



**Submission to**  
***A New System for Better  
Employment and Social  
Outcomes: Interim Report  
of the Reference Group  
on Welfare Reform***

August 2014

**National Seniors**

Australia

## About National Seniors Australia

National Seniors Australia is a not-for-profit organisation that gives voice to issues that affect Australians aged 50 years and over. It is the largest membership organisation of its type in Australia with more than 200,000 members and is the fourth largest in the world.

**We give our members a voice** – we listen and represent our members' views to governments, business and the community on the issues of concern to the over 50s.

**We keep our members informed** – by providing news and information to our members through our Australia-wide branch network, comprehensive website, forums and meetings, bi-monthly lifestyle magazine and weekly e-newsletter.

**We provide a world of opportunity** – we offer members the chance to use their expertise, skills and life experience to make a difference by volunteering and making a difference to the lives of others.

**We help our members save** – we offer member rewards with discounts from thousands of businesses across Australia. We also offer exclusive travel discounts and more tours designed for the over 50s and provide our members with affordable, quality insurance to suit their needs.

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## Reform measures

### ***PILLAR ONE: Simpler and sustainable income support system***

#### **Simpler payments**

**Reform measure 1:** Consolidate the 20 primary payments currently available to four primary payments and combine supplements currently paid on an automatic basis into a primary payment to accurately reflect the cost of living.

#### **Fair rate structure**

**Reform measure 2:** Ensure that tier values for a working age income payment adequately and appropriately address and consider individual circumstances. The Reference Group should consider benchmarking a working age income payment to a percentage of average weekly earnings and indexing payments to the higher of a selected analytical living cost index and CPI.

### ***PILLAR TWO : Strengthening individual and family capacity***

**Reform measure 3:** Encourage employers to support flexible work arrangements and care giving responsibilities

### ***PILLAR THREE: Engaging with employers: increasing mature age employment***

#### ***Employment focus***

**Reform Measure 4:** Government and employers need to change their attitudes to older workers by stamping out age discrimination, providing reskilling and training opportunities and promoting flexible workplaces to create a level playing field for mature age workers.

#### **Education and Training**

**Reform measure 5:** provide opportunities for retraining and reskilling at varying career stages as a preventative and early intervention measure to reduce mature age unemployment and to support older workers into appropriate employment.

**Reform measure 6:** Provide programs through the social welfare system for mature entrepreneurs

#### **Improving individual functioning**

**Reform measure 7:** Provide incentives to employers who hire mature age workers, tackle age discrimination and remove the legal barriers to employment to decrease reliance on government income support payments.

#### **Improve service access to achieve employment and social participation for people with complex needs**

**Reform measure 8:** Provide access and linkages to appropriate disability, injury and illness supports and services so older Australians can continue to contribute to the economy. Support older Australians who experience an illness or injury and who would be able to continue working if their workplace was modified and adapted to support their changed needs.

## Introduction

National Seniors welcomes the opportunity to contribute to the Welfare Reform Interim Report *A New System for Better Employment and Social Outcomes*. The review of Australia's income support system provides an opportunity for government, businesses, organisations and the public to consider the kind of society Australia is, and what it may become in the future.

With more than 200,000 individual fee-paying members aged over 50, National Seniors is the consumer lobby for older Australians and the fourth largest organisation of its type in the world. Our members trust us to fearlessly and independently reflect their views to government, business, media and society.

National Seniors stands for:

- ❑ Social and economic inclusion, including employment,
- ❑ Sustainable world class services including health and aged care,
- ❑ Decent safety nets for those who are unable to provide for themselves,
- ❑ Recognition for those who work and sacrifice to provide for themselves in retirement,
- ❑ Fairness and equity across generations,
- ❑ Certainty in retirement income policy, and
- ❑ Ageing with dignity, security and purpose.

There is widespread concern that the current income support system will cause significant strain on government finances and may prove to be unsustainable in the future. Successive Australian Governments have introduced a range of initiatives aimed at taking the pressure off the income support system by strengthening other overarching systems such as: the taxation and superannuation reforms; the development and launch of the National Disability Insurance Scheme (NDIS); the Harmer Pension Review in 2009 and more recently, the Murray review focusing on Australia's financial sector.

