



Discussion paper Grey Matters – Barriers to Participation by Mature Age Australians

**Response from the National Welfare Rights Network (NWRN) to the Australian
Law Reform Commission**

National Welfare Rights Network (NWRN)

December 1, 2012

INTRODUCTION

The National Welfare Rights Network (NWRN) comprises sixteen specialist community legal centres and three Aboriginal Legal Aid services across Australia. Our members provide information, advice and representation for individuals in social security and family assistance law and administration. The NWRN also undertakes policy and law reform activities in these areas and employment assistance policies and legislation.

The NWRN welcomes the opportunity to respond to Australian Law Reform Commission (ALRC) Discussion Paper which examines the broad participation challenges that are posed by population ageing.

The NWRN submitted detailed comments to the ALRC's Inquiry into Age Barriers to work in Commonwealth laws in July 2012. This paper provides further comments in response to specific issues raised by the Discussion Paper released by the ALRC in September 2012.

Our member centres provide information, advice and assistance to significant numbers of people aged over 45. In this context, NWRN is cognisant of the importance of law reform to address the particular barriers that older people face to participating in the workforce and in the community generally.

This submission does not intend to cover the points made in the original submission, although some of its findings are touched on in the conclusion to this paper.

In our areas of expertise related to income support and social security, the Commission suggests a number of modest reforms and changes to current arrangements which, if pursued, may reduce the barriers to economic and social participation that are experienced by older people.

Proposals that fall in this category include extending the Pensioner Education Supplement to Age Pensioners, allowing people to earn more income before their earnings are withdrawn, and extending eligibility for the Pensioner Concession Card for a period after a person has moved into employment. Other proposals, such improved and better tailored employment assistance, are likely to be of greater assistance for older people who are vulnerable or who have major barriers which limit their capacity to fully participate in the labor market.

Our submission addresses these reforms, and a raft of other proposal such as improved communication and information. However, it is important to note that the critical central and overriding focus of any efforts to improve participation and engagement for mature people must be the willingness of business (small, medium and large) to overcome their past reluctance to employ people of mature age.

Age discrimination and disability discrimination is rife in Australia, and is acknowledged as a major barrier to the employment of people aged 45 and over. Once unemployed, older people find it very difficult to find work again. Their average time spent on NSA is 70 weeks – double that of their younger peers.

Long term unemployment takes a heavy toll on older people, and it is often associated with poor physical and mental health, social isolation and poverty. A national survey on factors which lead to major depressive episodes indicates that a significant causal linkage is the impact and consequences of unemployment. Those who remain out of the

workforce for a period find it very difficult to break back into employment, as they lose their skills and employers tend to favour those with recent workforce experience.

Changes to various social security, taxation and superannuation policy settings are important, but the real ‘game changer’, is winning the battle against discriminatory behaviours and attitudes which are widespread.

RECRUITMENT

PROPOSALS 2-1, 2-3, 2-3, 2-4

NWRN supports the proposals in relation to a code of conduct, targeted campaign and audit, awards and educational materials for the recruitment industry. We also consider that there may be a role for linking government procurement aimed at recruitment agencies conditional on industry standards or relevant codes of conduct.

PROPOSAL 2-5

NWRN supports the right to request flexible working arrangements for all employees who have caring responsibilities.

PROPOSAL 2-10

Retirement ages should be based on competency as opposed to chronological age.

PROPOSAL 2-12

The ALRC suggests that the Human Rights Commission should coordinate a national education and awareness campaign in support of the workforce participation of mature age persons.

The NWRN supports this proposal, and would welcome being consulted about the content of any campaign. Educational and informational initiatives have a role in changing and shaping attitudes, though they need to be balanced with an appropriate and effective legal framework.

4. INSURANCE

PROPOSALS 4-1, 4-2, 4-3, 4-4

NWRN supports the proposals in relation to codes of conduct, advisory group and guidance materials on insurance as it pertains to older workers.

