Australian Government

Australian Government response to the

Senate Economics References Committee Report:

‘A husband is not a retirement plan’

Achieving economic security for women in retirement

August 2018

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Introduction

The Senate Inquiry into economic security for women in retirement (the Inquiry) was conducted by the Senate Economics References Committee (the Committee). The aim of the Inquiry was to identify and address the causes of gender inequality in Australian retirement incomes. On 29 April 2016, the Committee delivered its final report *A Husband is not a Retirement Plan: Achieving Economic Security for Women in Retirement* (the Report).

The Report made 19 recommendations intended to help women increase their participation in the workforce and improve their superannuation savings. The Report found that women's low superannuation balances at retirement are the result of multiple factors, including, but not limited to: the gender pay gap; women having more breaks in their career for family and other reasons; and women representing a higher proportion of the part-time workforce than men. This translates into lower contributions to their superannuation.

The Australian Government is committed to women's economic empowerment by ensuring workplace diversity and flexibility, flexible and affordable child care, increasing the incentives for women to work, and getting women into the jobs of the future. The Government has engaged in a considered and thorough process on how we can make our tax system better, including taking a comprehensive look at superannuation. The Government's superannuation reforms, which passed the Parliament on 23 November 2016 and applied from 1 July 2017 (for most measures), assist women to build their superannuation savings:

- The Government will improve the superannuation balances of low income spouses by extending the current spouse tax offset to assist more families to support each other in accumulating superannuation.
- The Government's Low Income Superannuation Tax Offset (LISTO) will provide continued support for low-income earners and ensure they do not pay more tax on their superannuation contributions than on their take-home pay.
- The Government's decision to level the playing field by scrapping the 10 per cent rule for personal deductible contributions will allow more people, including women in salary and wage earning occupations without access to salary sacrifice arrangements, to make concessional contributions to their superannuation.
- From 1 July 2018, the Government will help people 'catch-up' their superannuation contributions by allowing individuals with a total superannuation balance of less than $500,000 to carry forward unused concessional cap space for up to five years.

In the 44th Parliament, the Government also undertook significant Age Pension reform that has made the pension more sustainable, affordable and supports more people on the full Age Pension. Importantly around 90 per cent of pensioners are either better off or have had no change to their pension. On implementation on

1 January 2017, around 165,200 part rate assets tested pensioners with more modest assets have received an average of $25 per fortnight extra, including about 47,600 previously part rate pensioners who have qualified for a full pension.

The asset test threshold for the full age pension has increased, directing the most assistance to those most in need, including women with more modest assets.

The Government welcomes the Opposition's decision in the 2016 election campaign to reverse its resistance to this reform that gives more pensioners with modest asset levels access to the full age pension. However, the Government is aware that policies adopted by the Opposition would have resulted in $16.5 billion in higher deficits over the course of the forward estimates, placing greater pressure on Australia's credit rating, raising the cost of borrowing, and making it more difficult for the Australian Government to direct resources to those in need, including women with modest assets at retirement.

The Government notes that the issue of the gender gap in retirement incomes and savings is complex and not caused by any one factor. One of the most useful ways governments can address inequality in retirement incomes is to support economic growth to generate an increase in employment and incomes. Several important achievements have been made that will also deliver significant outcomes for Australian women and contribute to improving the economic security of women in retirement:

- Women's employment is at a record high of nearly 5.9 million. The participation rate of women is at 60.5 per cent, close to a record high. The gender participation gap is 10.3 percentage points in April 2018 (for people aged 15+), a record low. As workforce participation increases, so too do the superannuation balances and retirement savings of Australian women.
- The average weekly earnings gender pay gap for full time employees has narrowed to 15.3 per cent, a decrease of 3.2 percentage points from a high of 18.5 per cent in November 2014. In the Australian Public Service, the gender pay gap was as low as 8.6 per cent in 2016[1]. Increases in lifetime earnings of women will improve the economic security of women in retirement.
- The Government has surpassed its initial target of more than 40 per cent women on Government boards. As at 31 December 2017, women held 44.5 per cent of Government board positions. The Government has now set a new, higher target of 50 per cent women on Government boards overall. Improving access to career development and leadership opportunities will deliver significant benefits for women.
- The Government is increasing investment in child care support to around $10 billion a year over the next four years. This includes an increase of around $2.5 billion to support reform of the child care system. The reforms will

[1] Based on average base salary for women in the Australian Public Service, Australian Public Service Commission's 2016 Remuneration Report

make the system more flexible, accessible, affordable and targeted, helping around one million Australian families to balance work and parental responsibilities. Analysis indicates the new system will encourage more than 230,000 families to increase their involvement in paid employment.

