



Australian Government

Post-Budget Submission
to the
Australian Fair Pay
Commission
Minimum Wage Review
2009

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Overview

1. This post-Budget submission builds on the material in the Australian Government's first submission of 20 March 2009 to the Australian Fair Pay Commission's (the Commission's) 2009 Minimum Wage Review.
2. The Commission should consider this submission in conjunction with the information in the Government's first submission.
3. This submission provides the latest economic and labour market information and forecasts presented in the Australian Government Budget which was tabled on 12 May 2009.
4. The submission includes the latest international economic data, the latest Australian Bureau of Statistics (ABS) data on the labour market and inflation, economic forecasts for the coming two years and an outline of the impact of relevant 2009-10 Budget measures on low-paid workers.
5. The global economy is experiencing the sharpest synchronised downturn since the Great Depression and is expected to contract in 2009 for the first time in six decades. The magnitude and speed of transmission of the global recession means that a recession in Australia has become inevitable. Strong and rapid policy action from the Australian Government and the Reserve Bank of Australia is helping to cushion the severe impact of the global recession on the Australian economy and employment.
6. To support the economy through the global recession and support jobs, the Government's fiscal stimulus program includes the \$10.4 billion Economic Security Strategy in October 2008, the \$4.7 billion Nation Building Package in December 2008 and the \$42 billion Nation Building and Jobs Plan in February 2009. These packages include payments to households, support for residential housing construction and significant investments into 'shovel-ready' infrastructure including in schools, social housing and defence housing. In addition, the Government has committed to the roll out of a national broadband network.
7. The 2009-10 Budget marks the start of the next phase of fiscal stimulus and support for jobs through large and long term nation building projects. The centrepiece of the Budget is a comprehensive \$22 billion program of infrastructure investment — roads, rail, ports, energy, education and research, and health infrastructure.

8. However, domestic policy cannot completely offset the effects on the Australian economy of the global recession.
9. The slowdown in the domestic economy will have unavoidable consequences for the labour market. Employment is expected to contract over 2009-10 before gradually strengthening over 2010-11, and the unemployment rate is expected to continue to rise over the forecast period, peaking at 8½ per cent in 2010-11. Without the Government's stimulus measures, the unemployment rate would be expected to peak at 10 per cent. Inflation has already begun to moderate, and is likely to be subdued over the forecast period.
10. The Government, as noted in the first submission of 20 March 2009, remains of the view that the Commission's decision should be aligned with supporting jobs during the economic downturn whilst maintaining a fair minimum safety net for all Australians.
11. During this period of weaker labour demand, the Government's primary focus is on supporting jobs. At the same time, the Government has publicly supported a considered rise in the low-income safety net, mindful of significant challenges facing the domestic economy. The Government does not support a reduction in the real minimum wage. Given that weakness in aggregate demand is currently the primary constraint on demand for labour, a reduction in the real minimum wage is unlikely to be effective in stimulating employment as demand for labour is likely to remain subdued due to macro-economic factors. Moreover, any decreases in the real minimum wage would tend to further dampen aggregate demand.

Economic and labour market information and Budget outlook

12. Since the first submission to the Commission, there have been a number of releases of economic and labour market data and the 2009-10 Budget has updated the Government's forecasts contained in the February 2009 *Updated Economic and Fiscal Outlook* (UEFO).

International economic conditions

13. The world economic outlook has deteriorated significantly since the February 2009 UEFO, with almost every advanced economy either in recession or recording a decline in GDP late last year. With an estimated annualised contraction of

6¼ per cent, the December quarter 2008 witnessed the sharpest fall in global output on record.

14. Against this backdrop, and in light of low levels of confidence, the first annual contraction in six decades is expected for world GDP in 2009. The Government forecasts the world economy to contract by 1½ per cent in calendar year 2009, while advanced economies are expected to contract by 3¾ per cent in 2009. A recovery is not expected to gather pace until mid-2010.
15. The International Monetary Fund *World Economic Outlook: Crisis and Recovery* published in April 2009 projected the world economy would contract by 1.3 per cent in 2009.
16. The United States (US) experienced a 1½ per cent decline in GDP in the March quarter, following a 1.6 per cent decline in the December quarter. US GDP is forecast to contract by 3 per cent in 2009.
17. Japan is forecast to contract by 6 per cent in 2009, the euro area by 4 per cent and the Newly Industrialised Economies (Hong Kong, South Korea, Singapore and Taiwan) by 4¾ per cent. Major trading partners are forecast to contract by approximately 2 per cent.