5. SOCIAL SECURITY

PROPOSAL 5-1

NWRN supports the recommendation for an evaluation of social security information available for older workers. In addition, there should be a review of information targeted at employers, to ensure awareness of business obligations to older workers. The relevant agencies, including the Department of Human Services, should engage with relevant organisations to gain insight into areas of unmet need and/or confusion about

entitlements and obligations. One area we have highlighted where better information would be useful is in relation to concession eligibility.

QUESTION 5-1

IN WHAT OTHER WAYS, IF ANY, COULD THE AUSTRALIAN GOVERNMENT'S EMPLOYMENT SERVICES SYSTEM BE IMPROVED TO BETTER ASSIST MATURE AGE JOB SEEKERS?

NWRN notes the importance placed on high quality employment assistance, and is pleased that the Commission considers that the existing arrangements for activity test requirements are appropriate for the current economic climate, taking into consideration existing prejudices against older people who seek to enter the workforce or remain in the workforce. The final report should acknowledge support for maintaining existing arrangements re: exemptions and activity test and participation requirements for mature age job seekers, at least for the foreseeable future.

The recent Senate inquiry into the adequacy of the Newstart Allowance examined, among other issues, the supports available to assist people into employment.¹ The Committee majority report recommended extra assistance for people aged over 45.

ASSISTING DISADVANTAGED JOB SEEKERS

The available data shows that the most disadvantaged job seekers, and those needing the highest levels of assistance, are those in Stream 4. As at 31 March 2012, 158,424 job seekers on the Job Services Australia (JSA) caseload had been unemployed for 3 years or more, with 40 per cent of those being in Stream 4. Of those job seekers who were unemployed for 2 years or more, 37 per cent were in Stream 4.²

As at 31 March 2012, there were 29,224 job seekers in Stream 1 on the active JSA caseload who had been unemployed for over 12 months.

Table 1, below reveals that in November 2011 the average duration on the Newstart Allowance was six months for Stream 1 job seekers and almost 40 months for those most disadvantaged job seekers in Stream 4.³

¹ Senate Education, Employment and Workplace Relations References Committee *Report into the adequacy of the Newstart Allowance and other issues*, 29 November 2012.

² Senate Standing Committee on Education Employment and Workplace Relations, Questions on Notice, Budget Estimates 2012-2013, DEEWR Question No. EW0221_13.

³ Senate Standing Committee on Education Employment and Workplace Relations, *Questions on Notice*, DEEWR Question No. EW0943_12.

Table 1. Average Duration on Newstart by Stream

Stream	Total	Average Unemployment Duration
Stream 1	171,635	6 months
Stream 2	183,605	15 months
Stream 3	175,126	42 months
Stream 4	157,636	39 months

Key issues of relevance for the Commissions current inquiry are:

- people over 45 make up 6.7% of the entire JSA caseload in Stream 1 (49,374 people at August 2012 (work-ready participants);
- people over 45 make up 5% of the entire JSA caseload in Stream 4 (49,374 people at August 2012 (extremely disadvantaged participants),⁴ and
- jobseekers under 24 account for 27% Stream 4 caseload job seekers (Nov, 2011), and people over 45 account for 23% of Stream 4 job seekers August 2012).⁵

The point we wish to highlight is that age, by itself, is only one indicator of the need for a special, concerted effort to address multiple barriers to employment. The Australian Bureau of Statistics puts the unemployment rate at 5.2%. However, in 2011 the unemployment rate for Indigenous people in Australia was 13% in major cities, 19% in regional areas and 15% in remote areas and youth unemployment for 15-19 year olds seeking full-time work as a proportion of the full-time youth labour force) was 24.1% in July 2012.

Based on the previous information, NWRN considers that the most effective way of assisting the most disadvantaged job seekers, including mature people who are experiencing barriers, is to provide additional support to job seekers in the assistance streams for the most disadvantaged people. The NWRN is highly cognisant of the needs of mature age people locked out of the workforce and supports extra assistance to them along with extra assistance to all other disadvantaged jobseekers.

