

National Council of Women Western Australia (NCWWA) Submission to the Senate Standing Committee on Community Affairs Inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veterans Workforce Participation) Bill 2022

Thank you for the opportunity for National Council of Women Western Australia (NCWWA) to provide a short submission to the inquiry into the Social Services Legislation Amendment (Enhancing Pensioner and Veterans Workforce Participation) Bill 2022.

NCWWA is a voluntary member based advocacy not-for-profit organisation with a large number of Affiliate organisations (organisations who also have members) and Associate members (women who join as an individual). NCWWA membership base is women of all ages however it does have a large contingent of older women, some who are aged pensioners and veterans.

There is no doubt that Western Australia and all Australian States and Territories are experiencing a significant shortage in the available workforce- the current unemployment rate is 3.4% with job vacancies at an unprecedented high of almost 500,000 (May 2022) without including job vacancies in the agriculture industry.

The impact on many businesses and in the community is quite significant with higher costs and often delays in the supply chains, let alone staff shortages in essential services like residential aged care and home care, disability care and child care. Many of these essential service jobs are filled by women.

NCWWA does not support the Bill in its current form but does support older Australians (Pensioners and Veterans) in an opt-in scheme offering an exemption from the current income test for income earned from working full or part-time if they so choose.

Currently in Western Australia and all Australian States and Territories workforce participation among older people is very low. Australian pensioners declaring work related earnings is very low at three (3) per cent. By comparison in New Zealand where work income does not affect pension payments the rate of pensioners declaring work related earnings is almost twenty five (25) per cent.

According to the Australian Bureau of Statistics there are 4.2 million Australians age 65 and over. If Australia were to match New Zealand's workforce participation rate among this population, there would be an additional 445,000 workers.

If this were to take place in Australia it could immediately make a significant difference to workforce shortages. The workforce shortage crisis needs to be addressed and quickly. Changing the way pensioners and veterans on service pensions affected by present income test rules who want to work full-time, part-time or additional hours is a sensible way to address the workforce shortage crisis.

Current income test rules punish pensioners and veterans who should be encouraged to work if they so choose- allowing pensioners and veterans to work without taking away their pension or requiring onerous reporting requirements. is a win-win for the community, business and government.

Not only would it help fill the record job vacancies it would increase tax receipts for government. It may also increase income and superannuation for some pensioners who currently struggle with their pension only and no superannuation. Currently thirty (30) per cent of female pensioners have no superannuation at all.

Loneliness for older Australians especially long periods of loneliness or social isolation can have a negative impact

on an older person's physical and emotional health and well being. Working if pensioners and veterans so choose without a penalty to their pension could make a difference to their emotional health and well being. There is also no doubt that older Australians being socially interactive and working longer delays mental and physical decline which dramatically affects costs of aged care and the health care system.

While doubling of the Work Bonus limit for income derived from working as is proposed in the Bill could reduce the disincentive for part-time workers to work additional hours and reduce the fear of losing pension payments Department of Social Services payment data indicates there was no increase in workforce participation when the change occurred in July 2019. At that time it increased from \$6500-\$7800 however the number of pensioners declaring work income continued to decrease.

The Bill proposes no change to pensioners having to report their earnings every fortnight to Centrelink. Many NCWWA eligible members (pensioners) say this is one of the reasons they choose not to work. Let alone there would be no savings to government if reporting requirements remain. In fact there could be an increase in administrative costs if more pensioners work and have to continue to report.

If however a full exemption to the work bonus was offered rather than incremental change- the choice to work and pay tax will be much easier to communicate and understand which will make it much easier to take-up. An increase in the number of pensioners and veterans working full-time, part-time or additional hours will assist the critical workforce shortages in Western Australia and all Australian States and Territories.

In conclusion penalising pensioners and eligible veterans, many who have contributed to society and paid tax all their lives, once they go over a certain threshold if they choose to work currently have to face prohibitive effective marginal tax rate and rapid increases as income tax thresholds kick in. As such the degree in which pensioners participate in the workforce is driven primarily by government's policy settings. Of course there will be some who have medical conditions and advancing years.

The Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) Bill 2022 will enable age pensioners and certain veterans' entitlement recipients to have their payment suspended for up to two years instead of cancelled if their income precludes payment. As stated in the explanatory memorandum the Bill is proposed to remove possible disincentives.

NCWWA supports simplifying the pension system as is proposed by National Seniors and provide age pension and certain veterans' entitlement recipients with the choice of undertaking additional work if they so choose and without prohibitive effective marginal tax rates.

- 1) no change to the Assets Test
- 2) Maintain marginal income tax rates
- 3) Work income is not assessable for the pension
- 4) Other unearned income thresholds remain the same
- 5) Consider Age Pension recipients' income as return of pension
- 6) The government should introduce the proposed reform for a period of three- four years trial basis to assess its effects including on the budget

This will go some way to assist in the current critical workforce shortage especially in those essential service areas. New policy solutions are required urgently and addressing structural disincentives to age pensioners and certain veteran entitlement recipients to work more hours if they choose to is one important solution.