

# **Grey Areas—Age Barriers to Work in Commonwealth Laws (Issues Paper 41)**

**Submission by the  
National Welfare Rights Network**



**Review into Commonwealth legal  
barriers to older persons  
participating in the workforce or  
other productive work**

**July 2012**

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# 1. Introduction

The National Welfare Rights Network (NWRN) welcomes the opportunity to comment on Grey Areas—Age Barriers to Work in Commonwealth Laws (Issues Paper 41) released by the Australian Law reform Commission in April 2012. We appreciated the opportunity for discussions with Commission staff on the inquiry in Sydney on 23 June 2012.

Mature age workers, for the purposes of this inquiry, are those aged over 45. It is recognised that Australia has an ageing population. In 2010 there were five people of working age (15-64) for every one person aged over 65 in Australia. By 2050 there will be just 2.7 people of working age for every person over 65.

There are sound reasons for both individuals and the economy more broadly to remove any known barriers to employment for people of mature age. We note the broad terms of this Inquiry, which will cover Commonwealth laws, including social security, superannuation, taxation, compensation and migration.

The focus of our submission is those Australians aged over 45 and in receipt of income support payments. These payments include Age Pension, Veteran's Affairs Pension, Disability Support Pension, Newstart Allowance, Carer Payment, Sickness Allowance, Special Benefit and Austudy.

There are significant differences in these payments, which have major consequences for participation in the workforce and for individuals' productive contributions across society. It is our experience that the payment rate, taper rates, income free areas and conditions imposed on a jobseeker can be structured so as to encourage productive participation. Unfortunately, they can also be structured in a way that creates disincentives to participation.

Some of the issues raised in this submission include:

- the basic rate of payments;
- income and assets testing arrangements;
- tax treatment;
- assets testing arrangements;
- entitlement to Pensioner Concessions Card/Health Care Cards; and,
- access to state-based concessions, including 'Senior's Cards'.

In the context of barriers to participation other key considerations include the activity requirements and participation obligations imposed on jobseekers together with the related area of employment, training and educational assistance and the quality of such services.

We have responded to those questions in the issues paper which have direct relevance to people on income support and for which we are able to draw upon the casework experience of our Member Centres.

## 2. Framing principles

**Question 1.** The ALRC has identified as framing principles: participation; independence; self-agency; system stability; system coherence; and fairness. Are there other key principles that should inform the ALRC's deliberations?

The underlying principles of participation; independence; self-agency; system stability; system coherence; and fairness provide a sound platform for the consideration of Commonwealth legislation that may enhance or limit mature age Australian's participation in the workforce or other productive work (paid or unpaid). NWRN also recommends that the inherent dignity and respect due to each person also be including as values to which our society should adhere.

NWRN is pleased that the Commission has not limited its investigation to activities in the paid workforce. This enables consideration of issues around caring, volunteering, education and training and broader community engagement.

## 3. Age Pension

**Question 2.** As there is a five year difference in qualifying age for a Service Pension under the Veterans' Entitlement Act 1986 (Cth), should it be increased incrementally in the same manner as for the Age Pension?

NWRN is not aware of any compelling or persuasive arguments for increasing the qualifying age for a Service Pension. We note the arguments for the status quo by the Returned Services League. Any changes would need to be informed by a broader debate in the community about the advantages and disadvantages of increasing the eligibility age of pension for servicemen and women. A more pressing and more immediate issue for consideration is whether there are any specific measures to expand the working life of veterans.

We note that the Government is to progressively increase the eligibility age for the Age Pension to 67. NWRN has opposed this change, on the grounds of both fairness and equity. Data indicates that a many entrants to the Age Pension are from other income support payments.

For an older person on Newstart Allowance who cannot obtain paid work, the increase to the eligibility age for Age Pension means living for two additional years on a payment that is currently \$133 a week less than the rate of pension. Welfare Rights also notes that the 2009 same-sex law reforms will mean that some social security recipients may have to live on less income as they did not have sufficient time to plan for the changed rules.<sup>1</sup>

**Question 3.** In what ways, if any, should the means test for the Age Pension be changed to remove barriers to mature age participation in the workforce or other productive work?

The Government recently undertook a major review of the Age Pension (and related payments). It decided to increase the taper rate from 40 cents in the dollar over the income free area to 50 cents, as

<sup>1</sup> See for example *Battiscombe and Secretary, Department of Families, Housing, Community Services and Indigenous Affairs* [2011] AATA 458 (30 June 2011).

part of a package of reforms to address the inadequacy of the single pension. The more generous taper rates for pensioners had been a feature of the compensation package that was attached to the introduction of the goods and services tax in 2000. In a tight fiscal environment and in line with the targeting of assistance to those most in need of that assistance, NWRN supported a tightening of the means test for those that could afford it.

Arguably, the over-generous financial compensation for the GST for better-off retirees coupled with indexation of the pension to 25% of male total average weekly wages (which we support), meant that the number of retirees in receipt of part-rate pensions placed pressure on the federal budget. The result was that any significant increase to the millions of single pensioners struggling on the base rate of pension was difficult for the government to afford.

Analysis by the Professor Peter Whiteford from the Social Policy Research Centre suggests that since the 2009 pension boost there has been a very welcome 50 % reduction in the numbers of age pensioners living in poverty. While the percentage had been 25 % in 2007 it is now down to 12 per cent.

The historic \$32.50 per week increase in 2009 to the single pension was funded, in part, by the trade-off which changed the taper rate for pensioners from 40 cents in the dollar to 50 cents in the dollar (excluding transitional arrangements).

This was a fair course of action. Welfare Rights considers that in a system built on a means tested approach, the current pension means test is appropriate and fair. Those who criticise this approach as a disincentive to work need to suggest how any easing of the rate could be fairly funded especially given the operation of the Work Bonus (see Section 5 below).

## 4. Pension Bonus

**Question 4.** In what ways, if any, should the Pension Bonus Scheme be changed to remove barriers to mature age participation in the workforce?

**Question 5.** How effective has the Work Bonus been in removing barriers to work for mature age persons? In what ways, if any, could it be improved?

NWRN Member Centres have received (and continue to receive) complaints about the operation of the Pension Bonus Scheme. The Commonwealth Ombudsman also receives calls about its operation. The following observations flow directly from our casework experience.

The Pension Bonus Scheme was an incentive program that rewarded people who qualified for Age Pension but continued working for at least a year instead of claiming their pension. Under the scheme a person had to have registered within a series of time limits, passed a work test in relation to the amount of work performed as a member of the scheme, and made a claim for a bonus payment within 13 weeks of stopping work.

The amount of a person's bonus depends on the length of time that the person defers claiming the Age Pension and the rate of Age Pension payable to the person. A person becomes eligible for the maximum bonus payment after they have worked for five years after their initial registration.

The scheme has been closed since 20 September 2009, although it is possible to join the scheme currently in some circumstances. The scheme largely now continues only for existing members who are continuing

to accrue entitlements. In September 2009 the Pension Bonus Scheme was replaced by a Work Bonus income concession for pensioners of age pension age.

In March 2006 the Commonwealth Ombudsman commenced an 'own motion' investigation into the Pension Bonus Scheme, because "the number of complaints about the program was disproportionate to its size". They found that the rules of the scheme were overly complicated and not well understood by Centrelink staff or customers. They found that in many instances complainants received no information about the work test requirements and after deferring their claim for over four years found out they had failed the work test in the first year and were therefore not entitled to receive a bonus at all.

