

# Submission to Australian Government Economic Reform Roundtable

## Work Bonus System Reform: Unlocking Australia's Aged Pensioner Workforce

### Executive Summary

This submission proposes comprehensive reform to the Work Bonus system for aged pensioners, presenting a solution that addresses Australia's critical skills shortage while generating substantial government savings. The proposed reforms could save the Government approximately \$200 million annually by incentivising workforce re-engagement among capable aged pensioners, without disadvantaging those unable to work.

### Current System Deficiencies

The existing Work Bonus framework presents significant barriers to aged pensioner workforce participation:

**Punitive Income Thresholds:** Working pensioners face a 50% reduction in pension payments for every dollar earned above \$300 per fortnight (\$150 per week). This threshold has remained static since July 2019, with no indexation mechanism to account for inflation or wage growth.

**Administrative Burden:** Mandatory fortnightly income reporting creates unnecessary bureaucratic complexity for both pensioners and Centrelink, discouraging participation and increasing administrative costs.

**Misleading Policy Communications:** The Government's promoted \$4,000 Work Bonus increase provides only a one-time benefit of \$2,000, not the ongoing support suggested in public communications.

**Tax Reporting Anomalies:** Current Centrelink reporting to the ATO creates inflated taxable income calculations that further penalise working pensioners.

### Proposed Reform Framework

#### 1. Immediate Threshold Adjustment

- Increase the Work Bonus threshold from \$300 to at least \$500 per fortnight
- Implement biannual indexation to maintain real value over time

#### 2. Administrative Streamlining

- Eliminate mandatory fortnightly income reporting requirements

### 3. Tax System Alignment

- Review and rectify inflated taxable income anomalies arising from current Centrelink-ATO reporting mechanisms with one member of a couple working
- Ensure tax treatment reflects actual income rather than administrative calculations

## Economic Benefits

**Government Revenue Enhancement:** Conservative estimates suggest potential annual contributions of \$70 million to government coffers through increased income tax revenue from working pensioners.

**Skills Shortage Mitigation:** Activating Australia's experienced aged pensioner workforce addresses critical skills gaps across multiple sectors, particularly in areas where experience and institutional knowledge are valuable.

**Welfare Burden Reduction:** By enabling pensioners to supplement their income through legitimate employment, the reforms reduce overall welfare dependency and associated administrative costs.

**Economic Multiplier Effects:** Additional disposable income among pensioners stimulates consumer spending, creating broader economic benefits through increased demand for goods and services.

## Social and Health Outcomes

**Mental Health Improvements:** Workforce engagement provides social connection, purpose, and mental stimulation that significantly benefits aged pensioner wellbeing.

**Enhanced Living Standards:** Increased earning capacity enables pensioners to maintain dignity and financial independence while contributing to society.

**Intergenerational Benefits:** Utilising the skills and experience of aged workers provides mentoring opportunities and knowledge transfer to younger employees.

## Compliance and Integrity Measures

**Black Economy Reduction:** Improved Work Bonus provisions incentivise legitimate employment over cash-in-hand arrangements, strengthening tax compliance and workplace protections.

**Targeted Support:** The reforms specifically benefit those capable of working while maintaining full pension support for those unable to participate in the workforce.

## **Risk Assessment and Mitigation**

**Primary Risk:** Insufficient threshold increase may fail to provide adequate incentive for workforce re-engagement, limiting the policy's effectiveness.

**Mitigation Strategy:** Implement the proposed \$500 fortnightly threshold as a starting point, with provision for further increases based on participation data and economic conditions.

**Secondary Risk:** Working pensioner participation may not return to pre-COVID levels despite improved incentives.

**Mitigation Strategy:** Combine threshold increases with targeted information campaigns and simplified administrative processes to maximise uptake.

## **Implementation Recommendations**

**Phase 1:** Immediate implementation of at least \$500 fortnightly threshold to provide urgent relief and incentive.

**Phase 2:** Establishment of biannual indexation mechanism linked to wage growth or cost of living measures.

**Phase 3:** Comprehensive review of Centrelink-ATO reporting arrangements to eliminate taxable income anomalies.

**Phase 4:** Streamlining of administrative requirements and elimination of mandatory fortnightly reporting.

## **Conclusion**

The proposed Work Bonus reforms represent a fiscally responsible approach to addressing Australia's skills shortage while respecting the dignity and contribution potential of aged pensioners. With estimates suggesting \$200 million in annual government benefit including reduced Pension payments, PAYG tax and GST revenue, these reforms offer substantial economic benefits alongside improved social outcomes.

The current system's failure to adequately respond to previous consultation, including ePetition EN6227, demonstrates the urgent need for meaningful reform. This submission provides a clear framework for achieving these objectives while ensuring no disadvantage to those unable to work.

We respectfully urge the Government Economic Reform Roundtable to prioritise these reforms as both an economic necessity and a matter of social justice for Australia's aged pensioner community.

More information and supporting documentation available at [www.workingpensioners.com.au](http://www.workingpensioners.com.au)