Inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022

17 August 2022

National Seniors
AUSTRALIA

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Introduction

National Seniors Australia welcomes the opportunity to make a submission to the Inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022.

We have for many years campaigned for changes to pension rules to simplify the pension system and encourage greater workforce participation among the many older Australians who want and need to work to sustain an adequate income.

Australia is facing an unprecedented workforce shortage, brought on during the Covid-19 pandemic. Before the pandemic, there was a reservoir of hundreds of thousands of workers from overseas to fill jobs (backpackers, students, migrants, visa holders). However, that supply of labour has largely dried up and unlikely to quickly return in the short term.

Many in the community are feeling the impacts of these shortages which affect day-today business operations, resulting in higher costs and delays in obtaining goods and services. For those reliant on workers to deliver essential services, such as aged and disability care, workforce shortages are more critical, and potentially life threatening.

The current workforce crisis provides an opportunity to change the way older Australians interact with work for the benefit of all.

We must focus on rewarding pensioners, and veterans on service pensions affected by the same penalties, rules and red tape, who want to and need to remain in the workforce. This is done in other countries, with New Zealand a prime example of how a simpler fairer system can work.

Encouraging older Australians to either: remain in employment longer, work more hours than they presently do, or re-enter the workforce is good public policy.

National Seniors Australia has received overwhelming public support and specific support from a range of business groups, large and small, from urban to regional, from home care providers to hotel owners, from miners to farmers for changing pension rules to encourage older Australians to fill labour force shortages.

Rather than punishing aged psnioers and veterans, as present income test rules do, Government should instead reward those who work.

This can only be achieved by removing the existing disincentives inherent in the current income test.

National Seniors Australia welcomes the proposal put forward by Senator Dean Smith to double the Work Bonus limit.

Our preference, however, is to enact changes to income test rules, which maximise the inducement to work in the shortest time frame to mobilise the workers we need now.

In this regard, we offer a critique of the proposal to double the Work Bonus and put forward several alternative policy options for the committee's consideration:

> ***Option 1***: *An opt-in scheme offering an exemption from the income test for income earned from personal exertion.*
>
> ***Option 2***: *An end-of-year tax rebate / reimbursement (via the ATO) for pension lost from income earned from personal exertion.*
>
> ***Option 3***: *A hybrid model with higher Work Bonus or tax rebate / reimbursement with a targeted full exemption for employees of the Health and Social Assistance sector*

Each of these options are outlined in detail in this submission.

National Seniors Australia has commissioned Deloitte Rice Warner to conduct detailed cost benefit modelling of Option 1, the outcomes of which we will be able to provide to the committee in due course.

Benefits of changing pension income test rules

- **Workforce** – help fill Australia's record 500,000 job vacancies
- **Federal budget** - increase tax receipts (income, superannuation, payroll, GST, decrease participation in 'black' / cash economy), GDP (as noted by Deloitte Access Economics[1]), National Income and reduce Centrelink 'red tape' and administration costs.
- **Workforce engagement** - encourage pensioners to continue working when reaching pension age smoothing the transition to retirement, ensuring a better ratio of working-age people to those aged over 65 (old age dependency ratio).
- **Retirement incomes** – increases income and super for low wealth pensioners – particularly for women (30% have none)
- **Health and wellbeing** – Improve mental and physical health of older people from ongoing workforce participation

Rationale for policy change

Australia has low mature age workforce participation

- The age dependency ratio (proportion of older dependents to working age population) is reducing in Australia.
    - In 2019-20, for every person over 65, there were 4.0 of working-age. By 2060 it is predicted to be for every person over 65, there will 2.7 of working-age.[1]
- Workforce participation among older Australians is lower than the OECD average. Among the population 65 and over the participation rate is[2]:
    - **<u>Australia = 14.2%</u>**
    - OECD average = 15.3%
    - Sweden = 19.0%
    - United States = 19.4%
    - Israel = 21.5%
    - **<u>New Zealand = 24.8%</u>**
    - Japan 25.5%
    - Korea 35.3%
- The current proportion of Australian pensioners declaring work related earnings is only 3%[3].
- In New Zealand (under a universal pension where work income does not affect pension payments), 44% of those aged 65 – 69 still work. While the current participation rate for 65+ is 24.8%, a recent review of the NZ pension system projected the workforce participation rate for those 65+ will be one in three by 2038.
- Mature age people may be at risk of prematurely exiting the workforce. Evidence suggests older workers are leaving critical sectors, such as health and aged care, because they are disillusioned with job conditions, including the increasing casualisation of the workforce.[4]
- Data suggest there is a pool of potential workers not currently counted in the labour force, who might be mobilised to work:

[1] https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf
[2] https://data.oecd.org/emp/labour-force-participation-rate.htm#indicator-chart
[3] https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=
[4] https://hellocare.com.au/40-aged-care-workers-plan-quit-sector-survey-says/

    - According to the latest ABS data – 107,700 people 60 – 69 are not in the labour force, not retired and not currently employed, but want to work.[5]
    - A recent National Seniors survey found 19.8% of pensioners would consider re-entering the workforce. The prime motivation was to earn money. This survey was prior to latest inflation/cost of living increase and stock market fall.[6]

- Increasing workforce participation among older Australians will boost GDP and tax receipts.
    - The 2012 Deloitte Access Economics report The Grey Army Advances by Chris Richardson, commissioned by Age Discrimination Commissioner Susan Ryan, found a 5% increase in workforce participation among people 55 and over would increase GDP by $48 billion[7].
    - Given Australia's total tax to GDP ratio, across all levels of government, was 28.7% in 2020-21[8], an increase in workforce participation among older people aged 55 and over of 5% would result in increased tax revenue of $13 billion for all levels of government.
    - While pensioners are a subset of the over 55 age group, this would still provide an increase to tax revenue to help fund core services, such as health and aged care.

Labour force shortages in Australia are severe

- The unemployment rate is low – in June 2022, the unemployment rate hit a 48 year low of 3.5%.[9]
- The number of job vacancies is historically high – a record high of 480,100 in May 2022[10] The trend is for it go higher. This does not include vacancies in the agriculture sector which we believe could be an additional 15,000 – 20,000.

[5] https://www.abs.gov.au/statistics/labour/employment-and-unemployment/retirement-and-retirement-intentions-australia/latest-release
[6] https://nationalseniors.com.au/research/social-connectedness-communities/older-australians-perspectives-on-working-after-retirement
[7] https://www2.deloitte.com/au/en/pages/economics/articles/increasing-participation-among-older-workers.html
[8] https://www.abs.gov.au/statistics/economy/government/taxation-revenue-australia/latest-release
[9] https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release
[10] https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release

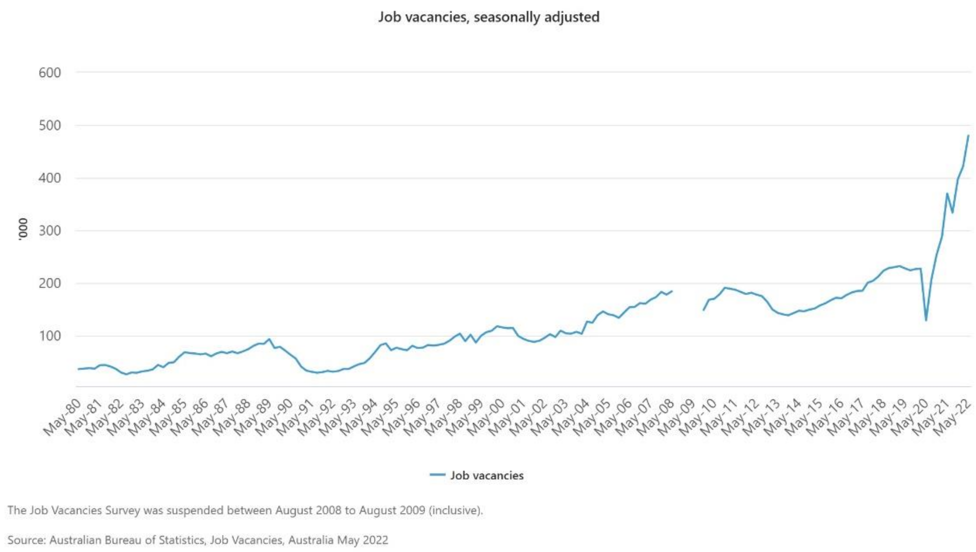

Figure 1: Job Vacancies, Australia 1980 – 2022[11]

Health and aged care

- *Key service industries, such as those delivering care and support to older Australians, which are desperate to fill staff vacancies:*
    - The median age for workers in health and aged care is high – nurses = 52[12]
    - Median age for staff in residential aged care = 48; in CHSP/home care = 50 [13]
    - Job vacancies in the health and aged care sector have exacerbated by the pandemic – vacancies have increased from 39,100 in February 2021 to 68,900 in May 2022[14,15].
    - Labour shortages are implicated in the closure of regional residential aged care homes - the Annie Lockwood home in Whyalla was losing staff to the local hospital.[16]
    - Victoria's healthcare system has been battling nurse shortages, as staff are re-deployed to every corner of the COVID-19 frontline.[17]

