62. DOME Association

Full name: DOME Association

Address: Level 1, 54 Currie Street, Adelaide 5000

Proposal 2-1:

DOME agrees with Proposal 2-1

Proposal 2-2:

DOME agrees with Proposal 2.2

Proposal 2-3:

DOME agrees with Proposal 2.3

Proposal 2-4:

DOME agrees with Proposal 2.4

Proposal 2-5:

DOME agrees with Proposal 2.5

Proposal 2-6:

DOME agrees with Proposal 2.6

Question 2–1 :

DOME believes that there is a need to increase both the level of awareness and take up of flexible work arrangements but to achieve this there needs to be a major cultural shift in the workplace.

According to the Diversity Council of Australia's (2012) *Get Flexible!* Report, there is a need to create a new model of success in the workplace. DCA's interviews and focus groups were specifically with men and revealed they often saw flexibility as incongruent with models of success. These men appeared reluctant to take up flexible work options, says the report, due to the assumed cost that it will have on their career progression. Working flexibly was also seen as a career limiting move and something that women generally do. The report suggests that shifting the way people work across all levels of the organisation and illustrating how career progression is possible in flexible roles is necessary for a broader group of men in particular to perceive this as a legitimate career option. Further, amongst *Get Flexible!* participants, the view was that until senior leaders begin to work flexibly themselves, it will be difficult to encourage other men (and women) to engage in flexible work practices (Diversity Council Australia, 2012, *Men Get Flexible! Mainstreaming Flexible Work in Australian Business – creating flexible quality work and careers as standard business practice in Australian workplaces).*

The Federal government's proposed Centre for Workplace Leadership would also be an avenue to promote the importance of senior management setting an example by taking up more flexible work arrangements.

Proposal 2–7 :

DOME agrees with this proposal.

Proposal 2–8:

DOME disagrees with this proposal as it may inhibit the take up of mature age employees or mean that they will be dispensed with at 1 year 11 months. There should be no difference in this rule due to age.

Question 2–2:

No comment.

Proposal 2–9:

No comment.

Proposal 2–10:

No comment.

Proposal 2–11:

No comment.

Question 2–3:

If a new body or reporting framework is set up it could incorporate the Equal Opportunity for Women in the Workplace Agency, eg become an *Equal Opportunity in the Workplace Agency*. In this way organisations could report on the diversity statistics of their workforces to one body at the same time, ie gender, indigenous, disability, mature age and Cultural and Linguistically Diverse (CALD). At present only non-government and not-for-profit organisations that employ a total of 100 or more staff have to report to EOWA annually on their workplace program for women. It is proposed that this would also apply to a new body and/or reporting framework.

Proposal 2–12:

DOME agrees with this proposal.

Proposal 3–1:

No comment.

Proposal 3–2:

No comment.

Proposal 3–3:

No comment.

Proposal 3–4:

No comment.

Proposal 3–5:

No comment.

Proposal 3–6:

No comment.

Question 3–1:

(Note: this response addresses Questions 3-1 and 3-2; and Proposals 3-5 and 3-6) - DOME Association tenders a view that these proposals and question represent a potential disadvantage to workers, and arguably imply a forced retirement age, and a restrictive outcome in the event of injury and/or incapacitation. DOME proposes that instead of being fixed to an arbitrary selection of Age Pension age, actuarial tables (relatively easily produced, by industry, if not already available – alternatively, source same providers as Centrelink uses for life expectancy) should be utilised to identify retirement ages, and subsequently have provisions tied to that actuarial table. This accommodates the longer working lives resulting from improved health relative to past generations, and produces a fairer outcome in the event of incapacity. There are vast differences in workforce participation by industry, and actuarial tables should easily reflect those differences.

We recognise a proposal that can effectively increase payments would likely result in increased insurance premiums (or additional cost for self-insurers), but equally an industry based actuarial table would also enable more specific premium application, arguably reducing premiums in some industries. Such an outcome would clearly be more equitable; although the increased premiums in industries that carry greater injury risk could be onerous.

