# Living well after work

Submission by the Australian Council of Trade Unions to the Retirement Income Review

3 February 2020

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## Foreword

Australia's retirement income system was built to be more than just an anti-destitution measure. It is an expression of our national social contract – how we as a nation are committed to care and accommodate for those whose contributions built the country we enjoy today. A grand bargain between workers, their employers and our Government to ensure that those who have worked hard – those who have contributed to our community and economy – have a standard of living post-work which allows them to live a comfortable and dignified retirement. The structure of our retirement income system reflects this grand bargain.

Superannuation is the bargain between workers and their employers to ensure that the value workers created during their working life isn't forgotten. The Age Pension is the social guarantee that no Australian should live in poverty.

Australia's superannuation is one of the most successful vehicles for a decent retirement in the world. It is also a monumental solution to challenges our nation faced and is the source of solutions for our current and future challenges.

Right now, however, parts of our social contract are failing. Low income workers – in particular women and Aboriginal and Torres Strait Islander workers - are not adequately supported by our superannuation system, and many workers are wholly excluded from the system. The Age Pension is not high enough to guarantee a dignified retirement. And some parts of our system work against each other.

We have the opportunity and the obligation to rebuild the retirement income system for the future. To strengthen the system and ensure that it is sufficiently robust for workers to retire with dignity. The generation which built our retirement income system have entrusted us to be custodians of the system. We cannot let down those who will come after us.

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### Table 1 Superannuation Guarantee rate, 1992 to 1996-97

| | Employer with less than $1m in payroll | Employer with more than $1m in payroll |
|---|---|---|
| **1992 - 93** | 3% | 5% |
| **1993 - 94** | 3% | 5% |
| **1994 - 95** | 4% | 5% |
| **1995 - 96** | 5% | 6% |
| **1996 - 97** | 6% | 6% |

### Table 2 Superannuation Guarantee Rate, 1996-97 to 2025

| Year | All Employers |
|---|---|
| **1996 - 97** | 6% |
| **1997 - 98** | 6% |
| **1998 - 99** | 7% |
| **1999 - 2000** | 7% |
| **2000 - 01** | 8% |
| **2001 - 02** | 8% |
| **2002-2013** | 9% |
| **2013-14** | 9.25% |
| **2014-2021** | 9.5% |
| **2021-22** | 10% |
| **2022-23** | 10.5% |
| **2023-24** | 11% |
| **2024-25** | 11.5% |
| **2025 onwards** | 12% |

### Table 3 Superannuation accumulation for a current retiring worker

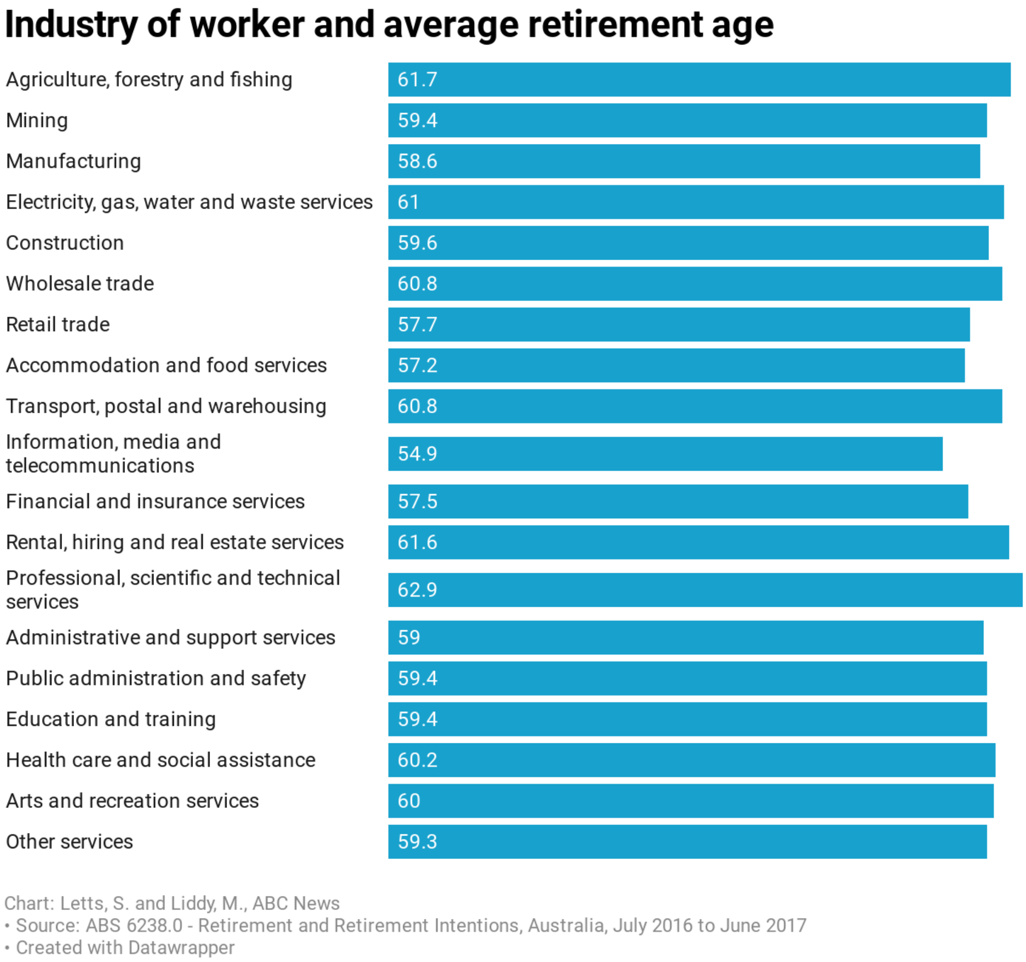
| Year | Age | Superannuation Guarantee Rate Payable |
|---|---|---|
| **1970** | 18 | 0 |
| **1971** | 19 | 0 |
| **1972** | 20 | 0 |
| **1973** | 21 | 0 |
| **1974** | 22 | 0 |
| **1975** | 23 | 0 |
| **1976** | 24 | 0 |
| **1977** | 25 | 0 |
| **1978** | 26 | 0 |
| **1979** | 27 | 0 |
| **1980** | 28 | 0 |
| **1981** | 29 | 0 |