**Case study: Not qualified as did not meet the work test**

Jack registered for the Pension Bonus Scheme but received no information about the work test. He deferred claiming Age Pension for four years, believing that he would be eligible for his bonus when the time came to claim. When he claimed Age Pension, he was informed he did not pass the work test in the first year, and was not entitled to receive any Bonus.

Most enquiries about the Pension Bonus Scheme to Welfare Rights Centres now relate to three main issues:

- Why can't I qualify for the Pension Bonus Scheme?
- I thought the amount of Bonus I would receive would be larger? and
- Centrelink gave me misleading information about the Pension Bonus Scheme causing me to miss out on Age Pension entitlements.

An unfortunate consequence of the Scheme, which encouraged people to defer claiming altogether, is that where a person later discovered that they were not eligible for the Scheme's benefits, they could not be backpaid their Age Pension entitlements because no claim was ever lodged.

Welfare Rights recommends that any proposed scheme providing incentives to older people to remain in the workforce not require a person to delay making a claim for Age Pension.

## **5. Work Bonus and income testing**

The "Work bonus" allows for a certain amount of employment income that is earned by a pensioner over age pension age to be disregarded for the purposes of the income test. Under Work Bonus, up to \$250 a fortnight is not assessed as income. Any unused amount of this \$250 fortnightly bonus can be built up in an income bank up to \$6,500. The normal allowable income thresholds apply to any excess income over \$250 each fortnight.

By way of comparison, working credit allows for up to \$1,000 to be banked, and the student income bank allows for up to \$10,000.

The income testing rules changed for pensioners of age pension age on 20 September 2009, when:

- income assessment changed from annual to fortnightly; and
- there was a change in the taper rate of how income reduces payment.

The previous annual income testing was beneficial to many Age Pensioners. Unfortunately, it is not possible to have access to annual assessment of income now for any pensioner. This is not widely known

and many Age Pensioners incur debts believing their pensions to be income tested on an annual basis. Many age pensioners are only able to obtain work which is not ongoing or constant and would benefit from annual assessment rules if they were able to access them.

Welfare Rights recommends allowing Age Pensioners the choice between annual or fortnightly income testing, based on which test would be more beneficial to them; or allowing pensioners of Age Pension age access to a greater bankable work bonus amount of \$10,000.

We note that matters related to the Disability Support Pension are sought later in the paper, though we consider it relevant in the context of the Work Bonus. Welfare Rights has been petitioned by people with disabilities for a similar scheme to be made available for people who want to take part in paid employment. The NWRN included this as an option for consideration by the Government in our 2010 Federal Election Platform.

Despite the need for fine-tuning the 'work bonus,' there is some preliminary data suggesting that the new arrangements are having an impact. From June 2009 to June 2011 the percentage of all Age Pensioners undertaking paid work increased from 3.2 to 3.5 %. Over the same period the percentage of new commencements to the Age Pension who were working increased from 8.8 to 10.7 %, according to evidence at a recent Senate Estimates hearing.

At 30 December 2011 around 80,000 age pensioners who worked had less income assessed under the income test because of the work bonus. In the period since the introduction of the original work bonus that was introduced as part of the pension reforms to December 2011, average employment income growth for pensioners who work rose by 10 per cent, compared to growth in average weekly earnings for the corresponding period of eight per cent.

For people who are working and receiving the Age Pension, the average annual gross employment income is \$16,600. For income tested pensioners aged under 70, the average amount of employment earnings has increased by \$500.<sup>2</sup>

## 6. Income tax

**Question 6.** In what ways, if any, can the complexity of the tax-transfer system be minimised to remove barriers to mature age participation in the workforce?

**Question 7.** In what ways, if any, do the tax exemptions for social security payments affect mature age participation in the workforce?

**Question 8.** A number of tax offsets are available to encourage mature age participation in the workforce including the Senior Australians Tax Offset, Pensioner Tax Offset, Low Income Tax Offset and the Mature Age Worker Tax Offset.

- a) In what ways, if any, might these offsets be improved to encourage participation?
- b) The Australia's Future Tax System Review recommended that these tax offsets be removed. What disincentives would this create for mature age participation in the workforce?

<sup>2</sup> Senate Community Affairs Legislation Committee Estimates, *FaHCSIA*, 28 May 2012, p. 36.

**Question 9.** What other changes, if any, should be made to income tax laws to remove barriers to mature age participation in the workforce and other productive work?

Existing tax offsets are complex and poorly understood. Additionally, it is difficult to determine if a specific tax offset is a workforce incentive if the workers themselves are ignorant of its existence.

NWRN does not support age-specific taxation arrangements and we note that the Government announced changes to these policies in the 2012-13 Federal Budget. In line with recommendations from the 2009 Henry Report, *Australia's Future Tax System*, the Mature Age Worker Tax Offset will be phased out and this offset will not be available for a person born after 1 July 1957. In terms of the debate around tax relief, there have been five rounds of tax cuts over recent years.

Additionally, there are further changes from 1 July 2012 with the raising of the tax threshold to \$18,200. These and other tax changes associated with the household assistance for carbon pricing are, it must be acknowledged, well-targeted and are fairer than previous tax cuts.

These changes will also simplify the interaction that some older people have with the taxation system.

The removal of people of a certain age, say at age 60, from the taxation system, is unfair on younger taxpayers and is financially irresponsible. Taxation arrangements should be based upon income, not age. The emerging fiscal challenges of the ageing of the Australian population in terms of pensions, quality health and aged care services will be made even more difficult to meet if the fastest growing proportion of the community is relieved of the civic responsibility of paying income tax.

## 7. Superannuation

**Question 10.** What changes, if any, should be made to the Superannuation Guarantee scheme, to remove barriers to work for mature age persons?

**Question 11.** The Superannuation Industry (Supervision) Regulations 1994 (Cth) prescribe age-based restrictions on voluntary contributions. Members cannot:

- make voluntary contributions from age 65 until age 75 unless they meet a work test; or
- make voluntary contributions from age 75.
- What effect do these restrictions have on mature age participation in the workforce?
- What changes, if any, should be made to these regulations to remove barriers to work for mature age persons?

**Question 17.** In practice, how do the 'transition to retirement' rules encourage continued mature age participation in the workforce? What changes, if any, should be made to these rules to encourage continued workforce participation?

**Question 19.** What changes, if any, should be made to the taxation of superannuation benefits to remove barriers to work for mature age persons?

**Question 20.** What other changes, if any, should be made to superannuation laws, including tax laws, to remove barriers to mature age participation in the workforce?



The cost of tax concessions for superannuation may soon be higher than the cost of paying the age pension. Additionally, as many participants to the 2011 Tax Summit argued, the financial benefits flow overwhelmingly to high income earners who, in the main, are men. We note and welcome the changes to superannuation proposed in the 2012 Federal Budget.

Women, as a general rule, do exceedingly poorly in the superannuation stakes. This is particularly so for mature age single women who are out of the paid workforce. Carers for children with disabilities, or adult family members or older frail parents also have limited options to accrue superannuation.

Welfare Rights supports the increase in the Superannuation Guarantee which is set to rise from 9% to 12%. The focus of further reform to the superannuation system should be for women on lower incomes and people with caring responsibilities.

