Submission from ACOSS to the House of Representatives Standing Committee on Employment, Education and Workplace Relations

Inquiry into issues specific to older workers seeking employment, or establishing a business, following unemployment

May 1999

Introduction

The Australian Council of Social Service (ACOSS) believes that unemployment is the key issue facing our country – one that can only be adequately addressed by concerted and collaborative action by governments, the private sector, unions and the community sector.

The imperative for such action is social as well as economic. Unemployed people and their families experience extreme personal and financial hardship. Unemployment is the single greatest cause of poverty in Australia and is causally linked to poor health outcomes and social isolation. High levels of unemployment also have serious implications for society as a whole, not only by causing increased social security and health outlays and reduced tax revenues, but also by deepening and entrenching income inequalities which threaten social harmony.

Although there has been an improvement in the labour market over the last six months, with a decline in the unemployment rate from 8.0% to 7.5%, this benefit has not flowed equally to all groups of unemployed people or to all regions.

Older unemployed people, particularly those from socio-economically disadvantaged backgrounds, are one group who experience high and particular labour market barriers. They are both more likely to become unemployed, and to experience significant difficulty in regaining employment once unemployed. This should be of particular concern to the community in this international Year of the Older Person. ACOSS therefore welcomes the opportunity to contribute to this Inquiry into the specific issues facing older unemployed people.

Definitional issues

The House of Representatives Standing Committee Inquiry into the issues relevant to older workers defines that group as those 45 years old and over. This is clearly a very broad age group, spanning at least a spectrum of 20 years. It includes those who could be considered to still be in their prime working years through to those who are nearing the end of their working lives.

There is not any single statutory guideline to determine the end of working life. The qualifying age for the Age Pension is 65[1], and while there is general community

[1] The qualifying age for Age Pension for women had been 60, until the government announced a change in policy in 1993-94 Budget which saw the qualifying age for women rise from 60 to 65 over a 20 year period, to be consistent with the qualifying age for men.

acceptance of this as the norm for retirement age, a sizeable number of people – through either choice or necessity – continue to work after that age. Anti-discrimination legislation in some states has made it unlawful to force retirement at 65, although some occupations do have limits to employment beyond that age. The superannuation legislation allows access to superannuation funds to provide income for early retirement from the age of 55. While community norms would see retirement as a possible option for those aged over 55, those in the 45 to 54 age bracket would generally be understood to be part of the working population.

It is critically important to understand that unemployed people aged over 45 are not an homogenous group, and that therefore a range of policy measures is required to meet their diverse needs. Assuming that the experiences and needs of this group are broadly similar is likely to result in inappropriate policy responses and may be counterproductive in properly identifying need and providing effective assistance.

Age is one distinguishing feature – one that requires different strategies to assist those who still have a substantial working life ahead of them, and those who are much closer to making the transition to retirement. It is not, however, the only distinguishing feature. Factors such as gender, ethnicity, education levels, occupational history and socio-economic status also impact on the diverse experiences and needs of unemployed people over the age of 45.

The particular nature of mature age unemployment

Despite the diversity of mature aged unemployed workers, it is also true that they have some common experiences. For example, the duration of unemployment rises and participation rates drop for those over 45. There are also significant rises in the incidence of hidden unemployment and underemployment, with the effects being more extreme for the older cohort. It has been argued that unemployment may be a more severe problem mature aged people, particularly those over 55 years, than for any other age group.[2]

To understand the nature of mature age unemployment it is necessary to look at a range of factors and not just the official unemployment rate for this group. In March 1999 when the national unemployment rate was 7.4%, it was 5.5% for people aged 45 to 54; 7.2% for those aged 55 to 59; and 6.0% for the 60 to 64 age group,. The official rate of unemployment for this group therefore appears to be relatively low, but it masks other significant labour market indicators that reveal the opposite effect.