Towards 2025: An Australian Government strategy to boost women's workforce participation (the Strategy), released on 6 July 2017, lays out the Government's roadmap to meet its G20 target of reducing the gap in participation rates between women and men (aged 15-64) by 25 per cent by 2025. In the Strategy, the Government has identified five areas which require further action over the next decade: ensuring affordable, accessible and flexible child care; improving workplace diversity and flexibility, supporting women to innovate, succeed as entrepreneurs and thrive in jobs of the future, strengthening women's economic security; and enhancing financial incentives to work.

The Government thanks the Committee and all those assisting the Inquiry for their contributions to policy discussions focused on improving the economic security of women in retirement.

Recommendation 1 (paragraph 3.15)

The Australian Government review the *Fair Work Act 2009* to determine the effectiveness of Equal Remuneration Orders in addressing gender pay equity, and consequently in closing the gender pay gap. The review should consider alternative mechanisms to allow for a less adversarial consideration of the undervaluing of women's work.

The Australian Government notes this recommendation.

Part 2-7 of the *Fair Work Act 2009* currently provides for the Fair Work Commission to make Equal Remuneration Orders to ensure equal remuneration for men and women workers for work of equal or comparable value.

Neither the 2012 Fair Work Act Review nor the 2015 Productivity Commission inquiry into the workplace relations framework made any recommendations in relation to the equal remuneration provisions of the current legislation.

The gender pay gap for average weekly ordinary time earnings has decreased from 18.5 per cent in November 2014 to 15.3 per cent in May 2017.

The Workplace Gender Equality Agency continues to promote gender pay equity in organisations through a range of mechanisms including annual gender reporting; resources such as conducting a gender pay gap audit and developing a gender pay equity strategy; and through awareness campaigns and partnerships programs including the Pay Equity Ambassador network.

The Fair Work Commission is currently considering an application by unions for equal remuneration orders to increase the wages received by early childhood teachers in long day care centres and preschools.

Recommendation 2 (paragraph 3.51)

> The Australian Government continue to support the work of the Workplace Gender Equality Agency and ensure that it is adequately resourced.

The Australian Government agrees to this recommendation.

The Government has committed ongoing funding of the Workplace Gender Equality Agency of $20.4 million from 2018-19 to 2021-22.

Recommendation 3 (paragraphs 4.16–4.17)

> The committee recommends that the Australian Government consider carefully the recommendation from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, to amend the *Sex Discrimination Act 1984* to:
>
> - extend the discrimination ground of 'family responsibilities' under the Sex Discrimination Act to include indirect discrimination; and
> - include a positive duty on employers to reasonably accommodate the needs of workers who are pregnant and/or have family responsibilities.

The Australian Government does not agree to this recommendation.

The Government considers the current protections from unlawful discrimination in the *Sex Discrimination Act 1984* are appropriate and does not propose to introduce a ground of indirect discrimination on the basis of family responsibilities or create new duties on employers.

Extending the unlawful discrimination ground of ‘family responsibilities’ to include indirect discrimination would increase the regulatory burden on employers, particularly small businesses, and create uncertainty as to relevant obligations on employers.

The Government is supporting women with children to remain in the workforce by increasing investment in child care support to around $10 billion a year over the next four years. This includes an increase of around $2.5 billion to support reform of the child care system. The reforms will make the system more flexible, accessible, affordable and targeted, helping around one million Australian families to balance work and parental responsibilities. Analysis indicates the new system will encourage more than 230,000 families to increase their involvement in paid employment.

Recommendation 4 (paragraph 4.35)

The committee recommends that the Australian Government consult with stakeholders on practical options to implement the relevant findings from the Australian Human Rights Commission's *Supporting Working Parents: Pregnancy and Return to Work National Review*, which recommends strengthening the 'right to request' provisions under section 65 of the *Fair Work Act 2009* by:

- removing the qualification requirements in section 65(2)(a) of the *Fair Work Act* (that is, the requirements for 12 months' continuous service);
- introducing a positive duty on employers to reasonably accommodate a request for flexible working arrangements; and
- establishing a procedural appeals process through the Fair Work Commission for decisions related to the right to request flexible working arrangements to ensure processes set out in the *Fair Work Act* have been complied with.

The Australian Government notes this recommendation.

Neither the 2012 Fair Work Act Review nor the 2015 Productivity Commission Inquiry into the workplace relations framework recommended that requests for flexible working arrangements be appealable.