NWRN considers that the employment services system should provide high quality support for all job seekers, and would be alarmed if the employment services system were to be fragmented according to age as opposed to vulnerabilities and identified barriers to employment. Additional high quality, tailored and individualised supports

⁴ Senate Standing Committee on Education, Employment and Workplace Relations, *Questions on Notice, Inquiry into the adequacy of the Newstart Allowance, Asked 24 October 2012, Hansard*, page 34.

⁵ Senate Standing Committee on Education, Employment and Workplace Relations, *Questions on Notice, Additional Estimates 2011-12, DEEWR Question No EW0957_12*.

need to be provided, for example, to young job seekers, Indigenous job seekers on those who are long term unemployed.

The employment service system must take into account the needs and preferences for mature age job seekers, in areas such as the need for intensive support in utilising newer technologies and online services to look for work, but the needs of all job seekers must be met with appropriate service offers that work for all groups of job seekers.

The Senate report suggested that an additional support in Stream 1 assistance would help those aged over 45. However, Department of Education, Employment and Workplace Relations (DEEWR) data suggests that most older people are already in Streams 3 and 4, which seeks to address the needs of highly disadvantaged job seekers.

For many, the employment services system is impenetrable and confusing. This has serious implications for job seeker engagement and undermines the operation of the system. It also leads to waste and inefficiencies.

A key priority requiring attention in the future iterations of the employment services systems is to improve older job seekers' understanding of the employment services system. Mature age job seekers tell us that they are confused about the range of services available and are frequently unclear about why they are required to undertake activities. For example, they are uncertain about why they need to provide information to both Centrelink or and the employment service provider. There is confusion about the roles and responsibilities, of both of these key partners in the system.

Another area of significant confusion relates to the need for, and purpose of the Job Seeker Classification Instrument, the Employment Service Assessment or the Job Capacity Assessment.

Disclosure (or the absence of it) is also a major problem. If older job seekers do not know the purpose of an activity or interview, and the reasons as to why they should disclose sensitive or very personal information (such as alcohol, gambling, mental health issues or homelessness status), they may fail to disclose. Our caseworkers have frequently seen examples of exactly this problem. This can result in older people being placed in inappropriate service streams or being required to undertake inappropriate activities. In turn this may lead to difficulties with providers and disengagement from services and supports aimed at getting people into training or employment.

There are contested perspectives about the ability of the job seekers to change Streams in the existing arrangements. From our perspective, program tightening and fears of unnecessary 'up-streaming' has made it difficult, in practice, to re-classify job seekers, resulting in an increasingly inflexible and rigid system that is ineffective, inefficient and that does not work for many.

The Government needs to consider whether the current model of initial engagement with job seekers is as effective as it could be. Our experience is that at first point of contact the primary concern of the overwhelming majority of people is related to securing their immediate financial future. Given that many are dealing with the, stress and anxiety of a sudden and unexpected retrenchment, insufficient attention is given to other matters such as skills development needs, employment pathway plans, updating of resumes or job search requirements and the like.

In our experience, job seekers may agree to activities and plans that are not suitable or realistic, as long as they are able to secure access to financial assistance. This is a

rational, common sense response from job seekers in these circumstances. The employment services model needs to take account on this behaviour.

Once in the system, older people regularly tell our caseworkers that they are routinely required to just 'go through the motions' of regular resume writing or basic 'introduction to computers' courses' to ensure continuity of payment, with the activities offering little practical help to find paid work.

More precise measurement and tools are needed to enable the assessment and streaming processes to better identify job seekers, including mature age workers, who would benefit from more immediate and intensive employment support and jobs assistance during the early periods of unemployment. For example, Job Seeker Classification Instrument should be re-calibrated to enable job seekers who would benefit from more immediate and intensive support, especially in the early periods of unemployment.

NWRN and ACOSS recently issued a statement supporting the push for a more effective job-matching system that gets unemployed people trained and ready to take up jobs. Jobs Australia, the peak body representing not-for-profit job network agencies, believes that the \$5.52 billion employment services system is flawed. It will model new options and develop a blueprint for a radically new system for 2015.