Older workers are more likely than any other age group to withdraw from the labour market and abandon their job search efforts, with the majority of discouraged jobseekers being over 45, and those in the 45 to 69 age bracket accounting for 62% of all discouraged jobseekers[3]. This is reflected in the declining participation rates of older unemployed people, particularly those aged 55 to 64 (58.1%) and 65 years plus (31.8%). It should be noted, however, that the participation rate for those aged 45 to

[2] Adriana VandenHeuvel of the National Institute of Labour Studies, comes to this conclusion in her recent article, ‘Mature Age Workers: Are they a Disadvantaged Group in the Labour Market?’ in the *Australian Bulletin of Labour*, Vol 25, No. 1, March, 1999. This article provides detailed statistical analysis of the labour market experiences of this group, reviewing a number of indicators.

[3] JobsEast (1998) *Profiting From Maturity, The Social and Economic Costs Of Mature Age Unemployment,* 1998, quoting ABS statistics from *Persons not in the Labour Force*, 6220, September 1996.

54 years (at 77.8%) is not markedly different to the younger 25 to 44 year cohort (79.7%).[4]

VandenHeuvel[5] calculates a 'revised' unemployment figure, combining the official rate of unemployment with hidden unemployment, to provide a more accurate, and significantly higher rate of unemployment for older people. This produces a 'revised' unemployment rate, for those over 45 in September 1998, of 8.9% for men (compared to a recorded rate of 6.3%) and 9.4% for women (recorded rate 7.8%).

A recent ABS study, using longitudinal survey data, found that those aged 55 to 64 have a greater likelihood of becoming retrenched than any other age group (apart from the 18 to 24 age group) but their chances of being re-employed were the lowest.[6] Older workers who become unemployed are more likely to remain so for longer periods than any other age group. On average, those aged between 45 and 54 are unemployed for 79 weeks compared to 42 weeks for those aged 20 to 24[7]. According to VandenHeuvel's research, older unemployed males, over 55 years, account for only 9.6% of all unemployed males, but they make up 13.3% of long-term unemployed males and 16% of very long term unemployed males. For women over the age of 55 years, the figures are similar. They comprise 3.8% of all unemployed females, 7.1% of long term unemployed females, and 8.7% of very long-term unemployed females.

Key issues

Access to labour market assistance

All this evidence points to older unemployed workers being particularly disadvantaged in the labour market. This might suggest that this group would be specifically targeted for assistance aimed at improving their labour market chances. However, the opposite appears to be the case. Fewer of the older workers who had been retrenched or made redundant, surveyed for the ABS study on retrenchment, were assisted by the Commonwealth Employment Service or referred for training than any other age group.[8]

Recommendation 1: The funding to the Job Network should include earmarked allocations for targeted labour market programs to assist disadvantaged people back into the workforce. Specifically, an additional stream of assistance should be introduced for long-term unemployed people whose labour market disadvantage is so severe that they are unlikely to secure and retain employment unless they first receive special subsidised paid work combined with recognised training and work preparation assistance, of at least six months.

It is of serious concern to ACOSS that older workers do not appear to be considered a "special needs" target group for assistance in either the Job Network or the training sector. Anecdotal reports suggest that, even though older unemployed people may be assessed as eligible for Intensive Assistance through the Job Network, they

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[4] ABS, *Labour Force Australia,* 6203.0, March 1999.
[5] VandenHeuvel, Adriana, 'Mature Age Workers: Are they a Disadvantaged Group in the Labour Market?' in the *Australian Bulletin of Labour,* Vol 25, No. 1, March, 1999.
[6] ABS, *Retrenchment and Redundancy,* 6266.0, July 1997.
[7] JobsEast (1998)
[8] ABS, *Retrenchment and Redundancy,* 6266.0, July 1997.

represent a significant proportion of jobseekers who are 'parked' by providers and offered little or no employment assistance. As Job Network providers are not required to ensure their services are appropriate for older unemployed people or report on what they have done for this, there is no impetus for changing this situation. Regrettably the Exposure Draft for the next tender round for the Job Network, released by the federal Government in April this year, does not rectify this omission even though it does provide for greater accountability in respect of other groups disadvantaged in the labour market.