The 2012 review found that on the evidence available, most requests were being granted and that adding an appeal mechanism would impose additional regulatory burden without necessarily changing the outcome of a request. The Productivity Commission noted that regulations made to create an appeals mechanism would most likely be only weakly enforceable given the difficulty of establishing what is reasonable.

On 26 March 2018, the independent Fair Work Commission rejected a claim by the Australian Council of Trade Unions to vary all modern awards to give employees the unilateral right to temporarily reduce their hours of work to accommodate parenting and/or caring responsibilities. The Fair Work Commission instead proposed a provisional model award term, which would permit flexible work requests from parents and carers after six months' service and require employers to follow a process when proposing to refuse a flexible work request. The Fair Work Commission has commenced consultation on its provisional view.

The Government is committed to promoting the benefits of flexible working. The Fair Work Ombudsman, the Australian Human Rights Commission, and the Workplace Gender Equality Agency all provide information and tools for employers and employees to promote flexible working arrangements.

Recommendation 5 (paragraph 4.43)

> The committee recommends that the Australian Government refer the question of effective marginal tax rates for second-earners to the Productivity Commission for review, noting the significance of women's workforce participation.

The Australian Government notes this recommendation.

The Government refers the Committee to the Productivity Commission working paper released on 7 October 2015, *Tax and Transfer Incidence in Australia*, which, among other things, considered effective marginal tax rates (EMTRs) and participation rates faced by different groups.

Australia's tax and transfer systems are highly progressive. This leads to fairer outcomes – it means that as a person's income rises, they pay more tax and may receive less transfer payments.

The impact of EMTRs on workforce participation also depends on the circumstances of the individual and their household. There is evidence that EMTRs are not a key driver of workforce participation.

For example, a 2016-17 Australian Bureau of Statistics survey ranked maintaining welfare benefits below other factors affecting workforce participation, such as permanent retirement, long term sickness or disability, and studying or returning to studies.

The Government's child care reforms will assist Australians in managing work and family responsibilities and improve incentives to work. These reforms will provide the greatest hours of support in child care to the families who work the longest hours, and the greatest subsidy and financial support to the families who earn the least. The package will deliver the highest rate of subsidy to those who most need it.

The Australian Government's new child care package strikes the right balance between targeted child care support for hard working families who depend upon it, a generous safety net to protect the most vulnerable in our community and ongoing support for high quality early learning. This is further boosted by the Government's $868 million commitment, over two years to 2020, to continue to provide access to a quality preschool program for all children in the year before they begin school.

Key elements of the reforms include:

- Abolishing the current $7,613 Child Care Rebate cap to ensure parents on family incomes of around $186,958 or less are not limited by a cap on the amount of child care they can access. Families earning more than $186,958 will benefit from an increased annual cap of $10,190 per child.
- Giving hardworking lower income families an 85 per cent subsidy, which tapers down to 20 per cent for higher income families. There are no subsidies for those on family incomes of $351,248 or more.

- The number of hours of subsidised care a family will be entitled to per fortnight will be determined by a three-step activity test that more closely aligns hours of subsidised care with the combined amount of work, training, study, volunteering or other recognised activity undertaken.
- Hourly rate caps will provide Australians with a reference point to hold providers accountable and from which they can expect prices shouldn't dramatically exceed. They send a strong message about what a 'high fee' service is.
- The Australian Government's additional child care investment will benefit almost one million families and it will provide the greatest hours of support in child care to the families who work the longest hours, and the greatest subsidy and financial support to the families who earn the least.
- These reforms will allow families to choose their child care around their work, rather than limit their work hours to suit their child care. It is estimated that the package will encourage around 230,000 families to increase their involvement in the workforce.

Australia's tax and transfer system remains one of the most progressive systems among Organisation for Economic Co-operation and Development countries.

- According to the Australian Bureau of Statistics, in 2015-16 the poorest 20 per cent of households, on average, received welfare payments worth 25 times what they paid in income taxes.
- In 2015, the Productivity Commission found that 40 per cent of families paid no net income tax, after taking into account their transfer payments like the Family Tax Benefit.

This system, supported by Government policies, which boost economic growth, employment and wages, is designed to support those individuals and families who need assistance while at the same time rewarding enterprise and endeavour.

Recommendation 6 (paragraph 4.63)

> The committee recommends that the Commonwealth Paid Parental Leave Scheme continue to be improved over time to allow for 26 weeks paid parental leave through the combination of government and employer funding.

The Australian Government notes this recommendation.