11 https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release#key-statistics
12 https://insightplus.mja.com.au/2019/9/valuing-our-primary-health-care-nurses/
13 https://mccrindle.com.au/insights/blogarchive/demand-vs-supply-australias-aged-care-puzzle/
14 https://www.abs.gov.au/statistics/labour/jobs/job-vacancies-australia/latest-release#industry
15 https://www.hospitalhealth.com.au/content/nursing/article/skill-shortages-may-undermine-our-healthcare-system-1573304554
16 https://www.whyallanewsonline.com.au/story/7363730/families-in-lurch-after-annie-lockwood-closure/
17 https://www.theage.com.au/national/victoria/there-are-vacancies-everywhere-state-battles-dire-nursing-shortage-20210813-p58ih5.html

- It's estimated half the current aged care workforce will reach retirement age in the next 15 years. With 240,445 direct care workers, this means 8,015 will retire every year.[18] In addition to more than 120,000 non direct care workers.
- There will be a significant shortfall in aged care workers unless action is taken now to attract and retain workers
  - Analysis from CEDA, suggests 65,000 people are leaving the aged care sector each year.[19]
  - In June 2022, CEDA predicted a shortfall of between 30,000 and 35,000 workers per year (double the original 2021 estimate).[20]
  - Analysis by CEDA in 2021, predicted a shortfall of more than 110,000 direct-care workers within the decade and a shortfall of 400,000 by 2050. These are needed to reach the minimum three-star standard.[21] However, this estimate doesn't consider their latest revised workforce shortage, and so will likely be higher.

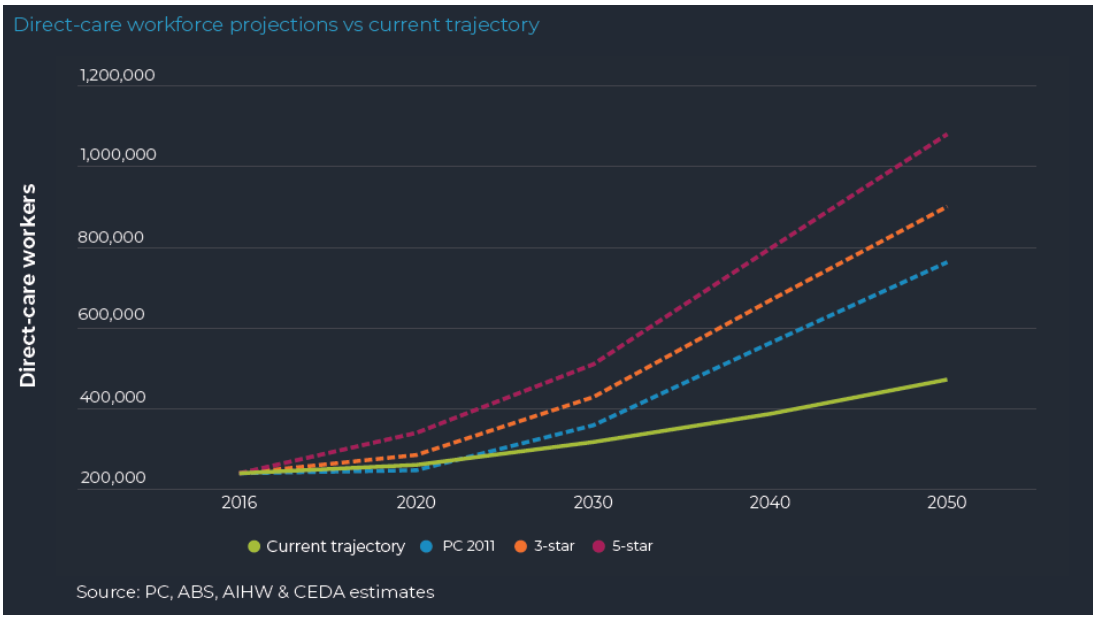

Figure 2: Direct care workforce projections versus current trajectory[22]

