**Activating the Mature Age workforce to meet skilled and unskilled labour shortages across Australia**

Australia is in the midst of a labour shortage and 450,000 Australians could be available to the workforce if the Federal Government didn’t penalise pensioners so harshly under the incomes test. The Chamber of Commerce and Industries advises WA alone requires 55,000 additional workers. Left unresolved, this will cost the WA economy $1.5b in the next 12 months. This shortage is being felt across all industries and includes both skilled and unskilled workers.

Historically, Australia has relied on immigration, overseas students and backpacker holiday makers on working visas to fill employment gaps. The current pandemic has put a stop to the flow of international workers and there is uncertainty when this may resolve itself. Given government responses worldwide to the pandemic include increased spending, the shortage of workers is seen as a global phenomenon.

A 2012 report by Deloitte’s Access Economics states;

• If Australia achieves a further 3% increase in mature age participation over and above that currently expected, the national economy would be $33.0 billion, or 1.6%, larger.

• Should mature age workforce participation lift an additional 5%, the national economy would be $47.9 billion, or 2.4%, larger.

Australia has a large untapped resource of mature aged workers compared to many other countries. According to ABS, 4.3m Australians are aged 65 and over, however, an OECD report highlights only 14.2% (610,000) are in the workforce compared to 19.44 % in the USA, 24.8% in New Zealand, 25.48% in Japan and 34.34% in Korea.

New Zealand pensioners are not penalised for earning additional income through work. If Australia can achieve a participation rate of over 65’s similar to New Zealand’s 24.8%, it will result in an additional 450,000 available workforce.

National Seniors Australia believe the current pensioner incomes test assessment along with the complexities of different pension rates, an assets test threshold, an incomes test threshold, marginal tax rates, special taxation rebates (SAPTO) and pension penalty rates act as a disincentive to many Australians who may otherwise continue working and contributing to Australia’s prosperity.

The Department of Social Security data shows there are nearly 2.6m pensioners but only 84,000 (3.3%) have employment income. For every $1 over $480 per fortnight ($12,480 pa) of additional work income, pensioners start losing 50c of their fortnightly pension. In addition, the pension is assessable income for taxation purposes and they can be paying tax on top of their 50% pension reduction. It leaves many older Australians to question why do the additional work if the Government is going to take most of the income away.

Simplistically, it means a pensioner can work one day per week without penalty but then be penalised at 50% and higher for any further work.

The present incomes test policy penalises those that have the least in assets and should receive the greatest support as they haven’t managed to build assets over their working lifetime.

**Recommendations**

Simplify the Pension system and provide Pensioners the choice of whether they wish to undertake additional work without pension penalties.

1. No change to the Assets Test.
2. Maintain marginal tax rates.
3. Provide an unlimited work bonus threshold without pension penalty, i.e. work income isn’t assessable for the pension.
4. Other income thresholds ($180 per fortnight) remain the same
5. Consider Pensioners income tax as return of pension (In simple terms this should mean a married pensioner will have paid tax roughly the equivalent of their pension once their salary and pension exceed $80,000 pa. A single pensioner will have repaid their pension in full if they earn $100k pa. Working pensioners will pay for their pension through income tax.)
6. Trial for 2 years to fully understand financial consequences to government.

**Conclusions**

With 96.7% of pensioners not having any employment income, the impost of these changes on the government is very small.

The Government needs to reassess how they view additional work income. Pensioners taking up additional work and paying tax means pensioners are starting to fund their own pension. Don’t penalise them for doing this.

Using recent comments made by Gina Rinehart, simplifying the pension arrangements and providing pensioners with the choice of undertaking additional work without penalty will be good for pensioners, good for industry and good for Australia.