

# Australia's 'retirement age' just became 67. So why are the French so upset about working until 64?

July 6 2023, by Peter Whiteford

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Credit: ArtHouseStudio/pexels

Since Saturday, Australians have been required to wait until the age of 67 until they can get the age pension.

The original so-called "retirement age" of 65 for men dated back to [1909](#)

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Women had their [pension age](#) lifted from 60 to 65 between 1995 and [2013](#). And all Australians have had it lifted in stages from July 2017, in a process that ended on [July 1 2023](#).

It has happened with little protest—a stark contrast to the demonstrations and riots that rocked France earlier this year, when President Macron proposed and passed laws to lift the French [pension](#) age from 62 to 64.

## **What's so special about French pensions?**

French strikes and demonstrations over the retirement age aren't new.

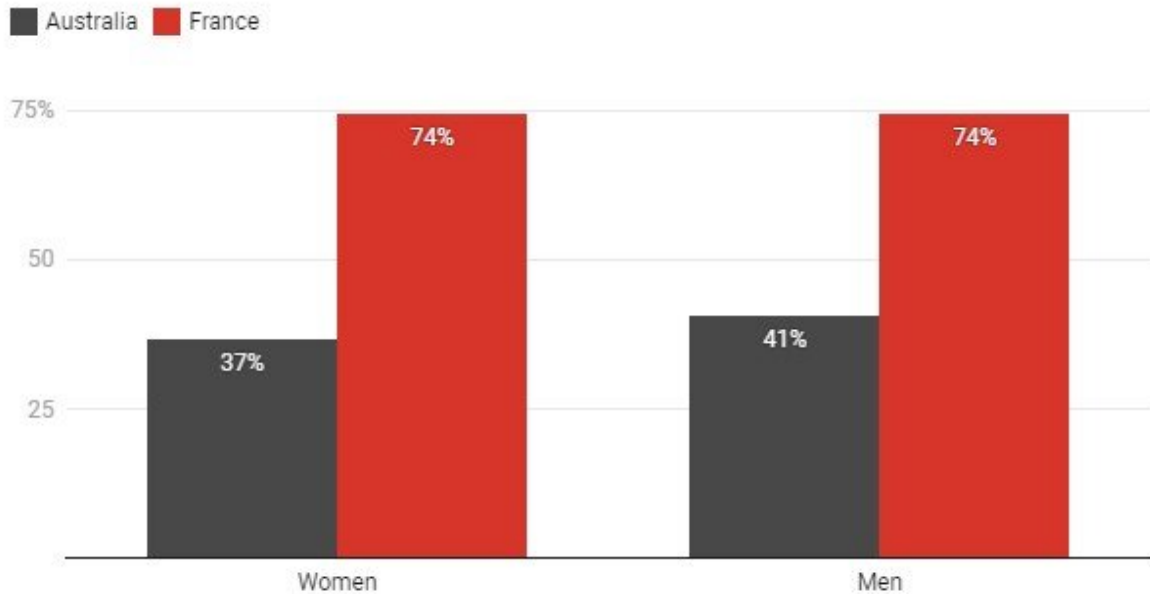
There were nationwide protests when France increased its retirement age from 60 to 62 in [2010](#), before that in [2003](#), and in 1995, when France tried to increase the pension age for public sector workers.

Just about anything you could want to know about public pension schemes in [high-income countries](#) can be found in the [OECD](#) report [Pensions at a Glance](#), published every two years, most recently in 2021.

Public pension spending in [France](#) is 13.6% of GDP, compared to 4% in [Australia](#).

In part, this is because France has an older population than Australia, but it is also because French pension payments are more generous than both Australia's age pension and superannuation supports taken together.

## Replacement income on retirement, average earners



French figures refer to pension income, Australian figures to pension and super income taken together Credit: OECD Pensions at a Glance 2021

The OECD finding that Australia provides a replacement rate of about 40% and France of about 74% is "forward looking," in that it is based on what a worker on average earnings is estimated to be entitled to under the system applying in 2020, if she or he works from age 22 until that country's normal retirement age.

For low-paid workers, Australia's means-tested age pension makes the payments about as generous as those in France.

A separate 2018 OECD calculation showed that the average after-tax income of a French household headed by someone 65 years or older was [99.8%](#) of the average income of all French households.

