

2nd August 2025

Mr Ted O'Brien MP
Shadow Treasurer
Member for Fairfax

RE: Urgent Reform of the Work Bonus System - Activating Australia's Dormant Aged Workforce

Dear Mr. O'Brien,

I am writing to bring to your attention a critical economic opportunity that could simultaneously address Australia's skills shortage, reduce government expenditure, and improve the lives of thousands of aged pensioners across the nation.

The 'Fair Go for Working Pensioners' campaign advocates for targeted reform of the Work Bonus system rather than complete elimination of the Income Test. Our evidence-based approach focuses on addressing three fundamental inequities in the current system that are preventing aged pensioners from contributing to Australia's workforce.

Current System Failures

The existing Work Bonus system contains several structural flaws that discourage workforce participation:

Punitive Income Reduction: Working pensioners face a 50% reduction in their pension for every dollar earned above \$300 per fortnight (\$150 per week). This creates a significant disincentive to work.

Stagnant Threshold: The \$300 threshold has remained unchanged since July 2019 and is not indexed to inflation, effectively reducing its real value each year.

Tax Anomaly for Couples: Centrelink's reporting to the ATO inflates the taxable income for the working member of couples, creating an inflated taxable income burden that further discourages workforce participation.

Proposed Solutions

We recommend three immediate reforms that would unlock Australia's aged workforce:

1. **Increase the threshold** from \$300 to at least \$500 per fortnight
2. **Index the threshold** to prevent future erosion of its value
3. **Allow pension reductions** affecting non-working spouses to be claimed as tax deductions by the working partner, with retrospective application for three years

Economic Benefits

These reforms could deliver substantial returns:

- **Government savings** of \$200 million annually through reduced pension payments and increased PAYG tax and GST revenue
- **Workforce expansion** of approximately 20,000 experienced workers, directly addressing current skills shortages
- **Individual benefits** including improved living standards, enhanced mental health, and restored sense of purpose for older Australians

Extensive Advocacy Efforts

Since February 2022, we have pursued this issue through multiple channels, including correspondence with Treasury, petitions to Parliament (EN6227), submissions to the Select Committee on Cost of Living (submission 236), and engagement with various government ministers. Despite this extensive advocacy, we continue to receive deflective responses that fail to address the core issues.

Recent correspondence with Mary Doyle MP's office suggested our analysis may be overestimating pension reductions, yet no substantive evidence was provided to support this claim. The Australian Taxation Office has confirmed that current pension reductions are not allowable deductions, highlighting the need for legislative reform.

Call to Action

As Shadow Treasurer, you are uniquely positioned to champion this reform that aligns with Coalition principles of encouraging self-reliance while supporting those who wish to contribute to Australia's economic recovery.

This proposal offers a win-win solution: it provides aged pensioners with genuine incentives to re-enter the workforce while delivering measurable economic benefits to the nation. The reforms can be implemented at minimal cost to government without disadvantaging those unable to work.

I would welcome the opportunity to discuss this proposal in detail and provide you with comprehensive supporting documentation. Our campaign has garnered support from Senator Tyron Whitten and recent media coverage, demonstrating growing momentum for this essential reform.

Australia cannot afford to waste the skills and experience of willing aged workers. The current system actively discourages their participation at a time when their contribution is most needed.

I look forward to your response and the possibility of working together to activate Australia's dormant aged workforce.

Yours sincerely,

Greg Jarvis
Fair Go for Working Pensioners Campaign

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