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

Dear Committee Secretary

RE: Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022

The Australian Chamber of Commerce and Industry (ACCI) appreciates this opportunity to provide comment to the Community Affairs Legislation Committee on the provisions of the *Social Services and Other Legislation Amendment (Workforce Incentive) Bill 2022*.

ACCI has been calling for an increase to the pensioners' Work Bonus since late last year, and we welcome this Bill as a measure to incentivise greater participation in the workforce. We have included below a number of suggestions for the Committee's consideration that will further enhance the Bill's aim to encourage and support eligible social security pensions and certain veteran's entitlement recipients over qualifying age to engage in paid employment.

The labour market is experiencing its best conditions in over a generation. In August 2022, employment was near a record high of 13,592,100, the participation rate at a high 66.6% and the unemployment rate at a 48-year low at 3.5%.

Businesses are working at full capacity and looking to secure more labour. There is now almost one job available for every person seeking work, with 470,900 job vacancies and 487,700 unemployed in August. Targeted and ongoing public effort has the capacity to increase workforce participation. With productivity growth over the past decade at 1.1 per cent per year, its slowest pace in 60 years¹, and the RBA downgrading GDP forecasts to 3¼ per cent over 2022, 1¾ per cent over 2023 and 1¾ per cent over 2024², there is a need to ensure maximum participation. The Jobs and Skills Summit in September identified 36 immediate actions for a bigger, better-trained and more productive workforce, which ACCI will address in its Employment White Paper submission. Included in the agenda and targeted by this workforce incentive Bill is the need to utilise Australia's abundance of older workers.

ACCI has previously advocated for changes to the pensioner income threshold to remove the disincentives for pensioners' participation in the workforce. We are pleased to see the Government's *Workforce Incentive Bill 2022* has increased the pensioner Work Bonus and the maximum unused concession balance for eligible recipients by \$4,000, as well as

¹ Productivity Commission, [5 Year Productivity Inquiry: The Key to Prosperity](#), August 2022

² RBA, [Statement of Monetary Policy](#), August 2022

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allowing for payment to be suspended for up to two years instead of cancellation if income precludes pension payments, and extends qualification period for pensioner concession cards for up to two years. This Bill will provide greater benefits to businesses by removing the previous restrictions on experienced and qualified pensioners participating in the labour market.

The increase in the Work Bonus and maximum unused concession balance is scheduled to end on 30th June 2023 — only one year after implementation. Considering the deeply rooted labour market conditions, faltering productivity rates, and downgrades to domestic and international economic growth forecasts, these amendments will end long before the challenges facing businesses and the economy are solved. ACCI proposes a review to be conducted before the bonus expires, with the aim of extending the temporary Bill by a minimum of a further one year.

In addition, the Government should look to increase the Work Bonus further. The Bill increases the Work Bonus and the maximum unused concession balance by \$4,000. This equates to an approximate \$150 extra per fortnight. This is only an extra seven hours of work per fortnight (at minimum wage) on top of the currently allowed two days until a person's age pension payments are reduced. Per week this is an extra three and a half hours on top of the one day of work granted to pensioners before they exceed their pension threshold. Whilst an improvement, this still imposes restrictions on pensioners' participation and consequently limits the benefits to business due to the fixed costs of engaging an employee and the limited ability for mentorship of more junior employees if only working one and a half days per week.

ACCI's previously expressed position is for a doubling of the Work Bonus, which would equate to an additional 14 hours per fortnight for an approximate four days of work a fortnight or two days a week. This would further incentivise pensioners to re-join the workforce in an increased capacity. We note the Coalition and Greens proposed an amendment to the *Social Services and Other Legislation Amendment (Lifting the Income Limit for the Commonwealth Seniors Health Card) Bill 2022* which would double the Work Bonus available to pensioners from its previous \$300 to \$600 per fortnight.

Regardless of the extent of the changes, the Bill needs to be clearly communicated to pensioners if it is to be truly effective. If there is miscommunication and confusion about how the Work Bonus operates then pensioners will be more reluctant to participate, undermining the aim of this Bill. To provide confidence amongst pensioners, the Government needs to ensure it articulates the Work Bonus unused concession balance and the maximum unused work balance, so that pensioners can easily calculate the hours they can work based upon their pay rate before they become ineligible for pension payments. Additionally, the timeframe for this Bill needs to be clear as pensioners are rightly cautious to not breach their threshold.

It is noted that the other amendments attached to this Bill, allowing for payment suspensions for up to two years instead of cancellation if income precludes pension payment and the extended qualification period for pensioner concession cards by up to two years, help remove additional disincentives for pensioners to work and will contribute increasing participation. The suspension reduces the regulatory burdens pensioners face when



resuming pension payments within two years of losing eligibility. In particular, it saves time and the administrative burden of lodging new pension claims. The extension of the concession card qualification period incentivises work by allowing pensioner to retain their pensioner concession card when they become ineligible for pension payments for two years. Both of these amendments are supported by ACCI.

In summary, the Bill will provide incentives for pensioners to re-join the workforce at a greater capacity. Whilst ACCI supports these changes, we believe the changes to the Work Bonus would have a bigger impact and encourage more pensioners back into work if:

- the current Work Bonus of \$7,800 per year, or \$300 per fortnight is doubled to \$15,600 per annum or \$600 per fortnight
- the increase has a longer extension to at least 30 June 2024
- a review is conducted before the increase to the Work Bonus expires to reassess the success, size and duration of the Work Bonus; and
- the changes are clearly communicated to pensioners via Services Australia, Centrelink and through other appropriate networks.

Yours faithfully,

David Alexander
Chief of Policy and Advocacy