

Business Spectator

COMMENTARY

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A new age for old age

It was budget afternoon, May 12, 2009. The ALP party faithful were gathered in Canberra to receive a briefing on the budget. It was all going smoothly with nods of approval all round. Then suddenly the lift in the pension starting year from aged 65 to 67 (albeit more than a decade away) shocked the congregation. There was a clear collective gasp. This change had not been leaked to gain public reaction and the gut feel of these experienced party men and women was that it would be bad news in the opinion polls. They were so right.

It's a pity the 2009 Future Summit was not held a few weeks before the federal budget. Treasury officials would then have discovered that they needed to be far cleverer in extending the work life of people in their sixties. Simply increasing the qualifying age for the pension is dangerous. I am the first to admit I did not predict the backlash and in the budget lock-up I saw the measure and believed it was sensible. But like the Treasury people, I did not have the advantage of the material at the Future Summit.

The Boston Consulting Group's Alison Sander explained that Australia was moving from the current society where people retired at 65 and lived for many years in that state. But they have not moved yet. The future Australian society would be one where there would be many "careers" and people would work well into their seventies with a relatively short time in retirement.

However, it was clear from the Sander charts that the government was moving ahead of cultural change in a very sensitive area. Both political parties have agreed with the change yet there was a dramatic opinion poll backlash, especially as the federal government has also taken to fiddling with superannuation in contravention of what they had solemnly declared in the election campaign.

Malcolm Turnbull may not be able to turn all this to his advantage but the Canberra bureaucrats have been given a warning. They will need to be much more careful in suggesting policies that affect people's lifestyles and savings or they will change the government. In the latest budget, it would have been so easy to have a reduced rise in pensions for people between 65 and 70 and to use the money as tax-driven work incentives for that group. You can turn such a set of policies into a positive and use the tax incentives to speed the cultural change Sander is predicting.

This is exactly how former Treasurer Peter Costello crafted his incentives to help the society adjust to aging. Costello had the advantage of big surpluses but the warning in the opinion poll reaction to the budget is that government will need to find lower cost versions of the Costello measures to change the culture of the nation. The sledge hammer can come back to hit you.

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