Latest labour market information

18. The unemployment rate fell to a 30-year low of 3.9 per cent (seasonally adjusted) in February 2008, but has been rising over the past 14 months in line with the sharp slowdown in economic activity stemming from the global recession.
19. Since the Government's first submission in March, key labour market indicators have deteriorated further.
20. Despite an unexpected improvement in seasonally adjusted labour force data for April, job vacancies data foreshadow a continued weakening in labour demand.
21. The ABS Labour Force Survey for April 2009 indicated unemployment had reached 5.4 per cent in seasonally adjusted terms and 5.5 per cent in trend terms. Employment increased by 27,300 in seasonally adjusted terms, to be 0.1 per cent higher through the year to date. The participation rate remained at 65.4 per cent, close to the record high of 65.6 per cent recorded in April 2008.

22. The slowdown in the domestic economy will continue to have unavoidable consequences for the labour market. Employment is expected to contract by 1½ per cent in 2009-10 before gradually recovering by ½ per cent in 2010-11. The unemployment rate is forecast to rise to 8¼ per cent by the June quarter 2010, peaking at 8½ per cent in 2010-11. The participation rate is forecast to decline by 1¼ percentage points from its recent record high, reaching 64¼ per cent by the June quarter 2011.

Key groups in the labour market

23. The Government noted in its initial 2009 submission to the Commission that the effects of the global recession are more likely to be felt by certain groups in the labour market, including teenagers, the long-term unemployed, lone parents, lower skilled workers and those with low levels of educational attainment. Since the lodgment of that submission, more recent labour force data have been released for teenagers and the long-term unemployed.
24. The seasonally adjusted teenage unemployment rate rose to 16.5 per cent in April 2009, up from 13.0 per cent in April 2008.
25. Teenage participation in full-time education rose by 0.2 percentage points to 69.0 per cent in April 2009, but the teenage full-time activity rate (that is the proportion of teenagers engaged in full-time employment and/or full-time education) fell by 0.8 percentage points to 84.3 per cent over the year to April 2009.
26. Since April 2008, the level of trend long-term unemployment has risen by 8,800 (or 12.4 per cent) to 79,400 in April 2009. Thus around one in eight unemployed persons in April 2009 had been unemployed for 12 months or more. The level of long-term unemployment is expected to rise, albeit with a lag, as the global financial crisis begins to impact more significantly on the pace of jobs growth (resulting in fewer exits out of long-term unemployment and, ultimately, an increase in flows into long-term unemployment).

ABS Employee Earnings and Hours preliminary publication for August 2008

27. The ABS *Employee Earnings and Hours* (EEH) preliminary publication for August 2008, released 7 April 2009, provides updated information regarding those employees who have their pay set by awards – the population of most interest to the Commission.

28. The preliminary EEH provides data on methods of pay setting (awards, collective agreements and 'individual arrangements'), with some limited reporting by other variables of interest. Overall, the EEH data showed that award-reliance continued to fall, down from 19.0 per cent in May 2006 to 17.4 per cent in August 2008.
29. The industry with the highest award-reliance in August 2008 was accommodation and food services (52.3 per cent), followed by administrative and support services (36.1 per cent) and retail trade (29.2 per cent). The data also show that females (20.9 per cent), part-time employees (30.8 per cent) and casual employees (41.7 per cent) were more likely to be award-reliant. Award-reliance has fallen for both women and men since May 2006.

Wages and inflation - latest information and forecasts

30. Inflationary pressures have moderated significantly over the past year as the deepening global recession has lowered previous demand pressures. Price pressures are expected to ease further over the medium term as the effects of the global recession continue to impact on the domestic economy. In line with the easing in labour market conditions, wages growth is expected to slow gradually.
31. The latest ABS Wage Price Index (WPI) showed an increase of 0.8 per cent in the March quarter 2009 and 4.2 per cent over the year to March 2009 (trend data). This represents a slight fall from through-the-year wage growth in the December quarter 2008.
32. The March quarter Consumer Price Index (CPI) increased by 0.1 per cent relative to the December quarter. The average of the Reserve Bank of Australia's (RBA's) two underlying measures of inflation showed an increase of 1.1 per cent for the quarter. Headline inflation was 2½ per cent through the year to the March quarter 2009, while underlying inflation was 4.2 per cent through the year to the March quarter 2009.
33. Both headline and underlying inflation are expected to slow to 1¾ per cent through the year to the June quarter 2010, and 1½ per cent through the year to the June quarter 2011. Growth in the Wage Price Index is forecast to moderate from 4¼ per cent through the year to the June quarter 2009 to 3¼ per cent through the year to the June quarters of both 2010 and 2011.
34. The RBA released its May 2009 Statement on Monetary Policy on 8 May 2009. The RBA also forecasts that labour costs will abate substantially in the period ahead in

response to weakening labour market conditions. This forecast is backed up by a range of business surveys that suggest that growth in labour costs is likely to fall in coming months and that wage pressures have begun to ease, consistent with reports of wage freezes in some firms.¹