We know there is widespread concern that the current system is failing many unemployed people, especially younger people, migrant Australians, older workers, those with disabilities, and people who are experiencing homelessness.

The current Job Services Australia system doesn't encourage investment in people who have been unemployed long term and who have only a 50 per cent chance of finding work without further assistance. For instance, job providers only receive between \$500 and \$1,100 to invest in training and work experience for this group.

Improving the outcomes for disadvantaged job seekers requires a greater investment in intensive case management, basic skills training and paid work experience. It also requires better integration between support programs and health, housing and social services generally. We need a better system which engages and motivates job seekers to take up opportunities for education and training, to build skills and overcome disadvantage.

The system is too unresponsive and too bogged down in administrative rules.

Unemployed people get two days to choose a provider, and this time-frame is not conducive to informed or effective choices.

High levels of staff turnover by employment consultants, limited professional development, issues around job satisfaction and unmanageable caseloads all impact on the quality of assistance to help unemployed people into employment.

Meanwhile, compliance creep has affected front-line efficiency, with employment consultants now spending around half their time on administration".

NWRN understands that the Federal Government is soon to release a background paper on the reform of employment services, in preparation for new contractual arrangements due to commence in 2015. Given the significance of employment services and supports for moving people successfully into employment, the ALRC should urge the Government

to commit resources so that job seekers, especially older job seekers and their representatives and advocates, have the opportunity to have their say in the improvements needed in employment services.

NWRN also supports a public review of employment services, to work out how best to support disadvantaged job seekers to move back into the labor market.

QUESTION 5-2

Views are sought on whether the 'free area' thresholds of \$31 per week should be increased, as a way of assisting mature age job seekers back into employment.

In principle, an increase in the 'income free area' of \$31 per week for people aged 45 would lift workforce participation and is supported by the NWRN. The NWRN gave evidence on this issue to the recent Senate Inquiry into Newstart and other Allowances. However, the NWRN would be extremely concerned about increasing the threshold for only mature age job seekers. Such a move would create increased and unnecessary complexity in the system.

The Senate inquiry investigating the allowance system has supported increasing the income free threshold, though the parties differed on the design of any changes. The majority Committee proposed increasing the threshold to six hours at the minimum wage for only long-term unemployed people; Labor senators supported an increase for all Newstart Allowance recipients up to eight hours at the minimum wage, while the Greens supported a larger increase.

An increase to the 'working credit' was also endorsed by the majority committee, as a way of increasing workforce participation.

NWRN supports increasing the free area for all job seekers, along with an expansion of the 'working credit'. However, our priority for reform is an increase to the low rate of the Newstart Allowance, which has not been increased in real terms since 1994.

PROPOSAL 5-3 AND 5-4

NWRN submitted that the rules around the '25 hour rule' has been administered in an inflexible manner, as evidenced by the significant number of cancellations.⁶ In light of our concerns, we support proposals 5-3 and 5-4.

ADDITIONAL COMMENTS: SUPPORT FOR FORMER CARERS

Older people undertake the role of unpaid carers, often to the detriment of their own health, career and financial security. NWRN recently highlighted the plight of older carers in a correspondence to the Senate Inquiry into the adequacy of the Newstart Allowance.⁷

⁶ National Welfare Rights Network, Submission 50, Australian Law Reform Commission, Grey Areas.

⁷ National Welfare Rights Network, Correspondence to the Senate Education, Employment and Workplace Relations References Committee into the inquiry into the adequacy of the Newstart Allowance, 29 October 2012.

Centrelink reports that of the 195,000 people receiving Carer Payment, just 21,585 reported any earnings at October 2012.⁸

In 2010-11 there were 44,840 carers who had their payments cancelled because they ceased caring. Many of these carers were unable to gain paid work and were transferred to the lower-paying Newstart Allowance. These people are at significant disadvantages in the labour market, having had no recent workforce experience. Over half (fifty five per cent or 22,227) of these carers were aged between 45 and age pension age.