Under the Paid Parental Leave (PPL) scheme, eligible working parents can receive up to 18 weeks of PPL. This can be taken before, after or at the same time as any employer-provided paid or unpaid leave.

Recommendation 7 (paragraph 4.80)

The committee recommends the Australian Government investigate further the interaction between means testing of the Age Pension and mature age workforce participation.

The Australian Government notes this recommendation.

Support for senior Australians is provided through our retirement income system, which combines an affordable basis for generating retirement incomes with targeted support for those who most need assistance. The retirement income system is funded through a mix of consolidated revenue, employer contributions and employee contributions. It is based on three parts, or pillars:

- compulsory employer superannuation contributions through the Superannuation Guarantee, supported by taxation concessions;
- voluntary private savings, including personal superannuation contributions which are supported by taxation concessions; and
- the taxpayer funded means-tested Age Pension which provides a safety net for people who are unable to support themselves fully in retirement and supplements the retirement incomes of those with lower levels of private savings.

Means testing is a critical part of the system to ensure the system remains affordable and sustainable for the long term.

Although the Age Pension in Australia is subject to income and assets testing, incentives already exist within the means test for pensioners to engage in paid work, if they are able to.

A pensioner can receive an amount of income before their pension starts to be reduced. This amount may comprise income from investments, earnings, or a combination of income from various sources and is known as the income test free area. The pension income test free area since 1 July 2017 is $168 a fortnight for singles and $300 a fortnight for couples combined.

For each dollar of income over the income test free area, the single pension is reduced by 50 cents (the taper rate). For couples, their individual pensions are reduced by 25 cents a fortnight for each dollar of income that the couple has over the income test free area.

A part pension is payable up to an income of $1,983.20 a fortnight ($51,563.20 per annum) for a single pensioner or $3,036.40 a fortnight ($78,946.40 per annum) for a pensioner couple (20 March 2018 figures). These figures may be higher if Commonwealth Rent Assistance (CRA) is paid with the pension.

The Work Bonus operates in addition to the income test free area for pensioners over age pension age. Under the Work Bonus, the first $250 of employment income a fortnight is not counted in the pension income test, allowing, for example, a single age pensioner, with no other income, to earn up to $418 a fortnight ($10,868 per annum, July 2017 amounts) from employment and still receive the maximum rate of Age Pension.

Pensioners are also able to build up any unused amount of the $250 fortnightly exemption to a total of $6,500. This amount can be used to exempt future earnings from the pension income test, so a pensioner could earn up to $6,500 a year extra without it affecting their pension. Any unused amount of the Work Bonus is held in a Work Bonus income bank. The income bank amount is not time-limited – if unused it carries forward, even across years.

The Government announced in the 2018 Budget that the Work Bonus would be increased to $300 a fortnight and extended to include earnings from self-employed pensioners from 1 July 2019. The maximum Work Bonus accrual amount will also increase from $6,500 to $7,800. These changes will provide more support for workforce participation by older Australians.

The operation of the pension income test free area, taper rate and Work Bonus means that pensioners are always better off while they are earning private income in addition to their pension payments.

Recommendation 8 (paragraph 5.38)

The committee recommends that the Australian Government ensure that any changes to the retirement income system are measured against the guiding principle of dignity in retirement and should:

- deliver a decent standard of living for both men and women in retirement;
- take into consideration the interrelationship between the three pillars of the retirement income system—the Age Pension (including income and assets tests); the superannuation system (with particular reference to tax concessions); and private savings—as well as mature age workforce participation, housing, health and aged care;
- recognise the diversity of experience and outcomes in retirement incomes for different groups in society, particularly but not restricted to women;
- adequately assess and mitigate the risks placed on the individual;
- determine mechanisms for developing benchmarks for the adequacy of retirement incomes to inform future policy; and
- introduce mechanisms to measure and assess reforms to ensure they are meeting objectives.

The Australian Government notes this recommendation.

For increasing numbers of senior Australians, retirement incomes are a combination of compulsory superannuation, private savings and the Age Pension.

The Age Pension remains a key component for many seniors who have not benefited from superannuation and who have low levels of savings.

The Government appreciates the important economic and social contribution that senior Australians make to our community and is keen to ensure that seniors who cannot fully support themselves in retirement are safeguarded by the Age Pension.

Pensions are paid at the highest rate of income support in the Australian social security system.

Base pensions are indexed twice a year, in March and September, to the higher of the increase in the Consumer Price Index (CPI) and the increase in the Pensioner and Beneficiary Living Cost Index (PBLCI).

