy. That is, for a person aged 45 years old today, at what age are they expected to retire?

The expected age is based on changes in the probability of remaining in the labour force for each year. This probability is based on labour force participation data for five-year age groups from the Australian Bureau of Statistics Labour Force Survey<sup>4</sup>, calibrated using detailed labour force data from the Census of Population and Housing.

### What is the expected age of retirement?

In 2021, men aged 45 years old were expected to retire at age 65.2 and women were expected to retire almost one year earlier at 64.3 years old. Figure 1 presents the expected retirement age for women and men between 1991 and 2021. Over this period, the expected retirement age for women has increased by 3.5 years and 1.9 years for men.

1 <https://treasury.gov.au/sites/default/files/2021-06/p2021-182464.pdf>

2 <https://www.treasury.nsw.gov.au/nsw-economy/2021-22-nsw-intergenerational-report>

3 Australian Bureau of Statistics, Retirement and Retirement Intentions, Australia.

4 Australian Bureau of Statistics, Labour Force, Australia.

# Behind the retirement age increase by gender

# WOMEN

The increase in the expected retirement age for women has been heavily influenced by an overall increase in labour force participation among women. This is due to a range of policy measures that have helped women strengthen their links to the labour force during their 20s, 30s and early 40s. Measures include paid parental leave<sup>5</sup> (for both men and women), access to affordable childcare and early childhood education. More broadly, an increased focus on gender equity within society and in public policy has been a contributing factor to increased female labour force participation.

#### Other factors that have contributed to an increase in the expected age of retirement include:

- a shift towards service-based jobs and away from more physically demanding jobs, which has meant people can work for longer
- strong labour market conditions helping to retain older workers in jobs
- changing social attitudes towards older workers
- an increasing trend towards part-time work among older workers.

<sup>5</sup> A better paid parental leave system in Australia - KPMG Australia (home.kpmg)

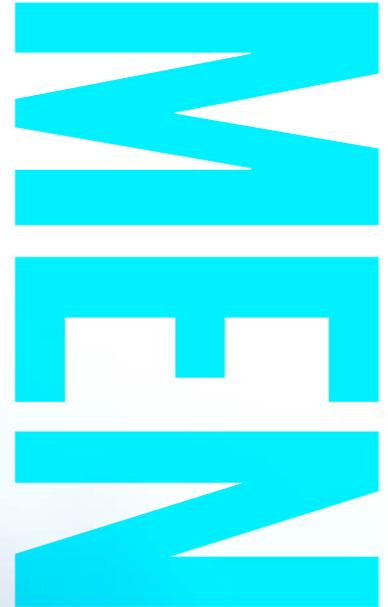
For men, there has been a small increase in the expected retirement age over the past two years. This is related to a strong labour market (resulting from a strong economy and closed borders limiting skilled migration), which has encouraged older men to remain in the labour force for longer.

Given the adverse impact of COVID-19 on female-dominated industries (e.g. retail and hospitality)<sup>6</sup>, the increase in the expected retirement age was not as noticeable as it was for men.