[18] https://mccrindle.com.au/insights/blogarchive/demand-vs-supply-australias-aged-care-puzzle/
[19] https://www.ceda.com.au/ResearchAndPolicies/Research/Economy/Duty-of-Care-Aged-Care-in-Crisis
[20] https://www.ceda.com.au/ResearchAndPolicies/Research/Economy/Duty-of-Care-Aged-Care-in-Crisis
[21] https://www.ceda.com.au/Admin/getmedia/29cf7e90-afe9-4c92-bf4b-7abc385078f8/Aged-Care-Workforce-2021-FINAL.pdf
[22] https://www.ceda.com.au/Admin/getmedia/29cf7e90-afe9-4c92-bf4b-7abc385078f8/Aged-Care-Workforce-2021-FINAL.pdf

Retirement income and savings

- Many pensioners have limited assets (outside the family home) from which they can earn additional income and would benefit from being able to work to meet day-to-day living costs and contribute to their superannuation and savings. According to the latest Department of Social Services data, the proportion of pensioners (customers) with less than $100,000 in assets outside the family in March 2022 was[23]:
    - non-home owning pensioners (couple) = 64.6%
    - home owning pensioners (couple) = 25.3%
    - home owning pensioners (single) = 49.4%
    - non-home owning pensioners (single) = 75.7%
- Women are particularly vulnerable to low wealth and income in retirement:
    - Women retire on average with around 23% less super than men.[24]
    - In June 2019, fifty per cent of women (individuals aged 60 to 64) had a superannuation balance of less than $178,800.[25]

[23] https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=
[24] https://www.superannuation.asn.au/media/media-releases/2022/media-release-28-february-2022
[25] https://www.superannuation.asn.au/ArticleDocuments/270/2022_Superannuation_Account_Balances_Research.pdf.aspx?Embed=Y

Proposed legislative changes

Suspension of benefits and entitlements instead of cancellation

- The Enhancing Pensioner and Veteran Workforce Participation) Bill has proposed to suspend age pension and veteran pension payments for two years, rather than cancel the payment. If passed, a pensioner would not have to reapply for the pension within the two-year period if their employment circumstances changed such that they were eligible for a payment again.
  - While National Seniors Australia supports this change, we believe it will likely have marginal impact on workforce participation. We do not believe this alone will greatly induce pensioners to take up work.
  - Further, should government choose to provide a full exemption, as is proposed in Option 1 below, this policy would not be warranted or required because they would not lose access to a pension.

Extended qualification for pensioner concession cards

- The Enhancing Pensioner and Veteran Workforce Participation) Bill has also proposed to extend the time an aged pensioner, disability support pensioner and veteran payment recipient can maintain a *pensioner concession card* while working to 2 years.
  - Given the significant value of concessions available to pensioner concession card holders under local, state, and federal government concession schemes, including bulk billed Medicare, rates, electricity, gas, public transport and many other concessions, we are supportive of this change as it rewards pensioners who work.
  - While National Seniors Australia supports this change, we believe it will likely have marginal impact on workforce participation at a time when a significant increase in workers is required. We do not believe this alone will induce significant numbers to take up work.
  - Further, should government choose to provide a full exemption, as is proposed in Option 1 below, this policy would not be warranted or required because they would not lose access to a pensioner concession card.

Increase in the Work Bonus Scheme

- The Enhancing Pensioner and Veteran Workforce Participation) Bill has also proposed a doubling of the existing Work Bonus limit of $300 ($7,800) for income derived from personal exertion income to $600 ($15,600).

- National Seniors supports doubling the Work Bonus limit for income derived from personal exertion income to $600 ($15,600) for the following reasons:
    - The policy would affect all pensioners (Aged Pension) and veterans (Service Pension).
    - The policy would reduce the disincentive for part time workers to work additional hours, reducing the fear of losing pension payments or having pension payments cut.
    - The policy would require limited administrative changes and would be simple to implement.
- National Seniors does not support doubling the Work Bonus for the following reasons:
    - While there may be some increase in the hours worked by pensioners from the increase in the threshold, we believe this would be limited.
        - DSS payment data shows there was no increase in workforce participation when the Work Bonus increased from $6,500 - $7,800 on 1 July 2019. The proportion of pensioners declaring work income has continued to fall since this time.
        - There is also limited evidence the previous increase in the Work Bonus limit rapidly increased the amount an individual pensioner works. While the proportion of pensioners declaring an income above $250 per fortnight increased after the Work Bonus increase on 1 July 2019, it took a full two years for this to occur (see Table 1 below). Given the timing, it could be argued this may have occurred more as a response to the pandemic rather than the change in the Work Bonus.