35. The Government recognises that cost of living increases have a greater impact on the low paid. Despite the recent moderation in headline inflation (2.5 per cent over the year to March 2009), the latest CPI data show strong annual price increases in necessities such as Food (5.7 per cent), Housing (5.5 per cent) and Health (5.3 per cent). Some low paid workers are least able to maintain their standard of living in the face of higher prices and many face increasing financial stress.

2009-10 Budget measures supporting jobs

36. The Government has acted to support jobs including through the \$10.4 billion Economic Security Strategy and the \$42 billion Nation Building and Jobs Plan.
37. The 2009-10 Budget also supports jobs now while investing in the infrastructure Australia needs for the future. The measures in the Budget will increase the level of GDP by $\frac{3}{4}$ of a per cent in 2009-10. This will deliver a boost to the economy and jobs in the period in which the economy is expected to be weakest.
38. Investment in nation building infrastructure is the centrepiece of the 2009-10 Budget. Representing the most significant infrastructure package in Australia's history and spanning the nation, the Government is investing \$22 billion to improve the quality, adequacy and efficiency of transport, communications, energy, education and health infrastructure across Australia — the building blocks of the future economy. The Government is also implementing significant reforms to higher education and investing in innovation.
39. The Government has established a company that will invest up to \$43 billion over eight years to build and operate the biggest single nation building infrastructure project in Australia's history, a new National Broadband Network (NBN) in partnership with the private sector.

¹ ACCI-Westpac Survey of Industrial Trends - March quarter 2009, page 8; CBA ACCI Business Expectations Survey - May 2009, page 6; NAB Monthly Business Survey - April 2009; Dun and Bradstreet National Business Expectation Survey - May 2009, page 14; Melbourne Institute Wage Report - February 2009, page 1; SAI Global-ACCI Survey of Investor Confidence - April 2009, page 15; ACCI Small Business Survey - February 2009, page 5; WRC survey of union officials' wage expectations - May 2009.

40. In response to continuing economic uncertainty and the ongoing success of the initiative, the Government will extend the First Home Owners Boost for an additional six months at a cost of \$539.0 million over three years. This extension will continue to stimulate housing activity, support the construction industry and assist first home buyers to enter the housing market.

Jobs and Training Compact

41. The Government will assist Australians whose job prospects have been adversely affected by the global recession by investing \$1.5 billion over five years through the comprehensive Jobs and Training Compact.
42. The Government will provide \$83.1 million over four years to provide a training supplement of \$41.60 per fortnight for eligible job seekers engaged in full-time accredited training. The supplement will be available to job seekers on Newstart Allowance or Parenting Payment who have not completed Year 12, or equivalent, or who are upgrading their qualification to better equip themselves to find future employment.
43. The supplement will be paid through the income support system and will apply to those who commence approved training during the period 1 July 2009 to 30 June 2011.

Compact with Young Australians

44. The Government will provide up to \$644.0 million over five years (including up to \$50.0 million in 2013-14) in support of a Youth Attainment and Transitions National Partnership to improve the education and training of young people across Australia. The National Partnership aims to assist young people to complete Year 12 or an equivalent qualification and enter the workforce.
45. Details of the National Partnership will be finalised with State and Territory governments through the Council of Australian Governments in conjunction with the non-government school system. Funding for all elements of the National Partnership, except reward payments, could be progressively transferred from existing Australian Government programs to States and Territories.
46. The Government will provide \$145.6 million over three years to provide additional incentive payments for all employers who employ out-of-trade apprentices. This

measure allows out-of-trade apprentices and trainees to remain connected with the workforce and maintain their training. Additional payments of up to \$2,800 will be available to employers, including Group Training Organisations, eligible for standard incentives, who take on an out-of-trade Australian Apprentice at the Certificate III or IV level, in skills shortage areas as defined by the National Skills Needs List, or at the Diploma or Advanced Diploma level.

