When raising retirement ages, don't start with the poorest.

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Australia has two official retirement ages: 55 years to access superannuation and 63-65 years to access the age pension. At some stage, both ages will have to rise if we are to avoid labour shortages and ensure that people have decent incomes in retirement. Presently only half of those aged 60-65 years are still in the workforce and only one in five works fulltime.

By raising the pension age to 67 and leaving the superannuation preservation age untouched, the Federal Government has started at the wrong end of the problem. Those who have the least capacity to keep working (people fully reliant on social security) are being asked to wait until they reach 67 years, while those with the greatest capacity (people with substantial superannuation) can transition to retirement from 55 years.

In the future, the average 65-year-old will be healthier and live much longer than their parents did. But not everyone is 'average'. Many people in their 60s enjoy good health and secure, satisfying jobs but a sizeable group is already locked out of the workforce. It is the fortunes of this group that concerns ACOSS.

Currently, around half of all people claiming age pensions transfer from other social security payments such as Disability Support Pension, Newstart Allowance or Carer Payment. Most have not chosen to retire – they have been pushed out of work by redundancy, a disability or caring responsibilities. They typically have low incomes, limited assets, and poor job prospects.

The Harmer review into pensions reported that even in 30 year's time, 40% of those over 65 years are expected to receive the maximum rate of pension, meaning they have very little private income. By implication, many people just below pension age will still struggle in the labour market in future years.

Of special concern are those with disabilities and chronic poor health. Most would now qualify for a disability pension, but as a result of the previous government's welfare-to-work policy a growing number will receive Newstart Allowance instead. Once the pension increases are legislated, this will be more than $100 a week below the single pension.

It is perplexing that the Government has not yet adopted the recommendations of the Harmer review of pensions and the Henry review of retirement incomes, and raised the age for access to superannuation benefits to the pension age. If 65 years is too young to retire, why do we allow people to draw down their retirement savings 10 years earlier?

So far, governments have taken a softly-softly approach. The preservation age is already legislated to rise to 60 years, but so slowly that baby boomers aren't affected.

The previous government allowed people over 55 to draw a superannuation pension while still working and removed taxes on superannuation for those over 60. As a result, around $4 billion a year is being churned through superannuation accounts by people who are still working. It is not clear whether this has raised workforce participation, but it has certainly become a popular tax avoidance strategy. By sacrificing their salary into super, high income earners can reduce their tax rate from 45% to 15%.

By raising the age at which people can withdraw their super, governments could curb these practices and encourage later retirement. People with disabilities and caring responsibilities could still be given early access. Governments could save a lot more money in this way than by forcing older low income people to live on a Newstart Allowance instead of a pension.

Concerns have been raised that this would disadvantage workers who have no choice but to leave work at 55. Yet this group has so little money in superannuation that early access to it is of little benefit. Until the labour market for mature age people improves dramatically, the policy with the hardest impact on this group is raising the pension age.

When raising retirement ages, the Government should start with those in their late 50s and early 60s who have healthy bodies and superannuation accounts, not those in their late 60s with low incomes, disabilities, and caring responsibilities.