| | | |
|---|---|---|
| **1982** | 30 | 0 |
| **1983** | 31 | 0 |
| **1984** | 32 | 0 |
| **1985** | 33 | 0 |
| **1986** | 34 | 0 |
| **1987** | 35 | 0 |
| **1988** | 36 | 0 |
| **1989** | 37 | 0 |
| **1990** | 38 | 0 |
| **1991** | 39 | 0 |
| **1992** | **40** | **3** |
| **1993** | 41 | 3 |
| **1994** | 42 | 4 |
| **1995** | 43 | 5 |
| **1996** | 44 | 6 |
| **1997** | 45 | 6 |
| **1998** | 46 | 7 |
| **1999** | 47 | 7 |
| **2000** | 48 | 8 |
| **2001** | 49 | 8 |
| **2002** | 50 | 9 |
| **2003** | 51 | 9 |
| **2004** | 52 | 9 |
| **2005** | 53 | 9 |
| **2006** | 54 | 9 |
| **2007** | 55 | 9 |
| **2008** | 56 | 9 |
| **2009** | 57 | 9 |
| **2010** | 58 | 9 |
| **2011** | 59 | 9 |
| **2012** | 60 | 9 |
| **2013** | 61 | 9.25 |
| **2014** | 62 | 9.5 |
| **2015** | 63 | 9.5 |
| **2016** | 64 | 9.5 |
| **2017** | 65 | 9.5 |
| **2018** | 66 | 9.5 |
| **2019** | 67 | 9.5 |

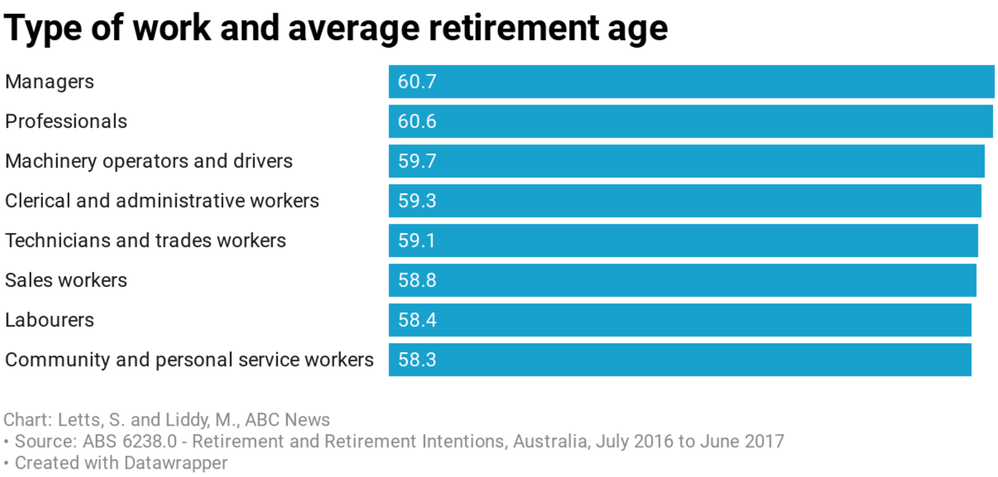
**Years working without compulsory superannuation: 22*

**Years working with compulsory super: 27*

## Figure 1 Average age of retirement by industry[1]




## Figure 2 Type of work and average retirement age[2]

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[1] Stephen Letts and Matt Liddy, 'Chart of the Day: When Do People in Your Line of Work Retire?', *ABC News* (Sydney, 15 August 2018) <https://www.abc.net.au/news/2018-08-15/when-do-people-in-your-job-retire-chart/10122410>.
[2] Letts and Liddy.

# Introduction

Since its formation in 1927, the ACTU has been the peak trade union body in Australia. There is no other national confederation representing unions. For more than 90 years, the ACTU has played the leading role in advocating in the Fair Work Commission, and its statutory predecessors, for the improvement of employment conditions of employees. It has consulted with governments in the development of almost every legislative measure concerning employment conditions and trade union regulation over that period.

The ACTU consists of affiliated unions and State and regional trades and labour councils. There are currently 39 ACTU affiliates. They have approximately 2 million members who are engaged across a broad spectrum of industries and occupations in the public and private sector.

The ACTU and the union movement won compulsory employer-paid superannuation through national worker-led campaigns. A right once reserved for the wealthy, executives and few workers, superannuation is now a near-universal workplace right. Due to the campaigning of those in the 1970s and 1980s to win superannuation payments for the first time, superannuation is now enjoyed by the vast majority of workers.

The superannuation system is one of the labour movement's proudest achievements. Due to the compulsory superannuation system, workers now have more than $2.9 trillion in retirement savings. Alongside compulsory superannuation, the union movement's foundation of industry superannuation funds has ensured that workers' savings have had excellent growth and management with low fees. Many workers retiring now are doing so with savings they never would have accumulated without employer-paid superannuation. Due to superannuation, more workers can retire with security and dignity.

Despite the establishment of superannuation, too many low-income workers — especially women and Aboriginal and Torres Strait Islanders — are retiring into poverty. Women workers retire, on average with less than half of the superannuation of men. The number of women who are homeless is rising due to the gender pay gap, intersectional age and gender discrimination for older women, and structural barriers to women accumulating superannuation. Each of these barriers to a dignified retirement must be redressed to ensure equality for all Australians.