47. The Government will provide \$33.7 million over three years to fund an additional 5,500 training places in 2009-10 for vulnerable young job seekers as part of an enhanced Australian Apprenticeships Access Program. The new places will provide individualised support and training to vulnerable jobseekers who are most likely to be affected by the impact of the economic downturn.
48. The Government will provide \$9.7 million over three years to fund Registered Training Organisations to deliver required off-the-job training where an Australian Apprentice has been made redundant and cannot complete their required training with an employer. This measure will allow Australian Apprentices at the Certificate III, IV, Diploma and Advanced Diploma level to maintain the value of their investment in training by allowing them to complete the off-the-job component of their training arrangements through a non-indentured pathway.

Compact with Retrenched Workers

49. The Government will provide \$298.5 million over four years to enable redundant workers to gain early access to employment services to assist them to find employment or an appropriate education or training course as quickly as possible.
50. All redundant workers will have access to intensive personalised assistance, regardless of their eligibility for government benefits or level of job readiness. Services available to redundant workers include a comprehensive skills assessment, career advice and targeted referral to education and training.
51. This measure allows workers made redundant on or after 24 February 2009 to access the higher level of assistance from 1 April 2009. This measure will cease on 31 March 2011.
52. The Government will provide \$77.2 million in 2009-10 to offer an additional 10,000 training places at Certificate III-level qualification or higher under the Productivity Places Program.

53. This measure increases the number of training places provided under the *Skilling Australia for the Future* initiative to more than 700,000 over the five years from 2007-08 to 2011-12 and will help to ensure that Australians can develop the skills that industry needs and allow newly redundant workers to upgrade their skills.
54. The Government will provide \$28.2 million over three years to provide 5,888 additional language, literacy and numeracy (LLN) training places for adults aged 25 years and over. The funding will also assist in developing the LLN workforce by increasing the number of trainers and encouraging the acquisition of further qualifications. The extra training places will comprise 4,138 places for job seekers, 1,500 Workplace English Language and Literacy places to provide employees with vocationally oriented intensive training, and 250 places in short courses designed to attract disengaged adults into further LLN training.

Compact with Local Communities

55. The Government will provide \$650.0 million over four years to establish a Jobs Fund that will support jobs and skill development through projects that build community infrastructure and social capital in local communities.
56. The Jobs Fund will provide grants to support innovative social or infrastructure projects that create jobs and employment opportunities in communities most affected by the economic downturn. Projects will also be expected to deliver positive environmental, heritage and social outcomes.
57. The Government will provide \$20.0 million over three years from 2008-09 to engage Local Employment Coordinators in priority regional areas to coordinate efforts to support jobs and training.

2009-10 Budget measures supporting low income earners

Paid Parental Leave

58. To boost participation in the long term, and as part of its rebalancing of the family payment system, the Government will introduce a Paid Parental Leave scheme from 1 January 2011 at an estimated cost of \$730.7 million over five years.

59. The scheme will help parents spend time with newborns, improving outcomes for parents and their child. It will also promote continued participation and contact with the workforce.
60. The government funded scheme will provide eligible parents with up to 18 weeks of leave at the Federal Minimum Wage, currently \$543.78 per week. These payments will be treated as taxable income and will affect entitlement to family assistance payments, but will not be counted as income for income support payments. People who elect not to receive Paid Parental Leave or who do not qualify will continue to receive the Baby Bonus and other family payments, where they meet eligibility requirements.
61. Women in part-time and lower paid employment will especially benefit from the PPL scheme. These workers will receive the full weekly rate of payment, not a proportion related to their income prior to child birth. For some workers this will result in a higher level of payment. Low income earners are also likely to receive the most net benefit due to the tax treatment of the payment.

Forthcoming Taxation Initiatives

62. As discussed in the Government's first submission of 20 March 2009, a number of forthcoming taxation initiatives will assist low income earners by supporting their living standards and preserving the purchasing power of those reliant on minimum wages.
63. From 1 July 2009, as part of personal income tax cuts announced in the 2008-09 Budget, the threshold at which the marginal tax rate increases from 15 cents in the dollar to 30 cents in the dollar will rise from \$34,001 to \$35,001. The Low Income Tax Offset (LITO) will also increase from \$1,200 to \$1,350 but will continue to be reduced by 4 cents for every dollar of annual income over \$30,000. As a result of these changes taxpayers will not pay income tax in 2009-10 until their annual income exceeds \$15,000. It will increase the net pay of a worker on the FMW by almost \$3.00 a week in annual terms.
64. From 1 July 2010, the threshold at which the marginal tax rate increases from 15 cents in the dollar to 30 cents in the dollar will rise again from \$35,001 to \$37,001 and the LITO will increase from \$1,350 to \$1,500. As a result, taxpayers will not pay income tax in 2010-11 until their annual income exceeds \$16,000.