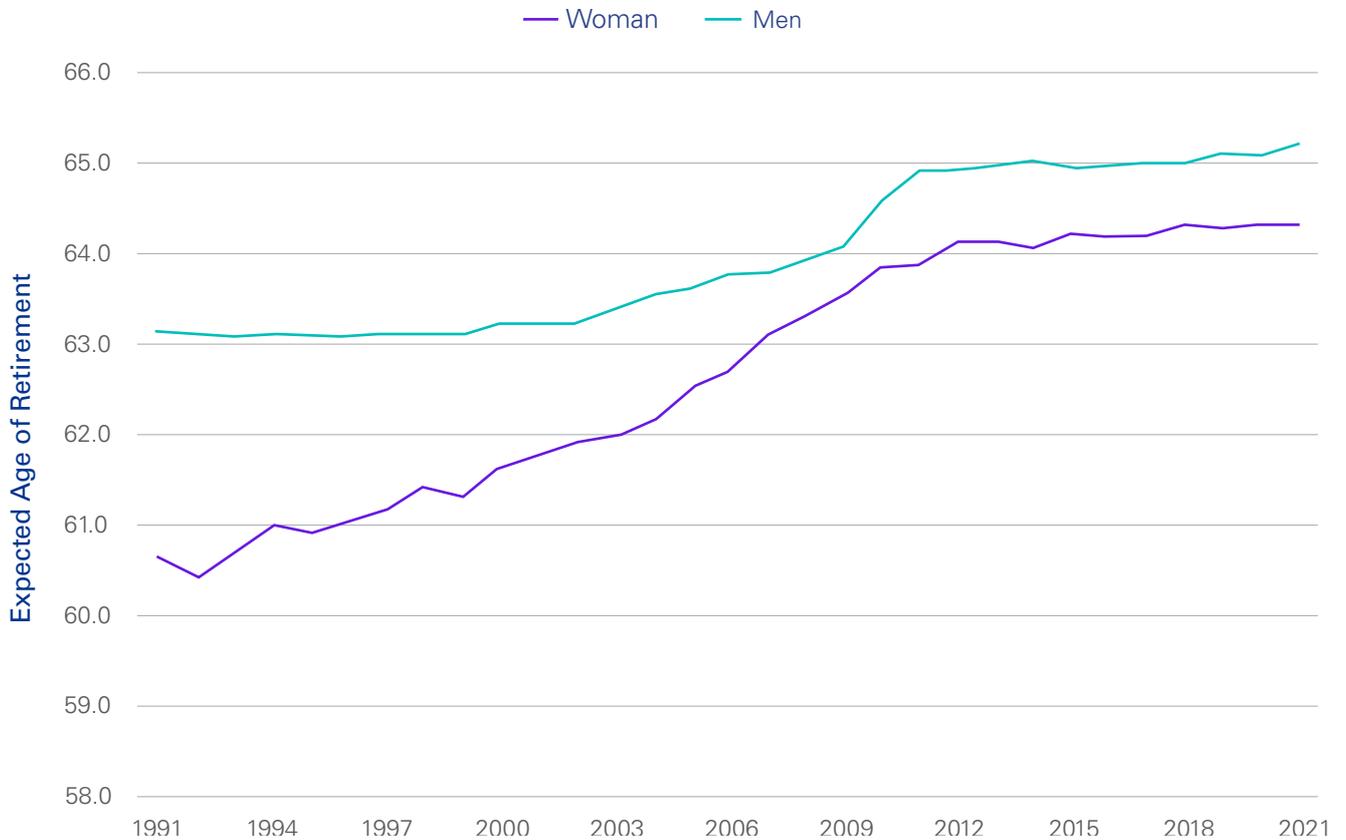
As people adapt to the 'new normal', some shifts will endure as behaviours learnt during the pandemic. For example, the ability to work more flexibly – hours and location – could see an ongoing increase in the age of retirement.

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<sup>6</sup> Wood, D., Griffiths, K., and Crowley, T. (2021). Women's work: The impact of the COVID crisis on Australian women. Grattan Institute.



**Figure 1: Expected age of retirement**



Source: KPMG Australia

### The gender superannuation gap

The gap in the expected age of retirement between women and men is not the only gap impacting older workers. KPMG Australia analysis<sup>7</sup> has found that in the years approaching retirement, the gender superannuation gap between men and women can be between 22 percent and 35 percent. The median superannuation balance for men aged 60-64 years old is Australian Dollars (AUD) \$204,100 compared to AUD\$146,900 for women, a gap of 28 percent. For people aged 55-59 years old, the gender gap is 33 percent; and in the 45-49 age group, the gender gap is 35 percent.