We believe that the ban on voluntary contributions should be removed, though we consider that these changes should be the subject of analysis by treasury to determine which groups of older people would benefit from these reforms.

A key flaw in our superannuation system is that contributions are taxed at a flat rate of 15%. In 2007, ACOSS estimated that the top 5% of taxpayers accrued 17% of all tax breaks for super contributions, the top 12% accrued just under half (47%), yet the remaining half (52%) of tax breaks was shared by the bottom 88% of taxpayers. Working women had on average just over half the retirement savings of men.

The ALRC discussion paper raises a number of proposals for changes to the superannuation system. Welfare Rights would be alarmed if the main beneficiaries of these measures (such as the removal of the work test, or allowing income splitting) were higher income earners.

The Government made a number of changes to the superannuation system in the 2012 Federal Budget relevant to the ALRC's inquiry into age and workforce barriers. First, the Government reduced the tax concessions on superannuation contributions for people on more than \$300,000. Their superannuation contributions will now be taxed at 31.5% as opposed to 16.5%. This measure affects only the top 1% of taxpayers and it makes the system fairer and more sustainable. Welfare Rights has been a strong supporter of proposals by ACOSS that make the system more equitable and responsive to people on low incomes or with broken workforce patterns.

Secondly, the Government has deferred for two years raising the limit on concessional contributions from \$25,000 a year to \$50,000 a year for people aged over 50 with balances over \$500,000. Only small numbers of people on low and middle incomes would have been able to afford to 'salary sacrifice' at this higher limit. Very few low and middle income earners have the capacity to contribute even half this amount in a single year. By way of comparison, the annual income for a person on Newstart Allowance is just half of the current \$25,000 limit.

It has been argued that this higher contribution cap would enable low income workers, especially women who remained out of the workforce, to "catch up" and put extra funds into their retirement accounts. There may be a few isolated instances of this scenario, but putting these larger amounts into super, so close to retirement, is probably not going to bring the financial benefits that come from superannuation funds growing over the longer term, as is intended. People who can afford to put more than \$25,000 into their superannuation in a single year are not those who would generally be in need of extra support and are most likely to be able to obtain a retirement standard better than the average worker.

## 8. The activity test - a need for increased flexibility for older jobseekers

**Question 23.** Different activity test and Employment Pathway Plan requirements apply for mature age job seekers. In what ways, if any, should they be changed to assist mature age participation in the workforce?

There are special activity test requirements applying to people who are 55 or over.<sup>3</sup> A person who is 55 or over can satisfy their activity test requirements (not just their mutual obligation requirements) by undertaking suitable paid work or voluntary work of 15 hours per week, or a combination of voluntary work and suitable paid work of 15 hours per week. They will not have any job search requirements although they must be registered with an employment services provider.

Where the person over 55 does not meet their 15 hour per week requirement, and does not have a reasonable excuse, they will be required to meet the same job search requirements as other people with participation requirements. The required activities that a person who is 55 or over will be asked to undertake in order to satisfy the activity test, will depend on whether the person is regarded by Centrelink as having recent workforce experience.

Centrelink's policy is that a participation penalty will not be imposed where a person fails to meet the 15 hours per week requirement, unless the person provided false information stating that they were meeting the requirement.

Welfare Rights Centres receive many enquiries from recipients of activity tested payments not yet 55 years of age, asking whether they are eligible for any special treatment in terms of their activity testing obligations. The answer that they are not eligible comes as a shock to many people, who are fearful that their income support will come under threat if their health prevents them from complying with their obligations.

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<sup>3</sup> Guide to Social Security Law, *Who does activity testing apply to? – Activity test requirement for mature age job seekers*, 3.2.8.20.

**Case study:** On Newstart Allowance and over 50 (but not yet 55)

Joan had just turned 50 and was wondering whether this would mean any differences for her obligations while receiving Newstart Allowance.

Comments: people on Newstart Allowance who are over 50 have no work experience requirement (such as work for the dole). Other than this, people over 50 are generally treated the same as other job seekers on Newstart Allowance, unless they have been assessed as having a partial capacity to work.

Generally, however, all job seekers have the right to have their capacity to comply and their own needs considered when negotiating the terms of the Employment Pathway Plan. The provider suggesting the Plan must, by law, consider the following factors:

- the person's education, experience, skills and age;
- the impact of any disability, illness, mental condition or physical condition of the person on the person's ability to work, look for work, or to participate in training activities;
- the state of the local labour market and the transport options available where the person lives;
- the participation opportunities available to that person;
- the family and caring responsibilities of the person;
- the length of travel time required for compliance with the agreement;
- the financial costs of compliance with the agreement, such as travel costs and the capacity to pay for such compliance; and
- any other matters that Centrelink *or the person* considers relevant in the circumstances.

When she turns 55, if Joan has not been able to find paid work, she can satisfy the activity test by 30 hours per fortnight of voluntary work, paid work or a combination of the two, without any further job search or other activity test requirements.

Welfare Rights Centres also receive many enquiries from recipients of activity tested payments not yet 55 years of age who suffer from a range of health problems, but not to the point of meeting the qualification criteria for Disability Support Pension. It is our experience that the activity testing obligations and the consequences for a person not able to comply can be daunting for an older person in poor health.

**Case study:** What happens if I have a bad day with my health on Newstart Allowance?

Rebecca was working part-time as a cleaner but had to stop work because of osteoarthritis in her hip and spine. She was 52 years of age and recently had a claim for Disability Support Pension rejected. She contacted the Welfare Rights Centre worried that she will be asked to do things which her health would make impossible. She asked "what happens on my bad days when I can't bend or walk or lift?" She became highly distressed on the phone, explaining that she used to be able to do everything that she is now largely dependent on relatives who take care of her.

Our Centre: advised Rebecca that she has the right to continue to receive Newstart Allowance if she is temporarily unable to work or "temporarily incapacitated" because of her health. We advised Rebecca that the best way to ensure that Centrelink accepts that she is temporarily incapacitated would be to get a medical certificate from her doctor stating that she is unfit to do at least eight hours work a week, and an estimation of how long this incapacity is likely to last (up to 13 weeks).

We advised Rebecca that she has the right not to incur a penalty while on Newstart Allowance (once activity testing starts) where she has a reasonable excuse for not attending an appointment or what is in her Employment Pathway Plan (for example because of her health). We advised her that the best way to avoid a penalty is to make sure that she notifies Centrelink or her provider every time in advance when she can't attend and the reasons for this. If she feels that her explanation is not being accepted, and if it's possible, she should see a doctor that day and ask for a medical certificate to help with any future appeal about whether a penalty should be applied. We advised her she has the right to appeal any penalty any time, but that she needs to ask for the appeal within 13 weeks to be backpaid.

More flexibility needs to be available for those people aged between 45 and 54 who struggle to meet inflexible activity requirements.

Older job seekers with a disability on Newstart Allowance (Partial Capacity) already have reduced job search requirements, usually six per fortnight.

Flexible requirements are essential – as many older people also have other unpaid caring responsibilities, for a partner or a spouse in an aged care facility, or a close relative or friend. Additionally, older people are also providing childcare for grandchildren allowing parents to participate in the workforce. We also know that some grandparents step in when a family crisis occurs raising the next generation of children.