The Harmer Pension Review of 2009 was significant for realising and addressing the costs of living for older Australians, the need for financial security and incentives for workforce participation.

National Seniors called for, and was instrumental in gaining, an increase to the Age Pension above Consumer Price Indexation (CPI) in 2009. The increase went against OECD trends in which social security budgets across the developed world were reduced due to funding pressures, population growth and ageing. Australia's Age Pension reforms laid the foundation for a strong and adequate pension system - one that is the envy of the world.

National Seniors believes that the Australian income support system should deliver a decent standard of living and ensure that a safety net supports those who are not able to financially support themselves. It is also important that income support recipients do not fall further behind due to increases to the costs of living. National Seniors also considers that a supportive income support system that respects and promotes certainty and opportunities for social development and employment is crucial for the long term viability of the nation.

National Seniors supports an income support system that focuses on prevention and early intervention, productivity, individual potential and opportunities for training and development. It is essential that the social welfare system is viewed as a social investment .

The over 50s have a desire to continue being economically and socially active beyond retirement age. Those who are unemployed have a great willingness to work but face obstacles caused by negative attitudes towards age, workplace organisation and inflexibility and a lack of access to training and development activities all of which result in early retirement or a transition to income support, such as Newstart, the Disability Support Pension (DSP) or the Age Pension.

It is vital that pressures on, and experiences of, older Australians that occur outside of the income support system, eventually leading a person to access income support, are examined and responses are actioned to minimise government expenditure within this area in the future.

## **PILLAR ONE: Simpler and sustainable income support system**

### **Simpler payments**

**Reform measure 1: Consolidate the 20 primary payments currently available to four primary payments and combine supplements currently paid on an automatic basis into a primary payment as an accurate reflection of the cost of living.**

National Seniors supports an income support system that is simple, supportive and easy to navigate. Members of National Seniors contact us on a daily basis raising questions of eligibility to Newstart and the Age Pension and often require considerable clarification on the range of supplements available.

Consolidating the twenty primary payments currently available to four primary payments will streamline and simplify the income support system, provide greater certainty to payment type and reduce expenditure on payment administration. We support the four primary payments of a tiered working age payment, a Disability Support Pension, an Age Pension and a child payment. The amount of payments and supplements currently available are difficult for individuals to access and understand. A common theme from member feedback is a lack of understanding on availability and eligibility of payments and supplements.

As listed in the table below, there are 4 income support payments and 10 supplements available for assistance with daily costs of living and other purposes for an eligible person aged over-50. The addition of supplements to government income support attempts to align the primary payments with the real costs of living. Supplements such as the Energy Supplement or the Pension Supplement are automatically allocated to a person who receives a government income support payment.

Government income payments and supplements that are accessible to eligible people aged over-50 include:

<i>Income Support Payments</i>	<i>Supplements</i>	
Age Pension	Pension Supplement	Rent Assistance
Carer Payment	Mobility Allowance	Essential Medical Equipment Allowance
Disability Support Payment	Utilities Allowance	Carer Allowance
Newstart Allowance	Carer Supplement	Pharmaceutical Allowance
Austudy	Energy Supplement	Telephone Allowance

Combining supplements that assist with daily costs of living into the value of a primary payment, such as a new 'working age payment', would more accurately reflect the level of income support required to meet daily costs of living.

### Fair rate structure

**Reform measure 2: Ensure that tier values for a working age income payment adequately and appropriately address and consider individual circumstances. The Reference Group should consider benchmarking a working age income payment to a percentage of average weekly earnings and indexing payments to the higher of a selected analytical living cost index and CPI.**

Various measures are applied globally to adjust the levels at which income support payments are set and indexed over time. Reforms to the indexation of government income support payments have moved towards less generous benefits, an especially sought-after effect in countries grappling with fiscal problems such as Greece, Portugal and Slovenia which have frozen the automatic adjustments to payments.

In other areas, payments are adjusted in line with public sector wages (Ireland); indexed to prices if GDP growth is lower (Hungary); raised in line with average earnings (Austria); a mixture of wage and price growth (Switzerland and the Netherlands); or as a percentage of earnings from the period prior to unemployment (Sweden)<sup>1</sup>.