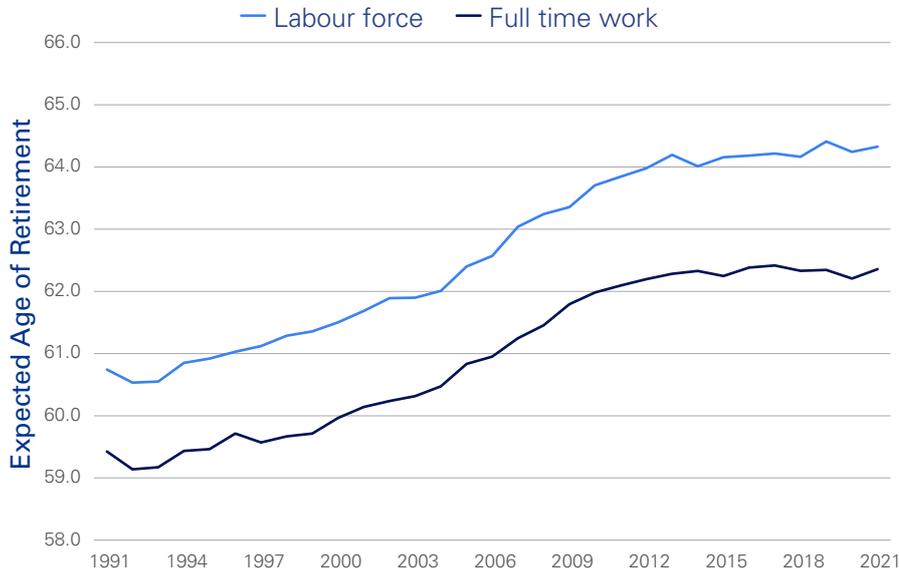
### The transition from full-time work

Older people transitioning from full-time work to part-time<sup>8</sup> work before retiring has become more common. We often think of retirement as someone leaving their job with no intention of returning. However, a person who retires from a full-time job may continue to work part time before retiring for good. Older people may also temporarily retire from the labour force and return to full-time or part-time employment in the future.

<sup>7</sup> The Gender Superannuation Gap – Addressing the Options.

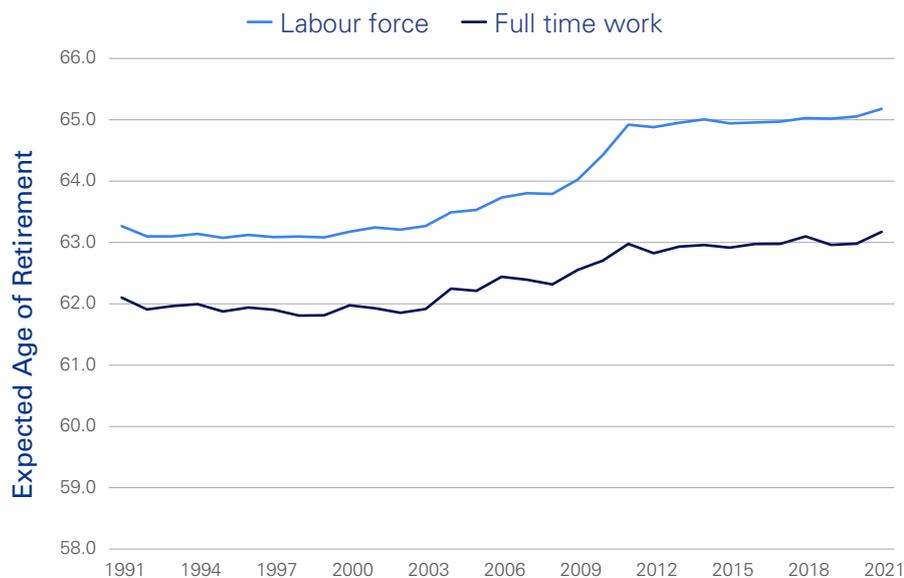
<sup>8</sup> Retirement from part-time employment is not reported as participation rates increase, rather than decrease as people age, and therefore the year-to-year results can be difficult to interpret.

**Figure 2: Women’s Expected Age of Retirement, Labour Force & Full Time**



Source: KPMG Australia

**Figure 3: Men’s Expected Age of Retirement, Labour Force & Full Time**



Source: KPMG Australia

The expected age of retirement from the labour force and full-time work for women and men is shown in Figure 2 and Figure 3. Over the past decade there has been approximately a two-year gap, for both men and women, between retiring from full-time work and retiring from the labour force.

People may continue to work part time to supplement their income during retirement, or they may simply enjoy working but no longer wish to work full time.

The shift towards part-time employment is a positive for the economy. Experienced workers remain productive and older people retain income, social interaction and intellectual stimulation. It may even benefit younger workers who can gain from the experience of older people.

### Who retires first: city comparison

Comparing the major Australian cities<sup>9</sup> (see Figure 4), women in the larger cities of Sydney, Melbourne and Brisbane retire earlier than their counterparts in Perth and Adelaide. This may be driven by the relative cost of living, especially in Sydney and Melbourne, which encourages older people to shift out of the city as they age to a lower-cost regional area<sup>10</sup>.

With the exception of Adelaide, in all major capital cities women retire earlier than men. In Adelaide, the higher age of retirement of women is the result of female dominated industries (e.g. health care) being on the rise, while male dominated industries (e.g. manufacturing) being in decline. This means that there are more job opportunities for older women in Adelaide than for older men.