Consideration was given to removing the flexible rules for job seekers over 55 in the 2009 Participation Taskforce. The Government established the Participation Taskforce soon after coming to office to address a range of inconsistent and unfair policies that stemmed from the controversial 2006 Welfare to Work policies. The Participation Taskforce comprised of a broad range of stakeholder and academics and was chaired by Ms Patricia Faulkner, current chair of the Social Inclusion Board, the Government's key advisory body on social policy issues.

The Taskforce essentially recommended eliminating age-based requirements. The then Minister for Employment Participation, Brendan O'Connor wrote to the NWRN after the May Budget 2009 indicating that:

*"The Government has considered the proposals in relation to mature age job seekers and has decided not to proceed with this approach at this time. There are a range of issues that need to be taken into account including the impact of the global recession on the labour market."*

Welfare Rights publicly called for this approach back in 2009 and we remain opposed to tougher requirements for mature age job seekers. For people over 55 who have no recent workforce experience or who have experienced a sustained period of seeking work but have been unsuccessful in securing a job, tougher job search rules will just increase their sense of desperation and rejection. Welfare Rights does not support the application of standard job search requirements of 10 jobs a fortnight, generally applied to all job seekers.

A 2011 Australian Bureau of Statistics report into the experiences of people in the labour market sheds light on the significant barriers faced by older workers. The main difficulty in finding work for people aged 45 years and over was "considered too old by employers (17%)."<sup>4</sup> Older workers are consistently and disproportionately represented in the number of discouraged job seekers who just give up looking because the rejections are too much to bear. On the basis of these disappointing figures there is no sound policy justification for a tougher approach to workers over 55.

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<sup>4</sup> Australian Bureau of Statistics, *Job Search Experience*, July 2010, Cat. No. 6222.0, 18 January 2011.

In the ideal situation where endemic levels of age discrimination were absent, we would support consistent rules for all job seekers, regardless of age. However, forcing older job seekers into a cycle of constant rejection and humiliation is simply punishing for no rationale purpose. Undertaking relentless, soul destroying and unsuccessful search for work is destructive for those forced into this position.

The situation facing mature age job seekers has not improved much since 2009 when this plan was first ruled out. Taking a big stick approach to older jobless people is hard-headed. This group knows all about the “dignity of work”, as do all job seekers. But sometimes either their lack of skills or employer prejudices means that they are instead faced with the indignity of the unemployment queues.

**Question 24.** Do the 2012 changes to the Disability Support Pension present a barrier to mature age participation in the workforce or other productive work? In what ways, if any, should the Disability Support Pension be changed to remove barriers to participation in the workforce or other productive work for mature age persons with disability?

As at December 2011 there were over 540,000 people aged between 45 and 64 receiving the Disability Support Pension (DSP). There were 23,209 people aged over 65 who having reached Age Pension age had opted to continue to receive the DSP. In total there were 831,000 on the DSP.

Almost two thirds of those currently receiving the DSP (65%) are aged between 45 and 64.

Local labour market conditions and employer attitudes still present significant barriers to people with disabilities getting and keeping a job. Just because a person is assessed as able to work does not mean that they have a realistic chance of being offered a job. Mature jobseekers with disability face the reality of compound discrimination on account of both their age and disability.

In 2006 under the “welfare to work” reforms new DSP applicants were subject to a tougher work test, with a new category of job seekers with a disability called Newstart Allowance (Partial Capacity). This is paid at higher rates with children and has the Pensioner Concession Card attached. This attempt at “welfare reform” in practice meant that since 2006 around 96,000 people with disabilities have been shifted onto Newstart Allowance, but with reduced activity requirements, generally 3 per week.

This Government has made efforts to reduce workforce barriers by altering the design of the payment and its interactions with support systems, such as employment services. For example, the Government listened to disability groups, welfare organisations and employment service providers and in 2009 it removed punitive rules which discouraged the voluntary use of disability employment services. Trying employment services will no longer pose a risk of the pension being reviewed. The uncapping places and ending waiting lists for specialist disability employment services was an additional positive change, and this move was well received by community organisations, including Welfare Rights.

However, not all changes have been positive. In September 2011 changes were introduced which require people who claim the DSP and meet the qualifications, but do not have a rating of 20 points or more on the impairment table, to undertake a program of support for eighteen months. During that time the person will be in receipt of the Newstart Allowance. In our experience, too often Government policies aimed at encouraging people onto the DSP to try employment or engagement have the opposite effect and push people who could work even further away. From the individual's perspective, from what they hear and read, the aim of the Government is to get them off the DSP – and thus many respond with fear and anxiety.

The fear of ending up on an income support payment which is \$133 per week less than the pension drives many to continually “prove” eligibility for the Disability Support Pension to avoid, for example, eviction. ,

Very few people leave the DSP for employment each year – around two % – despite a range of incentives, such as DSP being non-taxable (under age pension age), a much slower withdrawal rate for earnings compared to Newstart Allowance and special arrangements which allow DSP recipients to easily re-claim the pension within two years if the job does not work out.

Furthermore, people on the DSP receive income from employment. In the last fortnight of June 2011 there were 69,470 of DSP recipients who reported earnings. This was just 8.5 % of all recipients. Since 2007 the proportion with earnings has fallen from 9.9 %, with most of the decline occurring amongst male DSP recipients.<sup>3</sup>

In our experience people out of work are very welcoming of practical supports when they are offered. In the 2011-2012 Federal Budget, the Federal Government announced measures to help people in receipt of Disability Support Pension (DSP) enter the workforce.

The changes include:

- from 1 July 2012 allowing a person in receipt of DSP to work up to 30 hours per week without jeopardizing their payment. Currently, only those whose DSP was granted before 11 May 2005 can work up to 30 hours a week before their pension is suspended or cancelled;
- requiring people under the age of 35 who claim DSP and who have some capacity to work to develop participation plans with Centrelink;
- from 1 January 2012, access to wage subsidies for employers hiring very long term job seekers with disability for 26 weeks, valued at about \$6,000; and
- a \$2,000 incentive payment for employing a person under the Supported Wage System.

From 1 July 2012 a DSP rule change will allow all DSP recipients to work up to 30 hour limit a week without their DSP being suspended or cancelled. This will provide a greater incentive to work and work for longer periods. Those subject to the '15 hour rule' found it difficult to find work limited to only 15 hours a week. Many want to work more, but are worried about losing eligibility for the DSP.

Many people are anxious that any earnings may trigger a review of their entitlement. We referred to this problem when we discussed the disincentive to work which results from the significant gap in the amount receive for the Newstart Allowance compared to the DSP. Nevertheless, this is a positive change that is estimated to encourage around 4,000 DSP recipients to take up work, and another 3,900 people who are already unemployed will work extra hours.

A recent report has found that Australians living with a disability have the worst quality of life in the developed world and ranked Australia 21<sup>st</sup> out of 27 countries in the employment of people with disabilities. The report *"Disability Expectations – Investing In A Better Life, A Stronger Australia"* found that almost half of Australians with a disability live in or close to poverty and had an employment rate of 39.8% compared with 79.4% for people without a disability.

There is a role for both business and for the Federal Government to play. The rate of employment of people with disabilities in the public service is down to 3 %, a fall of 0.1 % in the last year, down from 5.4 per cent in 1997. The Public Service Commissioner has launched a new disability employment strategy, called *As One*, aimed at reversing this decline.

The Government has indicated a greater focus on the employment of people with disabilities in the public service. Welfare Rights believes that a major age workforce barrier will be removed if the Federal Government adopted employment targets in this area and lead by example.

