

By SALLY LOANE

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The critical message from this Intergenerational Report is that Australians, who enjoy the gift of having the sixth highest longevity in the world thanks to superior health and education systems and relative wealth, owe our country some more years of work.

Clocking off at 60 and carefully tweaking our incomes and lifestyles to be able to attach ourselves on the age pension drip for another 30 or so years until we peg out north of 90, is unsustainable.

It's clear from the IGR data and our steadily weakening economy that the status quo is no longer an option.

The stark news from the IGR is that today, 70 per cent of us are still eligible for the age pension and this is not expected to reduce anytime soon. This is despite the fact that our compulsory superannuation system, which was designed to decrease reliance on the age pension, has been going for more than 20 years.

Superannuation was never designed as a top-up for the pension. It must be allowed to do its job of providing for a comfortable retirement for the majority of Australians and to reduce the burden on the taxpayers of the future, our children. It is becoming an issue of intergenerational equity.

Parliament urgently needs to consider whether the correct people are receiving the age pension based on their personal wealth.

The income and assets tests for the age pension must be reviewed to ensure it is not too generous for those people who can fund their own retirement, and not miserly for those who cannot.

Eligibility rules are too loose. Is it fair or sustainable for a couple who own their own home, who hold an additional \$1 million in assets and can receive an income of \$70,000 per year to still be eligible for a part-pension?

Is it fair for our children to bear the cost of our failure to bite the bullet on this issue?

An elegant mechanism which would significantly close the retirement savings gap is to raise the preservation age of superannuation from 60 to 65.

It delivers a win-win – older workers would enjoy higher personal savings and spend less time in retirement – and pressure on the public purse would ease. Of course, care would need to be taken to ensure that people who genuinely cannot work to age 65 could access their super earlier.

We know that engagement in the workforce for longer leads to better personal outcomes like better mental and physical health.

The shining light from the IGR is that female participation in the workforce will increase. The IGR notes that while women outlive men in Australia, female workforce participation is lower here than in countries like Canada and New Zealand.

More mature aged women working longer is good news for employers and for women, not only because it will improve individual wellbeing – it will also improve their financial self-reliance. We know that women have markedly worse superannuation savings than men because of interrupted work patterns – working longer will close that gap.

It's not as though we'll all stay working beyond 60 or even 70 under sufferance. Most Australians want to work longer, and most employers want them. FSC research has found that training and upskilling of older Australians is increasing and the labour market is adjusting to embrace their skills and experience.

The IGR's new data underlines our key priority – the design of a national retirement outcomes policy which will ensure that we can retire in a more comfortable, stable and secure way than did previous generations – and at the same time, reduce our culture of dependency on the public purse.

After 13 years of Intergenerational Reports delivering ever-increasingly dire news of our demography in the face of a steadily weakening economy, do we really imagine we can put off critical reform any longer?

In an era where governing is hard, community and business leaders must look for ways to support those genuine and courageous public officials and politicians - on both sides of politics - who are demonstrating courage and leadership to find proper consultative solutions. It's a compact whose time has come.

The too-hard basket needs clearing.