Recommendation 2: Mature-aged unemployed people should be a defined jobseeker target group in the next Job Network tender round. This would mean that providers would be monitored against their capacity to assist this group and to report on placement outcomes – as they will have to for other groups, specifically Aboriginal people and Torres Strait Islanders, people from a non-English speaking background, young people, people with a disability and sole parents.

Similarly, the Australian National Training Authority (ANTA) does not report on mature aged people in its consideration of access and equity for disadvantaged groups in vocational education and training. Unfortunately, there has been a paucity of research on the particular needs, participation, and employment outcomes of mature-aged people in vocational education and training. By not being considered a 'special needs group' there are no systemic processes in place to ensure the particular needs of older workers are identified, considered and met.

Recommendation 3: Mature-aged people should be defined as a target group for access and equity strategies for the development of appropriate programs, to ensure that they are adequately represented in formal representative structures, and for reporting purposes. ANTA should add mature-aged people to the five target groups which it currently monitors for access and equity purposes. This would result in better collection of data on this group's access to and outcomes from vocational education and training and would encourage the development of specific strategies to improve this.

Impact of early retirement policies

At the other end of the spectrum of assistance for older unemployed workers, public policy has had the effect of encouraging and supporting early retirement. The range of measures which assist older workers in the 55 to 64 age group make the transition from employment to retirement are important for those people who are willingly making the adjustment. It is possible however, that those policies have exacerbated the trend towards early retirement, discouraging labour force participation for older workers. As noted above, access to superannuation is possible from age 55. ACOSS argues, however, that the preservation age for superannuation should gradually be raised to age 60 for most people (in combination with a series of other changes to savings and superannuation arrangements).

Our recommendations for changes to the superannuation system are outlined in our paper *A New Lifelong Savings System*, a copy of which is attached.

Another measure to assist early retirement is the provision of the Mature Age Allowance (MAA) for people aged 60 and over who have been unemployed for nine months. It exempts recipients from the requirement to seek work and provides them with an increased range of benefits through a Pensioner Concession Card. However the value of this measure in the transition to retirement has been downgraded from July 1996, reducing its level of payment from pension to allowance rates. (The payment for a single person is now $176.15 per week, whereas it would be $180.70 a week if it had been kept at the pension level.) The lower rate and the more stringent income test for allowances means that the MAA does little to protect the living standards of this older group who are unlikely to be able to provide additional financial support for themselves through labour market activity.

Recommendation 4: The payment rates for the Mature Age Allowance should be restored to Age Pension levels, and Age Pension income and assets tests conditions should apply.

The change in rules governing early access to superannuation on hardship grounds, so that sustained periods of unemployment become a key criteria, is also a recognition that older unemployed people face significant financial difficulties which may not be able to be addressed through a return to full-time employment.

However a growing community expectation that working life will end, or begin to slow, after 55 has negative implications for those workers who do not wish, or are unable, to move into retirement at such an early age. This community view can also send the wrong message to employers, who may wrongly believe that early retirement for those over 55 will be supported by the social security system.

Early retirement policies presume an element of choice – not only that older workers wish to retire early but that they have the financial means to do so. In reality early retirement is not a choice for many older workers in disadvantaged socio-economic circumstances. They are unlikely to have substantial superannuation, or be in a secure financial situation, to allow such a choice. Yet it is often this group which features highly among mature aged unemployed people. Further, early retirement is not relevant to the younger cohort of older workers (aged 45 to 54).

It is essential that policies to assist the transition to early retirement where it is desired and possible do not detract attention and effort from policies to assist those older workers who are unemployed and wanting to get back into the workforce. Understanding the distinction between voluntary early retirement and involuntary unemployment among older people is crucial in determining appropriate policy responses. This is particularly important in light of recent evidence that the trend towards early retirement may have plateaued.[9]

Impact of social security changes

In addition to the changes to the Mature Age Allowance covered in the previous section, there have also been changes to eligibility for unemployment payments (announced in the 1996-97 Budget) which have the potential to impact negatively on older unemployed people. From 1997, people over the age of 55, who have been on income support for nine months or more, have had their superannuation assets assessed under the assets test. The rationale behind this shift is that they should be encouraged to use their savings to support themselves as it is considered unlikely they will find employment again. As long durations of unemployment are common