The PBLCI was introduced to ensure pension indexation better reflects changes to pensioners' costs of living. The Index takes into account the goods and services pensioners buy, not what the rest of the community buys. The PBLCI basket of goods and services is weighted to recognise that pensioners spend more of their income on essentials, including food, health, clothing, telephone calls and postage.

After indexing to price increases, base pension rates are then compared to a wages benchmark. The maximum basic rate for pensioner couples (combined) is benchmarked to 41.76 per cent of Male Total Average Weekly Earnings. The single rate of pension is 66.33 per cent of the combined couple rate.

These arrangements ensure pension rates are more responsive to pensioners' actual living cost increases and keep pace with community living standards as measured by wages.

In addition to their main income support payment, pensioners receive a range of benefits and concessions that increase their economic security, including:

- the exemption of the principal home from the assets test for home owners;
- assistance for people who rent in the private rental market, through CRA;
- subsidised prescription medicines under the Pharmaceutical Benefits Scheme;
- subsidised health care and related products;
- concessions provided by State and Territory Governments, which could include subsidies for rates for home owners, utilities such as electricity and water, and public transport and motor registration fees.

The Government will spend around $45 billion in 2017-18 on the Age Pension. The cost is expected to rise to around $52 billion in 2020-21.

The Government has also delivered changes to the assets test to make the pension system fairer and better targeted. At implementation on 1 January 2017, about 165,200 part rate assets tested pensioners with more modest assets received an average of $25 more pension per fortnight. This included about 47,600 previously part rate pensioners who qualified for a full pension.

This ensures that more of those who are most in need receive higher levels of support while helping to ensure the sustainability and affordability of the pension system for future generations. The Government's pension reform passed the Senate with the support of the Australian Greens in the last Parliament. The Opposition voted against these reforms to give more pensioners with modest assets access to the full age pension only to reverse its position in the lead-up to the 2016 election. (See further detail at Recommendation 17)

Recommendation 9 paragraphs (5.57–5.58)

> The superannuation guarantee should be paid on the Commonwealth Paid Parental Leave Scheme. Mechanisms for improving the retirement incomes of carers should be examined.

The Australian Government notes this recommendation.

The Government is committed to assisting individuals with interrupted work patterns, including women and those undertaking caring responsibilities.

From 1 July 2017, the Government extended the spouse tax offset to allow more individuals to be eligible for the 18 per cent tax offset (up to $540) if they make a contribution to the superannuation account of a low income spouse who earns up to $40,000. (see further detail at Recommendation 11)

The Government is also allowing people with superannuation balances of $500,000 or less to carry forward their unused concessional cap amounts for a period of five years. From 1 July 2018, this will provide individuals who have been unable to accumulate large superannuation balances, such as carers and parents with interrupted work patterns, with the opportunity to 'catch-up'. (see further detail at Recommendation 11)

Recommendation 10 paragraphs (6.14–6.15)

> The committee recommends that the Australian Government set an objective for superannuation that supports the continuation of a strong three pillar retirement income system. The objective should include reference to women's retirement incomes.

The Australian Government agrees in part to this recommendation.

The Government has announced that it will, for the first time, enshrine in law that the objective of superannuation is to 'provide income in retirement to substitute or supplement the Age Pension'. The objective will help provide greater long-term confidence, policy stability and a means of measuring competing superannuation proposals to guide future changes. This was the objective recommended by the Financial System Inquiry, which the Government consulted widely on.

This objective was an important anchor for the development of the superannuation package that was announced in the 2016-17 Budget. A key element of the Government's superannuation package was improving the flexibility of the superannuation system, recognising that individuals have different work patterns across their lives, in particular women. The Government has also introduced the LISTO, which will increase the superannuation savings of around 1.9 million women with income less than $37,000. (see further detail at Recommendation 12)

The Government remains committed to legislating the objective.

Recommendation 11 (paragraph 6.25)

> The committee recommends that superannuation tax concessions be re-targeted to ensure that they are more equitably distributed and assist people with lower superannuation balances to achieve a more comfortable retirement.

The Australian Government notes this recommendation.

Since the Report was tabled, the Government has taken action to improve the fairness, sustainability and flexibility of the superannuation system. These reforms passed Parliament on the 23 November 2016 with major party support.

The Government has legislated a package of reforms that make superannuation tax concessions better targeted and more accessible to those with non-standard working arrangements.

From 1 July 2018, the Government will help people 'catch-up' their superannuation contributions by providing individuals with a total superannuation balance of less than $500,000 just before the beginning of a financial year with an opportunity to carry forward unused concessional cap space (for up to five years).