Aboriginal and Torres Strait Islander workers are some of the most disadvantaged in the country and face worse retirement prospects, on average. Aboriginal and Torres Strait islanders who are now entering retirement are part of the first generation of workers legally allowed to accrue wealth. The impact of Australia's racist treatment of Aboriginal and Torres Strait islander people cannot be underestimated on the ability to retire with dignity – or reach retirement at all. Our retirement system is built and is being run for the broad benefit of non-Indigenous Australians, and Indigenous people are continually excluded from the financial system. The preservation and pension ages are set with non-Indigenous life expectancy in mind, and the treatment of kinship is culturally inappropriate. A key area which must be examined by this review and which needs urgent reform is the retirement outcomes of Aboriginal and Torres Strait Islander workers.

When universal superannuation was established, the workforce was majority male and full-time. As a result, women have faced decades of structural barriers to accumulating superannuation. Superannuation is not paid where workers earn less than $450 per month, and parental leave is the only form of leave which superannuation is not paid on. Women, on average, have different patterns of work and earn less than men. Each issue compounds and women, on average, retire with less than half of the superannuation of men. Women need a retirement system which works for them, and nothing less than equality should be accepted.

The changing nature of work is changing work patterns for young people. The rise of the gig economy is excluding young workers from accruing superannuation. Junior wages, the below 18 exclusion, casual work, low wages and a cut to penalty rates compound to reduce the amount of superannuation that young workers are earning. Earning superannuation early is the most effective investment for a better retirement income. Compounding earnings for superannuation mean that a dollar earned in superannuation at 18 is worth more at retirement than a dollar earned at 66 — but our earnings system excludes the young and encourages the older. This should be reformed.

Those who retire without enough superannuation retire to a poverty wage. The Age Pension is not and has never been an adequate payment to live comfortably. The increases in the cost of essentials continue to outstrip pension growth. Pensioners are finding it increasingly hard to get by as health care costs increase, aged care becomes unaffordable and electricity prices soar. Pensioners who are renting or still paying a mortgage are some of the worst off. Those without a fully-paid home barely get by and are in deep poverty. Those on the Age Pension with dependents are similarly disadvantaged. Urgent increases are required to alleviate poverty in retirement, and this must start with an increase to the Age Pension.

Our superannuation system is an important part of our suite of nation-building policies. Our superannuation system not only delivers as a vehicle for retirement, but serves as a ballast against capital shocks, improves national savings rates and contributes to nation-building infrastructure. Australia should better utilise the capital pool to face our present and future national challenges.

When Australian Unions fought for and won universal superannuation, it was to build the best retirement system for working people in the world. The universal superannuation system was designed to work in concert with the Age Pension to provide for a dignified retirement. One where your standard of living is not solely determined by politicians or labour market success. We have, however, seen a continual degradation under conservative federal governments of the retirement income system. Rather than passing laws which benefit working Australians, the changes to the regulation of superannuation has seen it increasingly being used as a tax haven or vehicle for intergenerational wealth transfer. As the value of the Age Pension is suppressed, supplemental payments diminished, and the availability of public housing eroded, tax concessions for the wealthiest have been maintained or increased. There are stark inequalities now built into the system, and pressing reform is required to ensure that the objectives of the retirement income system are met.

Australia has a system better than most others in the world, however we should not stop there, nor should the issues with the system cause us to abandon the project. We need to strengthen our retirement incomes system to ensure it is better now and into the future.

# Summary of recommendations to improve the retirement income system

## Superannuation Recommendations

### Recommendation 1 — Increase the Superannuation Guarantee

Increase the Superannuation Guarantee to 12% immediately and legislate a pathway to a Superannuation Guarantee rate of 15%.

Expedite an accelerated SG increase to 15% for women to help address the gender retirement gap.

### Recommendation 2 — Remove Systemic Inequalities for Women

In order to improve retirement outcomes for women workers, systemic barriers to accumulation of superannuation for these workers must be removed immediately.

Legislation should be immediately enacted to:

- remove the $450 per month minimum earnings threshold for SG eligibility,
- require the payment of superannuation on paid and unpaid parental leave,
- remove barriers to affirmative action for women which effect employers and superannuation funds.
- Expedite SG increases for women

### Recommendation 3 — Remove Systemic Inequalities for Aboriginal and Torres Strait Islander Workers

Aboriginal and Torres Strait Islander workers face poorer retirements than non-Indigenous workers and require immediate reform to address. Legislation should be immediately enacted to:

- remove the $450 per month minimum earnings threshold for SG eligibility,
- lower the Age Pension eligibility age for Aboriginal and Torres Strait Islander workers,
- lower the preservation age, and any corresponding tax concessions available for retiring Aboriginal and Torres Strait Islander workers,
- abolish the Community Development Programme and all work for the dole programs which undermine minimum entitlements and do not accrue superannuation payments,
- require superannuation funds and government services related to retirement to be offered in-language where possible
- remove barriers to affirmative action for Aboriginal and Torres Strait Islander workers which effect employers and superannuation funds, and,
- reduce the documentation load required to prove kinship in Aboriginal and Torres Strait Islander communities.

### Recommendation 4 — Introduce a superannuation accumulation pathway

Introduce a superannuation accumulation pathway to ensure workers have enough superannuation to retire comfortably with.

### Recommendation 5 — Superannuation should be paid on every dollar earned

Superannuation should be paid on every dollar earned, up to the cap on superannuable wages. Currently superannuation is only paid on Ordinary Time Earnings and must be paid on total earnings

### Recommendation 6 — Superannuation should be paid on Workers' Compensation

Injuries in the workplace should not haunt you throughout retirement. Where workers are taking time off work and receiving workers' compensation payments in lieu of wages they are losing retirement savings to injury. Workers should receive superannuation payments on top of workers' compensation.

### Recommendation 7 — Superannuation should be paid to every worker

Superannuation should be paid to every worker, not just those classified as 'employees.' Contractors and gig economy workers should be entitled to the same right as all workers. Superannuation should also be paid to workers under the age of 18.