	Mar-19	Mar-20	Mar-21	Mar-22
%	48.9	46.4	79.2	83.7

Table 1: Proportion (%) of Age Pension recipients who declared an income who earned more than $250 per fortnight. Source DSS Data[26]

- There would be no change to reporting requirements, therefore an individual would still be required to report their earnings to Centrelink every fortnight.

[26] https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=

- Onerous Centrelink reporting requirements has been reported as one of the reasons pensioners choose not to work.
- Pensioners would continue to worry about breaching Work Bonus limits when accepting more work.
- Pensioners would likely continue to limit participation to stay under the new Work Bonus limit, undermining any additional workforce participation.
- There would also be no savings to government if reporting requirements remain. Administrative costs might increase if more pensioners work and interact with Centrelink on a fortnightly basis

Alternative policy options

The following section details several alternative policy options that could be used to achieve the objective of greater workforce participation among pensioners. We discuss the costs and benefits of these.

Option 1: Opt-in exemption from the income test

- Pensioners would be offered an opt-in recorded by Centrelink.
- Participants would lose access to the Pension Work Bonus while they opt-in.
- Any income derived from personal exertion would not be subject to the income test so they can work as much as they want without losing 50c in the dollar from their pension.
- The exemption would only apply to income from personal exertion; other income (e.g., income from assets, either real or deemed) would continue to be subject to the income test for the purpose of calculating pension eligibility and entitlement.
- Participants would **not** be required to report earnings to Centrelink, significantly reducing Centrelink's administrative costs and the bureaucratic burden on working pensioners.
- Centrelink would tax (and adjust) pension payments (e.g., assume 32.5c tax rate) to avoid any compliance burden on employers and end-of-year tax bill for participants.
- Because they have already paid their tax via Centrelink they would have their tax return adjusted to account for the LITO and SAPTO.

- Eligibility for an exemption could be restricted to reduce unintended costs (however this would reduce impact):
  - ***Option 1A****: Restrict eligibility using specific assets thresholds to ensure that only those with limited ability to earn income from their assets are eligible. Table 2, below, gives one example of thresholds and the numbers eligible.*
  - ***Option 1B****: Restrict eligibility to employees working in key areas of workforce shortages – e.g. Health and social assistance (Child Care, aged care and disability care) – as part of the initial trial, before extending to other areas.*

		Possible asset threshold for eligibility	Number of pensioners
Single	Homeowner	150,000	437,469
	Non-homeowner	300,000	460,678
Couple	Homeowner	250,000	603,859
	Non-homeowner	400,000	175,911
Total	All ages		1,677,917
	(less than 75 years of age)		721,504

Table 2: Number and proportion of pensioners by relationship status, home ownership and age using example assets test thresholds as criteria for eligibility, DSS Dec 2021[27]

- Pensioners who **do not** opt-in continue under the current income test taper rate of 50c in the dollar and the Work Bonus of $7,800 per year. They declare earnings as usual. If they get to a point where they are better off under an exemption, Centrelink could send a notice asking if they wanted to opt-in to the scheme.
- Participants would be able to opt-out if circumstances changed and the exemption was no longer in their interest (e.g., if they retired, quit, or lost their job unexpectedly).

Benefits of an "opt-in" exemption

[27] https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=

- **Easy to communicate.**
    - Unlike incremental changes to the Work Bonus, offering pensioners a full exemption / the choice to work and just pay tax, will be easier to communicate, resulting in more rapid take-up to meet critical workforce shortages.
- **Rewards people who work.**
    - Participants will see a significant increase in their income from working compared with existing rules. A worker with limited savings will be far better off financially from opting in and working more compared to the current Work Bonus rules.
- **Would be more effective in inducing behaviour change.**
    - By removing Centrelink reporting (which we are told is a reason pensioners choose not to work), this will increase the likelihood they will work and work more.
    - An opt-in removes worry around under or over reporting income. This fear of losing part of all the pension stops people working. (Cf. Robodebt)
- **Reduces government administrative costs**
    - An opt-in will reduce Centrelink administration, reducing costs. The Work Bonus imposes heavier reporting and is more expensive to administer.
- **Can be time-limited**
    - By applying the rebate as a temporary pandemic measure, government can assess and remove the rebate if conditions change, or results are sub-optimal.

