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Baby Boomers and Retirement Dreams, fears and anxieties

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Summary

Background

Having created the cult of youth, it is not surprising that baby boomers now approach old age with a mixture of fear, denial and bravado. The looming 'redundancy' of the boomers is having far-reaching implications for social trends, commercial strategy and government retirement policies. They are active agents in the changing meaning of retirement, just as they have been at the forefront of social transformation for the last 50 years. At the same time, the rise of neo-liberalism in the 1980s saw a shift in the underlying philosophy of social policy and welfare provision towards greater emphasis on self-provision, a pattern reflected in changes in Australia's retirement incomes system.

The age pension is a form of intergenerational income transfer. Generations currently in work pay taxes to support those who have retired but who, in their turn, provided support through taxation to the generation ahead of them. The shift towards self-provision through superannuation involves each generation saving for its own retirement, and this has the potential to disrupt the intergenerational contract.

This paper explores these changes. The research on which it is based had two components. The first was a series of eight focus groups held in Sydney city, Bathurst, Parramatta and Brisbane. The second was a national survey of baby boomers undertaken by Newspan.

Qualitative research

Feelings and plans

When asked about their feelings towards retirement, the overwhelming sense among boomers is that retirement signifies old age and its associated negative stereotypes. Fears about old age meant that, for these baby boomers, the traditional notion of retirement seems repugnant as it represents an image of frailty, disempowerment, decay, redundancy and inactivity. Many seem to fear succumbing to the 'cardigan and slippers' image of the old-age pensioner, the antithesis of the youth culture that boomers created. For the boomers, delaying retirement is a method of fending off old age. This may be partly responsible for the fact that almost all the higher income respondents and a large proportion of the lower income participants in the focus groups plan to work beyond the official retirement age.

The freedom that the baby boomers want to experience in their retirement is not something they want to express through moving house or spending a lot of time travelling. Very few of the participants envisage moving after retirement, and of those who do their plans are vague. These results challenge the expected spread of the 'sea-change phenomenon' as baby boomers retire. There was also little interest 'in grey nomadding'.

Many of the participants expect to be caring for grandchildren in their retirement. However, there are mixed views about this responsibility. Boomer women divide into two groups. Many are looking forward to spending a lot of time with their grandchildren; but a significant number said that continuing to work rather than retiring will provide them with an excuse not to baby sit the grandchildren. These reluctant grandmothers said that they wished to remain in work to side-step the expectations of their children.

Our research also challenges the prevalence of ‘skiing’ (‘spending kid’s inheritance’). Focus group participants made it clear that they do not want to restrict their own spending in retirement but most want their children to inherit something. The notion of deliberately ‘spending the kid’s inheritance’ was certainly absent.

The great divide

While it has often been observed that the idea of retirement has been rejected by baby boomers, it became clear from the focus groups that a sharp divide has opened up between high and low-income baby boomers. Among *high-income boomers* the ‘end-of-retirement’ idea has considerable relevance to their plans and attitudes. Many high-income boomers do indeed reject the traditional notion and see ‘retirement’ as a change of career, one in which they shift down a gear and enjoy the flexibility to pursue their interests.

The circumstances of *low-income boomers* are very different. The poorer half of 50-65 year olds have virtually no wealth to fund their retirement years. They have a more traditional concept of retirement understood as a distinct and welcome transition from work to leisure, if they can have it. However, many believe they will not be able to enjoy a traditional retirement because they will need to continue to work up to and beyond the retirement age for financial reasons. Unlike high-income boomers, low-income boomers are mostly unhappy about needing to work beyond the retirement age. Thus higher income earners expect to work beyond the retirement age because they *want* to while lower income earners expect to work beyond this age because they *have* to.

There is also a significant difference in the way that higher and lower income earners picture their retirement. Broadly, while both are concerned about a decline in health status, lower income earners have the added worry of how they are going to pay for their health costs. This reflects broader concerns about financial security in retirement. Very few look forward to a golden age of freedom and relaxation, and most are very apprehensive about how they will support themselves during this time. Higher income earners, on the other hand, are more concerned about the loss of status associated with leaving the labour market and rarely mention anxieties about financial security in retirement.

Raising the retirement age

Despite the fact the many of the respondents expect for one reason or another to work beyond the official retirement age, there was overwhelming hostility from all groups toward raising the official retirement age, understood to mean the eligibility age for the

pension. The reasons include concerns about ageism, exhaustion and declining health. They also react against being compelled to keep working against their wishes. There is also a strong sense of entitlement based on an implicit contract with the state; by raising the pension eligibility age, the government would be renegeing on a promise, moving the goalposts on them without their consent.

