



A DECADE OF THE LIFE COURSE
29-30 September, 2008
Innovations Lecture Theatre
The Australian National University

Government policy versus social norms: The retirement plans of couples.

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Over the past decade, the Australian Government has been conscious of the impact that the exit of the baby boomer cohort will have on health and social security budgets. While a statutory retirement age of 65 years has been in place for many years, the Government has now added a series of ‘carrot and stick’ policies to: discourage early exit from the workforce and encourage those in a position to continue to work, to do so. In some cases, the incentives to remain in the workforce beyond 65 years are financially attractive and can assist those who have built up relatively modest superannuation savings, to significantly add to their retirement accounts. But are these policy changes having the desired effect?

This paper uses the NLC data to look at this issue using a series of questions asked of respondents about their retirement plans – in particular, the age they were planning to retire at the time of interview. Our analyses indicate that despite the recent and well-publicised changes to postponing retirement, very few NLC respondents plan to work beyond 65 years, in fact, a majority of men are aiming to retire at, or before, age 60 and many women are aiming at retiring before they reach 55 years. This suggests that ‘social norms’ may have a stronger effect on people’s retirement decisions than government policy – even beyond the impact of strong financial incentives and/or penalties.

The paper then considers the role that partner decisions may have on retirement plans. In the past, the literature has been strongly geared to examining retirement behaviour on an individual basis, but more recently a more realistic approach has been developed by those studying the lifecourse and who recognise that this major lifecourse decision is often a joint one. In particular, the decisions of women are strongly influenced by the male breadwinner model of family relations. This section of the paper considers the retirement of women, both formal and informal, from the labour force and how their decisions relate to the retirement of their partners.

Finally, although the NLC panel is only just reaching retirement, we consider the gap between what people say they plan to do and what actually takes place.