COVID-19 has impacted on many behaviours including travel patterns<sup>11</sup>, housing investment decisions<sup>12</sup>, and it appears to have impacted on retirement decisions. Since the onset of COVID-19, the expected age of retirement for men has increased in all cities (see Figure 5), except Melbourne which has seen a small decline. This is likely related to the extended lockdowns in Melbourne. Perth, Adelaide and Brisbane (relatively unaffected by lockdowns) saw increases in 2021, while Sydney's expected age of retirement was unchanged.

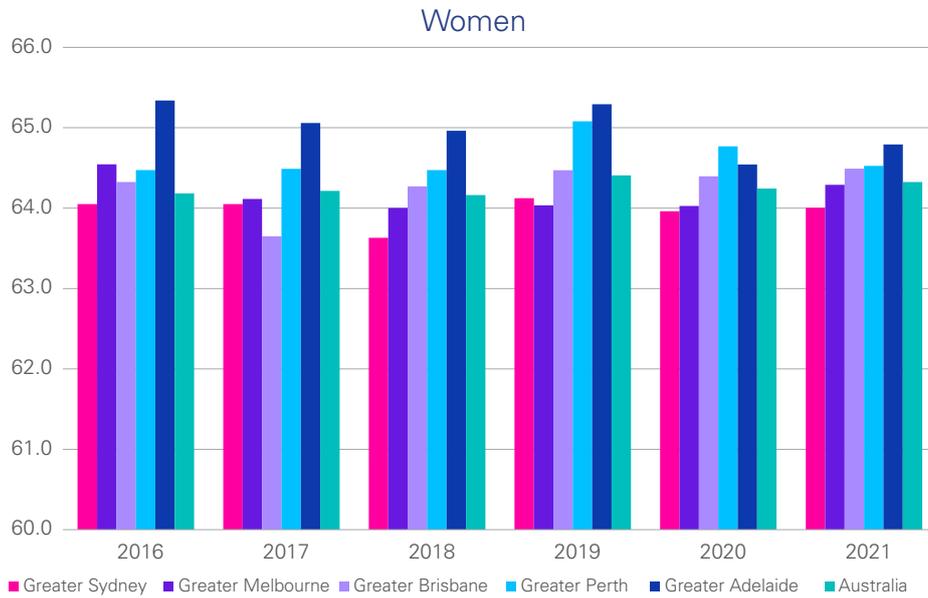
9 Based on the Greater Capital City Statistical Area.

10 COVID-19 impacts both cities and regional population growth – KPMG Newsroom

11 Spreading the peak? COVID-19 and travel patterns – KPMG Australia (home.kpmg)

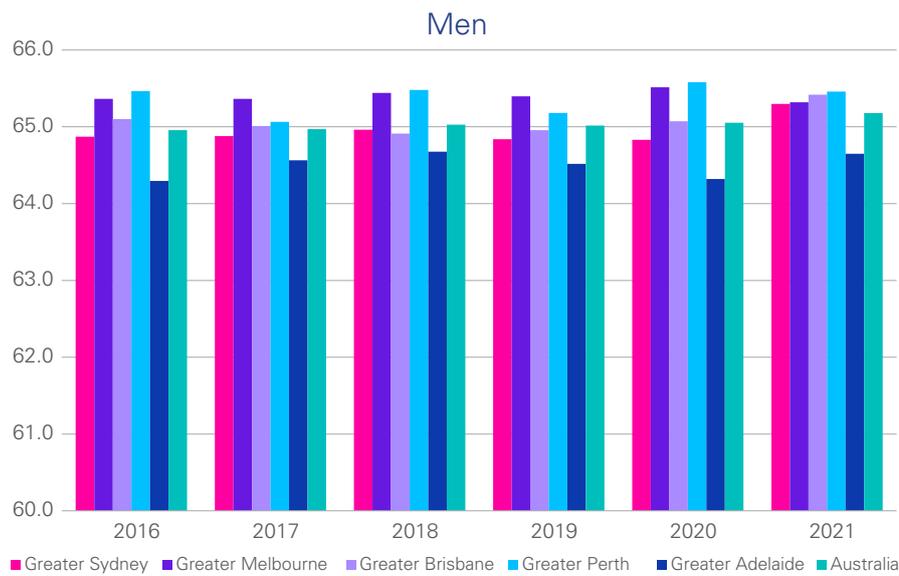
12 <https://home.kpmg/au/en/home/insights/2021/07/covid-19-impact-australian-property-market.html>

**Figure 4: Women’s Expected Age of Retirement, Major Capital Cities**



Source: KPMG Australia

**Figure 5: Men’s Expected Age of Retirement, Major Capital Cities**



Source: KPMG Australia

# Length of retirement

Over the past 40 years, men have seen an 8-year increase in the expected length of retirement, while women have seen a 3.5-year increase.