The Senate report noted the absence of any targeted or tailored programs of support to assist carers to re-enter the workforce or obtain or regain skills. Improved services for carers are essential; however, the report is silent on the \$200 per week drop in income support that can result when a carer ceases caring if they end up on the Newstart Allowance.

ADDITIONAL COMMENTS: DEFINITION OF 'CONSTANT CARE'

NWRN draws the attention of the Commission to a recent case involving a person who was in receipt of Carer Payment. Payment was cancelled as he was not providing "constant care"; that is, he was providing care for five days per week not six days. The policy provides that "constant" means six days per week. The carer initially lost at the Social Security Appeals Tribunal but when appealed to the Administrative Appeals Tribunal the Department of Human Services (Centrelink) gave ground. The policy, however, remains unchanged for all other carers in this circumstance who do not find their way to one of our member centres.

The following details about 'constant care' are from the *Independent Social Security Handbook* published by the Welfare Rights Centre located in Sydney.

"A carer is said to provide constant care if they personally provide care on a daily basis for a 'significant period' during each day. The care may be active, supervisory or monitoring. To provide care on a daily basis for a significant period, a carer should reasonably be expected to provide at least the equivalent of a normal working day in personal care, as the policy intent of providing Carer Payment is to recognise that the carer is not able to undertake substantial employment because of their caring responsibilities. This includes circumstances where the carer or care receiver are absent from the care situation for part of the day, but the intensity of the care required and provided during the remainder of any 24 hour period is such that it roughly equates to a normal working day."

"There is no definition of "constant care" in social security law.

"Centrelink guidelines say you are providing "constant care" if you personally provide care on a daily basis for a "significant period" during each day. The care you provide may be active, supervisory or monitoring. Centrelink will generally expect you to provide roughly the equivalent of a normal working day in personal care, however this is not strictly a requirement of the law. If you are providing a significant level of care to another person you should claim Carer Payment to test your eligibility."

⁸ Senate Community Affairs Committee, Answers to Questions on Notice, Families, Housing, Community Affairs and Indigenous Affairs, 2012-13 Supplementary Estimates Hearings, Question No. 188.

"Centrelink will not accept you are providing constant care if you work, study or train for more than 25 hours per week. Any income you earn must be declared to Centrelink. You may be able to continue getting Carer Payment if you have worked more than 25 hours per week, so long as you continue to have "working credits"."

Centrelink policy interprets constant care to mean **care on a daily basis for a significant period during each day**. Current caselaw suggests that constant care means addressing care needs which are unchanging, unremitting, occurring continually and remaining the same over a period of time, and can in some situations not necessarily mean daily care. There may be scope for a person who is not providing "daily care" to be qualified for Carer Payment, but in most cases, the allowable 63 respite days will need to be used such that a person is providing care at least 302 days per year.

NWRN urges the Commission to consider how more flexibility could be provided to carers.

Below we provide a case study highlighting the unfairness and injustice of the existing rules.

Case study: Hard fight for older carer

Mick has been in receipt of Carer Payment since 2009. He cares for his son Luke, who has severe cerebral palsy. Luke is aged 17. He is confined to a wheelchair, cannot feed or wash himself and needs assistance to go to the toilet. A crane is above his bed so he can be turned over at night. Mick does this three times per night to prevent Luke from getting bed sores. Until March 2012 Luke's wheelchair could not enter the home he shared with his dad as the doors were not wide enough. Mick would park the wheelchair at the back door then carry his son into the home. He would then carry him from room to room as required - quite an effort considering Luke weighs 50 kilograms.

Mick cares for his son 10 days per fortnight and the other four days he stays with his mother. Mick left his job in 2009 to look after his son.

When Centrelink reviewed Mick's eligibility for payment in late 2011 it decided that he was not eligible for Carer Payment as he did not provide his son care on a "constant" basis as required by the *Social Security Act*. Welfare Rights lodged an appeal to a Centrelink Authorised Review Officer (ARO). Although the ARO was sympathetic to the case the original decision was upheld on the basis that Centrelink policy specifically prevents a person from receiving Carer Payment where they don't provide care six days per week. The Centre appealed that decision to the Social Security Appeals Tribunal (SSAT) decision. We lost again, despite a sympathetic hearing from the tribunal who felt the law prevented it from paying Mick Carer Payment.