Morality of the pension

When asked to consider differences between age pensioners and self-funded retirees, the participants did not raise moral ideas about responsible citizenship, self-sufficiency, idleness or reliance on the state. Generally, boomers do not view pensioners as second-class citizens. Pensioners are perceived differently but are seen as older, poorer and perhaps more unlucky than self-funded retirees but never as morally inferior. Although self-funded retirees are seen to be responsible, thrifty citizens, this is not accompanied by a moral judgment about the character of people who are not able to provide for themselves in retirement.

When asked how they would feel about being on the age pension as opposed to self-funding, the participants again thought in financial terms. They said that they would not feel good about it because they would be poor, not because they see self-funding as being more virtuous.

When asked if everyone should be entitled to receive the pension the unanimous answer is 'yes'. However, qualifications soon emerge. Idleness forfeits one's right to the pension, and the heavy emphasis on the virtue of hard work was unmistakable. For the participants, a life of hard work conferred entitlement and, conversely, those who did not work, who bludge, are viewed with contempt. Both paying taxes and raising children are seen to be contributions to the community and both deserve recognition and reward.

The use of the phrase 'safety net' occurs frequently. The idea of the age pension as a safety net represents a sharp break with past notions of the pension as an entitlement of citizenship.

The stranded generation

Despite the sentiment among focus group participants that not everyone is deserving of an age pension, they all agreed that the government has a responsibility to provide it. In particular, the participants believed strongly that the government had a responsibility to provide an age pension *specifically to baby boomers*. Boomers believe firmly that they are owed something by government because they 'missed out on super'. They believe that their generation has been 'caught in the middle' because, in an age where self-reliance is expected, they have not had time to accumulate enough super to self-fund. Unlike younger generations, they have not benefited from a full working life of compulsory superannuation and this, they argue, is unfair.

There is also a strong feeling that the government is 'not doing enough' to help people save for their retirement. While all agree that the government has a responsibility to provide a pension, there is a clear view that it also has a responsibility to provide

incentives for people to save. This is not just a shift along neo-liberal lines, from state responsibility to individual responsibility; individual responsibility should be supported and facilitated by the state, a notion that may be described as compulsory self-reliance.

Quantitative research

A Newpoll survey of 829 baby boomers confirmed and deepened the results to emerge from the focus groups. Among those currently employed only 43 per cent say they expect to continue to work beyond the official retirement age, although the survey question seems to have been interpreted by many to mean an expectation to continue working at the current job. Many more boomers expect to ‘change careers’ at retirement and either set up a small business or shift to casual work or consulting.

When asked their reasons for expecting to continue to work beyond the official retirement age, the respondent’s anticipated retirement income status was the strongest determining factor. Of those who expect to be fully dependent on the age pension, nearly four in five nominate financial need as the main reason for continuing to work. However, of those who expect to self-fund in retirement four in five nominate job satisfaction or keeping busy as their main motivation. This supports the findings from the focus groups, in which lower income earners were inclined to continue working through necessity, or ‘because they have to’, and higher income earners were more likely to continue working beyond retirement age due to a lifestyle choice or ‘because they want to’.

Remarkably only 12 per cent of boomers expect to be fully reliant on the age pension, with another 46 per cent expecting to be partly reliant. This is consistent with focus group findings which show that almost no-one expects to be on the age pension and almost all, including lower income earners, say they intend to fund their retirement with super. These are much lower than Treasury projections, suggesting that many baby boomers are in denial or have unrealistic expectations about their financial situation in retirement including opportunities to find employment or run small businesses.

Attitudes and morals

The survey explored baby boomers attitudes to four statements concerning status and entitlements.

Compared to self-funded retirees, age pensioners are seen by society as second-class citizens.

Despite the findings in the focus groups, nearly half of the respondents (47 per cent) agreed that age pensioners are treated as second-class citizens. Low-income earners are more likely to agree with the statement. And contrary to expectations, those who expect to be on the age pension are much more likely than self-funders to believe that age pensioners are seen as second-class citizens (63 per cent agree compared with 32 per cent).

People should claim the age pension only as a last resort.

Traditionally the age pension has been viewed as a right that accrues to those who have worked and paid taxes or who have contributed to society in other ways. Yet in the focus groups it became apparent that many boomers see the age pension becoming less and less an entitlement and increasingly a 'safety net'. Baby boomers are divided down the middle on this question. High-income earners are more likely than low-income earners to believe that claiming the age pension should not be reserved as a last resort.

The baby boomer generation has been hard done by because compulsory superannuation was introduced late in their working lives.

Confirming the sentiment that emerged in the focus groups, 57 per cent agree that the baby boomer generation has been hard done by because compulsory superannuation arrived late in their working lives. Thirty-four per cent disagree. Women are more likely to agree with the statement suggesting that they feel more hard done by than men as many have not been in a position to accumulate as much super as men due to their more intermittent engagement in paid work and their lower salaries. Not surprisingly, those who expect to rely fully on the pension are much more likely than others to believe that boomers have been hard done by.