### Recommendation 8 — Eliminate superannuation theft

Superannuation theft is the theft of workers' retirement savings by unscrupulous employers. The following measures should be introduced to eliminate superannuation theft:

- Unions should be given the power to inspect employers' records of superannuation payments,
- Superannuation should be paid at the same time as wages,
- Superannuation Guarantee provisions should be replicated in the National Employment Standards, and,
- Wages and superannuation recovery systems should be improved and made more efficient, affording more rights to workers and their unions to initiate recovery action.

### Recommendation 9 — Restart the Fair Work Commission default fund process

The Fair Work Commission must be empowered to conduct reviews of default superannuation funds in modern awards. Underperforming and scandal plagued super funds like those offered by AMP must not be present in modern awards.

### Recommendation 10 — Kick underperforming funds and bank-owned funds out of the system

For-profit superannuation funds are a drain on the superannuation system, leech retirement savings from workers, and result in generally worse retirement outcomes than all-profit-to-member funds. For-profit superannuation funds and systemic underperformers must be removed from the system.

### Recommendation 11 — Scrap unfair tax concessions

Tax concessions, especially in the retirement phase, are far too generous to the wealthy. Tax concessions for the wealthy should be removed and/or better means tested.

## Age Pension & Social Assistance Recommendations

### Recommendation 12 — Increase the Age Pension

The pension is barely enough for most, and a poverty wage for those renting. The pension must be immediately increased.

### Recommendation 13 — Lower the Age Pension eligibility age

The Age Pension eligibility age is too high and unsuitable generally for blue collar workers. It must be immediately lowered to 65 for all workers.

### Recommendation 14 — Increase rent assistance to Pensioners

Rent assistance paid to Age Pensioners barely makes a difference, forcing them into poverty. Rent assistance should be immediately increased.

### Recommendation 15 — Reform deeming rates to a floating variable rate

Current deeming rates are set politically and are unsuitable for what appears to be a protracted period of low interest rates. Deeming rates should be independently set to a floating, variable rate.

### Recommendation 16 — Increase Newstart

Increase Newstart Allowance by at least $75 a week, with the goal to increase the rate above the poverty line by increasing it ultimately by $160 a week.

### Recommendation 17 — Reform the Age Pension Assets Test

The Age Pension Asset Test is currently too harsh and for those on a part pension, counteracts any positives from accruing superannuation. It must be set at a reasonable level to ensure part-pensioners have a decent standard of living.

## Housing Recommendations

### Recommendation 18 — Make housing more affordable

Owning a home without a mortgage is the most important aspect of a good retirement. The following steps must be taken to make housing more affordable:

- Increase the supply of affordable housing, especially in areas the aged live, through Government-led building and investment incentives,

- Reform and limit negative gearing, and,
- Reform and limit capital gains tax exemptions on investment properties.

### Recommendation 19 — Improve tenants' rights

Broadly speaking, renters are vulnerable and have few rights. Lease terms are often short, rights to make improvements, have pets and make the home more liveable are limited. Tenants must be afforded greater rights to alleviate housing stress on long-term renters.

## Health and aged care recommendations

### Recommendation 20 — Aged Care funding must be increased

Aged Care and Social Assistance funding must be increased, with legislated staff to patient and nurse to patient ratios in aged care facilities. Aged Care workers must receive better wages, conditions and professional development to complement the complexity, value and skill of their work. Similarly, disability support workers must receive better wages, conditions and professional development to complement the complexity, value and skill of their work, and to counteract the reliance on casualised, gig-economy employment practices across the disability sector.

### Recommendation 21 — Health care funding must be increased

Funding for health care must be increased to cope with the increased demand on health services. Nurse-to-patient ratios should be made law, nationally, to improve the quality of care for all Australians. Dental care and cancer treatment should incur no out-of-pocket expenses.

## Voluntary savings recommendations

### Recommendation 22 — Increase workers' wages

The minimum wage is too low. A minimum wage of at least 60% of median income is required to lift workers on the minimum out of poverty. Wages growth must improve to increase superannuation contributions' value in retirement and improve the capacity for workers to save. Wages are not keeping up with the cost of living.

### Recommendation 23 — Eliminate the gender pay gap

Women still have significantly lower wages than men, and the wages gap must be eliminated. The gender pay gap directly contributes to poorer retirement outcomes for women through lower superannuation balances, lower savings, and lower rates of home ownership.

## Objective of the retirement system

The objective of the retirement income system should be to ensure that no Australian retires into poverty and that workers' standard of living through their working life is retained in retirement.

Each pillar of the retirement income system, the social welfare system, the healthcare system, industrial relations laws and government incentives should work in concert in order to achieve this. However, we have not met this objective. Short-sighted government policy has led to cuts to the real value of the pension, more onerous eligibility tests, freezing of increases to the superannuation guarantee rate, the undermining of workers' rights, the hollowing out of our public health system, and perverse government incentives and expenditure which disproportionately benefit the wealthy.

In order to redress this, each pillar of the retirement system should have a clear goal in achieving the objective of the retirement income system.

The objective of the Age Pension should be to provide for an adequate retirement for all Australians. The minimum acceptable standard of living for retired workers is not mere subsistence. Pensioners, especially those renting, should not be forced to make decisions between putting the heating on and eating well. It is unacceptable that retired workers should be living in poverty, and equally unacceptable that retired workers should have to scrounge to make ends meet. The Age Pension should provide a minimum level of income which affords retired workers a dignified and financially independent lifestyle. The Age Pension should be a targeted benefit and work with superannuation to raise workers' standard of living.