We then lodged an appeal to the Administrative Appeals Tribunal (AAT). By this stage Mick was in receipt of Special Benefit which is paid at a significantly lower fortnightly rate than Carer Payment. Centrelink's head office in Canberra initiated an Act of Grace Payment to the Department of Finance seeking to top-up Mick's Special Benefit so he would receive the same amount that he would receive if he was in receipt of Carer Payment.

Centrelink finally conceded and the Carer Payment was to be restored and arrears paid from date of cancellation.

Carer Payment should never have been cancelled. Instead the Federal Government should have been supporting the efforts of carers such as Mick who provide an invaluable service to their family and to the wider community.

There is a need to amend the Guide or include a more flexible definition of "constant care" within the Act.

QUESTION 5-3

The Commission seeks views about whether there is a need for greater clarity regarding the risk of reviews for people on the Disability Support Pension, with respect to new rules which allow a person to work up to 30 hours a week, and whether this is disincentive for people to undertake paid work.

NWRN strongly endorses the Commission's recommendation to encourage the Government to provide greater transparency about the circumstances that can trigger a review of entitlement to the Disability Support Pension (DSP). The information and advice lines at our member centres receive consistent and regular feedback from people

anxious that any history of work or earnings will potentially trigger a review, at some point in the future.

This anxiety about reviews and loss of entitlement is not unfounded, as there is a demonstrated increase in rejections of claims for the DSP. While new claims are being rejected at record numbers, data from the Social Security Appeals Tribunal indicates that DSP appeals have increased by 15 per cent in 2011-12, from 2,951 to 3,446.⁹

OTHER COMMENTS: NEW DSP RULES FROM SEPTEMBER 2011

NWRN wishes to raise with the Commission a new and emerging barrier to participation that has recently emerged from our member centre's extensive casework. People most likely to be affected are older people with disabilities who are testing eligibility for the Disability Support Pension. From 3 September 2011, the Federal Government introduced new rules which mean that generally a person must have participated in a "program of support" for 18 months before they become eligible for the Disability Support Pension. Already Welfare Rights advocates from across the country are seeing some of the harsh, unfair and irrational impact of these rules.

A program of support is a program designed to help a person find and stay in work. Most people who undertake a program of support are on an activity tested Centrelink payment like Newstart Allowance.

These new rules do not apply to someone with a "severe impairment", which means they are assessed as having 20 points of impairment under just one of the impairment tables.

But at the same time as introducing the new program of support rules, the Government also introduced new impairment tables. It is becoming very clear to Welfare Rights advocates that very few people get 20 points under one impairment table. Most people who get 20 points of impairment do so because they have multiple medical conditions which impact on them in multiple ways and therefore they get 20 points or more across more than one impairment table. These people must still meet the program of support rules, otherwise they will not qualify for DSP.

NWRN agrees with the policy objective of helping as many people to find and keep work as possible. We continue to press the Commonwealth, as one of the country's larger employers, to increase its woeful levels of employment for people with a disability.

However, the program of support rules are having an incredibly harsh impact without any evidence that they are helping people to find and keep work. It is important to remember that someone who has 20 points (or more) of impairment, whether it's under

⁹⁹ Social Security Appeals Tribunal, *Annual Report, 2011-12*, p. 49. Note appeals include issues such as medical reviews and overpayments, but it is likely medical issues are the main reason for the increase.

one table or multiple tables, is seriously ill and struggling with the barriers and extra costs caused by their medical problems.

To give just one example, many people will only meet this requirement by participating in programs through their job services provider while in receipt of Newstart Allowance . But normally someone with medical problems serious enough to attract 20 points would be granted an exemption from complying with the activity test and therefore not be required to participate in a program for the period of the exemption.