By combining life expectancy data<sup>13</sup> with the expected age of retirement, an expected 'length of retirement' can be estimated. The expected length of retirement for women increased from 18.1 years in 1978 to 21.6 years in 1997 (Table 2). Between 1997 and 2019, the expected length of retirement has remained steady, with life expectancy and age of retirement both increasing at the same rate.

Men have seen a significant increase in expected length of retirement – from 9.3 years in 1978 to 17.3 years in 2019.

This has been driven by increases in life expectancy, while age of retirement has remained relatively steady between 63 and 65 years old.

Women have seen a 3.5 year increase over the same period. The length of retirement has implications for individuals as they manage their personal finances, the aged care sector<sup>14</sup>, and for the government in terms of transfer payments and healthcare costs.

**Table 2: Expected Age of Retirement & Length of Retirement, selected years<sup>15</sup>**

Year	Woman			Men		
	Expected age of retirement	Life expectancy at age 45	Expected length of retirement	Expected age of retirement	Life expectancy at age 45	Expected length of retirement
1978	60.9	79.0	18.1	64.0	73.3	9.3
1987	60.4	81.1	20.7	63.1	75.8	12.7
1997	61.1	82.7	21.6	63.1	78.1	15.0
2009	63.4	85.1	21.7	64.0	81.3	17.3
2019	64.4	86.1	21.6	65.2	82.5	17.3

Source: Australian Bureau of Statistics and KPMG Australia

<sup>13</sup> Australian Bureau of Statistics, Life Tables.

<sup>14</sup> Achieving customer-centricity in aged care – KPMG Australia (home.kpmg)

<sup>15</sup> Based on Australian Bureau of Statistics Life Tables, life expectancy at aged 45. Life expectancy is based on a 3-year average (e.g. 2019 is data for 2017-19). 1978 data is for 1975-77 but the labour force survey was first collected in 1978.

# Retirement across the globe

Examining The Organisation for Economic Co-operation and Development (OECD) data<sup>16</sup> (see Table 3) shows that Australia's expected age of retirement is ranked around the median for developed countries. Australian workers are expected to retire between five to eight years earlier than workers in Japan and South Korea.

Australian workers remain in the labour force for a couple of years longer than workers in Italy, Spain and Greece, with retirement ages in these countries in the low 60s. Women in New Zealand work over two years longer than women in Australia, while the gap for men is nearly five years.

The differences between countries in the expected age of retirement are the result of economic and cultural factors, and the age at which retirement incomes can be accessed.

**Table 3: Expected Age of Retirement, Selected Countries, 2018<sup>17</sup>**

Country	Men	Women
South Korea	72.3	72.3
Japan	70.8	69.1
New Zealand	69.8	66.4
Israel	69.4	66.0
United States	67.9	66.5
Sweden	66.4	65.4
Ireland	65.6	64.1
Canada	65.5	64.0
Australia	65.0	64.2
United Kingdom	64.7	63.6
Germany	64.0	63.6
Italy	63.3	61.5
Spain	62.1	61.3
Greece	61.7	60.0
France	60.8	60.8

Source: Organisation for Economic Co-operation and Development

<sup>16</sup> The OECD data is based on a 5-year moving average compared to the KPMG single year data on labour force participation.