The objective of superannuation is to ensure that a worker's standard of living is maintained when they retire. Superannuation should supplement and support the Age Pension. This is only achieved through workers having an adequate income stream to meet a level of spending consistent with community standards, financed through or by a combination of superannuation, private savings and the age pension. The most significant step to achieve this objective is raising the SG to 15%. It is important that Government assists workers to save, and targeted tax concessions for low and middle-income workers are key. Superannuation, however, should not be used as a vehicle for intergenerational wealth transfer. Tax concessions for the extremely wealthy must be reined in to improve the ability to sustain a dignified Age Pension.

A secondary objective for Australia's superannuation system should be to use workers' capital for the long-term national interest. Due to workers winning compulsory superannuation, Australia now has one of the largest pools of dispatchable capital in the world, through the fourth largest pool of pension savings in the world.[3] With 25% of workers' retirement savings invested in international shares, 9% in international debt instruments, but just 6% in infrastructure, the capital in superannuation funds is not being used to its fullest potential.[4] Energy, housing and healthcare need significant public and private investment to face our coming challenges. Creative leadership and long-term thinking are needed to incentivise institutional investment in Australian infrastructure and use superannuation for nation-building. Wherever possible, while simultaneously meeting members' best interest and generating returns, superannuation funds should invest in projects and companies which create good jobs and improve the standard of living of Australians in work and through retirement.

While it has long been accepted that housing is key to a decent standard of living, there has never been a national housing objective. An objective should be set that all Australians be in stable and affordable housing, either through direct ownership, renting or through social housing. House prices in most Australian capital cities are some of the most expensive in the world. Sydney and Melbourne are two of the top five least affordable cities in the world, with Adelaide, Brisbane, and Perth each making it into the top 22.[5] Australia should establish a national decent housing objective, to improve the rate of home ownership and the affordability of homes, improve conditions and pricing for rent, and build more social housing for those in need.

Our pillars should work with one another to provide for a decent, comfortable and dignified retirement. Superannuation should supplement the Age Pension until the household can live comfortably without the Age Pension. Superannuation and the Age Pension should work together to improve the standard of living for those receiving both. The Age Pension Assets Test must be reformed to ensure those on a part pension, and those currently excluded by the steep taper rate, receive the benefit for accruing superannuation. Housing is a key part of this, and those with a home should not be forced to leave it just to be eligible for the pension, as some suggest.

Future reforms should be centred around this objective for the retirement system, superannuation, the Age Pension and housing.

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[3] OECD, *Pension Markets in Focus* (Paris: OECD, 2019) <http://www.oecd.org/daf/fin/private-pensions/pensionmarketsinfocus.htm> Table A B.2.
[4] The Association of Superannuation Funds of Australia, *Superannuation Statistics* (Sydney: The Association of Superannuation Funds of Australia, December 2019) citing APRA September quarter 2019, funds with more than four members.
[5] Duncan Hughes, 'Australian Property Still World's Most Expensive despite Sharp Falls', *Australian Financial Review* (Sydney, 10 May 2019) <https://www.afr.com/companies/financial-services/australian-property-still-world-s-most-expensive-despite-sharp-falls-20190508-p51l5x> citing data from Morgan Stanley.

## Retirement outcomes for workers

The retirement outcomes for workers are varied and disparate. Those who have been historically well-off, executives and those with inherited wealth, continue to be well-off into retirement. Average workers' retirement outcomes are slowly improving, due mainly to the increasing number of workers retiring with adequate superannuation from industrial campaigns fought in the 70s and 80s, and increased numbers of workers retiring from the public sector with adequate superannuation. Superannuation has been universal for employees since just 1992. A worker retiring in 2019 at age 67 would have worked 22 years before receiving compulsory superannuation. The following 27 years of their working life has mostly been with superannuation below 9.5%. This is illustrated in Table 3 Superannuation accumulation for a current retiring worker. The system is still maturing and will not reach maturity until employers are required to pay 15% super on top of wages, and workers have received that for their career. Workers will not universally retire comfortably and with dignity until all workers are entitled to superannuation, and the structural barriers to accumulating superannuation are removed.

Retirement outcomes should be considered with this in mind. On average, workers and especially women are not retiring with enough superannuation for a decent retirement.

Table 4 Median balance by age and gender[6]

| Age | Men | Women | Persons |
|---|---|---|---|
| 55-64 | $183,000 | $118,600 | $150,000 |

Workers who are retiring with more superannuation than the median are doing so because they and their union were able to negotiate better outcomes. Prior to legislated compulsory superannuation contributions, unions were able to negotiate retirement schemes for their workers. These ranged from defined benefit schemes in the public service, university sector, some manufacturing and some trades, to contribution schemes like the compulsory system we have today.[7] These schemes were more likely to be

*I believe that when I retire at 60 I will be living comfortably. Being a member of a progressive union since I was 16 has ensured this. Unfortunately to many workers have not had this benefit and will struggle when they retire or have to remain in the workforce until they drop. There should only be increases in superannuation and any attempt to wind it back should be fought at every step of the way.*

*— Henry, CFMMEU – Maritime Division Member*

Quote 1 ACTU Survey of Union Members

[6] Australian Bureau of Statistics, *6333.0 Characteristics of Employment, Australia, August 2019* (Canberra, 9 December 2019).

[7] Tom McDonald and Cathy Brigden, *The Quiet Revolution: Superannuation for All Workers* (Melbourne: CFMEU, 2017).

present in male-dominated industries, which has compounded gendered retirement inequality. The retirement outcomes for women, in particular will be explored in a later section. A decent level of superannuation is the greatest contributor to a positive retirement for working people.

Workers through their unions have negotiated for higher than minimum Superannuation Guarantee (SG) contributions from employers across many industries for decades, alongside more favourable conditions for superannuation accumulation – like removing arbitrary barriers. These working people with some of the best retirement outcomes are beneficiaries of having at least 15% superannuation calculated on all wages, paid regularly to a well performing industry fund. Above minimum SG or a defined benefits scheme are the two most common reasons why workers are retiring comfortably.