Costs of an "opt-in" exemption

- **May result in budgetary costs**
    - As a full exemption is open ended, there could be budgetary costs from extending a full pension to those who might otherwise have lost some or all, of their pension entitlement due to the income test.
    - However, these costs may be limited or outweighed by gains in tax receipts from pensioners engaging in additional work and from pensioners moving out of the cash economy (as there won't be an incentive to be paid in cash or disincentive to declare earnings).
    - National Seniors is currently working with Deloitte to model the cost and benefits of this change, which will made available to the committee.

Option 2: End-of-year tax rebate / reimbursement

- Pension recipients would be given an end-of-financial-year rebate - an age-based earned income tax credit (EITC) – as an incentive to work. This would reimburse them for some of the pension lost via the income test.
- The Work Bonus would continue to apply from $7,800.
- The ATO would apply a rebate from $7,800 up to a maximum threshold (approx. $75,000 of employment income) at which point the rebate would cut out.
    - As an example - the rebate could be on a sliding scale from $7,800 up to $30,000 and then reduce on a sliding scale to a $75,000 cut-out threshold (e.g. $7,800 = $0 rebate; $20,000 income = $2470.5 rebate; $30,000 income = $4,500 rebate; 45,000 = $3,000 rebate ; $60,000 = $1,000 rebate; $75,000 = $0 rebate) The rebate would increase from 7,800 by $0.2025 per dollar of income earned up to the maximum of $4,500 at $30,000 and reduce by $0.10 for every dollar of income earned by which your rebate income exceeds the $30,000.
- Participants would submit a standard tax return, which would be adjusted to account for the rebate, LITO and SAPTO.
- Because the rebate is offered as a reimbursement for pension income lost via the income test, fortnightly pension payments would still have to be adjusted. This could be adjusted using one of two options depending on circumstance.
    - ***Option A*** *– Fortnightly reporting of income.*

      This option involves no change to the current income reporting requirements.

      Option A would suit those working irregular or seasonal work throughout the year who are not able to easily estimate their annual income.
    - ***Option B*** *– Declare projected annual income with no ongoing reporting.*

      Participants would declare their expected annual income to Centrelink – the same as for the Child Care Subsidy – which would be used to estimate and adjust their fortnightly pension payment.

      Participants can then work without reporting to Centrelink unless their work income changes, reducing fortnightly administrative costs and interactions with Centrelink.

      Option B would suit those with regular income who can readily project their annual income.

Benefits of a tax rebate / pension reimbursement

- **It's targeted.**
  - A sliding scale rebate would reduce budget costs. The incentive would not be open ended as with a full exemption under Option 1.
  - As such, eligibility would not likely have to be limited by either a stricter asset test or sector specific eligibility test.
- **The rebate is only paid if income is earned.**
  - Government only pays a benefit to those who work which occurs at the end of the financial year, limiting up-front costs.
- **Rewards people who work.**
  - Participants will see a significant increase in their income from working compared with existing rules.
- **Can be time-limited**
  - By applying the rebate as a temporary pandemic measure, government can assess the impacts and remove the rebate if conditions change, or results are sub-optimal.

Costs of a tax rebate / pension reimbursement

- **Complicated to communicate**.
  - A rebate would be more complicated to explain than a simple opt-in exemption, which could undermine capacity to induce behavioural change.
  - By introducing a sliding scale to reduce open ended costs, government would find it more difficult to easily explain the benefits of the scheme. Analysis of a similar scheme operating between 2004 – 2014 showed limited evidence the rebate induced higher workforce participation.[28] However, it should be noted the previous scheme offered a very limited benefit (maximum of $500). In contrast, our proposal is to have a maximum rebate of up to $4,500, which would be a much stronger inducement to work.
- **Does not completely remove reporting requirements**.
  - Because participants may still be required to report earnings to Centrelink on a fortnightly basis this would act as a disincentive.

[28] https://esacentral.org.au/images/BreunigRobertCarterAndrew.pdf

  - However, the addition of an option to report annual income for those with regular income would offset this.

Option 3: Hybrid model

- Apply a rebate for all workers (Option 2) or double the Work Bonus limit for all pensioners (Option 3) and apply the opt-in income test exemption (Option 1) to pensioners working specifically in the areas of Health and social assistance (primary health care settings such as hospitals, disability care, aged care and childcare).

Benefits of a hybrid model

- **Targeted.**
  - A hybrid model gives government the ability to provide a higher incentive to pensioners in key sectors where need is greatest, while also offering a modest bonus to induce pensioners to work more in other sectors thus reducing budget costs.
- **Can be time-limited**
  - By applying the rebate as a temporary pandemic measure, government can assess the impacts and remove the rebate if conditions change, or results are sub-optimal.

