



13 October 2022

Committee Secretary
Senate Standing Committees on Community Affairs
PO Box 6100
Parliament House
Canberra ACT 2600

Via online submission

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Dear Committee Secretary

The Victorian Chamber of Commerce and Industry welcomes the opportunity to make a submission on the Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022, October 2022.

As Victoria's leading business and industry body, each year the Victorian Chamber informs and services more than 50,000 members, customers, and clients across the state. Our work encompasses all industry sectors, spanning small, family, medium, and large-sized enterprises.

The position presented in this submission has been informed through our ongoing member consultation.

If you would like to discuss this in more detail, please contact Dylan Broomfield, General Manager, Policy and Advocacy on _____ or _____.

Yours sincerely,

Paul Guerra
Chief Executive

Executive Summary

The Victorian Chamber welcomes the opportunity to provide a submission for the *Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022*, a Bill to amend social security law and *Veterans' Entitlements Act 1986*.

Pension recipients and veterans are important members of our community and workforce. During the current skills and labour shortages, pensioners and veterans can help provide business with the workers they need to keep operating. Not only can they fill roles, but the community can benefit from their experience in training, managing, and mentoring other staff as well as lifting overall productivity and bringing broader skills into the labour market.

The Victorian Chamber agrees with the intent of encouraging workforce participation, and puts forward that measures can be extended past those currently outlined in the Bill.

Recommendations

1. Extend the Work Bonus end date from 30th June 2023 to 30th June 2025, and then review on a two-yearly basis.
2. Consider allowing pension-recipients to work up to three days a week on an ongoing basis, OR the income tested and Work Bonus amount, whichever allows pension recipients to earn more.
3. Increase the Work Bonus amount from \$4,000 to \$10,000.

Introduction

The Victorian Chamber supports the aim of the Amendment, specifically, we call out the intent spelled out in the Explanatory Memorandum to:

“Encourage workforce participation by pensioners over age pension age, which may assist in addressing current skills and labour shortages”.

The Bill will do this by:

- **Suspending benefits and entitlements instead of cancelling them** by up to two years
- **Extending qualification for pensioner concession cards** for up to two years
- **Temporarily increase the pensioner Work Bonus** by an additional \$4,000.

The Victorian Chamber agrees that removing disincentives for work is a positive step for increasing workforce participation and helping to alleviate skills shortages. We highly recommend taking the measures put forward in the Bill further, to further increase participation and the associated benefits of increased participation for pension recipients.

Skills and Labour Shortages

The need for skilled and unskilled workers across industries is the top priority for business, with many media outlets labelling it a 'crisis.' A recent survey conducted by the Victorian Chamber showed 75% of our members that responded reported that they are struggling to hire staff. Australia-wide, there is now almost one job available for every person seeking work, with 470,900 job vacancies and 487,700 unemployed, as at August, 2022.

Considering the impact of job transition, skills mismatches, and the dislocation between places of employment and location of employees alongside a housing shortage, it is clear there is insufficient skills and workers to fill the available jobs. These labour and skills shortages are curtailing productivity and economic growth. Meanwhile, experienced workers of pension age are disincentivised to use their knowledge and skills and help mitigate skills and labour shortages experienced Australia-wide.

Experienced, pension age workers have much needed knowledge and skills. The broader workforce benefits from their increased participation; not only from the work that they do, but the benefits from knowledge sharing, mentoring, and increased productivity and skills development. Microcredentials could be utilised to help upskill pension age recipients to further build their skills for a mentoring role, or to help transition their transferable skills into local industries with skill and labour shortages.

Seniors Want to Work

Seniors want to work. According to National Seniors Australia data, 20% of pensioners say they would consider re-entering paid employment. The primary motivation for this is the desire for increased income, due to a lack of superannuation, struggling to make ends meet on a sole pension income, and increases to the costs of living. Income is not the only reason however, with public spirit and a desire to serve and help fill skills shortages also found as motivators.¹

As National Seniors Australia points out, pensioners in New Zealand are not penalised for earning additional income. If Australia had a workforce participation rate for over-65s similar to New Zealand's 24.8%, it could result in an additional 450,000 available workers, something that would benefit the economy, and prevent many age pensioners living close to the poverty line. Taking the Bill further means that for an ongoing period, pensioners can earn more and utilise their experience, increasing Australian productivity and alleviating skills gaps.

When pension recipients work, they also have increased opportunity for social connection and engagement in their community. With loneliness among older Australians strongly identified as a problem, the social connection available from employment is important and should not be disincentivised by impacts on pension payments.

¹ National Seniors Australia, 2022. <https://nationalseniors.com.au/news/featured-news/why-pensioners-want-to-work>

Improving the Bill Further

The current Bill shows the increase to the Work Bonus ending only a year after implementation, on June 30, 2023. Considering the ongoing high cost of living and deep-rooted skills shortages, the 2023 end date is much too early. At the very least, the Work Bonus should be extended to 2025, giving pension recipients and businesses more certainty, and then reviewed on a two-yearly basis to assess cost of living and skill shortage pressures, if the option for a permanent measure is unviable.

We also recommend that the Work Bonus is increased to \$10,000. The Bill currently increases the Work Bonus by \$4,000, equating to an approximate \$150 extra per fortnight and extra seven hours of work per fortnight (at minimum wage), until a person's age pension payments are reduced. This number is conservative, significantly restricting pension recipients who want to work more and businesses who really need staff.

While the Work Bonus helps to increase workforce participation, it also increases complexity for pension recipients and employers. Another way to increase workforce participation and earnings for pension recipients is to have the option of working a number of days OR the Work Bonus and income tested cap, which ever lets the worker earn more. This reduces complexity and increases certainty for both workers.

Recommendations:

4. Extend the Work Bonus end date from 30th June 2023 to 30th June 2025, and then review on a two-yearly basis.
5. Consider allowing pension-recipients to work up to three days a week on an ongoing basis, OR the income tested and Work Bonus amount, whichever allows pension recipients to earn more.
6. Increase the Work Bonus amount from \$4,000 to \$10,000.

Concluding comments

Pension recipients and veterans are important members of our community and workforce. We should not be encouraging them to exit or disincentivising them re-enter the workforce, particularly in times of skills and labour shortages and the rising cost of living. Increased workforce participation in this cohort benefits businesses who need experienced staff.

The Victorian Chamber agrees with the intent of enhancing pensioner and veteran workforce participation but recommends expanding the proposed changes. This could be looked to as a pilot that leads to a similar expansion of other, similar support schemes that encourage workforce participation.