65. These measures will allow low income earners, including part-time workers, to keep more of their earnings and maintain their disposable incomes.

Youth Allowance

66. Low income earners may be seeking to support a family member to participate in higher education. In the 2009-10 Budget the Government has actioned a range of measures to support participation in higher education, particularly amongst low socio-economic students. Specifically, the Government will reform the student income support system to improve targeting and boost the level of assistance to those most in need.
67. The Government will provide \$559.9 million over four years to relax the parental income test to improve student access to the Youth Allowance from 1 January 2010.
68. The Parental Income Test threshold applying under Youth Allowance (currently \$32,800) will be increased to align with the income test threshold applying to the maximum rate of Family Tax Benefit (FTB) Part A (currently \$42,559). The threshold will be linked to the FTB index (the Consumer Price Index) to ensure consistency is maintained over time. The Youth Allowance per child taper rate will be replaced with a 20 per cent family taper rate.
69. The Government will provide \$98.7 million over four years to progressively reduce the Youth Allowance age of independence for students from 25 years to 22 years.
70. The age of independence will be reduced from 25 years in 2009 to 24 years in 2010, 23 years in 2011 and 22 years from 2012. Independent students are not subject to the parental income and assets test.
71. This measure, as part of the income support package, will help better target student income support to those most in need, including students from low socio-economic backgrounds and other disadvantaged groups.
72. The Government will provide \$287.3 million over three years from 2010-11 to increase the level of personal income at which Youth Allowance and Austudy begin to be reduced from \$236 to \$400 per fortnight. Payments will then be reduced by \$0.50 for every dollar of income earned between \$400 and \$480 per fortnight and by \$0.60 for every dollar earned in excess of \$480 per fortnight.

73. The increase in the income thresholds will take effect from 1 January 2011 and will mean that students can earn more before their student support payments are reduced. The thresholds will be indexed annually according to movements in the Consumer Price Index.
74. The Government will tighten the workforce participation criteria for establishing independence under Youth Allowance by removing the following two eligibility criteria: the criterion that the recipient worked part-time for at least 15 hours per week for two years or more since leaving school; and the criterion that the recipient earned, in an 18-month period since leaving school, an amount equivalent to 75 per cent of the maximum rate of pay under Wage Level A of the Australian Pay and Classification Scale generally applicable to trainees (in 2009 this requires earnings of \$19,532). The measure will provide savings of \$1,819.9 million over four years, which will be redirected to help fund other improvements to student income support.

Pensions reform

75. Low income earners may provide support for a family member who is a pension recipient. In the 2008-09 Budget, the Government committed to reform the pension system. Since that time, the scale of the global recession has highlighted the importance of the pension as a safety net for those most vulnerable in society. In the 2009-10 Budget the Government has honoured this commitment by reforming the payments structure for pensioners, and delivered more assistance for carers, at a cost of \$16.0 billion over five years.
76. The new pension package (comprising the base pension and the Pension Supplement) will deliver the following increases: a \$32.49 per week increase for single pensioners on the full rate of pension; and a \$10.14 per week (combined) increase for couple pensioners on the full rate of pension.
77. For the new Pension Supplement, the Government will provide a \$2.49 per week increase for singles and a \$10.14 per week combined increase for couples.
78. These increases in assistance will apply to recipients of the Age Pension, Service Pension, Disability Support Pension, Carer Payment, Bereavement Allowance, Widow B Pension, Wife Pension, Income Support Supplement and to War Widows and Widowers, and will take effect on 20 September 2009. The new Pension

Supplement will also be provided to Widow Allowees, Partner Allowees and other income support recipients over age pension age.

79. The Government will provide \$1.8 billion over five years (including \$384.8 million in 2008-09) to improve assistance to carers through the introduction of a new carer supplement, in recognition of the contribution carers make in caring for people with disabilities and the frail aged. The new supplement will be ongoing and non-taxable. The first payment will be made by 30 June 2009 with subsequent payments starting from 1 July 2010.
80. The Government will increase the income test taper from 40 to 50 cents in the dollar for a single pensioner and from 20 to 25 cents in the dollar for each member of a couple, for income above the relevant income free threshold. This threshold is currently \$138 per fortnight for single pensioners and \$240 per fortnight for pensioner couples (combined).
81. As part of this measure, the higher income test threshold for pensioners with children (currently \$162.60) will be abolished to align the pension income test with the allowance and family payments income tests. This recognises that assistance with the care of children is provided directly through Family Tax Benefit and Child Care Benefit.

