

Let pensioners work



Exempt employment income from the Age Pension means test to boost workforce participation and help meet the nation's critical labour shortages

Overview

- Australia is facing critical labour force shortages across multiple sectors e.g. health and aged care, hospitality, agriculture, mining, etc.
- Fewer than 76,000 pensioners (3%) currently work, but many would work (or work more) if they did not lose 50c in the dollar when they work more than one day a week.
- Exempting work income from the Age Pension income test could benefit 2 million pensioners with limited wealth, addressing our high rates of pension poverty.
- The policy could see up to 400,000 pensioners available to fill critical labour shortages across the country.

Benefits for pensioners

Encouraging pensioners to remain in the workforce, re-join the workforce or work more hours will have a number of benefits:

- Increases the income and savings of low-wealth pensioners, especially women.
- Improves health and wellbeing through ongoing workforce engagement.
- Removes the need for regular reporting to Centrelink.

Why the policy is needed

- Worker shortages are acute in many areas of the economy – ABS statistics showed job vacancies of between 20-30% in many key industries in August 2021.ⁱ
- Current means testing policies are discouraging people from working – only 14.2% of Australians aged 65 or over work compared with 24.8% in New Zealand.ⁱⁱ
- Deloitte Access Economics estimate a 5% increase in older worker participation (over 55) will result in a \$47.9bn increase to GDP (\$60bn in 2022).ⁱⁱⁱ

Budget benefits

Exempting work income from the income test will boost workforce participation in the formal economy leading to positive impacts for the Federal Budget. These include:

- reduced participation in the black economy
- increased tax receipts
- increased GDP
- increased superannuation balances and retiree self reliance.



ⁱ <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/job-vacancies-australia/latest-release#businesses-reporting-vacancies>

ⁱⁱ <https://data.gov.au/data/dataset/dss-payment-demographic-data/resource/80cc89a3-3208-4e0d-9745-598f7a882e28> and <https://data.oecd.org/emp/labour-force-participation-rate.htm>

ⁱⁱⁱ <https://www2.deloitte.com/au/en/pages/economics/articles/increasing-participation-among-older-workers.html>