

17 August 2022

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



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Dear Committee Secretary

Social Services Legislation Amendment (Enhancing Pensioner and Veteran Workforce Participation) – CCIWA Submission

Thank you for the opportunity to provide comment on the issue of enhancing greater pensioner and veteran participation in Australia's workforce.

As you progress your inquiry and report into this matter, we seek your consideration of a proposal that will help address crippling nationwide staff shortages and incentivise greater participation in the workforce of people currently in Australia.

Without access to workers, Australian businesses will be at an increasing competitive disadvantage with firms in other countries.

While the reopening of Australia's borders will help to relieve the pressure on skills, there is a global war for talent and as such it will not be the panacea we all hope for.

In this context, it is those economies that can extract the most out of their local workforces that will gain a competitive edge in the global economy.

As one of the key measures to unlock the capacity of the Australian workforce, we urge the Government to implement reforms that entice aged pensioners back into the workforce and allow them to keep more of their age pension when they earn income through work.

ABS data shows there is currently significant latent demand for over 65s to work. In 2019, the average hours of additional work sought by people over 65 was 685,000 hours. The total number of hours has since swelled and now stands at 724,000 hours.

Currently, the interaction of the Work Bonus pension income test free threshold allows a single pensioner to earn an average of \$480 a fortnight before their age pension is reduced, at an effective marginal tax rate of at least 50 per cent.

This structure provides only limited benefit for a pensioner considering a return to the workforce, as it allows them to work only one day per week (at minimum wage) before their pension is reduced. It is also of limited benefit to business, due to the fixed cost of engaging an employee and the ability for this older skilled worker to mentor a junior employee if working only one day per week.

We ask the Australian Government to urgently consider introducing reforms that ensure pensioners avoid such high effective marginal tax rates. These reforms should be time limited and should ensure pensioners have greater incentive to work up to three days a week.

We urge the Australian Government to examine this opportunity as a priority when conducting their inquiry into this matter, and to implement reforms as soon as possible.

Of course, such a measure must be seen as just one element in a broader strategy to boost productivity and to encourage stronger labour force participation. We are keen to engage with the Government on a range of other initiatives which could be considered (including encouragement for those looking to take on a second job, extended support for business to take on new trainees and strategies to encourage key groups to re-enter the workforce).

Once again, thank you for the opportunity to comment on this important matter. Should you wish to discuss our submission further, please contact our Chief Economist and Director of Policy, Aaron Morey

Yours sincerely

Chris Rodwell
Chief Executive Officer