Question 3–2:

See response to Q 3-1

Proposal 3–7:

No comment.

Question 3–3:

No changes required to treatment of superannuation payments in the calculation of incapacity payments under the *Safety, Rehabilitation and Compensation Act 1988*, as DOME holds the view there is no evidence indicating individual's decisions to participate in the workforce take any account of this potential impediment. DOME does however, support any improvement in education programs promoting the need for various insurance requirements to address such impediments (eg income replacement; life and TPD cover – either within the superannuation fund, or external to it).

Proposal 4–1 :

No comment.

Proposal 4–2 :

No comment.

Proposal 4–3 :

No comment.

Question 4–1 :

Generally, DOME supports the view that all matters associated with Insurance are appropriately addressed as part of the Insurance Reform Advisory Group, and therefore DOME's response is primarily reflective of inputs and questions for that Group. We broadly identify that many matters associated with Insurance (particularly General Insurance) are already addressed via the Financial Services Reform Act (FSRA), including requirements to be qualified to sell and promote. Unless there is evidence suggesting the requirements of the FSRA are not achieving objectives, we question the need for further enquiry and review. We note there is a number of product suppliers already offering product specifically for mature aged markets, and of itself this may indicate the regulation and market demand already serve to meet a given need.

Question 4–2:

Refer to response associated with Q4-1.

Question 4–3:

Refer to response associated with Q4-1.

Proposal 4–4:

No comment.

Proposal 5–1:

DOME agrees with this proposal. Information about social security payments and services at least should be streamlined and easily accessible through all communication channels, eg phone, internet and hard copy materials. There is also a need to promote the Financial Information Service (FIS) more, including their financial seminars which is useful in helping mature age persons who are still working and/or considering retirement to understand and navigate the system. In addition, information about the Federal government's MoneySmart initiative could be promoted more broadly.

Proposal 5–2:

See Question 5-1.

Question 5–1 :

As identified in Proposal 5-2, JSAs need to be equipped with more knowledge and resources to assist mature age job seekers. The experience of many mature age job seekers is that employment staff do not generally prioritise them for job search assistance as they believe that they either can't or don't want to get back into the workforce because of their age. As identified in the AHRI report (2012) the reluctance to consider mature age people for jobs could be a reflection of younger staff in the employment services or at the request (implicit or explicit) of employers.

There is a need to encourage employment services providers (government and private) to employ a workforce that is itself diverse and mirroring (to the extent possible) the job seeker "market". Increasing the likelihood or potential for job seekers to be provided services by people of a similar demographic, in turn increasing the likelihood of greater degrees of empathy.

There is also a need to provide more immediate intervention to mature age people (aged 55 years and over) as statistics show that they experience an average duration of 71 weeks unemployment since their last full-time job compared to 41 weeks for job seekers aged 25-44 years (DEEWR data, March 2011). Being long term unemployed creates additional barriers for mature aged jobseekers.

JSAs should also be provided with training about the current workforce situation and the benefits to employers for recruiting older job seekers and how to sell those benefits.

There should be a review of the JSA Stream Assessment process to ensure mature age job seekers are properly categorised to ensure they receive adequate support in their job search activities.

Question 5–2:

DOME agrees that there should be a less severe withdrawal rate for Newstart Allowance recipients aged 55 years and over to improve the financial incentives for combining part-time or casual work with income support. As the ALRC has recognised, part-time or casual work may be more suited to managing ill health or disability or combining work with caring responsibilities and many older workers use part-time or casual work as gradual retirement from the workforce.