Family payment reforms

82. Australia's spending on family payments is generous by international standards. The most recent OECD comparisons show that in 2005 Australia's cash spending on family benefits, at 2.2 per cent of GDP, was equal third highest in the OECD and well above the OECD average of 1.3 per cent.
83. Spending on cash benefits to families has been growing at about 9 per cent per annum on average over the last decade, and faster than spending on pensions which has grown at slightly below 7 per cent per annum on average.
84. In the Budget, the Government has taken steps to ensure that spending on family payments remains sustainable.
85. From 1 July 2009, Family Tax Benefit Part A (FTB-A) payment rates will be indexed by the Consumer Price Index consistent with other family payments such as Family Tax Benefit Part B and the Baby Bonus. This will replace the current arrangement

whereby maximum rates of FTB-A for children under the age of 16 are benchmarked to a proportion of the combined couple rate of pension payments, or adjusted by the Consumer Price Index, whichever is higher.

86. This change affects approximately 1.1 million families with children aged under 16. Payments will maintain their value in real terms but families will receive smaller increases than they otherwise would. In 2009-10, it is estimated that families receiving the maximum rate of FTB-A will forgo an increase in payments of around \$0.35 per week for each child aged 0-12 years, and \$0.49 per week for each child aged 13-15 years, compared to the payment increases they would receive in the absence of this change.
87. The Government will reform family payments through maintaining the higher income thresholds for family payments at their current level until July 2012.
88. The following higher income thresholds will remain fixed until July 2012: the Family Tax Benefit Part B primary earner income threshold, which will remain at \$150,000; the income threshold for receiving the dependency tax offsets, which will remain at \$150,000; the Baby Bonus eligibility threshold, which will remain at \$75,000 of family income in the six months following the birth or adoption of a child (equivalent to \$150,000 a year); and the higher income-free area of Family Tax Benefit Part A, which will remain at \$94,316 of family income (plus \$3,796 for each child after the first). These thresholds would ordinarily be indexed by the Consumer Price Index.
89. The Child Care Benefit (CCB) and the Child Care Tax Rebate (CCTR) help families with the cost of child care by subsidising the use of approved child care. The CCB provides up to \$3.47 per hour, for up to a maximum of 50 hours of care, for eligible families who use approved care. In addition, the CCTR covers 50% of out-of-pocket child care costs of up to \$7,500 (indexed) per child per year for eligible families. These childcare subsidies benefit low income and single parent families by supporting workforce participation.

Superannuation co-contribution

90. The Government will temporarily reduce the matching rate and maximum co-contribution that is payable on an individual's eligible personal non-concessional superannuation contributions, with effect from 1 July 2009. This measure is estimated to save \$1.395 billion over the forward estimates period.

91. Under this measure, the matching rate will be: 100 per cent on contributions made in the 2009-10, 2010-11 and 2011-12 income years, with a maximum co-contribution of \$1,000, reduced by 3.333 cents for each dollar by which the person's total income exceeds the lower income threshold for receiving the full co-contribution; 125 per cent on contributions made in the 2012-13 and 2013-14 income years, with a maximum co-contribution of \$1,250, reduced by 4.167 cents for each dollar of total income above the lower income threshold; and 150 per cent on contributions made from the 2014-15 income year onwards, with a maximum co-contribution of \$1,500, reduced by 5 cents for each dollar of total income above the lower income threshold.

Conclusion

92. The slowdown in economic activity stemming from the global recession is expected to impact on demand for labour over the next year.
93. The Government's stimulus packages will provide considerable support to economic activity, significantly raising the level of GDP from what would have been the case in the absence of this action. This in turn will support labour demand over the forecast period. The stimulus measures are estimated to reduce the forecast peak unemployment rate by 1.5 percentage points.
94. As noted in the Government's first submission of 20 March 2009, the Commission's decision should align with the key priorities of supporting jobs during the economic downturn and providing support for the needs of the low paid. The Government therefore supports a considered rise in the low-income safety net, mindful of the significant challenges facing the domestic economy as a result of the global recession.