> *I consider myself lucky to work in a sector where my Union has negotiated good superannuation contributions, and our sector super fund is very good. This is vital for my long term future as I am the sole breadwinner in my household and will need to support two people in retirement. If super rules had been watered down earlier in my career, I probably would have reduced my contributions - and would thus be in dire straits now, with no way to make up the shortfall. My partner and I would have become seniors in poverty, dependent on welfare.*
> *— Nardia, NTEU Member*

Quote 2 ACTU Survey of Union Members

Many workers with good retirement outcomes are members of defined benefit schemes, which are becoming rarer. Defined benefit schemes are some of the most beneficial retirement vehicles a worker can draw upon. Workers can rely on a certain income, usually calculated to be relative to a composite final salary, for the rest of their life. These benefits have predominantly gone to public sector, university and some manufacturing workers and were won through their unions.

*"I'm lucky enough to have been in the federal public sector for more than 20 years which means that my super scheme is PSS which is defined benefit and enables me to take an indexed pension once I leave. I have been told that PSS is the best super scheme in the country, and it ought to have been retained but it is now closed and current public servants have a market linked scheme. The only other individuals whose super exceeds PSS are bloody politicians."*
*— Phil, Public Service Worker, CPSU (Federal) Member*

Quote 3 ACTU Survey of Union Members

Not all workers are so lucky, however. Most workers are retiring with less superannuation than they need for a dignified retirement. With the median retirement balance at $150,000 and the average age of retirement at 63.6 years for men and 62.1 years for women[8] – many workers are living off their meagre superannuation before reaching age pension eligibility age. Workers who are involuntarily retired before being eligible for the age pension are condemned to the poverty-inducing Newstart Allowance (NSA).[9] 22% of people aged 55 and older are receiving NSA.[10] NSA is an unacceptably low payment for workers experiencing unemployment. At just $279.50 per week. It is estimated by the Australian Council of Social Services (ACOSS) to be $320 per week below the poverty line.[11]

*"You can't live on Newstart. I eat one meal a day so the kids can eat. My sweet girl says I should eat more. I was a nurse for 27 years. All my savings have gone. I'm in so much debt. I try my best but feel so ashamed."*
*— Ellen, 61 caring for two children (Davidson et. al, 2018 p. 37)*

The current retirement age is inappropriately high and not reflective of community standards or expectations of retirement. The retirement age is set at 67 by parliamentarians who have never experienced blue-collar work, and do not intend to start laying bricks or driving trucks at 60.

Workers can be involuntarily retired for many reasons, and many workers are experiencing involuntary retirement as a direct consequence of poor government policy. The Abbott-Turnbull-Morrison Government's decision to close the Australian car industry has left tens of thousands of workers in the car industry in either unemployment or underemployment. 53% of the 27,5000

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8 Australian Bureau of Statistics, *6238.0 - Retirement and Retirement Intentions, Australia, July 2016 to June 2017* (Canberra, 2017).
9 P. Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2* (ACOSS, 2018).
10 P. Davidson and P. Dorsch, *Faces of Unemployment* (Sydney: ACOSS & Jobs Australia, 2018), p. 6.
11 Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 50.

workers in Ford, Toyota and Holden (and their supply chains) retrenched by the Abbott-Turnbull-Morrison Government were aged 50-69.[12] 15% of these workers left the labour force, of those still in the labour force, 18% were unemployed in 2019.[13] Workers often found employment with worse conditions than when they left, with 41% entering casual jobs after permanent full-time work.[14] Experienced workers who have lost their job suffer high levels of employment discrimination based on their age. 29% of those aged 50-59 experienced some form of age discrimination[15] and nearly a fifth of workers who faced age discrimination were forced to retire.[16]

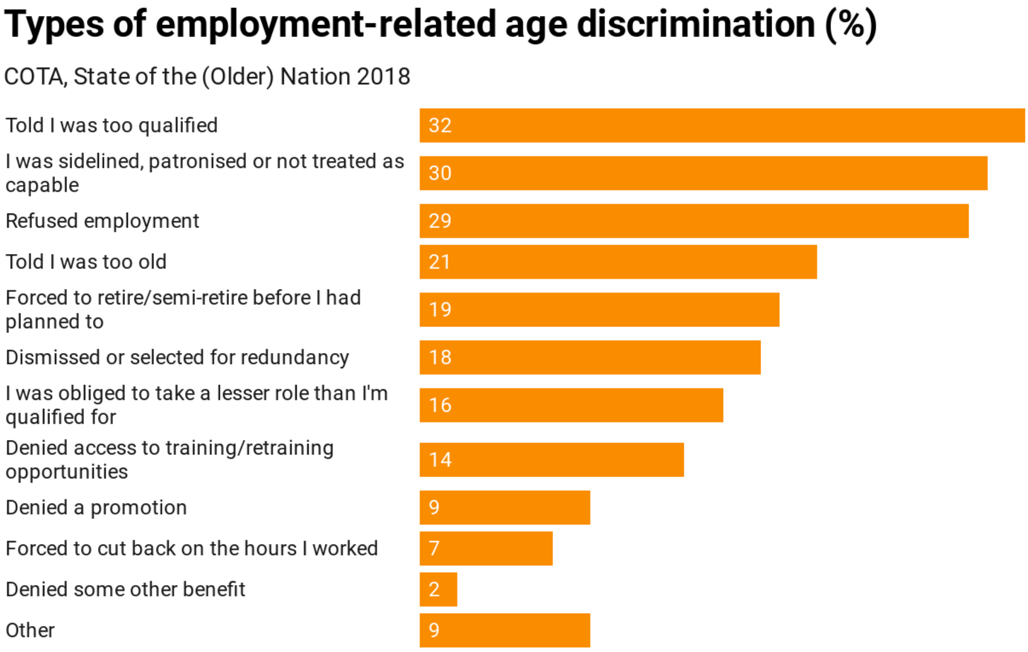


Figure 3 Types of employment-related age discrimination[17]

