The Morrison Government decides to keep the pension age at 67 rather than raising it to 70

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In his 2009 Budget, then-Treasurer Wayne Swan foreshadowed an increase in the age at which Australians become eligible for the age pension from 65 – where it had been since the age pension was first introduced in 1908 – to 67, to be phased in between 2017 and 2023. This change is under way now: every year between now and 2023, the 'pension age' will increase by six months. Wayne Swan justified this move by referring to 'increases in life expectancy' and 'international trends'.

Four years later, in the first Budget of the Abbott Government, Treasurer Joe Hockey announced a further increase in the pension age to 70 by 2035, saying that 'we should celebrate the fact that Australians are living longer but we must prepare for the adjustments in our society'. There was no further elaboration on this proposal in the Budget Papers. Because the proposed increase in the pension age was almost a decade into the future, there was no indication of its net effect on the 'bottom line' in the Forward Estimates. And like many of the other measures proposed in the 2014-15 Budget, it was never passed by the Senate.

Raising the pension age to 70 was one of the recommendations of the now largely-forgotten National Commission of Audit, established in the early days of the Abbott Government, and whose report was handed to the Government in mid-February 2014 but kept 'under wraps' until a fortnight before the 2014-15 Budget. The Commission recommended that 'after the current scheduled increase in eligibility age to 67 in 2023, the Age Pension age be indexed to a proportion of average life expectancy for all persons at age 65'. It estimated that setting the age pension age at 77% of life expectancy at 65 would 'see the Age Pension age reach 70 years by 2053'. The Commission noted that this proposed change 'would not affect anyone born before 1965': in other words, it would only affect 'Generation X' and subsequent generations, not the 'baby boomers'.

The National Commission of Audit's recommendation appears to have in turn drawn on a Productivity Commission Research Paper published in November 2013, entitled *An Ageing Australia: Preparing for the Future*. Citing earlier work by the OECD, the Productivity Commission suggested that 'some linkage between pensions and life expectancy appears to be conceptually well founded', and noted that 'many countries have now linked aspects of their pension schemes to changes in life expectancy'. It argued that 'one of the advantages of an explicit formulistic link between the pension eligibility age and life expectancy is that it puts in place a system that automatically recognizes the growing capacities of older people to be active in the labour market'.

The Productivity Commission estimated that gradually increasing the pensionable age from 67 to 70 years between 2023 and 2035 would 'yield increasingly larger fiscal savings, rising up to around 0.15% of GDP in the later 2030s'. Between 2025-26 and 2059-60, the Productivity Commission estimated the 'accumulated (undiscounted) savings to be around $150 billion in constant 2011-12 prices' (about $159 billion in 2017-18 prices).

That estimate allowed for the likelihood that some people who would not be eligible for the pension would claim other benefits, such as the disability support pension. But it did not include 'the increased taxation receipts from people who continue to work because of the increased pension eligibility age', or 'other economic and social benefits of the more active involvement of older people in labour markets'. Nor did it allow for further savings in pension costs arising from the possibility that at least some people who worked and saved (including through superannuation contributions) for longer would, as a result, exceed the asset threshold for the age pension when they reached the pension age.

These are the savings which the Government has now decided to forego, because (in the Prime Minister's words) 'he did not think the measure was needed anymore'.

That could be because the Government now envisages the budget returning to and remaining in surplus over the medium term, without the savings which this measure would have delivered – if the Government had ever been able to get it through the Senate.

A more accurate clue to the Government's thinking comes from the Deputy Prime Minister, who told Sky News today, "if you are a tradie, or a brickie or a shearer in rural and regional Australia you don't want some suit in Canberra telling you you are going to have to work until you're 70." Tradies, brickies or shearers in rural and regional Australia represent a pretty small proportion of the Australian population these days. But that kind of talk probably resonates with the voters whose support the Government is likely to need if it is to have any chance of retaining office at the next election. And the savings which the Government is now willing to forego wouldn't have had any impact on the budget until some time after the election after that one.