Reward care sector workers by exempting work income from the Age Pension income test to boost staff retention.

Overview

- Latest ABS figures show 67,500 job vacancies in the Health Care and Social Assistance sector (aged care, disability care, child care and health), which is 17% of all job vacancies.[49]
- Staffing projections undertaken by the National Skills Commission show that workforce shortages will increase over time, with a shortage of 100,000 care workers predicted by 2027-28 and a shortage of 212,000 workers predicted by 2049-50 (full-time equivalent).[50]
- The care sector has poor staff retention, with the Jobs and Skills Commission calling for "ways to enhance the attractiveness of the occupation".[51]
- Care sector employees are predominantly women, with sub-sectors such as aged care having a significantly older workforce. Due to the lower skilled and lower paid nature of care work, it is likely that higher proportions of care workers have low savings and will be more reliant on the Age Pension in retirement.
- Currently, people receiving the Age Pension lose their pension if they take on too much paid work. This discourages them from working past pension age, reducing the ability of providers to retain mature and skilled workers at a time of high labour force demand.

WHAT ARE WE CALLING FOR?

- Age Pension recipients should receive an exemption from the income test for any work undertaken in the care sector (disability care, aged care and childcare).
- The exemption should be available to aged care, disability care and childcare workers for two years to assess the effectiveness of this policy.
- Eligible workers could have Centrelink withhold a portion of their payment to ensure they do not incur a tax bill at the end of the financial year – as is already able to be done for all Centrelink payments.

Why is this policy needed?

- Current means testing policies discourage older people from working. Only 3.3% of people on the Age Pension declare earnings from employment.[52] Australia's labour force participation rate among people aged 65 and older (15%) is well below many OECD countries, including those with strong pension systems, such as Sweden (20.1%), New Zealand (25.2%) and Iceland (32.6%).
- Increasing workforce participation among older people will boost the economy. Deloitte Access Economics estimate a 5% increase in older worker participation (over 55) will result in a $47.9b increase to GDP ($60b in 2022).[53]
- Aged care recipients, understandably, want mature-minded workers given the personal and intimate nature of caring work.

- With women being overrepresented in the care sector and having lower superannuation balances, rewarding workers in this sector by allowing them to retain their pension, even when they work, will help to address the gaps in retirement savings and income.
- While the government recently announced the increase in the Work Bonus by $4,000 would be permanent from 1 January 2024, this is a one-off bonus suited to periodic workers and not ideal for people who work regularly past pension age.
- A stronger and targeted incentive is warranted to ensure there are adequate workers to meet the needs of people who require care and support.

Budget Impact

- According to Deloitte modelling this policy is "estimated to be [cost] neutral if 8.3% of pensioners take up the opportunity to go back to work from additional income tax raised (this estimate does not include other tax gains, e.g., additional GST from spending etc.).
- There is limited risk of cost to the federal budget when targeting care sector workers (aged care, disability care and child care).
  - Deloitte estimated the potential cost to government, if there was no behavioral change (e.g., no pensioners increased their work or working hours), would be $70m per year.
  - This estimate is for the entire Health Care and Social Assistance sector, which includes health care workers. By targeting aged, disability and childcare workers, the worst-case cost would be much lower.