



Department for Community Development
Government of Western Australia



Your Ref: dg0121
Our Ref:
Enquiries:

Ms Sue Morton
Committee Secretary
The Senate Select Committee on Superannuation
Parliament House
CANBERRA ACT 2600

Dear Ms Morton

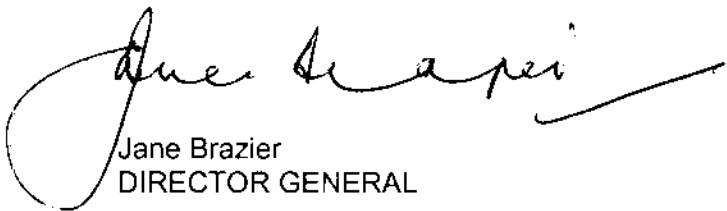
INQUIRY INTO PLANNING FOR RETIREMENT

Thank you for the invitation to lodge a submission to the above inquiry.

A response to the Terms of Reference is attached for the consideration of the Senate Select Committee on Superannuation.

Requests for further information on any of the issues raised in this submission should be addressed to Ms Judy Hogben, Executive Director, Office for Seniors Interests and Volunteering on telephone number (08) 9220 1111.

Yours sincerely



Jane Brazier
DIRECTOR GENERAL

14 March 2003

**AUSTRALIAN SENATE
SELECT COMMITTEE ON SUPERANNUATION
INQUIRY INTO PLANNING FOR RETIREMENT**

(a) THE EFFECTS OF AGEING ON WORKERS' PRODUCTIVITY

- A 2002 Productivity Commission staff research paper¹ relates productivity to skill, and cites an ABS Labour Services Index that uses educational attainment and potential workforce experience as its measures of skill, to the effect that, while younger workers may have greater educational attainment than older workers, older workers have the greater level of workforce experience. The paper also cites a 1998 OECD paper, which concluded that 'there is no evidence to suggest that the productive potential of older workers is substantially impaired by ageing per se'.
- Other factors related to the comparative productivity of older and younger workers include the following :
- Younger workers, by virtue of the different technology available to them, are more likely to enter the workforce in, say, information technology jobs than older workers who are trained and experienced in other areas. Younger workers may also have an advantage over older workers when it comes to speed and physical strength, and they may start their working life with a higher average level of formal education than older workers did.
- On the other hand, older workers' greater experience (both work-related and general), corporate knowledge and mature judgement offset these possible deficits. They also take less time off than younger workers do, which is an important factor in improving productivity. Some employers claim that older workers are not interested in further training to improve their skills, but there is evidence that employers either deliberately or inadvertently overlook older workers when it comes to training and promotional opportunities.

(b) THE CONTINUING RELEVANCE OF THE CONCEPT OF A FIXED RETIREMENT AGE

There is limited relevance of the concept of a fixed retirement age. As noted in (g) there remain particular pieces of legislation, which enforce this notion, albeit at different ages, that is contrary to a labour system based on ability and merit and not age.

For the majority of the workforce the notion of retirement age equates with the age at which an individual can access an Age Pension, currently 62 years for women and 65 years for men. For future generations this may be less clear as individual's accumulation of superannuation reduces the reliance on the Age Pension.

¹ Barnes P & Kennard S, 2002, *Skill and Australia's Productivity Surge*, Productivity Commission Staff Research Paper, Canberra, p XVI.

(c) **THE POTENTIAL TO ENCOURAGE PROGRESSIVE TRANSITIONS FROM WORK TO RETIREMENT, INCLUDING THROUGH POSSIBLE NEW BENEFIT ACCESS AND CONTRIBUTION ARRANGEMENTS, AND PART-TIME WORK**

- There is a great deal of potential to encourage progressive transitions from work to retirement, which will in turn encourage older workers to stay in the workforce for longer. The Government of Western Australia has published two discussion papers covering this subject². Examples of policies that may be directed towards this end include:
 - requiring employers in both the public and private sectors to encourage older workers to postpone retirement by offering incentives for them to stay longer with flexible retirement and flexible employment options, based on what they prefer to do, such as:
 - reduced hours, or working in a less senior position at a lower salary without negatively affecting their superannuation entitlements.
 - formally structured and responsible positions as mentors to less senior employees, to ensure that as much of their corporate knowledge as possible is passed on before they do retire
 - more 'family-friendly' workplaces to allow workers with family and caring responsibilities to work more flexible hours, to use a proportion of sick leave entitlements as carer's leave, and to take time off when necessary.
 - Currently the Western Australian Active Ageing Task Force is preparing a strategic framework for responding to population ageing. The issue of progressive transitions from work to retirement has been identified through research and community consultation as an important factor for individuals in deciding whether to extend their time in the workforce.

(d) **ANY SCOPE FOR OLDER WORKERS TO ACCESS THEIR SUPERANNUATION TO FINANCE RETRAINING TO CONTINUE WORK THAT IS MORE SUITABLE FOR OLDER PEOPLE**

The suggestion that older workers be allowed to access superannuation before age 55 to pay for retraining is not supported for the following reasons:

- there is no guarantee that the older worker will get a job after paying for retraining, leaving less money for the worker eventually to retire on, thus creating more dependency on pensions or allowances;

² Equal Opportunity Commission et al, 2001, *Mature Employment in the Western Australian Public Sector - Issues, Options and Strategies* - and -
Public Sector Management Office, Ministry of the Premier and Cabinet, 1998, *Phased Retirement Schemes - Are they an option for the WA Public Sector?: a discussion paper for employers.*

- any necessary retraining is the responsibility of the employer, if the older worker is still in employment, or the government if not, as part of their planned transition to 'new economy' from 'old economy' jobs. The responsibility of (particularly) government arises from its responsibility to provide equal employment opportunities for citizens.

(e) WAYS TO ASSIST OLDER WORKERS PLAN FOR THEIR RETIREMENT

The most important ways to assist older workers plan for their retirement are to:

- Encourage older workers to stay in the workforce longer (thereby accruing more superannuation or other assets), as set out under (c) above
- Providing greater levels of community support for elderly people living in the community, to reduce the need for mature aged workers below age pension age to leave the workforce, or to reduce their hours, in order to care for family members with health problems (this issue particularly impacts on older female employees); and
- Eliminate incentives for older workers to retire early (ie before 65) by:
 - gradually raising the age at which people may access superannuation funds from 55 to 65 unless they are in receipt of a government pension or allowance of some kind.
 - gradually phasing out government concessions for people below the Age Pension eligibility age unless they are in receipt of a government pension or allowance of some kind.

(f) THE SHORT AND LONG TERM EFFECT ON THE BUDGET OF ANY PROPOSALS FOR CHANGE

Depending on the options for change, it could be expected that any initiatives which increase the opportunities for older workers to remain in the workforce and continue to add to their superannuation would have a positive effect on the Budget as the take up of the Age Pension is delayed.

(g) ANY ISSUES FOR THE FEDERAL OR STATE: WORKPLACE SYSTEMS

This Office has identified a number of workplace systems issues relating to either the Commonwealth or State government:

Commonwealth

- *Corporations Law* which in Section 228 details the circumstances where a person who has obtained the age of 72 years cannot be appointed or act as a director of a public company or its subsidiaries, including not -for-profit agencies.

State

- *WA Workers Compensation and Rehabilitation Act 1981* which treats workers under the age of 65 more favourably than those aged 65 year or more.
- *Judges Retirement Act 1937, District Court of Western Australia Act 1967* and other acts that require the judiciary to retire at age 65 years.