People contacting our Welfare Rights who are experiencing difficulties with the new arrangements have been so sick that Centrelink has granted them rolling exemptions from the activity test but when they apply for the DSP have been told they cannot qualify because they have not participated in a program of support for 18 months. If these people continue to be too unwell to participate in a program of support they will never qualify for a DSP under the new rules, despite their serious and ongoing medical problems. This would relegate them to the much lower rate of payment of NSA, a payment designed for people actively looking for work, not people with long term and serious health problems likely to last for at least two years.

It is critical that the rules be ameliorated by adding an exemption from the program of support requirement for someone who claims the DSP, has not participated in a program of support and who will be too unwell to participate in a program of support or benefit from it within the next two years.

CONCESSION CARDS – 5.102

The ALRC explores the level of complexity around the provision and access of various concessions, and the implications for all tiers of government of making changes. It is reasonable that the Commission fails to propose major changes in this area. A modest, but practical issue canvassed in the report would allow people to retain the Health Care Card or Pensioner Concession Card once working – for a limited period – as a way of smoothing transitions into employment and providing a greater incentive for people to move into the workforce.

We note currently that people who return to work and lose eligibility for the Disability Support Pension can have access to the Pensioner Concession Card for 12 months after they become ineligible because of earnings. The aim would be to address the disincentive effects of losing access to assistance, especially with medical costs, eg. concessional pharmaceuticals, which can be significant for some people.

NWRN supports this approach and considers that it could be extended across a range of entitlements, and not confined to mature age people. Most recently, the loss of concession attached to the Pensioner Concession Card has been raised as a significant

concern for an estimated 10,000 single parents who will lose entitlement to the PCC as a result on being moved onto the lower-paying Newstart Allowance from 1 January 2013.

The ALRC should include a formal recommendation on this matter in its final report.

PROPOSAL 5-5

Indexation of the Work Bonus a financially responsible option and is critical to ensuring that programs and supports continue to provide effective and ongoing support to engage mature age people with the workforce. NWRN supports indexation of the Work Bonus.

PROPOSAL 5-6

The Pensioner Education Supplement is a highly valued payment and we re-iterate that it is discriminatory and unfair to deny people of Age Pension and Service Pension Age access to this benefit, especially when the health and other benefits of increased participation and engagement of older Australians is well documented.

8. SUPERANNUATION AND RETIREMENT INCOMES

Refer to comments and analysis in our in NWRN's initial submission to this inquiry re: supporting a review of taxation and superannuation arrangements, with a focus on fairness, equity, sustainability and intergenerational fairness, where assistance is provided on the basis of needs, as opposed to age alone.

In 2011-12 taxpayers contributed \$30.2 billion to the superannuation accounts of Australians. Treasury projects that by 2015-16 this type of taxation expenditure will rise to more than \$45 billion, making this by far, the largest single area of government expenditure.

By 2015-16 the annual cost of taxpayer contributions for private superannuation will again exceed the annual cost of the age pension. Taxpayer subsidies for superannuation are likely to grow significantly faster than the annual cost of providing the age pension. Critics of this approach are urging reforms to existing tax concession arrangements. The 2011 Tax Forum heard a number of calls for change.

As noted in NWRN's initial submission to this inquiry, the top five per cent of income earners receive 37 per cent of all superannuation tax concessions. A significant proportion of these tax concessions for superannuation are going to future retirees who will almost certainly be ineligible for the Age Pension.

The cost of tax concessions for superannuation make clear that it is unlikely that the current subsidies will deliver long run savings for the nations budget.¹⁰

The economic benefits from a higher workforce participation by mature age Australians has been well documented, with studies reporting that a three per cent increase in the participation among workers aged 55 and over would result economic benefit of \$33 billion to Australia's GDP – around 1.6 per cent of GDP.

In the context of the options being investigated by the ALRC discussion paper NWRN notes that it is critical that taxation and superannuation policies are not working against other policies and approached aimed at dealing with the financial pressures from population ageing. This requires careful scrutiny of health, aged care, and pension costs.