In 2019-20, this will help around 230,000 Australians who take time out of work, whose income varies considerably from one year to the next, or who find their circumstances have changed (e.g. returned to work following parental leave, or where mortgage payments or school fees have ceased) and are in a position to increase their contributions to superannuation.

Individuals aged 65 to 74 who meet the work test will be eligible to access these new arrangements.

Further, as part of the Government's commitment to supporting families, the Government has expanded the current spouse tax offset, making it available to more couples so they can support each other in saving for retirement.

Previously, a tax offset of up to $540 was available for individuals who make superannuation contributions to their spouses with incomes up to $13,800. The Government will allow more people to access the offset by extending eligibility to those whose recipient spouses earn up to $40,000.

It is estimated that an additional 5,000 Australian families are expected to make use of this opportunity, which will mostly benefit women who are more likely to be the lower income earner in families and have lower superannuation balances.

Since 1 July 2017, there has been a $1.6 million cap on the total amount of superannuation that can be transferred into a tax-free retirement account. The Government has lowered the annual income threshold, above which individuals will be required to pay 30 per cent tax on their concessional contributions, from $300,000 to $250,000.

The Government has also reduced the annual concessional contributions cap to $25,000 for all individuals and the annual non-concessional contributions cap to $100,000 for those with superannuation balances below $1.6 million. Individuals with a total superannuation balance above $1.6 million are no longer eligible to make non-concessional contributions.

The Government has also levelled the playing field by allowing deductions for personal superannuation contributions regardless of employment circumstances. This will provide women working in wage and salary earning roles, without access to salary sacrifice arrangements through their employer, the flexibility to make further concessional contributions to their superannuation.

The Government is also addressing concerns that low income earners pay more tax on their superannuation contributions than on their ordinary income by introducing the LISTO (see Recommendation 12).

Recommendation 12 (paragraph 6.40)

The committee recommends that concessional superannuation contributions of lower income earners are not taxed at a higher rate than their ordinary income, and that the Australian Government commit to retaining the Low Income Superannuation Contribution beyond 30 June 2017.

The Australian Government agrees in part to this recommendation.

From 1 July 2017, the Government replaced the Low Income Superannuation Contribution with the LISTO. The LISTO effectively refunds the tax paid on concessional contributions by individuals with a taxable income of up to $37,000 – up to a cap of $500. This avoids the situation where low income earners pay more tax on contributions to superannuation than on their take home pay.

The amount of the LISTO that an individual is eligible for is paid into the individual's superannuation account. This means that low income earners, who are disproportionately women, will generally not pay more tax on their superannuation contributions than on their ordinary take-home pay. It is estimated that around 3.1 million low income earners benefit from the LISTO, including around 1.9 million women.

Recommendation 13 (paragraph 6.53)

The committee recommends that the Australian Government revise the current schedule for the increase in the superannuation guarantee (SG) rate to 12 per cent, and ensure the gradual increase in the SG rate is implemented earlier than the current timetable.

The Australian Government does not agree to this recommendation.

The Government notes that the Opposition has not committed to a timetable for increasing the SG rate, with then Shadow Minister for Small Business and Financial Services, Senator Katy Gallagher, stating support for an increase when "fiscal circumstances allow"[2].

Starting in 2021, the SG rate is legislated to gradually increase to 12 per cent by July 2025. Individuals who want to save more for their retirement can still do so. The Government has improved the ability of individuals to access the superannuation system by allowing more Australians to claim a tax deduction for personal superannuation contributions and allowing the carry forward of unused concessional cap amounts. (see further detail at Recommendation 11)

Recommendation 14 (paragraph 6.72)

The committee recommends that the Australian Government amend the *Superannuation Guarantee (Administration) Act 1992* to remove the exemption from paying the superannuation guarantee in respect of employees whose salary or wages are less than $450 in a calendar month.

The Australian Government notes this recommendation.

The '$450 rule' is a long-standing feature of the superannuation guarantee system. It is designed to balance the administrative effort of paying small amounts of superannuation against adequate retirement savings. The earnings threshold was part of the original superannuation guarantee law and was intended to minimise the administration effort in highly casual areas of employment.

When introduced in 1992, the $450 exemption was one twelfth, or 8.3 per cent, of the annual tax free threshold of $5,400. It has not been indexed and now represents one 40th, or 2.5 per cent, of the annual tax free threshold of $18,200.

In the 2018-19 Budget, the Government announced that it will take action to protect the superannuation savings of Australians with low-balance accounts, inactive accounts or accounts held by young Australians by reducing fees, improving insurance arrangements and proactively reuniting lost and inactive accounts with Australians' active accounts.