In contrast, the average after-tax income of an Australian household headed by someone of that age was 75% of that of all households.

Given that French households receive about the same [disposable income](#) while retired as working, it is easy to see why they are keen to retire.

And the heavy tax contributions required to fund their retirement incomes give them little opportunity to save privately while working.

The level of median private wealth in Australia (converted at prevailing exchange rates) is nearly [twice](#) that in France.

Yet French public pension wealth is substantial. Calculating the value of the future pension income streams using life expectancies, the net pension wealth of French retirees amounts to 14 years of average earnings, compared to just over seven in Australia.

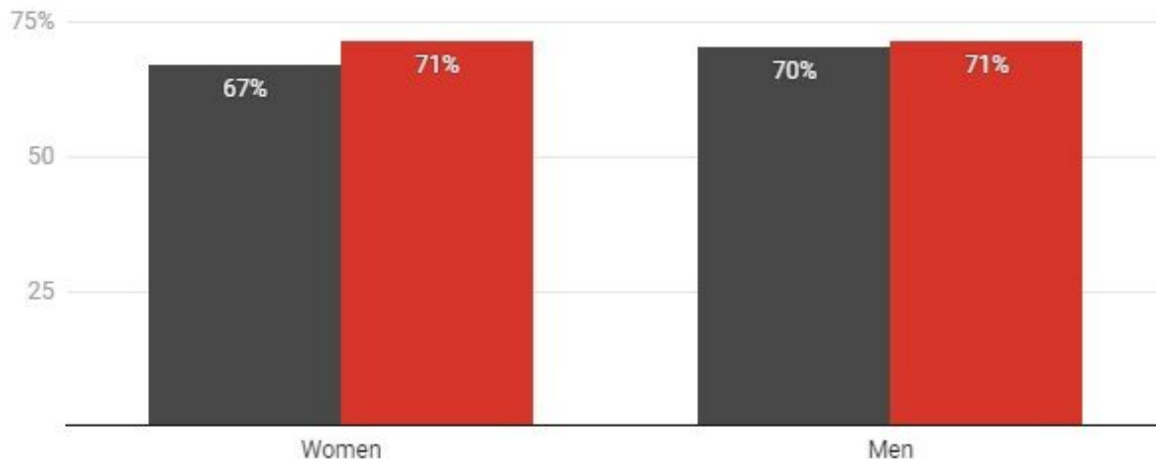
Because the value of these [income](#) streams is strongly influenced by how long the pensions are received, raising the French pension age by two years would cut the value of French pension wealth by around 8%.

**Why was postponing pensions easier in Australia?**

## Replacement income on retirement, low earners

Workers on half the average wage

■ Australia ■ France



French figures refer to pension income, Australian figures to pension and super income taken together Credit: OECD Pensions at a Glance 2021

The phase-in of the Australian change after 2017 meant it didn't affect the retirement incomes of Australian workers until many years after the change was first announced, and didn't affect the incomes of those already retired at all.

And the Australian change legislated in 2009 was part of a [broader program](#) of reforms that included the biggest single [increase in age and disability pensions and caregiver payments](#) in Australian history.

Yet it will have losers. Those losing the most will be those with the shortest life expectancies. Indigenous men have life expectancies nearly [nine](#) years lower than non-Indigenous men and Indigenous women nearly eight years lower.

## Which Australians will pay the highest price?

And the change has pushed a substantial number of Australians aged 65 and over who would have once received the pension on to the much-lower Jobseeker unemployment payment.

The number of people aged 65 years and over receiving JobSeeker climbed from zero in 2017 to [40,300](#) by May this year—and will climb further because of this month's change.

These people are severely disadvantaged by this change, as the level of payment for an older unemployed person is more than \$300 a fortnight less than the age pension, a gap that will only be slightly reduced by the increases announced in the most recent Commonwealth budget.

Relatively little attention has been paid to these people, who because of the low level of payment are among the poorest in the Australian population— with very limited prospects of being able to improve their circumstances.

In contrast, the idea of boosting tax on the earnings of superannuation balances over [A\\$3 million](#) attracted [widespread criticism](#).

The very different institutional environments of Australia and France have created different lobby groups, with different interests to protect.

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