Research indicates that older people place a very high degree of importance on the security they believe to be attached to holding a Pensioner Concession Card (PCC). Concessions attached to the Pharmaceutical Allowance are especially important, particularly for older people and people with disabilities who have high medical costs. This issue has particular resonance for people in receipt of the DSP. Even though a person may be better off financially if they work (and eventually lose access to the PCC), for some concerns about the costs of pharmaceuticals is the over-riding concern.

Less than 10 % of people on the DSP report any earnings. A suite of policy responses is necessary to address this problem. Granting access to concessional medicines for longer than 12 months should be considered as an incentive to encourage people with disabilities to remain in employment.

**Question 25.** In practice, does the 25 hour work, volunteering, study and training limitation for Carer Payment present a barrier to mature age participation in the workforce or other productive work? What changes, if any, should be made to remove barriers to mature age participation in the workforce or other productive work?

There are workforce barriers for carers, both during the time that they are undertaking their caring responsibilities and at such time that their caring role comes to an end. There are also significant issues related to the informal caring arrangements and activity test exemptions, which we explored earlier.

At December 2011 there were 111,743 carers on the Carer Payment aged 45-65, with 22,227 aged over 65. Many themselves have a disability, and many report being in poor health. Given this profile there are major challenges ahead in ensuring that carers are connected to programs and supports.

Carers Australia and other organisations are best placed to comment on the support needed for carers to transition into employment or study. However, we would make the following comments with respect to the interactions Carers have with the social security system.

Social Security legislation needs to be more flexible when a carer stops fulfilling this role. By way of example a women aged 60 who had been caring for her father would lose her eligibility for Carer Payment at the time that her father was placed into an aged care facility. Unless she was able to find paid work or qualified for another higher payment, she would be transferred onto Newstart Allowance which means a reduction of about \$170 a week.

Carers often face difficulties directly after they cease their caring responsibilities and even when the care receiver is placed in a care institution the carer often visits daily to provide support. In 2010-11 there were 44,840 carers who had their payments cancelled because they ceased caring. Many of these carers were transferred to the lower-paying Newstart Allowance. These people are at significant disadvantages in the labour market, having had no recent workforce experience. Fifty five % of these carers were aged between 45 and age pension age. 22,227 people were in this predicament, according to information provided to Senate Estimates.<sup>5</sup>

When the carer is transferred to Newstart Allowance there are other negative consequences apart from a significant reduction in their income. These include: a harsher income test; loss of valuable concessions; and, possibly a cut in Rent Assistance (there is a lower 'sharers' rate of Rent Assistance that applies to mature age people on Newstart and age pensioners sharing accommodation. This reduces an already low rate of Rent Assistance by a third).

<sup>5</sup> Senate Community Affairs Committee, Answers to Questions on Notice, Families, Housing, Community Services and Indigenous Affairs Portfolio, 2011-12 Supplementary Estimates Hearings, Question No. 114.

NWRN considers that the eligibility for Carer Payment imposed by the strict 25 hour limits is unfair and unreasonable. These rules cause problems and create barriers to workforce participation. In 2010-11 there were 2,398 rejections of Carer Payment due to the carer working, volunteering, or studying or training for more than 25 hours a week. In the same period there were 1,822 cancellations of Carer Payment because the carer worked, volunteered, studied or trained for more than 25 hours a week.

Data on Carer Payment recipients with earnings is not readily available by age. However, at June 2011 there were just 19,671 Carer Payment recipients who reported earnings.

Our earlier comments on the granting of exemptions for the Newstart Allowance are also relevant to the situation facing carers. Welfare Right's experience is that the process for granting activity test exemptions due to caring responsibilities poorly understood. At times, there can be difficulties obtaining the exemption. An additional concern is the frustration experienced in having to re-apply for exemptions, when the carer is dealing with the daily activities associated with caring.

**Question 26.** What changes, if any, to Working Credit should be made to remove barriers to mature age participation in the workforce or other productive work?

The working credit provides welcome flexibility. This flexibility, although real, is often not well explained to job seekers, including mature age job seekers. NWRN believes that the potential benefits of this policy therefore fail to be realised. There may be benefits in expanding and improved promotion and awareness among job seekers and stakeholders.

**Question 27.** Do the rules concerning the retention of concession cards act as a barrier to mature age participation in the workforce or other productive work? In what ways, if any, could these rules be improved?

It is the experience of the caseworkers in our Member Centres that the Pensioner Concession Card is highly valued and that people often make decisions on the basis of whether they will receive or lose the card. The card is estimated to be worth \$60 per fortnight (although the cost for individuals depends on their circumstances, mobility and health, etc). In our experience there are significant participation challenges raised by concession cards. There are also issues of complexity, unfairness and cost across Commonwealth, State and local government.

An older person in their late fifties has access to only a few benefits with the Health Care Card. However, a single retiree with a taxable income of \$50,000 has access to the generous benefits arising from the Pensioner Concession Card.

Experience has shown that as concessions eligibility is extended to more and more people, the benefits and real value of these concessions declines over time. For instance, in some states, co-payments have been introduced on some concessions, or concessions may be limited to recipients in receipt of the maximum rate of income support. People who receive the maximum rate of the pension, who by definition are the group most in need of extra assistance end up being the losers as concessions are progressively rolled out on the basis of age, as opposed to need.

## **9. Concession cards – a need for simplified rules regarding continued eligibility and employment income.**



Welfare Rights Centres receive many enquiries from people confused by the current rules that apply to determine how long a person can retain their concession card in the event that their payments stop because of employment income.

The answer is never simple, and many social security recipients are incredibly confused by the rules. An area of particular confusion is the difference between income received by their partner and their own income.

The length of time a person can retain their concession card for after either their or their partner's income stops their payment, varies depending on which payment they received, which concession card they hold and the reason their payment stopped. For example, a person's payment can stop due to their own income level, their partner's income level, or they could have lost qualification for a job seeker payment (Newstart or Youth Allowance) because they are no longer regarded as being unemployed.

<b>Loss of Pensioner Concession Card due to employment income</b>	
<b>Payment type / situation</b>	<b>Length of time before concession card is cancelled</b>
Disability Support Pension	52 weeks after payment at zero rate due to own income or after employment of 30 hours or more per week.  12 weeks after payment at zero rate due to partner's income.
Wife Pension (partner on Disability Support Pension)	52 weeks after partner's employment of 30 hours or more per week.
60 and over and receiving Newstart Allowance, Partner Allowance, Widow Allowance, Parenting Payment (Partnered), Sickness Allowance or Special Benefit for 39 weeks or more	26 weeks after payment at zero rate due to own or partner's income.
Parenting Payment (single)  Single principal carer of a dependent child: Newstart and Youth Allowance (unemployed)	12 weeks after payment at zero rate due to own employment.  A HCC is issued for a further 14 weeks where a person has continuously received an income support pension or benefit for the last 12 months (not including Austudy or Youth Allowance (student)).
Partial capacity to work: Newstart Allowance and Youth Allowance (unemployed)	52 weeks after losing qualification due to own employment income.
All other payments (and below Age Pension age)	12 weeks after payment at zero rate due to own or partner's income.

**Table 1. Loss of Pensioner Concession Card due to employment income**

The time limits apply generally to an unbroken period of a person not receiving a payment. Any fortnight where a person stops work and then again receives a partial rate of payment (for example during casual work) re-starts the calculation. The calculation of time also doesn't start running until all working credits, student income bank or work bonus balances have been exhausted.