[2] http://www.katygallagher.net/speech_to_the_future_of_superannuation_conference

The Government also has a raft of reforms before the Senate to improve outcomes for superannuation members. These reforms will introduce transparency and accountability mechanisms that will instil confidence in all members that their funds are working for them.

The Government remains committed to pursuing these reforms and ensuring the superannuation regime operates to benefit members prior to considering any expansion of the coverage of the Superannuation Guarantee regime.

Recommendation 15 (paragraph 6.95)

> The committee recommends that all government policy analysis in relation to retirement incomes include specific analysis comparing the impact of each proposal on men and women.

The Australian Government notes this recommendation.

The Government compares the impact of policy on men and women for proposals where it is practicable to do so. The Office for Women (OfW) works across government to deliver policies and programmes to advance gender equality and improve the lives of Australian women, including strengthening women's economic security through women's workforce participation. OfW regularly engages with departments on proposed policy measures, including, but not limited to, Budget measures.

Recommendation 16 (paragraphs 7.49–7.50)

> The committee recommends the Australian Government amend the *Sex Discrimination Act 1984* to ensure companies are able to make higher superannuation payments for their female employees when they wish to do so. As part of this process the Australian Human Rights Commission should explore options and advise the Australian Government on appropriate legislative changes.
>
> Following any amendments to the legislation, the Australian Human Rights Commission should develop guidelines and advice for any organisation contemplating providing additional superannuation payments for women.

The Australian Government agrees in part to this recommendation.

The Government welcomes action from employers to address the gender retirement savings gap. Following consultation with the Australian Human Rights Commission, the Government does not consider legislative amendment to the *Sex Discrimination Act 1984* is the best approach to assist employers wishing to take such action.

Whether action constitutes a 'special measure' under the *Sex Discrimination Act 1984* depends on particular factors and the context of that action. Amendments to the *Sex Discrimination Act 1984* may not be useful in clarifying special measures for employers.

The Government and the Australian Human Rights Commission have agreed that the Commission will prepare guidelines to provide greater certainty to employers about the lawfulness of any action they may wish to take to reduce the gender retirement savings gap. The guidelines will be similar to the guidelines for employers on *Targeted recruitment of Aboriginal and Torres Strait Islander people* the Commission developed in 2015.

Recommendation 17 (paragraph 8.38)

The committee recommends that, in order to provide certainty and security for the majority of Australians who will receive the Age Pension in retirement, the Government: a) abandon its proposal to increase the Age Pension retirement eligibility age to 70; and b) commit to maintaining the current method of indexation and benchmarking for the Age Pension.

The Australian Government notes this recommendation.

Age Pension Qualifying Age

In 2009, the then Treasurer, the Hon Wayne Swan MP, announced an increase to the qualifying age for the Age Pension from 65 in 2017 to 67 by 2023. As acknowledged at the time, "a gradual increase in the age pension qualifying age is responsible and necessary to help meet major social and economic challenges as Australia's population ages."[3]

Subject to legislation, from July 2025, the qualifying age to receive the Age Pension will increase by six months every two years, until it reaches 70 years in 2035 (which is the same rate of increase to the qualifying age legislated by the previous Labor Government). The increase builds on current changes to raise the qualifying age to 67 years and will not affect current pensioners or anyone born before 1 July 1958. The 70 year old qualifying age will only apply to people born after 1 January 1966.

When the Age Pension was introduced in 1909, the average male life expectancy at birth was 55 and the pension age was set 10 years above average male life expectancy. Average life expectancy has risen to around 81 for newborn boys and 85 for newborn girls meaning the pension is now available at least 15 years below average life expectancy.

[3] http://ministers.treasury.gov.au/DisplayDocs.aspx?doc=pressreleases/2009/056.htm&pageID=003&min=wms&Year=&DocType=0

The *2015 Intergenerational Report* identified that the number of people of traditional working age (being 16 to 64 years old) for every person aged 65 and over had fallen from 7.3 people in 1974-75 to an estimated 4.5 people today. By 2054-2055, this is projected to nearly halve again to only 2.7 people.

This means there will be a smaller proportion of people paying taxes available to pay for a larger proportion of people requiring the Age Pension.

By continuing to address the challenges of Australia’s ageing population in the long-term interests of the nation, the Government is delivering a stronger, fairer and more sustainable age pension system for future generations.

