



The Hon Amanda Rishworth MP

Minister for Social Services

Ref: MC24-007684

Ms Susan Templeman MP
Chair
Standing Committee on Petitions
PO Box 6021
Parliament House
CANBERRA ACT 2600

Dear Ms Templeman *Susan*

Thank you for your email dated 1 July 2024, concerning the Age Pension and the Work Bonus.

Australia's social security system is a non-contributory, means tested, residence-based system, designed to provide income support to people who, for reasons such as age, unemployment or ill health, are unable to support themselves. The Age Pension is funded by taxpayers, and targeted through the means test to those who need it most.

Pensioners who are Age Pension age (67 years and above) may also access the Work Bonus, which operates in addition to the income free area. Under the Work Bonus the first \$300 of work income a fortnight is not counted in the pension income test. This would allow, for example, a single age pensioner with no other income, to earn up to \$512 a fortnight from work and still receive the maximum rate of the Age Pension.

Pensioners are able to build up any unused amount of the \$300 fortnightly exemption in a Work Bonus income bank up to a maximum amount. This amount can be used to exempt future earnings from the pension income test, so a pensioner could earn up to this amount a year extra without it affecting their pension. The income bank amount is not time-limited – if unused it carries forward, even across years.

From 1 December 2022 pensioners who are Age Pension age (67 years and above) have also received a \$4,000 up-front credit in their Work Bonus income bank, and the maximum income bank balance has increased from \$7,800 to \$11,800, until 31 December 2023. This means every age pensioner will be able to have an extra \$4,000 of employment income disregarded from the income test from the start, rather than accumulating these credits over time.

From 1 January 2024, all new pension entrants of Age Pension age (67 years and above) will receive a \$4,000 Work Bonus starting balance, and the \$11,800 maximum balance will be retained for all new and existing recipients.

The operation of the Work Bonus, pension income free area and taper rate means that pensioners are better off while they (or their partner) are earning income in addition to their pension payments. The design of the Work Bonus in particular recognises the substantial benefits for older Australians, and the broader community, of continuing to work.

I note that the petition mentions an increase to the fortnightly Work Bonus amount as well as indexation of that amount in line with the Age Pension. The current settings under the Work Bonus already provide a substantial incentive for pensioners over pension age to undertake paid employment. The incentives have also increased with the recent changes the Government has implemented, as outlined above.

Additionally, the petition advocates for the combining of Work Bonus balances for couples. The intention of the Work Bonus is to provide an incentive to age pensioners who can and want to continue to work. The Work Bonus recognises that continuing employment for older Australians provides financial and non-financial benefits for individuals and brings substantial benefit to the broader community. For these reasons, the Work Bonus applies to the individual work income of each pensioner. The suggestion that any unused Work Bonus balance be shared within a couple would be inconsistent with the policy intent of the initiative.

I appreciate you bringing this matter to my attention.

Yours sincerely



Amanda Rishworth MP

29/7/2024