It is more important for the government to provide a decent age pension than to give tax concessions to self-funded retirees.

In some respects responses to this question are the most remarkable results to emerge from the survey. Sixty per cent of baby boomers believe it is more important to provide a decent age pension than to give tax concessions to self-funded retirees. Only 29 per cent opt for the tax concessions over a decent pension. Thus baby boomers are twice as likely to believe that it is more important for the government to provide a decent age pension than to give tax concessions to self-funded retirees.

Not surprisingly, the preference for a decent pension over tax concessions is held much more strongly among those on low incomes and those expecting to rely on the full or part pension. However, even among high-income households and those expecting to be fully self-funding in retirement, opinion is evenly divided, with around half of those who gave an opinion favouring a decent pension over tax concessions, even though they would not personally benefit from the former but would do well from the latter. These results indicate that there is a strong residual sense of social justice among the baby boomers.

Boomer myths

Contrary to their image as successful and self-satisfied, many baby boomers nurse a sense of disappointment, a barely articulated sense that it was not meant to turn out this way. And the perception of the boomers as the 'lucky generation', happily pioneering a trend towards the end of retirement, is simplistic and misleading. The 'unprecedented wealth' of the boomers is something reserved for a small portion of the generation, with the majority unable to fund their own retirement. The popular idea that baby boomers are 'the generation that will never retire' is one conditioned very much by the

expectations of wealthier boomers. It may be truer to say that the traditional notion of retirement is now aspired to only by the working class. The reality for most of these lower income earners is worry about how they will fund their retirement, and this is leading them to delay retirement.

While there is indeed a great intra-generational divide which sees lower income earners suffer significant disadvantage, all boomers share a disadvantage as a generation. At a time when individuals are increasingly expected to fund their own retirement, baby boomers have become the ‘bunnies’, caught in a situation in which they are being asked to do something most do not have the capacity to do because compulsory superannuation was introduced late in their working lives.

Social and policy implications

As a generation, baby boomers are at the heart of a transformation of the contractual underpinnings of post-war Australian society. Traditionally, the age pension was considered an entitlement associated with citizenship that would provide for a modest but comfortable retirement. The move to self-provision in retirement through the promotion of superannuation has shifted expectations about the nature of the entitlement and what constitutes a ‘comfortable’ retirement income.

Our research shows that baby boomers believe that individuals should be encouraged to be self-sufficient, that the government should help them to save, and that compulsory superannuation is a good method of achieving this. Paradoxically, they feel they and others need to be *compelled* by government to save in order to become self-reliant and to facilitate choices in retirement. Government intervention to promote independence from government, and compulsion to foster choice are not seen as contradictory.

By choice or necessity, boomers intend to work beyond the official retirement age, but they react strongly to the idea of being *compelled* to work longer. This seemingly contradictory response may be because compulsory superannuation requires people to put aside money during a period when their incomes are relatively high, while increasing the retirement age is asking people to contribute time at a life stage when time is scarce.

Boomers express support for the principle of self-reliance, and agree that the government should do more to encourage people to save, but they also believe strongly that the government should not abandon age pensioners. Their perception of themselves as the ‘unlucky generation’, missing out on opportunities to save for retirement, helps preserve the idea that dependence on the age pension is not the fault of the recipient, and this sustains the social legitimacy of the age pension.

It thus became clear through the research that, in the context of retirement provision, the concepts of independence and self-provision have been stripped of their moral overtones. This stands in sharp contrast to every other form of welfare payment, where attaining independence from public support confers moral virtue. For the baby boomers public provision is not morally inferior, only *functionally* so, because it results in lower income in retirement.

The research suggests that boomers are at the cusp of a social revolution in which the moral rationale for the age pension is shifting away from the idea of a universal right of citizens to one in which society has an obligation to prevent unfortunates from sinking below an acceptable minimum; it is becoming a last resort in the way that unemployment benefits are. The idea of the age pension as a safety net is a very new one in the social contract underpinning the welfare system and is possible only because of the rapid expansion of private provision in retirement. While the age pension remains legitimate in the eyes of boomers, the emerging perception of the age pension as a safety net has important implications for the direction of attitudes towards the pension. It is indicative of the likelihood that receipt of the age pension will lose social legitimacy in the future.

The new world of private provision has affected attitudes deeply, with most boomers believing that the days of the pension are numbered. The baby boomers may well be the last generation not to moralise about receipt of the pension because they are the last generation to be denied the option of being self-reliant. While pensioners are seen to be 'poor', this state is understood to be one arising out of bad luck rather than a failure of character. However, affluence and individualisation are seeing 'bad luck' interpreted as moral failure. In the next two decades, this development will severely erode public support for the age pension and remove the political obstacles to a government determined to reduce it.