Jobless households and people living on low incomes in Australia are vulnerable to experiences of adversity and disadvantage often leading to interactions with the income support system. These groups are among those most likely to experience financial poverty (low income, low consumption and low wealth<sup>2</sup>). They often depend largely upon government income support payments like Newstart which fail to provide the financial capacity for a recipient to undertake job seeker activities.

National Seniors recommends that any measures or standards used to adjust government income support should:

- ❑ Maintain payments above the poverty line<sup>3</sup>,
- ❑ Assess the value of payments in line with poverty measures of deprivation<sup>4</sup>,
- ❑ Achieve a decent standard of living<sup>5</sup>,
- ❑ Be supported by appropriate social services to strengthen employment and training opportunities,
- ❑ Adequately and appropriately address and consider individual circumstances.

### Establishing adequate income support payments

In general, an adequate government income support payment should provide a dignified standard of living, as acceptable to the wider community. National Seniors recommends that the Reference Group on Welfare Reform should explore the possibility and costs of linking income support payments to an appropriate

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<sup>1</sup> OECD. 2013. Pensions at a Glance.

<sup>2</sup> Heady, B. 2006, *A framework for assessing poverty, disadvantage and low capabilities in Australia*, Melbourne Institute Report No. 6, Melbourne Institute of Applied Economic and Social Research, University of Melbourne.

<sup>3</sup> The Melbourne Institute of Applied Economic and Social Research. 2013. Poverty lines: Australia

<sup>4</sup> Saunders and Wong (2012) draws on the deprivation approach to help identify "those who do not have and cannot afford items regarded as essential by a majority of Australians" where "essential items are things that no-one in Australia should have to go without today". The list in Saunders and Wong (2012) comprises 17 items, ranging from clothing, medical needs, housing, social participation, and savings to car insurance and holidays. The authors stress that the list reflects community views rather than the decisions of experts and researchers.

<sup>5</sup> Median income is more widely used, being less sensitive to outliers. The OECD, for instance, most of the time sets the poverty line at 50% of median equivalised income. Anyone whose income is less than 50% of the median equivalised income is said to be 'at risk of poverty'.

percentage of average weekly earnings. The methodology could be similar to that used for the Age Pension which was benchmarked at a percentage of Male Average Total Weekly Earnings (MATWE).

Working age income support payments could be benchmarked at varying levels depending upon a person's capacity to work; with percentages of average weekly earnings applied to tiered working age income support payments.

This benchmarking methodology could be applied across the recommended four primary payment types, with supplements that are based on loadings given to activities in the relevant payment types such as job seeking, retraining or required family and disability supports.

#### Tiered income support payment levels

Those who receive an income support payment for an extended period of time with no long-term or further expectation to work for example the Age Pension or DSP, should receive a maximum basic rate set at a higher percentage than for those who have capacity to work and are actively looking for work. This income support payment must be relevant to costs of living and allow a dignified standard of living, as acceptable to the wider community.

This is based on an understanding that the payment will be received for an extended period and must cater for episodic costs, such as replacement of white goods or home appliances and repair of vehicles.

A working age income support payment for people with capacity to work should reflect a basic minimum tier rate set at a percentage of average earnings, at a lower tier than for those who have no capacity to work. Alternatively, a working age income support payment for people with capacity to work could be benchmarked to a percentage of the Age Pension e.g. 80 per cent.

This would reflect the intended temporary nature of such a payment. Supplements would reflect and assist necessary job-seeking activities such as training, transport, printing or suitable clothing. The current value of the Newstart Allowance does not meet the real value of living costs let alone job-seeking activities.

It is essential that employers ensure their recruitment practices, workplace culture and training opportunities support mature age Australians to stay engaged with the workforce. However, recent analysis of unemployment data reveals that the labour market, in its current form, does not adequately supply enough jobs for all those who want to work<sup>6</sup>.

The issue of supply and demand for employment needs to be considered when establishing rates of payments and indexation methods to ensure that vulnerable older Australians are able to maintain a dignified standard of living and meet living costs. This safety net would recognise the reality that there are limited job opportunities and age discrimination present in many environments.

#### Indexation of income support payments

National Seniors believes that an income support recipients' living standard will remain relative to that of the working population if income support payments are indexed to an appropriate selected analytical living cost index, similar to the Pensioner and Beneficiary Living Cost Index (PBLCI) applied to the Age Pension. Selected analytical living cost indices measure the change in prices of goods or services for which payments were made by selected sub-groups to gain access to goods and services<sup>7</sup>. A selected analytical living cost index would take

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<sup>6</sup> Jarman, B. In Unemployment surges to 12-year high at 6.4 per cent; youth jobless figure hits 14 pc. *ABC News Janda* 2014.

<sup>7</sup> Australian Bureau of Statistics. 2013. The Selected Living Cost Indexes (SLCIs), Australia incorporates the Pensioner and Beneficiary Living Cost Index (PBLCI) and the Analytical Living Cost Indexes (ALCIs). The ALCIs have been compiled and published by the ABS since June 2000 and were developed in recognition of the widespread interest in the extent to which the impact of price change varies across different groups of households in the Australian population.



into account estimated average weekly expenditure needed to undertake job seeking activities in each subgroup.

If income support payments are indexed to CPI only, a recipient's relative position is likely to decline in a context of positive wage growth, and the value of the benefit several years later will not hold the same relative value. This is evident in the declining value of the Newstart payment which is currently below the poverty line.

### Age Pension

National Seniors acknowledges that the Age Pension has been excluded from the review of income support payments. However, as the interim report highlights, announcements made in the 2014-15 Federal Budget state that the CPI will become the common form of indexation across all income support payments on assent of the relevant legislative amendments to enact changes to the Age Pension due in 2017<sup>8</sup>.

National Senior recommends that the Pensioner Beneficiary Living Cost Index (PBLCI) and MTAWC continue to be applied to measure the effect of changes to the prices of out-of-pocket living expenses on age pensioner households. National Seniors believes that the PBLCI best reflects pensioners' changing expenditure patterns over time. CPI is designed to measure price inflation for the household sector as a whole and is not an appropriate measure for assessing the impact of prices on age pensioner households.

## **PILLAR TWO : Stengthening individual and family capacity**

### **Reform measure 3: Encourage employers to support flexible work arrangements and care giving responsibilities**

Extending the working life of people in Australia beyond the traditional age of retirement has benefits for the individual and governments. The financial burden of an ageing population is reduced for governments while the individual can enjoy a higher standard of living and other benefits such as greater social interaction.

A report by NSPAC, *Barriers to Mature Age Employment: Final Report of the Consultative Forum on Mature Age Participation* shows that caring responsibilities prevents over one third of caregivers from finding work and just under one third already in jobs from working longer hours<sup>9</sup>. Women aged between 45 and 54, who often cared for children and/or elderly relatives, were most affected.

The report also shows that the cost to the economy of replacing older Australians who provide unpaid child care and unpaid care to people with a disability with paid workers would be \$6.8 billion a year. More than 3,000 Australians aged between 45 and 74 were surveyed for the report, which found 28 per cent were carers for an average of 33.5 hours a week and 14 per cent cared for someone with a long-term illness or disability.

In 2012, 58% of primary carers that provided less than 20 hours of care per week were in the labour force. This decreased to 27% of those who spent 40 hours or more per week caring. Overall, in 2012, the labour force participation rate for primary carers (42%) was lower than that for non-carers aged 15 years or more (69%).<sup>10</sup>

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<sup>8</sup> See National Seniors Australia. (July 2014). *Submission to Social Services and Other Legislation Amendment (2014 Budget Measures No.1) and Social Services and Other Legislation Amendment (2014 Budget Measures No.2) Bills*. Brisbane.

<sup>9</sup> Updated figure from National Seniors Australia, *Barriers to Mature Age Employment: Final Report Of The Consultative Forum On Mature Age Participation*, Productive Ageing Centre

<sup>10</sup> Australian Bureau of Statistics 2012. *Survey of Disability, Ageing and Carers Disability, Ageing and Carers*. Canberra.

Caring roles have a significant impact on the financial burden experienced by themselves and their households. In particular, 65% of primary carers resided in a household with equivalised gross household income in the lowest two quintiles, compared with 36% of non-carers.<sup>10</sup>

Carers require support and ongoing communication with social support services so they can appropriately transition back into the workforce once they are no longer undertaking their caring role. Currently, transitioning to work for carers is difficult as they come to terms with the ending of that highly demanding role, watch an aged parent move into aged care or lose a family member.

Training needs to be available for carers and contact with appropriate social services and supports during their time as a carer to offer valuable support and to recognise the signs for when a person may need to start taking steps to transition to the workforce.

*Older Australians who provide unpaid childcare and unpaid care to people with a disability contribute \$6.8 billion a year to the economy*

Policy for transitioning carers into fulfilling employment needs to include a collaborative focus across, social welfare, recruitment, and business sectors. An attachment to social programs and opportunities is imperative to assist carers to maintain their connections to the economy, enhance social inclusion, support their caring role and provide a foundation that carers can build upon and from which they can flourish following their caring duties.

#### Case Study One – Supporting carers into fulfilling employment

This case study is based on an email received from a member of National Seniors who is a 59 year old single woman living in NSW.

*“My plan six years ago, was to care for my aged mother until I could care for her no longer i.e .my mother would have either been admitted into permanent care (which is what eventuated), or pass on.*

*After six years of caring for my mother, I placed her into care. The first thing that happened when I did this was that Centrelink immediately cancelled my Carer's Allowance of \$100. I was then given fourteen weeks, seven payments of the Carer's Payment, to figure out what I wanted to do with the rest of my working life, like find suitable employment.*

*My concern is the Government does not recognise an individual's circumstance and situation from the time they are no longer a primary carer.*

*People burn out, as I was, and quoting my then GP, who stated "you are emotionally and physically exhausted".*

### Case Study One cont.– Supporting carers into fulfilling employment

*Social welfare needs to recognise the "human side" of a carer, having cared for an individual, then relinquishing that role, i.e. having to place their loved one into permanent care or having to deal with the passing of the person who they cared for so many years, only to be given fourteen weeks to know what to do with the next phase of their life, and fourteen weeks is insufficient.*

*Social welfare needs to take into consideration a different approach which would enable that individual to cope with living expenses, after they have been taken off the Carer's Payment at the end of the fourteen week period.*

*Policy should acknowledge, and publicly as well, the role of the Primary Carer, and just how much money and time they save the Government during their role as Primary Carer.*

*Carers should be given the opportunity to consider educational and training courses throughout their time as a carer, which would equip them for suitable work.*

*Too much time is spent attempting to find out what one can do in the short 14 weeks that Centrelink gives a person coming off the Carer's Payment.*

*Carers are a silent minority in an industry that does not recognise them enough and governments need to bring these brave, consistent people the recognition they deserve.*

*Carer's use their own transport, thus saving the Government thousands of dollars. Carer's Payment should be structured to enable Carers with their own vehicles to claim on kilometres and petrol. Since ex-Carers have gained skills, we should be given the opportunity to transfer into a related program.*

*There also needs to be a program for those young carers who care for a parent, or sibling, whilst doing school work and trying to have an ordinary life.*

## **PILLAR THREE: Engaging with employers: increasing mature age employment**

### **Employment focus**

**Reform Measure 4: Government and employers need to change their attitudes to older workers by stamping out age discrimination, providing reskilling and training opportunities and promoting flexible workplaces to create a level playing field for mature age workers.**

Reform of the income support system needs to consider and address mature age employment concerns if Australia is to meet the challenges which our ageing population presents. National Seniors believes that it is also imperative to look outside the income support system for factors that affect mature age employment, act as a disincentive, restrict employment opportunities and impact the income support system. These could include age discrimination, access to education and training, and legislative impediments.

The Australian economy is in danger of continuing to lose billions of dollars a year by not making the best use of older Australians who want to work. The result for Australia is a loss to the economy of \$16.2 billion a year by not utilising the skills and experience of older people who want to work<sup>11</sup>. Just a 5 per cent increase in paid employment of Australians aged 55-plus would add \$48 billion per annum to the economy<sup>12</sup>. Businesses need to fully utilise the expertise, enthusiasm and experience of mature age workers as a valued and integral part of the workforce.

The first critical point is to recognise the ageing population as an asset rather than a burden. Boosting participation rates is the best way to combat the looming skills shortage. To do this Government and employers need to change their attitudes to older workers by stamping out age discrimination, provide reskilling and training opportunities and promote flexible workplaces to create a level playing field for mature age workers.

Australia's 55 to 64 workforce participation rate, at 63.6%, is still significantly lower than in countries like New Zealand (77%) and Sweden (77.1%)<sup>13</sup>. It is imperative that society supports older workers to transition into community work to ensuring that they are not forced unwillingly into premature retirement.

*At an average of 75 weeks, the over 55s are likely to be unemployed more than twice as long as Australians aged 25 to 34*

National Seniors research shows that once a mature age worker is unemployed he or she is likely to remain that way. At an average of 75 weeks, the over 55s are likely to be unemployed more than twice as long as Australians aged 25 to 34<sup>14</sup>. This has far-reaching effects, not just for the individual but also for the broader community, which will have to foot the bill for the growing numbers of mature aged Australians forced on to unemployment benefits and full pensions.

Department of Social Services payment data from March 2014<sup>15</sup> shows that 129,464 people aged 55 and over are Newstart Allowance recipients, comprising 18.6 per cent of all recipients. These people are ready and willing to work.

The over-50s need:

- Re-skilling and training (both at varying career stages),
- Support for caring roles, and
- Flexible workplaces.

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<sup>11</sup> Updated figure from National Seniors Australia, *Experience Works: The mature age employment challenge* 2009

<sup>12</sup> Australian Human Rights Commission, *Fact or fiction? Stereotypes of older Australians*, 2013

<sup>13</sup> OECD (2013), *OECD Employment Outlook 2013*, OECD Publishing. doi: 10.1787/empl\_outlook-2013-en

<sup>14</sup> Updated figure from National Seniors Australia, *Barriers to Mature Age Employment: Final Report Of The Consultative Forum On Mature Age Participation*, Productive Ageing Centre, P13

<sup>15</sup> DSS Payment Demographic Data. March 2014. Available at <http://www.data.gov.au/dataset/dss-payment-demographic-data>

## Education and Training

**Reform measure 5: provide opportunities for retraining and reskilling at varying career stages as a preventative and early intervention measure to reduce mature age unemployment and to support older workers into appropriate employment.**

Discovering, understanding and developing appropriate policy responses to the barriers of mature age employment is crucial at a time when government is encouraging people to work longer and become more self-sufficient during retirement. A significant barrier to mature age employment includes impediments to accessing training throughout a person's career.

The Reference Group on Welfare Reform needs to consider prevention and early intervention measures to improve mature age employment participation. This includes re-skilling and mentoring initiatives, greater investments for re-training to prevent unemployment, especially for groups who are at risk of becoming unemployed, such as those in a manual occupation, incentives for workplaces who fund or assist in training mature age workers and financial resources or subsidies for individual upskilling or re-training.

National Seniors research<sup>16</sup> shows that 37 per cent of respondents (N=3007) to a 2011 workforce survey were interested in training but they couldn't attend ("had an unmet demand for training") for a number of reasons. A lower proportion of people without a non-school qualification, aged 55–74 and in manual occupations had an unmet demand for training compared with their counterparts<sup>17</sup>. From those who had an unmet demand for training, 64 per cent could not fit it in due to other commitments, 44 per cent could not afford it and 33 per cent had an employer that would not fund or allow them to attend.

The taxation system allows self-education costs to be claimed as a deduction only if the study is work-related.<sup>18</sup> In spite of evidence that many blue-collar workers face extended periods of unemployment once they lose their jobs, this acts as a disincentive to retrain for work in a field that is unrelated to their current employment.

National Seniors 2014 report; *Disengagement of mature age people from the labour force: reasons, financial outcomes and access to training*, found that an unemployed person aged between 50 and 69 was 52 per cent more likely to have ceased their last job due to illness, injury or disability; if previously employed in a manual occupation and without a non-school qualification (i.e. Certificate, Diploma, Tertiary education). In comparison, people with both high school and non-school qualifications and who previously had a non-manual job, had only a 23 per cent likelihood to have left their last job due to illness, injury or disability.

The report also found that 55 per cent of males who had been out of work for at least twelve months due to retrenchment from a manual occupation received the DSP. In addition, most people who had been unemployed for at least 12 months relied on a government pension or allowance as their primary source of income.

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<sup>16</sup> National Seniors Productive Ageing Centre (NSPAC). 2012. *Barriers to Mature Age Labour Force Engagement in Australia: Report on the 2011-12 National Survey on the Barriers to Mature Age People*. Canberra.

<sup>17</sup> Page 16. NSPAC July 2014.

<sup>18</sup> Accessed online at: <https://www.ato.gov.au/individuals/income-and-deductions/deductions-you-can-claim/self-education-expenses/>

### Reform measure 6: Provide programs through the social welfare system for mature entrepreneurs

Mature workers are a vast reservoir of skills and experience that could assist in vitalising the economy. As entrepreneurs, they have the advantage of developed networks; industry experience; technical and managerial skills; and a strong financial base.

The provision of supports, whether financial or other, through the social welfare system for unemployed people aged over 50s to pursue a business venture would not only enhance individual security but increase national economic productivity.

### Improving individual functioning

#### Reform measure 7: Provide incentives to employers who hire mature age workers, tackle age discrimination and remove the legal barriers to employment to decrease reliance on government income support payments.

The value of mature age workers is considerable. Older workers contribute over \$84.8 billion towards the Australian economy each year. If Australia had the same mature-age participation rate as New Zealand, GDP would be 4 per cent higher. Increasing mature age employment would also reduce the burden on the income support system and allow more individuals to self-fund their retirement.

Age discrimination is a significant barrier to mature age employment and is the most common form of discrimination reported by people either in employment or when applying for a job. A recent study states that 14.5 per cent of people aged 45 to 55, and 26.1 per cent of people aged 55 and older have, experienced age discrimination when applying for a job. Similarly, 7.3 per cent of people aged between 45 and 55, and 7.6 per cent of people aged 55 and older, have experienced age discrimination within employment<sup>19</sup>.

National Seniors welcomes the Restart initiative announced at the 2014-2015 Federal budget that allocates a \$10,000 incentive payment to businesses who hire older workers for a period of two years. However, experience suggests that cash bonuses do not work in isolation.

*Therefore, the government needs to provide incentives to employers who hire mature age workers, tackle age discrimination and remove the legal barriers to employment to decrease reliance on government income support payments. These should be achieved and implemented before the Age Pension age is increased to 70.*

Age restrictions on access to tax free redundancy payments, workers compensation, income protection and superannuation insurance cover provide little protection and reassurance for older Australians who want to continue working past Age Pension age. Age discrimination in employment and age based rules work against productivity and can force an early retirement. This can have an impact on previous retirement plans, cause financial stress, a loss of social connections and reduce asset accumulation. It can significantly change perceptions of identity and lead to social exclusion.

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<sup>19</sup> Hahn, M. & Wilkins, R. (2013). Perceived Job Discrimination in Australia: Its Correlates and Consequences. The Melbourne Institute: Melbourne.

Limited, or no access, to income protection, workers compensation and other types of insurance based on age compounds experiences of disadvantage. It also affects an individual's preparedness for unexpected or sudden incidents and decreases a person's ability to cope, recover and re- enter the workforce.

The lack of work related cover creates reliance upon retirement savings and/or government income support payments such as the DSP, Newstart or the Age Pension. Thus, legislative barriers act as a 'push factor' out of paid employment and result in a unnecessary reliance on government support.

Developing appropriate policy responses to age discrimination as a barrier to mature age employment is crucial to remove reliance on government income support payments, decrease expenditure on the income support budget, strengthen the social welfare system as a whole and enhance an individual's capacity to continue to contribute to personal retirement savings.

### **Improve service access to achieve employment and social participation for people with complex needs**

**Reform measure 8: Provide access and linkages to appropriate disability, injury and illness supports and services so older Australians can continue to contribute to the economy. Support older Australians who experience an illness or injury and who would be able to continue working if their workplace was modified and adapted to support their changed needs.**

There were 1.3 million people aged 65 to 74 in 2010. Of these, half (51% or 668,000) had a chronic health condition and 16 per cent were employed<sup>20</sup>.

Furthermore, National Seniors research, which investigated the reasons why older people cease employment and which groups were most at risk of leaving the workforce found that Illness and injury (30%) were the most common reason why non-employed people aged 50-69 years had ceased their last job.<sup>21</sup>

The table below shows reasons why people left their last job by the percentage of people aged 50-69 who were not employed for the last twelve months.

	Male	Female	50-54	55-59	60-64	65-69	Total
Own sickness, injury or disability	38.6	23.0	38.8	35.0	31.6	23.0	30.00
Retrenched, dismissed, or no work available	12.7	11.6	13.7	11.9	12.8	11.0	12.1
<i>Involuntary total*</i>	<i>51.3</i>	<i>34.6</i>	<i>52.5</i>	<i>46.9</i>	<i>44.1</i>	<i>34.0</i>	<i>42.1</i>

*\*'Involuntary' is defined as people who have ceased work due to their own illness, injury or disability or being retrenched, dismissed, or no work available<sup>13</sup>.*

<sup>20</sup> National Seniors Productive Ageing Centre (NSPAC). January 2014. *Working beyond 65-what's realistic: The influence of health on longer working lives*. Melbourne.

<sup>21</sup> National Seniors Productive Ageing Centre (NSPAC). July 2014. *Disengagement of mature age people from the labour force: reasons, financial outcomes and access to training*. Melbourne.



Working in manual occupations generally becomes more difficult as a person ages. Physical health is particularly a problem for people in these occupations. Additionally, restructuring of the economy in recent decades has resulted in a shift away from blue collar to white collar occupations.

This has placed mature age workers, who have worked in industries such as manufacturing for their whole careers at risk of unemployment because of a lack of demand for their skills. Forty-two per cent of people who last worked in a manual occupation left because of their own sickness, injury or disability, compared with 24 per cent of people whose last job was in a non-manual occupation<sup>19</sup>.

Australians aged 65 and over are currently excluded from the proposed Disability Care Australia (previous National Disability Insurance Scheme). Additionally, access to State and Territory based funding for disability supports and services is rationed based on a person's age (available up to age 65). This means a 65-year-old who suddenly acquires a severe and profound disability (such as a spinal injury) has to rely upon an ill-equipped user-pays aged care system, which is already overwhelmed by demand to access disability supports.

National Seniors requests that the Reference Group on Welfare Reform consider the inclusion in the social welfare system of appropriate disability, injury and illness supports for older Australians to increase their workforce participation.

#### **Case Study Two – Support to maintain a connection to the workforce, no matter what your age**

*A member of National Seniors, aged 69, contacted us enquiring about the disability supports that might be available to him so that he could continue to work.*

*He had recently had his right leg amputated and was working in full time employment.*

*Due to his amputation, he could no longer drive his manual car, which meant he could no longer get to his place of employment. He contacted us asking if we were aware if the government provided low income older Australians with assistance for disabilities.*

*Unfortunately, due to his age (69), he is not able to access disability supports under the NDIS or through funding given to disability aids and equipment organisations.*

*All he needed help with was a remodification of his vehicle so he could drive to work.*

*Due to low income and lack of superannuation he could not afford to modify the vehicle himself. The member indicated that because he cannot access appropriate assistance he would need to apply for the age pension.*

*If support were available, he would have been able to maintain a connection with the workforce instead of government income support.*



## Conclusion

In summary, a reform of the income support system needs to consider developing a comprehensive, cross-portfolio mature age workforce strategy, to address the barriers older people face in getting and holding a job and to steer people away from reliance on the income support system.

A strategy to reduce reliance on the income support system and support the over 50s into appropriate and meaningful employment should encompass:

- Overcoming age discrimination,
- Simpler payment structures combined with appropriate tiers relative to circumstances,
- Payments that are adjusted above the poverty line that achieve a decent standard of living while a person is transitioning to employment,
- Supportive, flexible work environments,
- Support for carers to make the transition into employment,
- Opportunities to access training and re-skilling,
- Programs for mature entrepreneurship, and
- Promoting job redesign and support for older Australians who acquire a disability, injury or illness.

Without responding to the barriers to working longer there is likely to be a significant number of people aged over-50 out of work in the future.