[9] Quinn, J (1998) 'The Labour Market, Retirement and Disability', paper given at *Income Support, Labour Markers and Behaviour: A Research Agenda* conference, November 1998.

for this age group, being forced to draw upon their superannuation and savings early may have long-term negative financial consequences. Older people who are in involuntary early retirement are at risk of depleting their financial resources before they reach the usual retirement age of 65. This will lead to an increasing proportion of poor retirees forced to rely solely or largely on government benefits, who might otherwise have been self-supporting, if their working lives had not been ended prematurely against their will.

Recommendation 5: Assets testing of superannuation for income support recipients aged 55 to 64 who have been in receipt of payment for nine months should be abolished.

Further, the trend towards later marriage and child bearing has meant that many people who are considered ‘older workers’ have dependant children and significant ongoing family and financial responsibilities. Many people, particularly in the 45 to 54 age bracket, would expect to be at the peak of their earning years, given their high levels of family responsibilities and debt. The marked shift in social security policy towards prolonged financial dependence of teenagers and young adults on their parents – highlighted most notably in the introduction of Youth Allowance – creates a particular problem for those who find themselves unemployed in their middle and later working years. The period of responsibility for dependants is extended into the years where older workers are most vulnerable in the labour market.

Personal impact of unemployment

There are serious personal and social consequences for older unemployed people who find their working lives cut short, beyond the financial impact of unemployment. These include loss of social networks, sense of self identity and self-esteem; alienation from their communities; grief; and relationship and family breakdown. These responses can be experienced by unemployed people in all age groups, but the effects can be more marked among the older cohorts, where the chance of finding work again may be severely limited. Further, many mature aged people, particularly men, have a very traditional attitude towards work as the primary definer of self. They often experience the loss of unemployment very strongly, and this exacerbates their negative emotional responses and adversely affects their ability to cope and adjust.

Skills training

The high unemployment rates among older workers may in part be attributed to the depreciation or obsolescence of their labour market skills. Skills acquired through formal education or on-the-job training early in the work career may no longer be relevant in the current labour market. Given that the emphasis on completing school and gaining post-school qualifications has only been a feature of the last two decades, it is likely that the older cohort will not be as well qualified as younger workers. This can mean that they are less competitive in the labour market in comparison to younger people, with more recent training or higher levels of basic or further education.

Anecdotal reports suggest that employers are refusing to retrain or provide ongoing skills training to older workers. The statistical evidence supports the argument that older workers receive less training than their younger co-workers. An ABS survey on education and training experience found that only 44.0% of 45 to 54 year olds and 28.9% of 55 to 64 year olds participated in some form of study or training in 1997, compared to 60.9% for the 20 to 24 age group.[10]

The lack of training for older workers is often attributed to employer attitudes that it is a 'waste' to train older workers, either because they are unable or unwilling to be trained or because they are nearing the end of their working lives and the investment in training will not be sufficiently returned. On the other hand, older workers' own attitudes may also contribute to their lack of training. They may not be as aware of the need for, or be prepared, or have the confidence, to undertake ongoing training or upskilling. The notion of lifelong learning is a recent one and the need to train and retrain throughout life is one not necessarily instilled in the minds of older workers or part of their expectations of work.

Flexible training arrangements that incorporate effective Recognition of Prior Learning (RPL) processes – to acknowledge and recognise the experiences, skills and knowledge of mature-aged people who have not had the opportunity to participate in formal education or who have been excluded or marginalised from it but who may have had many years of experience – are important ways of ensuring that training is accessible to older workers.

Recommendation 6: Training providers need to develop flexible delivery arrangements to ensure training is accessible to older workers, incorporating strategies such as self-paced learning; community-based programs and minimal educational prerequisites. Effective and appropriate RPL processes which take account of the experience, skills and knowledge of mature aged people gained outside of formal education, are an essential part of this.