DOME acknowledges that the Newstart Allowance (and any form of income support) is intended to provide minimum adequate standards of living, and indeed encourage recipients to seek paid work (in order to improve standard of living). Equally, DOME holds the view that the withdrawal rate should not act as a disincentive to seeking paid work. Presently, the withdrawal rate does appear to act as a disincentive. By way of example, a worker on the top tax rate is taxed at the rate of 45c (plus Medicare Levy) for each marginal $ of income – yet a recipient of Newstart Allowance sees a reduction of that Allowance to the extent or 50c in the $ for income over $62 per fortnight, and 60c in the $ when fortnightly income is above $250 – this inequity relative to standard of living appears glaring. DOME's view is that the income tax rates for low income earners would represent a more appropriate withdrawal rate, particularly for those job seekers over 55 years of age (but less than the declared pension age, when the rules associated with Age Pension takeover). For example, zero withdrawal rate for Allowance plus employment income to $18200 per annum, then 19c per $ for the combination above $18200. However, DOME is also of the view that the financial value of Concession Cards must be recognised, and the effects of removal of Concession Card benefits when financial capacity does not enable replacement of those benefits, must be considered simultaneously. Without proposing an absolute solution, DOME holds the view that Concession Cards and associated benefits should only be removed once a job seeker generates a certain level of employment income – perhaps an income at least the equivalent of the national minimum wage.

Question 5–3:

No comment.

Proposal 5–3 :

As identified by Guillemard (2011) at the recent *Older Workers and Workability Conference* (Melbourne, October 2011) there is a need for a life-course perspective (to Social Security) - longevity raises questions about the distribution of work and welfare over the life-course and across generations (*Guillemard, A.M. Older Workers and Work Ability Conference, Monash University, Melbourne, 12-13/12/2011).* This is particularly relevant to the Carers Payment as carers need to be able to access work and training opportunities as much as they are able to so as to stay competitive in the workforce arena.

In his presentation, Alexandre Kalache's refers to a Life Course approach to men's and women's careers in the workforce. According to Kalache, a woman's life course in the future will consist of numerous episodes of working, caring, learning and spending some time in 'gradual retirement' before finally retiring from the workforce (Kalache, Alexandre (2012*)* *The Longevity Revolution, Adelaide Thinker in Residence presentation,* Town Hall, 8th October, 2012). *See* http://www.thinkers.sa.gov.au/lib/pdf/Kalache/FinalLecturePresentation.pdf *Slide 30: A Woman's Life Course in the Future.*

Proposal 5–4 :

See response to Proposal 5-3 above. In addition, a study/work hours bank – similar to the Work Bonus model for the Age Pension - could be developed. This would fit into a "lifecycle approach" to income support model as well.

Proposal 5–5:

DOME agrees that these aspects of the Work Bonus should be indexed as per the proposal.

Proposal 5–6:

In line with a lifecourse approach to the income support system, DOME supports the recognition of lifelong learning that the Pensioner Education Supplement (PES) provides. This is required to enable mature age people achieve continuous learning to stay up to date with technology or improve their basic skills to stay employed.

Proposal 8–1:

No comment.

Question 8–1:

DOME supports the general view that the work test does need to modified (to more hours over a wider period). However, this view is held purely on the basis the current test is sensed to be too low – we hold insufficient data and qualification to propose a more appropriate minimum.

Proposal 8–2:

DOME is of the view that Proposals 8-2 and 8-3 may have inadvertently overlooked the major role employers have in extending workforce participation. And whilst we understand a submission that introduces an entirely new concept and debate at this stage of discussion may be contrary to progress, we feel strongly about the concept and therefore propose it whether or not it forms a separate consideration.

In short, regulation should provide a disincentive for people to pursue aged pension payments (instead pursuing self funded retirement), <u>and</u> an incentive for employers to recruit and employ older workers for longer.

In the same way that companies/businesses have been allowed an accelerated deduction for eligible expenditure on R&D (past regulation associated with the Income Tax Assessment Act 1936, amended from time to time), employers could be allowed accelerated deductibility for wages and superannuation contributions for “older” workers. Whilst we understand there may be views that this proposal is itself discriminatory, we view it as no different to employer financial incentives for encouraging apprenticeships and other forms of youth employment. Financial or Treasury experts would need to determine the quantum, but an example might be –

We note also that this proposal addresses the issues raised by COTA (raising maximum SG age limit “may offset employers’ willingness to employ older workers, suggesting this is something that will need to be monitored”), and AIG (raising maximum SG age limit “may raise costs of employment and have a detrimental impact on the incentive to employ older people”) at item 8.26 of the original discussion paper.