When workers reach the age pension eligibility, but do not have superannuation, their outcomes are not much better. While better than NSA, the age pension is still an income which is below the poverty line for many workers. For workers turning 67, filling out the 160-part questionnaire only to wait more than 150 days to be approved is stressful and demeaning.[18] The age pension began and still operates with the intention of being an anti-destitution measure. The age pension sits $87 below the poverty line for a single retiree with no children and $128 below the poverty line for a

[12] Department of Employment, Skills, Small and Family Business, *The Transition of the Australian Car Manufacturing Sector* (Canberra, 2019), p. 4.
[13] Department of Employment, Skills, Small and Family Business, p. 4.
[14] Department of Employment, Skills, Small and Family Business, p. 2.
[15] Council on the Ageing, *State of the (Older) Nation 2018* (Canberra: COTA, 2018), p. 24.
[16] Council on the Ageing, p. 25.
[17] Council on the Ageing, p. 25.
[18] James Hearnes, 'Five Months and No Age Pension: Centrelink Delays "Not Acceptable"', *Sydney Morning Herald* (Sydney, 15 July 2019) <https://www.smh.com.au/politics/federal/five-months-and-no-age-pension-centrelink-delays-not-acceptable-20180715-p4zrlx.html> [accessed 17 December 2019].

couple with no children.[19] Pensioners struggle to afford the basics. The annual pension increases are tied to wages growth, which under the term of the Abbott-Turnbull-Morrison Government have been stagnant is now the 'slowest sustained [wages] growth rates in at least a generation'.[20] This has led, generally, to the biggest fall in living standards for more than 30 years,[21] and acutely to a fall in the disposable incomes of retirees in Australia.

Those on the age pension are getting by with little-to-nothing in savings and no spare capacity to do anything other than subsist. The cost of essentials rises faster than wages and rise faster than pension rate increases — energy costs, food, medicine and caring costs have all exceeded inflation and wages growth.[22] These essentials make up a larger proportion of pensions' incomes than most workers and thus their ability to live with freedom and dignity is reduced. The age pension does not provide a standard of living which affords small luxuries like travelling to see the family, buying a present for the grandkids, or even watching streaming services. These should not be seen as a luxury too great for anyone on the pension, and simply part of the fabric of retirement. As Australia grows richer, we should be increasing the age pension (and other allowances) at a rate which conforms with our social expectations.

> *"I live alone with my dog. My dog is old and I probably won't have her much longer. I would not be able to afford to keep another dog, so it will just be me, a very lonely life."*
> *— Woman responding to ASU survey on retirement incomes*
> *(Hetherington & Smith, 2017)*

Those suffering the poorest retirement are receiving the age pension but do not wholly own their own home or rent. 64.9% of those over 65 and renting are experiencing poverty which is the highest proportion of cohorts surveyed by ACOSS.[23] Each issue that pensioners face is compounded. Access to essentials is hampered, having enough food to eat, paying for air-conditioning in the summer or heating in the winter, and access to small luxuries are all

> *"If it [rent] goes up any more we'll find it very hard. As it is, we can't use the heating in the winter because it's so expensive,"*
> *— Helen, 70*
> *(Stewart & Stein, 2019)*

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[19] Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 54.
[20] Jim Stanford, 'Charting Wage Stagnation in Australia', in *The Wages Crisis in Australia: What It Is and What to Do about It*, ed. by Andrew Stewart, Jim Stanford, and Tess Hardy (University of Adelaide Press, 2018), p. 21.
[21] New analysis from Associate Professor Ben Phillips, Australian National University, using ABS Disposable Household income data from the National Accounts, CPI and population growth, 2019.
[22]
[23] Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 39.

out of reach.[24] Fewer Australians are paying out their mortgages before retirement. And mortgage debt is increasingly driven by the increase in the price of houses and apartments. Workers retiring with a mortgage are often using their superannuation to pay off their debts.

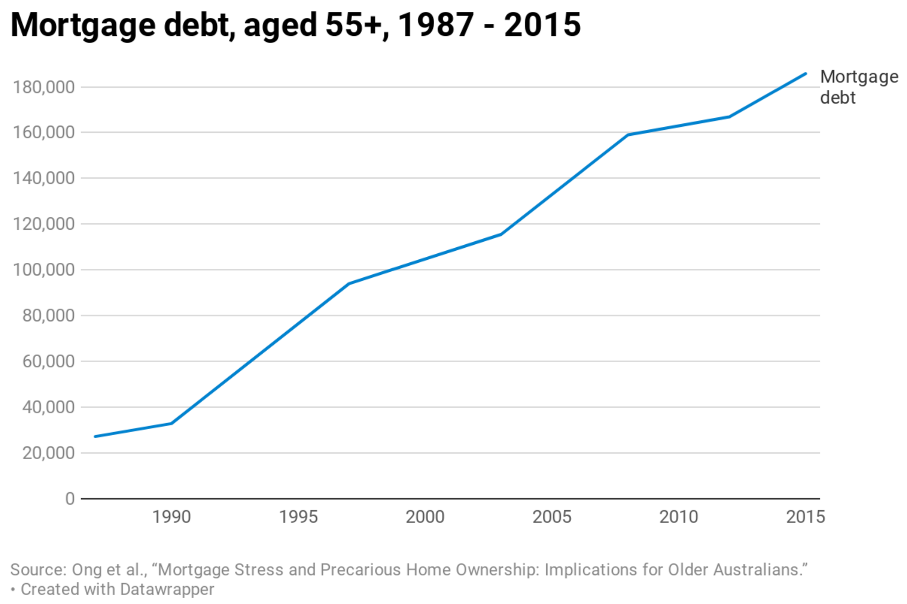



Figure 4 Mortgage debt, aged 55+, 1987 – 2015[25]

The issues above face those with not enough superannuation, as they rely upon pension payments. But after Scott Morrison, as Social Services Minister, cut the pension eligibility by increasing the taper rate of the assets test 300,000 more Australians are facing the same issues. Retirement incomes for workers on a part pension are either equal to or slightly less than the age pension. The asset test is punitive to superannuation accumulation and puts a "wealth tax falling on the middle and upper-middle but not at the top."[26] The asset test must be reformed to a level which promotes equity and does not punish workers who have saved for a decent retirement. Its current formulation, an invention of Scott Morrison, punishes workers and works contrary to the purpose of the interaction between two pillars of the retirement income system.