Discrimination and employer attitudes

As well as experiencing discrimination in relation to access to training and retraining, older people report discrimination in recruitment practices. The most common difficulty reported by older unemployed people seeking work is that they are 'considered too old by employers' - with almost half of unemployed people aged 55 and over, and more than a third of those aged 45 to 54, giving this reason in the ABS survey.[11] It would appear that many employers are reluctant to employ older workers, despite their significant experience, possibly believing them to be unable to learn new skills or inflexible.

Alternatively, it is possible that the sometimes expressed view that older people should make way for younger people has an impact on employers' hiring decisions. This is a baseless view, not only because there is unlikely to be direct substitution of older workers by young people, but because it is counter-productive. The aim of fair and equitable employment policies and programs must be to provide work for all people and not discriminate against any group on the basis of age or any other personal characteristic.

A degree of systemic discrimination towards mature-aged people can also be seen in their general lack of recognition as equity target groups for employment assistance or

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[10] ABS *Education and Training in Australia*, 4224.0, February 1998.
[11] ABS *Job search experience of unemployed persons*, 6222.0, July 1998.

vocational education and training. By not acknowledging their disadvantage and special needs in employment assistance, vocational education and training, the system fails to ensure that it adopts strategies to assist them achieve equitable access and successful outcomes. The continuing emphasis in vocational education and training expenditure on young people and the transition from school to work, despite increased theoretical understanding and support for the need for lifelong learning, means that the needs of mature-aged students are not being adequately addressed.

Conclusion

There is no doubt, from the evidence cited above, that mature age unemployed people suffer particular disadvantage in the labour market. Yet, as a group, they do not receive any specific support to assist their re-entry into the workforce. In fact, countervailing policies may have the opposite effect by placing the emphasis on supporting and encouraging early retirement. While early retirement may be an option or choice for some older workers, particularly those in the 55 to 64 age cohort, it is highly unlikely to be so for others in that cohort or for those aged 45 to 54.

Therefore considering those aged over 45 as a homogenous group with similar needs and concerns is a fraught exercise. It is essential that one set of needs and the strategies to address them do not serve to mask or override other needs. Support for people who choose early retirement must not be allowed to take away the impetus for providing labour market assistance to the significant number of unemployed and underemployed mature aged people. Specific targeted assistance to assist older people to retrain and upskill, and to provide positive incentives to employers to hire them, are essential.

ACOSS has long argued that there needs to be a range of programs available to assist disadvantaged people into work. A combination of paid employment experience and recognised training has been shown to achieve the most successful employment outcomes for deeply disadvantaged and long-term unemployed people. The introduction of such a program, along with other measures such as subsidies to employers and earmarked funding to provide training assistance, would be of benefit to many mature aged people who are unlikely to find and maintain work without substantial assistance.

Despite the significant disadvantages older workers experience in the labour market, it is important to note they are not the only disadvantaged group. Young unemployed people, women returning to the workforce, indigenous people, migrants, people with disabilities and long-term unemployed people all require appropriate targeted assistance. Finding a balance between the needs of mature-aged people and all disadvantaged people who require assistance in accessing employment and training is critical, to ensure no one group is further disadvantaged in the labour market and bears the brunt of the hardship of continuing unemployment.

Introduction

ACOSS has long been critical of the present system of public support for saving, particularly the biases within the system towards:

- retirement saving, as distinct from long-term saving for other purposes;
- saving through superannuation, as distinct from other savings vehicles; and
- saving by high income earners, especially through salary sacrifice superannuation.

As a result of these biases, the present savings system is inequitable, costly to public revenue, and fails to meet the savings needs of most Australians.

The present Government has indicated its intention to address some of these problems, and we have supported a number of their policy initiatives in this area. However, our concern is to ensure that they are addressed in a comprehensive way. In recent years governments have tinkered at the margins with the present savings system without resolving the underlying problems. The result is continuing uncertainty.

For example, there is a need for some form of taxation support for long-term savings for non-retirement purposes. However, the introduction of a new tax incentive for these savings would not by itself resolve the deeper problems within the broader savings system, and may give rise to new anomalies and inequities if it were not part of a carefully integrated savings reform package. In particular, while an element of compulsion is necessary to strengthen national saving, the compulsory superannuation system leaves most low and middle income people with only limited scope to take advantage of any new tax incentive for long-term savings.