By 2050 the number of Australians over 65 will reach 8.1 million, and the ratio of 'working age' Australians to those aged over 65 will be 2.7 to 1.

With aged care costs almost doubling from 4.8 per cent of GDP and age pension spending increasing from 3.7 to 4.9 per cent of GDP, NWRN considers that careful consideration must be given to addressing Australia's arguably over-generous tax and means test arrangements.

We note the ever-increasing assets test limits for pensioners. On top of a million dollar exemption for principal residences, couples can receive a part-pension with \$1.05 million in assets, and \$1.89 million for non-home owning couples.

NWRN has sympathy for arguments put by well-respected financial commentators, like Brian Toohey who argue that the super tax concessions "consume vast sums that could improve productivity and wellbeing through increased outlays on education, childcare, health, transport and well designed tax cuts."¹¹

Citing a recent Productivity Commission report he argues: 'Such subsidies perform poorly on equity grounds as they offer the greatest benefit to those with the greatest capacity to save.'

In this context, NWRN has serious concerns of policies which provide tax-free super payouts for those aged over 60.

¹⁰ Dr Richard Dennis and David Richardson, The Australia Institute, *Can Australia afford 'self-funded' retirement?*, August 15, 2012.

¹¹ Toohey, B. *The age pension was fairer than super*, eureka street.com.au, 1 April 2012.

PROPOSAL 8.

PROPOSAL 8-2

We support the approach for removing discriminatory age limits for accepting voluntary contributions for people aged over 75, and extending the work test.

PROPOSAL 8-6

NWRN strongly supports the proposal to repeal restrictions that apply to co-contributions, as this approach would benefit low income earners.

PROPOSAL 8-7

NWRN supports the recommendation that the Australian Government should initiate a review of the Transition to Retirement rules to determine what changes, if any, are required to ensure that the rules meet their policy objective.

PRINCIPAL FINDINGS:

- 1) The evidence supports the claim that age discrimination is rife within Australia. The average time spent on NSA for people aged over 45 is 70 weeks, which is double that of their younger counterparts.
- 2) The current job services system is inadequately resourced to provide meaningful retraining opportunities for the long term unemployed, with only between \$500 and \$1,100 being available for this purpose. This directly affects the ability of the long term unemployed to reskill and find work.
- 3) Many older people take on caring responsibilities to the detriment of their health and employment prospects. Targeted assistance should be provided to assist people with limited or no recent work experience that helps them to find work once their caring obligations cease.
- 4) To be eligible for carer's payment the applicant must be the care recipient. Centrelink applies a restricted definition to the "constant care" requirements which has the effect of unreasonably restricting the ability of people to claim this benefit. This can place care givers on NSA in conflict between their obligations as care givers. There is a need to amend the Guide or include a more flexible definition of "constant care" within the Act.

THE NWRN SUPPORTS:

- 1) More appropriate support from Job Service Providers and better tailoring of Employment Pathway Plan.
- 2) Maintaining current activity test arrangements for older people over 55.

- 3) Increasing 'income free' area for job seekers of all ages.
- 4) Extending the Pensioner Education Supplement to Age Pensioners.
- 5) Providing clarity regarding the risk of reviews for people on the Disability Support Pension, with respect to new rules which allow a person to work up to 30 hours a week, and whether this is disincentive for people to undertake paid work.
- 6) Greater flexibility regarding the '25 hour caring rules' regarding payment cancellations.
- 7) Allowing people to retain the Health Care Cards/Pensioner Concession Card once working – for a limited period.

WHAT THE NWRN DOES NOT SUPPORT:

The NWRN is opposed to age-specific taxation arrangements as discussed in our submission of July 2012. We note that the Government announced changes to these policies in the 2012-13 Federal Budget. The removal of people of a certain age from the taxation system undermines the progressive nature of Australia's taxation system and may not be sustainable. . Taxation should be based upon income and not age. The fiscal problems posed by an aging population will only be exacerbated if a growing proportion of the community is excused from paying tax.