The rationale behind the extended time limits for holding concession cards is to encourage entry into workforce participation. For this reason, a person's partner's income can result in a person losing their

concession card earlier than they expected. This rule can operate as a disincentive for the partner to enter or increase their workforce participation.

Welfare Rights recommends simplifying these rules to provide consistency as between a person's partner and their own income, and to provide consistency across payment types.

It is relevant to consider that the 2011 Review of Impairment Tables for the Disability Support Pension noted with concern that the loss of the Pensioner Concession Card is a major workforce disincentive faced by people on the DSP. Welfare Rights also notes the concerns caused by the loss of access to the DSP and critically, concessional medicines, due to a partner's income. This has adversely affected some same-sex couples since the 2009 reforms, where working partners are now also required to purchase costly multiple pharmaceuticals for treatment for HIV.

NWRN recommends the introduction of provisions for those with chronic and serious illness by amending the income test for eligibility for the Low Income Health Care Card to only include the person's income rather than that of their partner.

## 10. Income support for mature age students

**Question 29.** In what ways, if any, should the eligibility requirements for Austudy, ABSTUDY and Pensioner Education Supplement be changed to address barriers to mature age participation in the workforce or other productive work?

At November 2011 there were 54,114 people who were receiving the Pensioner Education Supplement (PES). This is a supplementary payment that is made at either of two rates, depending on the study load and the principal payment received. Almost half of recipients (26,798) were single parents; 23,239 were receiving the Disability Support Pension and 3,690 the Carer Payment. A breakdown by age is not available.

Age Pension recipients are not eligible for the PES. This restriction is out of step with other Government policies which support participation through life-long learning. Costs are a considerable barrier to education and learning. Consideration should be given to extending eligibility to the PES to people receiving the Age Pension.

Mature age people receiving Newstart Allowance are not eligible for PES. This limits options to engage in education and training. Available supplements, like the Work for The Dole and the Language, Literacy, and Numeracy Payment are payable to assist with the additional costs associated with learning, however, at just \$20.80 per fortnight, they are nowhere near sufficient to meet the real costs of these activities.

These supplements, including the PES, are not indexed to the Consumer Price Index. This means that the purchasing power of this assistance declines with each passing year.

Parenting Payment Single recipients aged over 45 who are currently eligible for the PES may continue to receive it until they complete their current course. While the Education Entry Payment may be payable, it is only \$208 per year and parents on Newstart Allowance will find it difficult to up-skill for a career in, for example, nursing or teaching.

For older parents who missed out on the chance of higher education in their earlier years, PES represents more than just income support.

Welfare Rights is concerned that career opportunities for single parents with older children will now be limited as new grants of PES will not be possible in future.

Welfare Rights believes that there may be problems with the administration of this benefit. Almost 4,000 people aged over 40 are saddled with PES-related overpayments. For a payment with very low-take-up rate, the number and amount of overpayments are extraordinarily high. Overpayments can result in people withdrawing from training and education activities which may have assisted them to transition into employment.

Finally, Austudy is payable at a such very low rate that mature age people would find it difficult to satisfactorily meet study requirements on this paltry amount of income. Older students would require significant income supplementation from employment to be able to cover the costs of living and study. The pressures of working excessive hours inevitably impact on health, relationships and the ability of the student to successfully fulfill study and course requirements.

**Question 30.** What other changes, if any, should be made to social security laws and the Guide to Social Security Law to remove barriers to mature age participation in the workforce and other productive work?

## 11. Barriers to work created by working age payments and allowances

Newstart Allowance is the main social security payment for working age people who are looking for work. At May 2012 there were around 577,000 people in receipt of this payment.<sup>6</sup> At December 2011 there were almost 270,000 unemployed people aged over 40 in receipt of the Newstart Allowance. 121,286 aged 40-49; 99,031 aged 50-59 and 48,606 aged 60 and over.<sup>7</sup>

Of those over 50 and on Newstart:

- 60% are male;
- 40% female;
- 56% are long term unemployed;
- one in eight has a disability; and,
- more than 60% do not have more than a year 12 education.

There are an estimated 220,000 people aged over 45 on Newstart Allowance. Thus, people over 45 made up 1 in 3 of those unemployed. Once unemployed, on average older people spend twice as long as young people out of work. There are almost 60,000 job seekers aged over 50 who have been out of work for more than 24 months. Older people also make up a high proportion of what's called "discouraged job seekers", who for example, have just given up looking for work and are living off their savings, or are supported by a partner.

Income support payments need to provide a sufficient income to enable people to look for work and cover job search costs including transport and telephone costs. Inadequate incomes and worries about money can cause or exacerbate health problems and impact on motivation and mood, which in turn can

<sup>6</sup> Department of Education, Employment and Workplace Relations, *Labour Market and Related Payments*, May 2012, published 20 June 2012.

<sup>7</sup> Senate Standing Committee on of Education, Employment and Workplace Relations, Questions on Notice, *Additional Budget Estimates 2011-12, Question No. EW1043\_12*

affect how a person performs in a job interview. Adequate incomes are also important to enable job seekers to live decently and participate socially and economically. Income levels also impact on housing affordability and on whether a person can live close to where transport and employment are available locally.

Newstart Allowance is currently just \$245 per week for a single unemployed person. Unemployed people aged 60, after nine continuous months on payment receive the higher payment rate of \$268 per fortnight.

Many in the wider community, NWRN included, believe that the rate of payment is too low and is a barrier to workforce participation. The OECD found in 2008 that the rate of benefits was the lowest in the 30 OECD organisations surveyed. Later, in 2010, they argued that the low rate “raises issues about its effectiveness” in assisting job seekers into employment. Others, including the Business Council of Australia, the Australian Industry Group and the ACTU have raised similar concerns. Many community, welfare and faith-based organisations are urging the Government to increase the Newstart Allowance and related payments by \$50 per week, as supported by the 2009 Henry Tax Review.

Unemployment benefits will be just 11 % of the average wage by the middle of this century if current conditions remain. With the current rate of Newstart falling in comparison to average wages, the minimum wage and the pension, there is little merit in the argument that a payment of just \$35 a day is required to force people to work. This is particularly the case at a time when Australia’s rate of unemployment is primarily structural. The mismatch of the skills held by people who are unemployed and the skills desired by employers has to be addressed.

Welfare Rights welcomed the new proposed Supplementary Allowance of \$210 per annum announced in the Budget, but it is insufficient to enable job seekers to live decently and cover the costs of job search. Recently the Senate voted to hold an Inquiry into the adequacy of Newstart Allowance. The Education, Employment and Workplace Relations Committee will report on 1 November 2012.

A particularly problematic issue which presents a significant workforce barrier is what Welfare Rights calls the payment ‘poverty gap’ between pension and allowances. That gap is currently \$135 a week. The gap is one of the reasons for the entrenched and endemic levels of poverty amongst older unemployed people, and people with disabilities on Newstart Allowance.

The payment gap also creates perverse incentives for unemployed people to seek higher, non-activity tested payments especially when they are older and have been unemployed for lengthy periods of time and are close to Age Pension age. Additionally, the corresponding fear of being moved onto a lower payment allowance creates a major workforce participation black spot. For example, people on the Disability Support Pension (DSP) are often very fearful that work, even just a few hours, will trigger a review of their medical qualification for the DSP. These comments are also relevant to **Question 24** of the Issues Paper.