Finally, with specific reference to proposals 8-2 and 8-3, DOME believes any accelerated deductibility should apply equally to employers and self employed, otherwise there is a risk of encouraging structure management (ie business structure creation) in order to minimise taxation.

Proposal 8–3:

See response to Proposal 8-2.

In addition, re Self Employed Superannuation Contributions:

Related but not directly associated with this proposal: Note 8-29 raises a matter that doesn't appear to be directly addressed in the Proposals. Self employed persons may, but are not required to, make superannuation contributions for themselves. Given an implicit objective of this "review" is to reduce the increasing burden on taxpayer funding of aged pension, DOME holds the view this matter needs review such that contributions must be made by self employed persons.

Proposal 8–4:

No comment.

Proposal 8–5:

No direct comment to this proposal but in a loosely related matter, specifically Concessional Contributions Cap about which no proposals or questions have been raised:

Notes 8-81 to 8-93 covers the subject of Concessional Contributions Cap, and the working group proposes no reforms to this subject given the matter is "predominantly a retirement savings issue, rather than a mature age workforce participation issue". DOME holds the view this should be considered within the scope of the working group. Financial objectives remain one of the primary drivers to determining retirement decisions. The Concessional Contribution Cap is one input to the amount of time worked (ie a lower Cap can lead to longer working life; and vice versa). Whilst the Scope of the Reference is silent on the matter of retirement savings, the matter is intrinsically linked to the issue of government funding of people in retirement (as the so called dependency ratio worsens), and therefore should be included and addressed in the Review. Having said that, the lower the Cap, the greater the incentive to continue working/contributing. Therefore the Cap for older workers should be the same as for "other" workers.

Proposal 8–6:

No comment.

Proposal 8–7:

DOME concurs with the proposal on the basis that workers appear to have a low awareness of the TTR rules. Anecdotally, for those who have utilised TTR, the majority use appears to be by people in full time employment in order to utilise the rules to minimise (as distinct from avoid) taxation.

Interestingly, a visit to www.moneysmart.gov.au carries the following in relation to TTR –

"Transition to Retirement

There are many reasons why people continue to work past age 55. Some need the money. Others enjoy the mental stimulation and social interaction that a job offers. Some will reduce their working hours as a way to slowly ease into retirement.

The Australian Government has made it possible for you to keep working while drawing down some of your super benefits. The policy, called transition to retirement, allows you to supplement your salary and maintain a comfortable lifestyle. You can also use the policy to save tax and boost your super before you retire. …

There are two ways to use a 'transition to retirement' (TTR) pension:

Benefits

Boost your super savings

Pay less tax."

So whilst there appear to be views that the original objective of TTR rules (gradual retirement) may have been overtaken by a taxation minimisation focus, it's apparent that outcome is openly promoted as a viable objective by practitioners and the Australian Government itself.

Question 8–2:

DOME generally is not in agreement with raising the Preservation Age. It's acknowledged the arguments supporting the need for raising are valid, however we believe the arguments overlook a key driver to the outcome. Our understanding from a wide range of research is that workers have a preference for retiring later, and gradually. Despite that preference, the experience – due primarily to health reasons (not necessarily self, but also carer responsibilities) – is that retirement comes more abruptly and earlier than preferred for approximately 70% of retirees (source: *Ageing Baby Boomers in Australia – August 2012; Productive Ageing Centre – National Seniors Australia*, *pages 5 & 6*). When considering the experience, DOME holds the view a change to Preservation Age is not required.

Question 8–3:

Refer response to Question 8-2.

File 1:
File 2: