

OECD THEMATIC FOLLOW-UP REVIEW OF POLICIES TO IMPROVE LABOUR MARKET PROSPECTS FOR OLDER WORKERS

AUSTRALIA (situation mid-2012)

In 2011, the employment rate for the population aged 50-64 in Australia was 5.4 percentage points higher than in 2005 and 6.5 percentage points above the OECD average. Further statistical information about the labour market situation for older workers in Australia is presented in the scoreboard in Table 1.

A major multi-country OECD review of employment policies to address ageing took place during 2003-05 and was summarised in the OECD synthesis report *Live Longer, Work Longer*, published in 2006. That report put forward an agenda for reform, consisting of three broad areas where policy action was seen as necessary to encourage work at an older age:

- strengthening financial incentives to carry on working
- tackling employment barriers on the side of employers
- improving the employability of older workers

One of the main purposes of this follow-up review is to take stock of the progress OECD countries have made in implementing this reform agenda. In the third quarter of 2011, a questionnaire was sent to all member countries, seeking information on the measures and reforms carried out since 2006. For each of the 21 countries¹ that had participated in the original review, the questionnaire was adapted to refer to the OECD's specific policy recommendations in each corresponding country report.

The main actions taken in Australia since 2005 are described in this Note. A summary assessment of the extent to which Australia has followed the OECD's recommendations in the report *Ageing and Employment Policies: Australia* is given in Table 2.

¹ Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Japan, Korea, Luxembourg, Netherlands, Norway, Spain, Sweden, Switzerland, United Kingdom, United States. For further information, see www.oecd.org/els/employment/olderworkers.

A. STRENGTHENING FINANCIAL INCENTIVES TO CARRY ON WORKING

A.1. OECD recommendations to Australia in 2005 – action taken

Enhance incentives to remain in work longer

Comprehensive pension reform was introduced in 2009, with the aim of improving the adequacy, sustainability and flexibility of the pension system. From 2017 to 2023 the qualifying age for the means-tested age pension will increase gradually from 65 to 67.

The Work Bonus was introduced in 2009 as part of this pension reform. The Work Bonus is an income test exemption that allows age pensioners to keep more of their pension whenever they resume work. Pensioners are now able to earn up to AUD 250 every two weeks from employment, without that amount being assessed as income under the income test. They can accumulate any unused amount of the fortnightly exemption up to a total of AUD 6 500 to offset future employment income. The Work Bonus operates in addition to the pension income test-free area. This means a single-rate age pensioner with no other income can earn employment income of up to AUD 400 a fortnight and still receive the maximum rate age pension.

Improve the information available to individuals about their future entitlements from superannuation

Australia runs numerous education programmes designed to raise public awareness and build the capacity of Australians to make better decisions about their money. These include targeted information and campaigns aimed at older Australians – including retirees and pre-retirees – on how to plan, prepare for and fund their retirement. The Australian Securities and Investments Commission (ASIC) is the lead national agency in Australia for advancing financial literacy. ASIC has a MoneySmart website that offers personalised money guidance and support for investors.

Tie disability benefits more closely to a substantial reduction in work capacity

The Welfare-to-Work package was announced in the 2005-06 Budget. Part of this package was designed specifically to assist people with disabilities to increase workforce participation. From 2006, some aspects of Disability Support Pension (DSP) eligibility criteria were changed:

- To be eligible, a person must be assessed as being unable to work 15 hours or more per week (previously they had to be unable to work 30 hours or more per week).
- DSP claimants between May 2005 and June 2006 were assessed under the 30-hour per week work capacity rule, but were subject to the 15-hour rule when they were reviewed (most of them were reviewed about two years after grant).
- People granted DSP before May 2005 continued to receive assistance under the 30-hour rule.

Other elements of the Welfare-to-Work package included:

- Introduction of Partial Capacity-to-Work status for alternative income support payments (usually Newstart Allowance) for people assessed as being able to work 15 to 29 hours per week. This entitles them to a Pensioner Concession Card and tailored participation requirements.
- A more generous income test on Newstart Allowance and other allowances to improve rewards from part-time work.
- More services to help people look for work.

Results from an evaluation report published in 2008 show that although eligibility requirements were tightened, no significant change in the number of people who began receiving a DSP occurred during the first two years. People with an assessed capacity to work 15 to 29 hours a week left income support faster

than before, primarily for jobs. But this effect was offset by an increase in the percentage of those who had jobs and still needed income support and/or assistance in seeking and obtaining job. Further steps have been taken to stimulate employers to employ people with reduced work capacity, and to stimulate people to use what work capacity they have.

Review other assessment procedures for disability benefits

As a part of the Welfare-to-Work package, the special considerations of employment prospects in the local labour market for claimants aged 55 or over were removed in 2005. Job Capacity Assessments were also introduced in 2006 with the purpose of better assessing an individual's level of functional impairment and work capacity. A number of measures have been implemented to improve the quality and consistency of these assessments. In particular, key elements were implemented from 1 July 2010 concerning DSPs:

- New Guidelines for Job Capacity Assessors were introduced, and Job Capacity Assessors have access to information concerning a person's employment history.
- Job Capacity Assessments are undertaken by appropriately qualified assessors on Disability Support Pension.
- Fast-tracking DSP claimants who are manifestly eligible for DSP due to serious congenital disability or cancer.
- A Health Professional Advisory Unit (HPAU) provides specialist medical and rehabilitation advice to Job Capacity Assessors and DSP Assessors regarding DSP claims, reviews and appeals.
- A workforce re-engagement contact strategy is being piloted among 16 000 new entrants to DSP from 2010 to 2013. This initiative outlines the assistance and incentives available for taking up work.

In addition, from 1 July 2011, all DSP Job Capacity Assessments are conducted by allied health professionals in the Department of Human Services. Prior to 1 July 2011, JCAs were delivered by 18 contracted providers, including three Australian government providers.

A.2. OECD recommendations to Australia in 2005 – no action taken

Reduce incentives to retire early

Generally, individuals can access their "superannuation"² benefits on retirement after reaching a specific age ("preservation age"). The preservation age is currently 55, but will increase to 60 on a phased basis between July 2015 and July 2024. The maximum age limit for superannuation guarantee contributions will be removed from July 2013, effectively increasing the incentive for people above the age of 70 to remain in the workforce.

The option of taking out the superannuation as a lump sum at the qualifying age, which is still relatively low, may reduce motivation to remain in work. The Australia's Future Tax System (AFTS) review panel recommended that the preservation age for superannuation be gradually aligned with the age at which individuals can access Age Pension (the first pillar). This recommendation was designed to reduce the scope for dissipation of superannuation savings prior to pension age, and increase workforce participation among older Australians.

In its response to the AFTS report, the government ruled out aligning the preservation and pension ages "at any stage". It was argued that aligning them would raise a number of issues, mainly related to older workers' possibilities of remaining in work.

² The superannuation guarantee was introduced in 1992. It consists of a mandatory employer contribution to a private pension plan (the second pillar).

Individuals' ability to access their superannuation as a lump sum was among the issues considered by the AFTS review. While the AFTS panel found that there were arguments in favour of requiring compulsory purchase of income streams, it concluded that such a policy would discriminate against people with poor health or lower-than-average life expectancies. In addition, it was argued that as long as the age pension continues to provide longevity insurance for a significant proportion of the Australian population, it is not necessary to require people to invest in additional insurance.

A.3. Other implemented measures unrelated to specific OECD recommendations

As mentioned above, from 2011 further actions have been taken to improve the assessment process for DSP. Applicants who do not have a severe impairment now need to provide sufficient evidence that they have been unable to obtain employment through an open employment service or vocational rehabilitation. Under the new rules, people will be supported in building their skills and work capacity, usually through an 18-month programme of support.

The Tables for the Assessment of Work-related Impairment for DSP have been reviewed, in consultation with medical and allied health professionals and disability stakeholders, to ensure they are consistent with contemporary medical and rehabilitation practice. The revised Impairment Tables apply to DSP new claims and DSP medical reviews from 1 January 2012, and ensure that people will be assessed based on what they can do and not what they cannot do.

From July 2012, more generous rules will allow DSP recipients to work up to 30 hours a week without having their payment suspended or cancelled. Those people will be able to receive a *partial pension*, subject to the usual means-testing arrangements.

Finally, employers who employ people with a disability for at least 15 hours a week for 26 weeks will receive additional wage subsidies to cover costs of recruiting and training these workers.

B. TACKLING EMPLOYMENT BARRIERS ON THE SIDE OF EMPLOYERS

B.1. OECD recommendations to Australia in 2005 – action taken

Increase awareness of anti-age discrimination legislation, and introduce surveys on job satisfaction and the work environment

In August 2011, the Australian government appointed an Age Discrimination Commissioner who is advocating the rights of older workers and jobseekers; raising awareness about unlawful age discrimination; and promoting the benefits of employing older people, including among private recruitment firms.

The Commissioner is working alongside the Australian Law Reform Commission to identify barriers to mature age persons participating in the workforce that could be addressed through Commonwealth laws, including laws pertaining to social security, superannuation, insurance, compensation and employment. The Commission will present a final report in March 2013.

As part of the Productive Ageing Package, released in 2010, the Consultative Forum on Mature Age Participation was established to provide advice on removing barriers to employment for mature age people, with a particular focus on addressing negative employer and community attitudes. The forum included representatives of seniors, employers/industry groups, unions, and other key stakeholders. The forum presented a final report and recommendations to the government in June 2012.

The forum has developed a number of resources and reports. The Investing in Experience Employment Charter and Tool Kit outlines better practice principles and guidelines for the recruitment and retention of mature age people. The Charter and Tool Kit are being distributed to employers nationally.

Through the Corporate Champions project, also part of the Productive Ageing Package, employers have agreed to demonstrate leadership in recruitment and retention of mature age people. These employers will receive support to measure their current practices against the Investing in Experience Employment Charter to establish goals; and to achieve these goals over a 12- to 18-month period. The project is providing case studies and examples of better practice that are being shared with other employers. The forum guided Australia's first national survey of mature age: workers, jobseekers and those not in the labour force. The survey seeks to measure the prevalence of barriers to employment, (including age discrimination), and to determine the impact of these barriers on labour force participation. The Corporate Champions project is due for completion in 2012. The aim of the research will be to provide the Australian government and the forum with evidence upon which to base strategies for addressing the barriers to employment for mature age people.

The Corporate Champions programme was expanded through the 2012-13 Budget to allow more than 250 employers to receive tailored assistance over the next four years. The programme is being delivered within a broader context of education and support, with seminars being delivered to employers throughout the country. Corporate Champions have access to a new Jobs Bonus – a sum of AUD 1 000 is provided to employers who agree to recruit and retain an eligible mature age jobseeker, payable after 13 weeks in employment.

The work of the Consultative Forum on Mature Age Participation ended on 30 June 2012. A new Advisory Panel on Positive Ageing will continue the important work started by the forum, consulting with communities, employers, industry groups, unions and mature age people on a range of policy issues to address the three broad areas identified by the OECD where policy action is required.

B.3. Other implemented measures unrelated to specific OECD recommendations

Wage Connect is a new wage subsidy of around AUD 5 700 over six months, available from January 2012. The subsidy is designed to encourage employers to take on and retain very-long-term unemployed jobseekers, including those of mature age. The subsidy will apply to jobseekers in Job Services Australia and Disability Employment Services who have been on income support for two years and who have had no or minimal work during that period.

As part of the 2012-13 Budget the government announced additional initiatives to support mature age workers and jobseekers. The Experience+ Jobs Bonus, in place since 1 July 2012, supports unemployed mature age older people who are registered with Job Services Australia. Over four years up to 10 000 employers will receive a Jobs Bonus of AUD 1 000 when they recruit and retain an eligible mature age older jobseeker (aged 50 or over) in an ongoing position.

From 1 January 2013, the Experience+ Mature Age Participation – Job Seeker Assistance programme will provide eligible jobseekers aged 55 and over with a peer-based environment in which to develop their IT skills, undertake job-specific training, and prepare for work. The new programme will be delivered in areas or industries where the government feels it will best meet individual, employer and community needs.

C. IMPROVING THE EMPLOYABILITY OF OLDER WORKERS

C.1. OECD recommendations to Australia in 2005 – action taken

Consider increasing the incentives for employment service providers to place older unemployed job seekers in work

Job Services Australia, which replaced the Job Network in 2009, is principally designed to meet the needs of jobseekers. Jobseekers are eligible for one of four levels of support stream determined by their level of disadvantage, length of unemployment, personal circumstances and “work readiness”. Key elements of the JSA model include early intervention to reduce long-term welfare dependency, intensive and tailored support for those who need it, and appropriate training to meet labour market needs.

Open up job search assistance to all

Job Services Australia (JSA) provides services tailored to the needs and circumstances of each individual jobseeker. Providers assist all jobseekers according to their needs, helping them access the training, work experience and other assistance required to enable them to find employment. Mature age jobseekers also have access to the Experience+ Career Advice Service, which provides free professional career advice and a résumé appraisal service for all Australians over the age of 45. The Experience+ programme was implemented in 2010 to help mature age people find or keep their jobs and is due to continue until 2014. These programmes include career advice, training grants for mature age workers and on-the-job and job transition support to help mature age workers to move to another job.

The evaluation of JSA will assess how the service performs in terms of assisting individuals, particularly those most disadvantaged in the labour market, to obtain skills and secure sustainable employment. The provisional findings of the JSA Provider Brokered Outcome audit were released on 20 April 2012. The report can be found at

<http://www.deewr.gov.au/Employment/JSA/Pages/ProviderBrokeredOutcomeaudit.aspx>.

The Career Advice service was implemented in 2010; the 2012-13 Budget extended funding for this successful service beyond its original end date of 30 June 2014, to 30 June 2016.

Improve arrangements for the Recognition of Prior Learning (RPL)

Recognition of Prior Learning is an important element of Australia’s system of vocational education and training. The Council of Australian Governments (COAG) has agreed to measures to improve the take-up of RPL. One initiative was an agreement for an Australian government- and state and territory government-funded COAG RPL programme over the three-year period 2006-09. The key objectives of the COAG RPL Programme were to provide streamlined and simplified processes for RPL; and to build the Australian vocational education and training system’s capacity to deliver quality RPL.

The programme concluded in 2009 and the training system is now well endowed with choice in terms of streamlined and simplified RPL processes. A diverse range of assessor tools and other resources are also available for adoption and adaptation to meet individual and workforce needs, and to improve career and employment pathways, including entry to employment. As a direct outcome of the programme, the national training system has a significant body of professional development approaches and resources that can be used to continue the communication about contemporary RPL processes.

As part of the 2011 Budget, the Australian government announced a new element of Experience+, the More Help for Mature Age Workers initiative. The initiative provides grants to employers to help their workers aged 50 and over, who have trade and related skills but no formal qualifications to undertake a

skills assessment or gap training, if required. Since take-up of RPL has been low among workers above the age of 50, use of the new measure should be monitored carefully against quantitative goals.

The More Help for Mature Age Workers initiative was expanded through the 2012-13 Budget to allow any mature age worker, regardless of industry or occupation, to receive the skills assessment and gap training. The programme is now called Investing in Experience – Skills Recognition and Training.

Broaden eligibility for the Workplace Modification Scheme

The Employment Assistance Fund replaced the previous Workplace Modification Scheme in 2010. The fund is more flexible, and extended to people who need technology to look for or to prepare for work, in addition to those already in employment. The fund helps employers cover the extra costs that may be required to accommodate people with disabilities in the workplace.

Introduce surveys on job satisfaction and the work environment

As part of the work of the Consultative Forum on Mature Age Participation, the Department of Education, Employment and Workplace Relations is conducting a national survey on the barriers to employment for mature age people, including age discrimination, to determine the prevalence and impact of these barriers on labour market participation. The project is due for completion in 2012. The aim of the research will be to provide the Australian Government with evidence upon which to base strategies for addressing the barriers to employment for mature age people. The project was completed in June 2012. The research has provided the Australian Government with evidence upon which to base strategies for addressing the barriers to employment for mature age people.

Improve government co-ordination and establish quantitative goals for future ageing strategies

The Consultative Forum on Mature Age Participation and the Advisory Panel on the Economic Potential of Senior Australians examined a broad range of issues affecting mature age people including housing, volunteering, financial literacy and employment. The “Ageing and the Barriers to Labour Force Participation in Australia” report was released in December 2011; it is available at <http://www.deewr.gov.au/Employment/Programs/ExpPlus/Documents/AgeingandBarriersLFP.pdf>. This comprehensive work across portfolios will be a valuable supplement to the many sector initiatives. To ensure sufficient outcomes for these different initiatives, co-ordination and monitoring against a set of quantitative goals are required. The Forum and Panel have now ended. From July 2012 the new Advisory Panel on Positive Ageing will continue the important work started by them.

C.2. OECD recommendations to Australia in 2005 – no action taken

Reinforce the mutual obligations of older workers

The Consultative Forum on Mature Age Participation examined mutual obligation requirements for mature age jobseekers. In December 2011, the forum recommended that the requirements for mature age jobseekers be strengthened to encourage greater participation in activities that will help them re-engage with employment. The forum recommended a review of legislation, to identify where disincentives to participation may be embedded in Commonwealth programmes or policies.

Table 1. Older workers scoreboard, 2001, 2005 and 2011

	Australia			OECD ^h		
	2001	2005	2011	2001	2005	2011
Employment						
-- Employment rate, 50-64 (% of the age group)	57.6	62.4	67.8	55.6	58.4	61.2
<i>of which</i> 50-54	72.9	76.8	79.3	71.8	73.7	76.1
55-59	57.8	62.8	70.4	55.9	59.9	64.8
60-64	33.2	41.4	51.0	32.5	35.6	40.0
-- Employment rate, 55-64 (% of the age group)	46.8	53.5	61.1	44.9	49.0	52.9
-- Employment rate, 65-69 (% of the age group)	13.1	16.9	25.2	15.2	16.5	18.5
Job quality						
-- Incidence of part-time work, 55-64 (% of total employment)	25.5	24.2	24.8	17.2	17.2	18.7
-- Incidence of temporary work, 55-64 (% employees)	-	-	-	9.0	9.1	9.1
-- Full-time ^a earnings, 55-59 relative to 25-29 (ratio)	1.11	1.17	1.20	1.32	1.33	1.34
Dynamics						
-- Retention rate ^b , after 60 (% of employees <i>t</i> -5)	-	47.3	49.4	37.8	40.4	42.2
-- Hiring rate ^c , 55-64 (% of employees <i>t</i> -1)	-	12.3	8.3	7.8	9.2	8.5
-- Effective labour force exit age ^d (years) Men	62.3	63.7	65.2	63.1	63.3	63.9
Women	60.3	61.4	62.9	61.1	62.0	62.8
Unemployment						
-- Unemployment rate, 55-64 (% of the labour force)	4.6	3.4	3.3	4.6	4.8	5.8
-- Incidence of long-term ^e unemployment, 55+ (% of total unemployment)	43.0	38.6	32.7	46.8	47.7	45.9
Employability						
-- Share of 55-64 with tertiary education ^f (% of the age group)	19.1	23.8	29.6	15.9	19.9	22.9
-- Participation in training ^g , 55-64						
Absolute (% of all employed in the age group)	-	-	-	6.6	8.2	9.4
Relative to employed persons aged 25-54 (ratio)	-	-	-	0.44	0.52	0.57

-- unavailable.

a) Mean gross hourly earnings in 2000, 2005, and 2010.

b) All employees currently aged 60-64 with tenure of five years or more as a percentage of all employees aged 55-59 5-years previously, 2006 and 2009.

c) Percentage of employees aged 55-64 with a job tenure of less than one year, 2007 and 2009.

d) 2001, 2005 and 2011. Effective exit age over the five-year periods 1996-2001, 2000-2005 and 2006-2011. The effective exit age (also called the effective age of retirement) is calculated as a weighted average of the exit ages of each five-year age cohort, starting with the cohort aged 40-44 at the first date, using absolute changes in the labour force participation rate of each cohort as weights.

e) Unemployed for more than one year.

f) 2000, 2005, 2010.

g) Job-related training during the last month.

h) Unweighted averages for 34 OECD countries.

Source: OECD estimations from national labour force surveys and OECD Education database.

www.oecd.org/els/employment/olderworkers

Table 2. Ageing and employment policies: Australia (situation mid-2012)

OECD's recommendations to Australia in 2005	Action taken
A. Strengthening financial incentives to carry on working	
<i>Enhance incentives to remain in work longer</i>	+
<i>Reduce incentives to retire early</i>	/
<i>Improve the information available to individuals about their future entitlements from superannuation</i>	+
<i>Tie disability benefits more closely to a substantial reduction in work capacity</i>	++
<i>Review other assessment procedures for disability benefits</i>	++
B. Tackling employment barriers on the side of employers	
<i>Increase awareness of anti-age discrimination legislation</i>	+
<i>Introduce surveys on job satisfaction and the work environment</i>	+
C. Improving the employability of older workers	
<i>Re-enforce the mutual obligations of older jobseekers</i>	/
<i>Consider increasing the incentives for employment service providers to place older unemployed job seekers in work</i>	+
<i>Open up job search assistance to all</i>	++
<i>Improve arrangements for the Recognition of Prior Learning (RPL)</i>	++
<i>Broaden eligibility for the Workplace Modification Scheme</i>	+
<i>Improve government co-ordination and establish quantitative goals for future ageing strategies</i>	+
<p><i>Notes</i></p> <p>/ = no (relevant) action taken; + = some action taken, but more could be done; ? = some action taken, but could have negative impact and requires further assessment; ++ = substantial action has been taken.</p> <p>Source: OECD (2005), <i>Ageing and Employment Policies: Australia</i> and answers to the follow-up questionnaire from Australia.</p>	