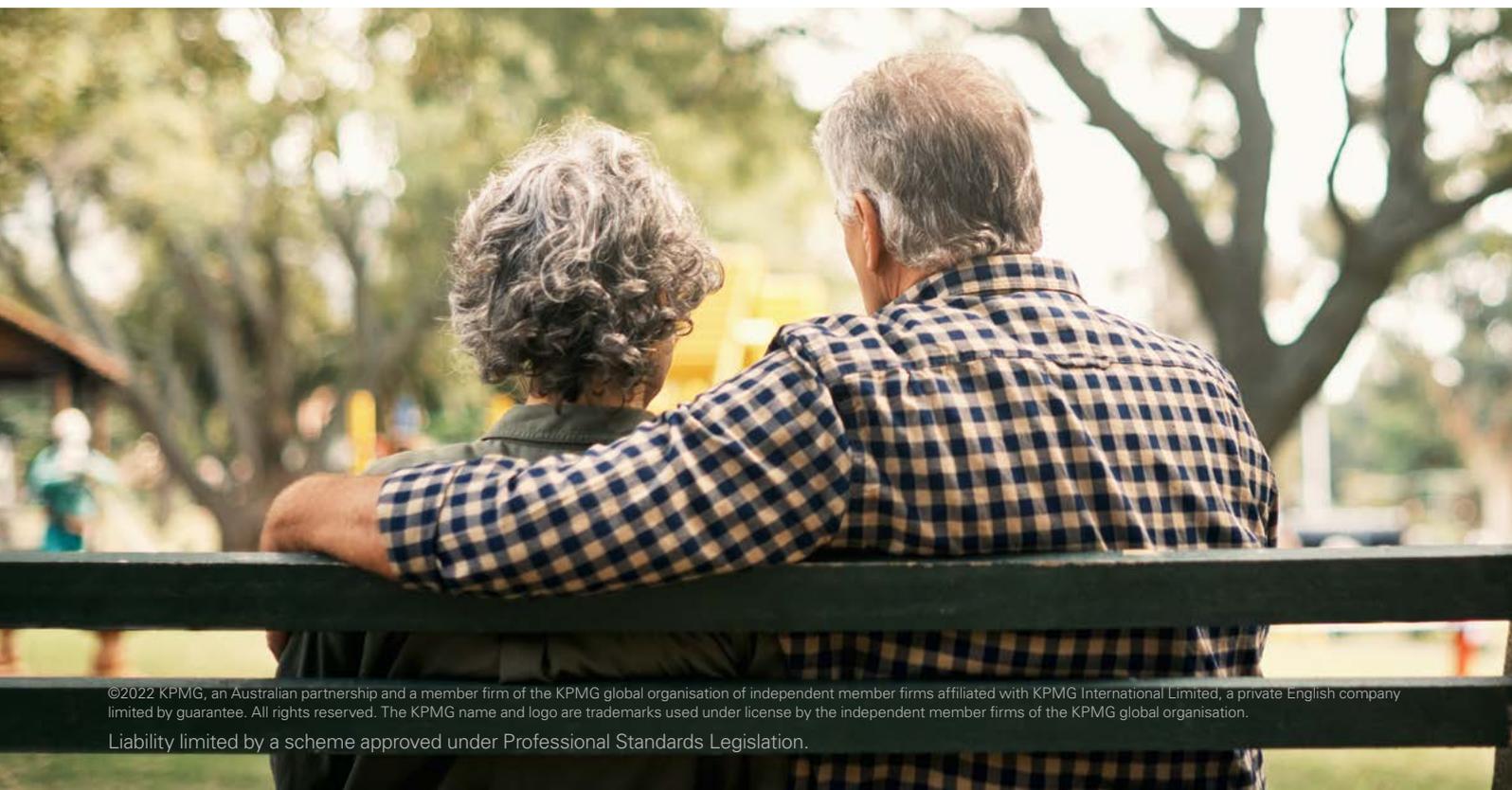
<sup>17</sup> OECD, (2019), Statistics on average effective age of retirement

# The implications and opportunities of a changing retirement landscape

The length of retirement has implications for both individuals' personal finances and for government spending. An increasing age of retirement indicates that businesses will be able to access skilled labour for longer, although the data suggests that older workers would prefer to work part time. This presents an opportunity for both workers and businesses to come together to retain skilled workers and provide older people with income, social interaction and intellectual stimulation.

In addition to those older people who are maintaining links to the labour force, there appears to be a cohort of older people moving away from the major cities into regional areas. COVID-19 may have accelerated this shift. This has the potential to create housing affordability problems for 'local residents' in regional communities. However, it can be addressed by strategic land use and infrastructure planning to take advantage of a growing population. Aged care and health service providers will also have to plan and build capability to deal with the increasing demands of a larger and older population.

There is also the need to continue to maintain momentum on gender equity. Ongoing business support and policy changes to further advance gender equity will help reduce the retirement gap between men and women. This includes provision of more affordable childcare and early childhood education, more generous paid parental leave for both men and women, and reducing the distinction between primary and secondary carer between parents – to name a few. These actions will help bring the retirement age of women in line with men. Increasing the length of women's working careers will provide significant productivity dividends for the economy and help to address the gender superannuation gap.



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April 2022. 862081436IAP