Costs of a hybrid model

- **Complicated to communicate**.
  - A hybrid scheme would be more complicated to explain to the public, which could undermine capacity to induce behavioural change.
- **Complicated to administer**
  - A hybrid scheme would create greater administrative costs
  - Additional Centrelink resources would be required to promote and explain the scheme and to ensure that only those from targeted sectors were granted an exemption.

Appendix 1: Key Statistics

	Earnings from employment in last fortnight							
	No earnings	Had earnings (#)	Had earnings (%)	>$0-<$100	$100-<$143	$143-<$250	$250+	Total
Age Pension recipients	2,479,325	76,738	3%	3,070	2,634	7,506	63,528	**2,556,063**

Table 3: Age Pension recipients by employment earnings indicator, December 2021[29]

	Had earnings (#)	Had earnings (%)
Total Age Pension recipients with earnings	76,738	100%
Age Pension recipients with earnings subject to the pension income test	58,288	75%

Table 4: Age Pension recipients with earnings, total vs full and part pensioners[30]

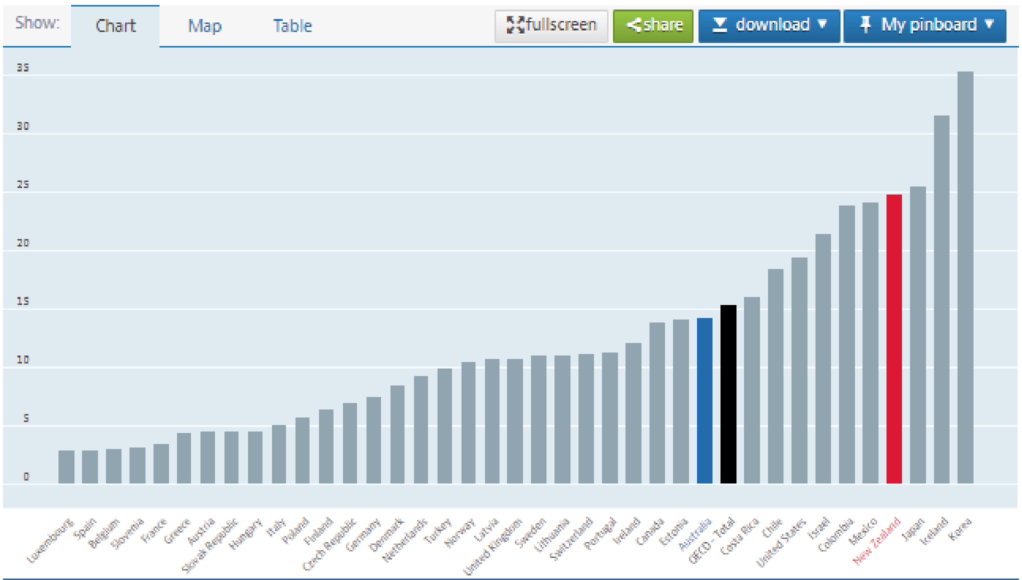

Figure 3: Labour force participation rate, 65 year or more, OECD countries 2020 or latest[31]

[29] https://data.gov.au/dataset/ds-dga-cff2ae8a-55e4-47db-a66d-e177fe0ac6a0/details?q=
[30] DSS demographic data, Dec 2021(unpublished)
[31] https://data.oecd.org/emp/labour-force-participation-rate.htm

Appendix 2: Case Study – My Care Solution (SA) / Heather

My Care Solution

With 175 Caregivers - My Care Solution is a fast-growing employer in Home Care in Adelaide and regional South Australia. It has a deliberate strategy of mature age employment – more than 65% of its workers are over 60. The age profile fits perfectly with client needs. The workers also enjoy the experience. – The 'farewell career' for many is an opportunity to make a difference in work that is meaningful and personally rewarding.

Many of My Care Solution's employees are on either JobSeeker or the Aged Pension. They are predominately female, keen to work, but baulk at additional hours due to both the increase in Centrelink reporting and the loss of 50c in the dollar for earnings above the Work Bonus threshold. They also pay tax so can lose up to 82 cents in the dollar for additional work.

This results in "underemployment", where highly skilled/valued employees are not fully utilized i.e., max of 10 hours per week instead of 16-20 hours per week or more - resulting in many employers shying away from this demographic due to a perceived poor return on their training investment.

There is a chronic skills shortage in social care in Australia – not just in home care. My Care Solution needs to double its workforce over the next three years to meet demand from the release of an additional 80,000 Home Care Packages. It's also expanding into disability care.