ACOSS proposal

ACOSS has developed a proposal for more fundamental reform, through the introduction of a single Lifelong Savings System which encompasses both the present superannuation system and a new system of long-term savings accounts for other life cycle purposes.

The outcome would be a single, integrated system for life cycle savings, removing undesirable inconsistencies and distortions in the present taxation treatment of long-term savings. Through a combination of compulsion and a new tax rebate for savings deposited in approved long-term savings accounts, a “savings culture” would be promoted among Australian households - reducing their reliance on debt to finance major household purchases such as homes and motor vehicles.

The proposed system would also help people to meet a wide range of long-term savings needs which are not supported by the present compulsory savings regime, including withdrawal from the paid labour force to care for a new-born child or to pursue further education and training.

Taxation support for long-term savings would be simpler, more transparent, and would be primarily directed to low and middle income earners, who are the least likely to save in the absence of either compulsion or tax concessions.

Reforming the taxation of savings

The superannuation system, including its compulsory elements, should be broadened to establish a *Lifelong Savings System* encompassing long-term savings needs other than retirement. The system should be progressively phased in (along with the superannuation guarantee) up to the year 2002. The Lifelong Savings System should be designed according to the description below.

Coverage

The scheme would replace the present superannuation arrangements, and would extend to approved lifelong savings accounts outside the superannuation system.

Compulsory and voluntary saving

The superannuation guarantee compulsory contribution requirements would continue, and consideration would be given (subject to implementation of the whole package) to a progressive increase in compulsory contributions to a total of 12% of earnings. These compulsory savings, and additional voluntary savings up to the ceilings specified below, would attract the tax concessions proposed under the new long-term savings rebate detailed below.

Allocation of savings

At least two thirds of both compulsory and voluntary savings held within approved lifelong savings accounts would be preserved until retirement. The remaining one third would be available, within the limits described below, for other long-term savings needs which would not be prescribed.

Withdrawal of benefits prior to retirement

Up to one third of contributions (and accumulated interest) could be *withdrawn for any purpose* after they are held in the account a minimum of five years. However, the following restrictions would apply to the amount and timing of withdrawals, to ensure that they are used for long-term savings purposes only, and a reasonable amount is preserved for retirement:

- a $10,000 limit on each withdrawal;
- a limit of one withdrawal in any single year;
- restrictions (possibly along the lines of a 'no claim bonus' system) on the size of withdrawals within each five year cycle;
- a global limit of approximately $50,000[12] on all withdrawals made prior to retirement.

Additional funds could only be withdrawn under strict hardship or disability rules.

Retirement benefits

A lifetime limit on lump sum withdrawals, equal to the present tax free threshold for lump sum benefits (approximately $100,000), would be imposed. All additional benefits should be taken as an approved retirement income stream.

Therefore, any withdrawals made prior to retirement would reduce the amount available to be taken or converted as a lump sum on retirement.

The preservation age would be raised to 60 years over the next ten years, except in the case of persons aged 50 years or more who have little option but to retire early due to disability, chronic illness, the need to care for a relative, or long-term unemployment.

[12] Half the lifetime limit on lump sum withdrawals outlined below.

A new long-term savings rebate

The present system of superannuation tax concessions, the superannuation surtax, and the savings rebate should be replaced by a new *Long-Term Savings Rebate* that extends to long-term savings outside the superannuation system (in accordance with the above-proposed Lifelong Savings Scheme) and is structured along the lines described below.

Owing to the way in which current superannuation tax concessions operate to unfairly benefit higher income earners over those on low and middle incomes, a restructuring of the superannuation taxation along the lines proposed by ACOSS would generate additional revenue in the order of $2 billion in 2000-01.

Contributions

Employer contributions would be taxed at source through the PAYE system, and other tax concessions for contributions, would be abolished[13] and replaced by a two tier long-term savings rebate described below. The 15% superannuation surtax would also be abolished.