Centrelink overpayments are of concern for two reasons. First, they reduce a person’s income when repaid. Secondly, they can operate as a disincentive to work and take a job.

A further concern is the way the income reporting rules work. These problems are connected to the growth in the casualised workforce with people juggling multiple employers and having to calculate earnings from different sources. Furthermore, the structure of income reporting requires recipients to report income when earned even if it has not yet been received. This causes a dilemma for a person who is required to report within the 14 days required by Centrelink. If they do report but have not yet been

paid, then they have no income, yet their allowance is reduced. On the other hand failing to report can expose them to overpayments and/or criminal liability.

The allowable earnings threshold of just \$31 for Newstart has been increased by just \$1 in over 30 years. The means test for the Age and Disability Support Pension is much higher at \$77 per week.

In Question 3 the Issues Paper asks about changes to the means test and whether it should be changed to remove barriers to mature age participation in the workforce. It is also appropriate to respond to this question as it relates to the Newstart Allowance.

Older job seekers tell us that the exceedingly low “income free” area of just \$31 per week for a person on the Newstart Allowance is a major impediment to undertaking additional hours of work. After just two hours of work at the minimum wage, the Newstart Allowance begins to reduce. An unfortunate consequence of the harsh means test is that it can lead to some job seekers failing to report their earnings, resulting in overpayments and subsequently a debt being raised by Centrelink against the person.

The existing tax and transfer system locks people out of work and traps them into poverty. Sole parents and unemployed people face punishingly high “effective marginal tax rates” far greater than wealthier Australians pay. An example of one of the worst “poverty traps” in our social security system relates to a little known payment, called “Special Benefit”, paid ordinarily at the rate of Newstart Allowance ( \$245 a week) but with no means tests. With this Benefit there is no ‘income free’ area and payment is withdrawn by a dollar for each dollar earned. The losses from work are so high that many people on this payment are effectively punished for working.

Some of the most severe poverty traps are those faced by older people in public housing. The Henry Tax Review acknowledged the workforce disincentives embedded in public housing arrangements were particularly severe and in need of attention by policy makers.

The Government has recognised how unfair withdrawal and harsh taper rates can cause negative work incentives on senior Australians, by providing a generous income limit before payments are withdrawn (\$75 a week for pensions as opposed to just \$31 a week for Newstart and Youth Allowance). The income “free areas” for allowances (unlike pension free areas) are not indexed and have remained static for over 30 years. The result is a reduction in the financial returns from employment.

To reduce these significant barriers to mature age workforce participation consideration should be given to increasing and indexing the “income free” areas for Newstart Allowance and other beneficiaries and recipients, giving allowees the option to average out the income over a 12 month period through an ‘income bank’ or expanding the ‘working credit’.

The Henry Tax Review commented on the “sudden–death” assets test for Newstart Allowance, Widow Allowance, Partner Allowance, Sickness Allowance, Special Benefit, Parenting Payment, Youth Allowance and Austudy. Under this test, if a person’s assets are just \$1 above the thresholds, they lose 100 % of their income support entitlement.

Mature age job seekers in their fifties are much more likely to be affected by this assets test which cuts out for a single person homeowner at \$186,750 and \$321,750 for non-homeowners as at 30 June 2012. This compares unfavourably to a single person on the age or disability pension where a part pension is payable as at 30 June 2012 to homeowners with assets of \$825,500 and \$1,159,500 for non-homeowners. Unemployed people are subject to much tougher rules than their peers on the Disability Support Pension.

A key issue for the current Inquiry to consider is the relative inequities and problems that can flow from current arrangements. A person aged 47 who may have thirty more productive employment years ahead of them whose main asset for their retirement is a modest investment unit will only be able to access very limited assistance to find employment.

This leads to inequitable situations where a person with a small amount just over the assets threshold loses an entitlement completely.<sup>8</sup> Older people who are retrenched with modest savings or assets are often affected by this poorly designed policy.

## 12. Barriers to work for single mature age parents

The Government is proposing to make changes to eligibility for Parenting Payment (Single). From 1 January 2013 it plans to remove the 2006 'grandfathered' rules and eligibility for this payment will cease once the youngest child is eight. This will effect over 122,000 single parents. They will be moved to the lower-paying Newstart Allowance, which is \$60 per week less for a person on the maximum rate of payment.

Ninety five per cent of single parents on the PPS are women, with 10.5% reporting as Aboriginal. Just under a third of Parenting Payment recipients are aged over 40, numbering 74,665 at December 2011. Few were aged over 60, with just 710 in this situation. A further 11,637 were aged between 50-59. It is reasonable to assume that many of these women would be impacted by the plans to remove the 2006 grandfathering provisions.

According to the Department of Education, Employment and Workplace Relations single parents will lose between 9.6% and 11.8% of their weekly income under these changes. Parents earning between \$200 and \$500 a week will see their disposable income reduced by between 11.4% and 11.1%, according to the breakdown provided by the Department of Education, Employment and Workplace Relations.<sup>1</sup>

This perverse result comes about because the government is moving these single parent families onto the less generous Newstart from January 2013.

Over the next two years, these changes are expected to swell the ranks of people on the Newstart Allowance who have been on income support payments for long periods of time.

Mature age women who are working will lose the most under these reforms. This policy erects workforce barriers, rather than removes them.

## 13. Overpayments

At December 2011 the total of outstanding Centrelink overpayments was almost \$2.8 billion. The estimated value of overpayments that had not been raised at the time was \$262,000,000. The total value of overpayments raised in 2010-11 was \$1,691,483,072. The number of debts raised was 1,965,994.<sup>9</sup>

Table 2 looks at debts that have arisen from each of the main income support payments that are available to older people: Newstart Allowance, Disability Support Pension and the Age Pension. It highlights the number and value of debts raised against people aged over 40 in 2010-11.<sup>10</sup>

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<sup>8</sup> Ibid, p. 551.

<sup>9</sup> Including all FaHCSIA, DEEWR and DVA payments (including FTB/Child Care; excluding FAO reconciliation debts).

Age	Newstart Allowance	Value of debt	Disability Support Pension	Value of debt	Age Pension	Value of debt
40-49	87,163	\$53,916,083	19,463	\$29,475,088	-	-
50-59	60,083	\$36,892,415	28,373	\$33,989,350	-	-
60-69	28,480	\$15,065,844	27,121	\$22,529,332	103,043	\$25,049,372
70-79	43	\$119,142	353	\$866,408	113,478	\$43,812,604
80 +	1	\$2,537	22	\$45,162	46,751	\$27,910,931

**Table 2. Centrelink overpayments for selected recipients aged over 40, 2010-11**

Table 3 below lists the number of overpayments against all people aged over 40, including the main income support payments listed above. It also includes overpayments raised against other income support payments and supplements, including Carer Payment and Carer Allowance, Parenting Payment (Single and Partnered), Austudy Payment Pensioner Education Supplement, etc.

Age	No. of overpayments	Total value of overpayments
40-49	432,057	\$490,227,967
50-59	174,471	\$174,992,738
60-69	182,511	\$80,301,907
70-79	118,092	\$47,883,205
Over 80	48,948	\$29,220,145

**Table 3. All Centrelink overpayments for people aged over 40, 2010-11.<sup>11</sup>**

Just under one in every two Centrelink overpayments are from those aged over 40, accounting for 48.8 per cent. There were 514,922 overpayments raised against people aged over 50, accounting for 26 per cent of all debtors.

