

Exempt employment income from the Age Pension income test.

Overview

- Latest [ABS](#) figures show 326,700 job vacancies. In some key sectors, such as health care and social assistance, job vacancies remain stubbornly high (59,600 or 18.2% of total vacancies).
- Current pension rules discourage older people from remaining in the workforce.
 - [DSS](#) data shows only 3.7% of people on the Age Pension declare earnings from employment.
 - A single Age Pension recipient loses 50c in the dollar from their pension if they work more than the rules allow.
 - Aged Pension rules are complex and confusing and cause many not to work or to work in the black economy to avoid impacting their pension.
 - This discourages some people from working past pension age, undermining the retention of mature and skilled workers at a time of high labour force demand.
- [Deloitte Access Economics](#) estimates a 5% increase in older worker participation (over 55) will result in a \$47.9bn increase to GDP (\$60bn in 2022).
- With women generally having lower superannuation balances, allowing them to retain their pension when they work, will help to address gaps in retirement savings and income, boosting financial wellbeing in retirement.

WHAT ARE WE CALLING FOR?

- Exempt employment income from the Age Pension income test to simplify the pension system and encourage more older people to remain in the workforce. Government could pilot the policy by creating a trial targeted at workers in the health and social assistance sector (e.g., aged care) first before rolling out to other sectors of the economy.

Budget impact

- According to [Deloitte modelling](#) the policy is estimated to be cost neutral if 8.3% of pensioners take up the opportunity to return to work from additional income tax raised (this estimate does not include other tax gains, e.g., additional GST from spending etc.).