In the first year of implementation of the new regime, all contributions up to an annual ceiling (regardless of their source) would attract a two-tier rebate comprising:

- a 100% rebate for annual contributions up to 0.5% AWOTE (approximately $200[14]); *plus*
- a 20% rebate for additional annual contributions up to 9% AWOTE (approximately $3,500).

The contributions ceilings would be progressively increased, in conjunction with increases in superannuation guarantee contribution levels, so that all compulsory contributions made on behalf of a person on average earnings, together with voluntary contributions of up to an additional 2% of salary, attract the rebate.

Therefore, if superannuation guarantee contributions ultimately reach 12% of earnings, the rebate would be as follows:

- a 100% rebate for annual contributions up to 1% AWOTE (approximately $400); *plus*
- a 20% rebate for additional annual contributions up to 14% AWOTE (approximately $5,500[15]).

The rebate would not be income tested, as the flat dollar contributions ceilings would restrict its value for high income earners. It would be paid into the account at end of each tax year, rather than directly to members through their tax returns.

Fund earnings and benefits

The 15% tax on fund earnings would be retained.

Benefits would continue to be tax free up to a lifetime ceiling of approximately $100,000[16].

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13 A tax deduction for employers making contributions for their employees would be retained.

14 Note that the proposed ceilings would all be indexed to movements in average earnings.

15 If two thirds of the $5,500 contributions ceiling were devoted to retirement saving for 30 to 40 years (see the above outline of the proposed lifelong savings system), this would be sufficient, together with the age pension, to finance a retirement income of roughly 40% of AWOTE.

16 That is, the present tax free threshold for lump sum retirement benefits.

Under the Lifelong Savings System described above, this would include up to $50,000 in pre-retirement benefits. However, no lump sum benefits would be permitted above the lifetime ceiling.
The present tax treatment of complying pensions and annuities would be retained.

Low income earners better off

The table below uses 1997-98 figures to show how the proposed new lifelong savings system would reverse the regressive nature of present tax concessions for superannuation contributions. Present tax concession for superannuation contributions provide a benefit of 26% to those on twice average earnings of $72,000 a year and only 7% to those on half average earnings of $18,000 a year.

This inequity is mainly due to the flat 15% and 30% tax rates applying to employer contributions. However, the regressive nature of the present system is actually worse than these figures show because it is exacerbated by the flat 15% tax on earnings and the excessively generous 'reasonable benefit limits' (RBLs) for superannuation benefits — neither of which are modelled here.

The ACOSS proposals would reverse present tax concessions that are skewed to high income earners to create a progressive system of superannuation tax concessions. The new system would deliver an additional $290 a year to those earning half average earnings of $18,000 a year. Those on average earnings of $36,00 a year would gain $133 a year, while those on twice average earnings would lose $399 a year.

Present super tax concessions for contributions compared to ACOSS proposals (1997-98 figures)

Annual income	Half AWOTE ($18,000pa)	AWOTE ($36,000pa)	Twice AWOTE ($72,000pa)
compulsory employer contributions[17]	$1,080	$2,160	$4,320
Annual value of present tax concessions[18]			
in dollars per annum	$70	$443	$1,119
as % of contributions	7%	21%	26%
Annual value of rebate in ACOSS scheme[19]			
in dollars per annum	$360	$576	$720
as % of contributions	33%	27%	17%
additional rebate for *voluntary*[20] contributions ($pa)	$360	$144	0
Gain or loss (ACOSS scheme compared with status quo)			
in dollars per annum	+$290	+$133	-$399

17 6% of salary in 1997-98

18 Tax concessions relating to compulsory contributions only, taking account of the superannuation surcharge

19 Note that the tax rebate in the ACOSS scheme would be phased in - for 1997-98, it would be paid at rates of 100% for the first 0.5% AWOTE of contributions, and 20% for subsequent contributions up to 8% AWOTE, and would be increased in later years to the levels indicated in the text

20 The rebate would apply first to compulsory contributions, and subsequently to any voluntary contributions within the annual contributions ceiling