Age Pension Indexation and Benchmarking

The Age Pension is a critically important safety net for many Australians. It is the budget’s biggest item of expenditure, at around $45 billion in 2017-18. Australians are healthier and living longer than ever before. At the same time, our demographics are changing, and our population is ageing. The Government has taken steps to repair the budget with sensible savings and a prudent approach to spending, which includes reforms to make the pension system fairer, better targeted and sustainable for the future. The aim is to restore fiscal sustainability and confidence in our public finances, and help improve economic conditions for business, families and individuals.

In the 2015-16 Budget, the Government announced that it would not proceed with some 2014-15 Budget measures and announced alternative policies that ensure the welfare system is targeted and sustainable.

The Government reversed the measures to index pensions and pension equivalent payments to movements in the CPI only, reset the deeming thresholds and maintain pension income test eligibility thresholds and deeming thresholds for three years. It replaced these measures with a new policy to rebalance the assets test parameters, which provides additional assistance under the assets test to non-homeowners and people with more modest assets, and provides less support to those who are better off.

These reforms mean that about 165,200 part rate assets tested pensioners with more modest assets received an average of $25 per fortnight extra, including about 47,600 previously part rate pensioners who qualified for a full pension from 1 January 2017. The 2015-16 Budget also included a measure to cap the level of income from defined benefit income streams that can be excluded from the income test at 10 per cent.

The Government’s pension reform passed the Senate with the support of the Australian Greens in the last Parliament. The Opposition voted against these reforms to give more pensioners with modest asset levels access to the full Age Pension, The Opposition reversed its position in the lead-up to the 2016 election.

The Government's reforms ensure that more of those who are most in need receive higher levels of support while ensuring the sustainability and affordability of the pension system for future generations. These actions mean Age Pension indexation arrangements remain unchanged.

Recommendation 18 (paragraph 9.32)

The committee recommends the Australian Government urgently review the adequacy of Commonwealth Rent Assistance (CRA).

The Australian Government notes this recommendation.

CRA plays a critical role in reducing the cost of rental housing and the incidence of rental stress for people receiving income support and Family Tax Benefit (Part A) payments. In 2016-17, the Government improved rental affordability for more than 1.3 million Australian individuals, couples and families with children by spending around $4.4 billion in CRA.

To maintain its value, CRA is indexed in line with increases in the CPI in March and September each year.

The Government continually maintains and reviews welfare payments including CRA to ensure they are meeting their policy objectives.

Recommendation 19 (paragraph 9.33)

The Australian Government should look closely at its aged care policy so that it takes account of the particular difficulties confronting older Australians in the rental market.

The Australian Government notes this recommendation.

CRA assists age pensioners, as well as other welfare recipients on low to moderate incomes, to pay for housing costs in the private and community housing rental market.

In addition, as part of a comprehensive package to address housing affordability in the 2017-18 Budget, the Government announced it will improve outcomes by:

- establishing the National Housing Finance and Investment Corporation to operate an affordable housing bond aggregator to provide cheaper and longer-term finance for the community housing sector;
- incentivising more private investment in affordable housing through tax incentives;
- encouraging the development of standard long-term leases;
- working with State and Territory governments to reform Commonwealth funding arrangements under a new National Housing and Homelessness Agreement, retaining current funding and indexation arrangements;

- providing additional funding of $375 million over three years as part of the new National Housing and Homelessness Agreement to fund front line services to address homelessness; and
- encouraging social impact investing to support innovative approaches to reduce homelessness.

The Government recognises that access to secure and affordable housing has significant economic and social benefits. It can improve education and health outcomes, increase workforce participation and reduce welfare dependency.

To build more homes, the Government is working to increase the supply of affordable housing and pave the way for more institutional and private investment.

To do this, the Government will establish a new National Housing Finance and Investment Corporation (NHFIC) by 1 July 2018. NHFIC will operate an affordable housing bond aggregator to provide long-term low-cost finance for affordable housing providers, giving investors the confidence to invest in the sector.

These measures build on the commitment to establish direct rent deduction for social housing tenants, which will improve rental income streams for community housing providers. To increase supply, the Government is introducing tax incentives to boost investment in affordable rental housing, increasing the capital gains tax discount on such projects, taking the discount from 50 per cent to 60 per cent for investors.

From 1 July 2017, Managed Investment Trusts are able to acquire, construct, or redevelop affordable housing to hold for rent. These reforms provide foreign and domestic investors, including superannuation funds, with a new way of accessing long-term, stable investments in the property sector and lead to more affordable housing.

These measures are part of the Government’s commitment to providing housing solutions across the entire housing spectrum – from Australians struggling to put a roof over their head to those in affordable housing, private renters and first home buyers.