Heather

Heather is 68 and works casually as a registered Nurse with My Care Solution. She would be happy to work additional hours and My Care Solution would welcome her increased availability. However, she finds the additional Centrelink reporting requirements a burden – like many in her demographic – Heather prefers face-to-face interactions and will take a book to read, line up and wait at her local Centrelink (Norwood SA) to ensure she is compliant with her reporting requirements.

Heather would appreciate the opportunity to work more to earn more income and contribute more towards her superannuation. She would also appreciate any moves to streamline Centrelink reporting. She would be willing to increase her availability for more shifts if she knew she was not going to be financially penalised. The extra work would also help her make additional contributions to her relatively low superannuation balance.

Appendix 3: Case Study – Halina

Sixty-nine-year-old Halina works four days a week at FoodWorks in rural Victoria.

Her job provides purpose, structure and keeps her mind and body active. According to Halina, it plays a pivotal role in slowing the ageing process. It also provides a much-needed wage to support Halina's pension – her sole source of income.

FoodWorks, her employer, benefits too. Being mature-aged, Halina gives certainty, reliability, and flexibility, evidenced by her record of being available, even on short notice.

However, under the current Age Pension income test rules, Halina's availability to work more is limited.

Disincentive to work

Under the Age Pension income test, pensioners can only earn up to $12,740 per year (or $245 per week) without losing their pension. This includes any real or deemed income from assets. Under the Work Bonus scheme pensioners have some flexibility to work more hours, however they must always be mindful not to breach the annual limit. The more hours pensioners work, the quicker they reach their limit, and their pension reduces.

In the lead up to Christmas, Halina worked up to 27 hours a week – hours she didn't expect or necessarily want. But because of her strong work ethic and knowing she was needed, Halina was unable to say no – despite the impact her additional income would had on her pension payments.

Halina has around three months before her Work Bonus limit is reached and her pension reduced.

Like Halina, many pensioners are reluctant to work or work more hours because the Age Pension income test punishes those who want to work more by taking 50 cents in the dollar from their pension for every dollar earned over $490 per fortnight (or $12,740 per annum).

The Age Pension income is taxable, so many pensioners question why they should work more and be penalized for doing so.

Unless the current system changes, Halina will likely reduce her three to four days a week at FoodWorks to only one day a week, to save her pension payments.

Halina will lose much needed income and her employer, who is dealing with severe worker shortages, will lose another valued employee.

Appendix 4: Case Study – Dawn and Murray

70-year-old Murray and 71-year-old Dawn are husband and wife seasonal harvest workers who travel six months of the year from NSW to harvest tomatoes and olives. At times, they work between 60 - 72 hours per week (12-hour shifts at a time, mostly midnight to midday). As Dawn recounts, there are a lot of 'baby boomers' who do this kind of work – a few 75-year-olds and a 79-year-old too.

Murray and Dawn's employer value mature workers because of their work ethic, commitment, life experience and availability. For Dawn and Murray, the work keeps them mentally and physically active, fit, and healthy. Additionally, they meet people from all over the world. The friends they've made are a significant bonus of harvest work.

Once they've finished a stint, Murray and Dawn take a couple of weeks to travel home in their caravan, staying in and supporting small towns along the way, purchasing food and various products from the local butcher, bakery, and op-shop.

Disincentive to work

Under the Age Pension income test, pensioners can only earn up to $12,740 per year (or $245 per week) without losing their pension. This includes any real or deemed income from assets. Under the Work Bonus scheme pensioners have some flexibility to work more hours, however they must always be mindful not to breach the annual limit. The more hours pensioners work, the quicker they reach their limit, and their pension reduces.

Between retiring after working full-time for 48 years and moving interstate to start harvest work, Murray and Dawn lived in their caravan and off their superannuation. They were too young to receive the age pension and didn't realize they were eligible for Newstart. With the help of the income they receive through harvest work, they are building a new home.

For the six months of the year, they don't do harvest work, Murray and Dawn receive the full pension and then pay what they need to back. Each time they return from a harvest stint, they are required go through the humiliating and time-consuming process of reapplying for the age pension through Centrelink. It can take up to a month until they receive their first payment.

Murray and Dawn wonder why they can't receive the full pension as well as income and simply pay the appropriate tax.

Unless the current system changes, Murray and Dawn will likely limit their harvesting work and the agriculture industry that is already suffering a worker shortage will lose two willing and highly capable employees.

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