When a person on a social security has an overpayment they will generally be required to repay the debt at a rate of 15% of their Centrelink benefit. People looking for work are often shocked to be told about the “effective marginal debt rates” that can apply to a person who has a Centrelink overpayment. As noted earlier, Centrelink overpayments are not uncommon with 1.96 million debts in 2010-11.

The rate at which deductions are made is at the discretion of Centrelink. Debts are subject to high benefit and earnings “clawback” rates. These hidden workforce disincentives add complexity and act as a financial disincentive to take up paid employment if it is available.

Taken from low rates of payment, debt recovery can leave people with even less money to meet job search and other essential costs. Centrelink can reduce the rate of repayment, but only for limited periods of time, and people generally have to regularly keep requesting a lower repayment option. People, however, feel pressured to pay back more than they can afford. The Government should develop policies to minimise Centrelink debt workforce participation disincentives that are caused by the existing overpayment recovery arrangements.

<sup>10</sup> Senate Community Affairs Legislation Committee, Additional Budget Estimates, 16 February Answers to Questions On Notice, Human Services Portfolio, HWS 8.

<sup>11</sup> Ibid.

## **14. Older Indigenous Australians and workforce and participation barriers**

Some Indigenous job seekers may have to address issues of not just age discrimination, but also discrimination on the basis of race. Difficulties associated with locational disadvantage, remoteness, language, poor literacy and numeracy in addition to low formal educational attainment and poor health may also pose additional workforce barriers.

There has been widespread concern over the suitability of the model of employment services in remote communities. From July 2012 a new system is being introduced that will provide a more integrated, stable, locally-based service, as opposed to the 'fly-in, fly-out' arrangements.

With the majority of Indigenous job seekers residing in urban areas, Job Services Australia and Disability Employment Services needs to provide appropriate and tailored services. Data indicates that some Indigenous job seekers face major barriers to participation. For example, 82% of Indigenous job seekers in Stream 4 had five or more employment barriers, including mental health issues and homelessness,

There were 49,185 Indigenous job seekers, 17,400 who had been unemployed for more than 24 months. 33,617 people were receiving Parenting Payment (Single). Just 13,166 indigenous people were receiving the Age Pension; there were 8,706 carers on the Carer Payment, with 44,143 on the Disability Support Pension.

Welfare Rights has not been able to locate an age breakdown for Indigenous income support recipients, though growth in the younger population and much higher mortality rates would suggest that the numbers of mature age Indigenous Australian's is small.

Almost 52,000 unemployed people with a partial work capacity had been looking for work for 24 months or more. 10,640 single parents on Newstart Allowance had been continuously in receipt of the payment for over two years.<sup>12</sup>

## **15. Participation barriers for people born overseas**

Australia has one of the most culturally diverse populations on the globe. The 2006 Census of Population and Housing found that 22 % of people in Australia (4.4 million) were born overseas. Since that time the proportion has grown. The Australian Census of Population and Housing 2011 revealed that over a quarter (26%) of Australia's population was born overseas and a further one fifth (20%) of the population had at least one overseas-born parent. Around 400 languages are spoken in homes across Australia. Approximately 20 per cent of the 7.1 million Centrelink clients who access Department of Human Services are identified as being from a Diverse Cultural and Linguistic Background (DCALB). Further analysis indicates that around 6% use an interpreter and around 2% have entered Australia as refugees.

A recent report by the Australian National Audit Office into Centrelink's multicultural services highlights the service delivery challenges of this broad and changing mix. The Inquiry should consider whether the participation needs of the mature age members of these diverse population groups' are being addressed.

The Department of Human Services has multicultural client services officers who work well with specialist employment and mainstream employment agencies to address the specific issues employment and

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<sup>12</sup> Standing Committee on Education, Employment and Workplace, Relations, Questions on Notice Supplementary Budget Estimates 2011-2012, Question No. EW0690\_12.



participation concerns of refugee and humanitarian entrants. These services are highly regarded by Welfare Rights, and a broad range of community organisations.

## 16. Employment issues

All job seekers – not just those aged over 45 – require access to well resourced, tailored and accessible employment assistance. The system should be flexible enough to meet the needs of job seekers of all ages.

NWRN engages with the Department of Education, Employment and Workplace Relations about job seekers experiences with the system and how their needs can be most appropriately met.

Many job seekers have significant vocational and non-vocational barriers to finding and maintaining employment. It is critical that substantial, individually tailored assistance is made available for disadvantaged job seekers - well beyond the assistance currently provided in 'Stream 4' services.

Assistance to improve employment outcomes for disadvantaged job seekers requires a greater investment in intensive case management, basic skills training and work experience. It also requires better integration between support programs and health, housing and social services generally.

Inadequate resourcing for disadvantaged job seekers is a major weakness of the Job Network and makes it difficult for these job seekers to overcome a lifetime of disadvantage or a series of setbacks such as illness and redundancy.

Considering the multiple problems faced by this group, the existing \$500 provided for employment assistance in the annual 'work experience' phase is patently inadequate and is unlikely to move these job seekers closer to economic opportunities and financial independence.

Assistance for job seekers falls, the longer they are out of work. This is counterproductive.

High levels of staff turnover of employment consultants, which is currently about 30%, has a flow-on effect on how job seekers experience the system, resulting in disruption, loss of familiarity with staff and frustration at having to keep re-telling their story again and again.

Job seekers also need to be better engaged and able to participate in exercising choices around providers, activities and employment pathway plans. Under existing rules job seekers have extremely limited opportunities to exercise real and effective choice between providers. An employment services provider must be chosen within two working days, and this time-frame is not conducive to informed or effective choices.

NWRN supports approaches that will assist disadvantaged job seekers, including mature age job seekers to overcome employment and participation barriers.

This could be done by:

- Reforming existing funds allocated in service fees and annual Employment Pathway funds credits and provide an annual credit to assist Stream 3 and 4 job seekers Employment Pathway Fund;
- Increasing the level of resources for long term unemployed people that is available under the Employment Pathway Fund credit in the Work Experience Phase;

- Increasing the number of wage subsidies for very-long term unemployed job seekers; and
- Establish a six month paid work experience program that job-ready unemployed people.

A key deficiency in the system, which affects older job seekers, is that the supports for disadvantaged job seekers are insufficient.

EPF credits for long-term unemployed people in the Work Experience phase are generally much less than the Job Seeker Account credits available to assist jobseekers in Job Network 'Customised Assistance'. Work experience and training in the Work Experience phase are very poorly resourced.

While an additional \$1,000 EPF credit is available from 1 July 2012 for employment providers to assist each very long term unemployed jobseeker, this one-off EPF credit must fund up to 11 months of 'activity' per year – an average of less than \$100 for each month of intensive activity. This is insufficient.

## **17. Workers' Compensation**

The current social security rules related to the assessment of compensation payments can unfairly affect people. These rules can reduce the likelihood of earlier and successful return to work or for the person affected to participate in other forms of social, economic and cultural activities where employment is not a realistic option.

In our casework we see too many clients who have not been adequately informed about social security compensation preclusion periods. People receiving a compensation payout need access to much better information about the ongoing social security implications of their financial choices.