[24] Emily Stewart and Lucia Stein, 'Older Female Renters Are the "canary in the Coal Mine" for Housing Affordability', *ABC News* (Sydney, 28 August 2019) <https://www.abc.net.au/news/2019-08-28/what-can-be-done-about-rental-stress/11452486> [accessed 17 December 2019].
[25] R. Ong and others, *Mortgage Stress and Precarious Home Ownership: Implications for Older Australians* (Melbourne: Australian Housing and Urban Research Institute Limited), p. 20.
[26] Prof. Miranda Stewart in Joanna Mather, 'Pension Cuts a "wealth Tax" on Middle Australia', *Australian Financial Review* (Sydney, 2015) <https://www.afr.com/policy/tax-and-super/pension-cuts-a-wealth-tax-on-middle-australia-20150617-ghpyim> [accessed 17 December 2019].

## Retirement outcomes for women

*"I am stuffed if my partner decides to leave me"*[27]

In Australia's retirement income system, the cards are stacked against women. Retiring into poverty is an assumption for many and retiring with security and dignity is a fantasy for many others.[28] It is unacceptable that women have anything less than equal retirement outcomes to men. Neatly put by a Senate Economics Committee inquiry into retirement outcomes for women: 'A husband is not a retirement plan.'[29]

> *"I think I will need to work until I'm 120 to be a comfortable and self-funded retiree."*
> *— Woman responding to ASU survey on retirement incomes (Hetherington & Smith, 2017)*

Women, on average, retire with superannuation balances 47% lower than men.[30] Women's poor retirement balance are the result of compounding issues throughout working life and structures of the system. The primary driver of poor retirement outcomes is the gender wage gap and the nature of work for women. The persistent gender wage gap inevitably leads to less superannuation on average for women to access in retirement. The national gender pay gap is 14%, with women more likely to occupy low paid jobs, and women more likely to be paid less than men, on average. The gender pay gap contributes directly to lower superannuation contributions and lower balances. Historic gender pay equity decisions which only partly rectify gendered inequity in the valuation of work, like in the community services sector; or recognition of the expertise of women, like in nursing, have not generally had a significant impact on women retiring today. The build-up of systemic inequality cannot be immediately undone with better wages and conditions but must be addressed by government policy.

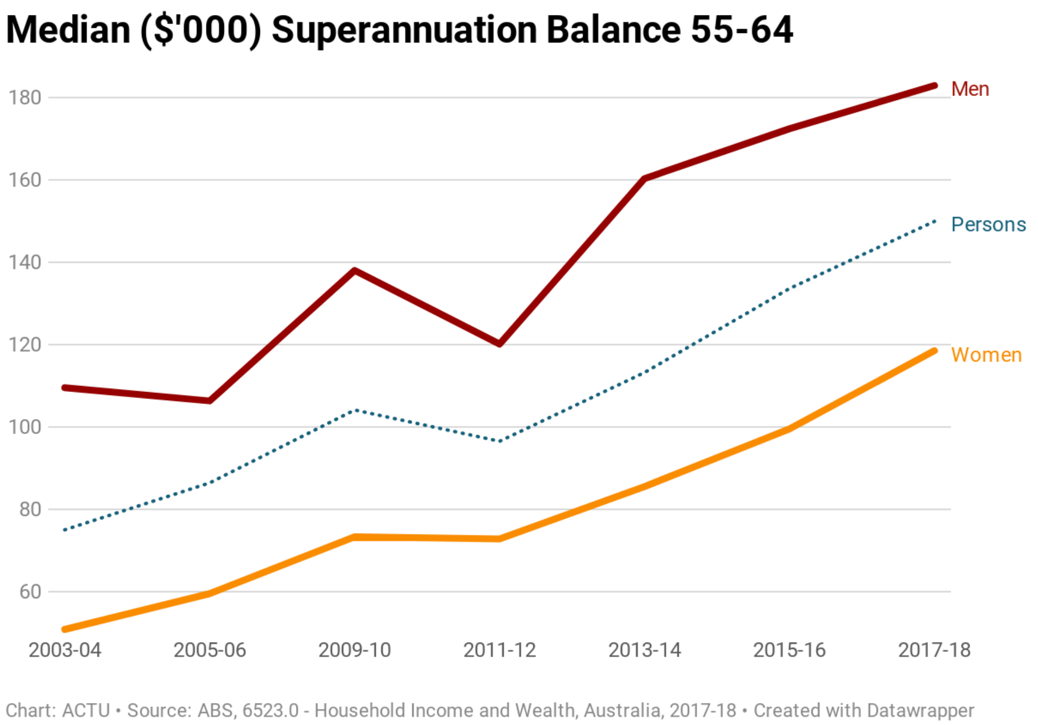
Women face structural barriers to accumulating superannuation. The $450 per month minimum threshold to be eligible for superannuation payments stunts the growth of many women's accounts. The threshold arbitrarily discriminates against the low paid, against those in part-time and casual work, and against those with multiple employers. Women workers often fall into these categories because of the lower social and financial value placed on healthcare and social

[27] David Hetherington and Warwick Smith, *Not so Super, for Women: Superannuation and Women's Retirement Outcomes* (Melbourne: Per Capita and the Australian Services Union, 2017), p. 9 quoting a respondent to ASU survey on retirement incomes.
[28] Hetherington and Smith, p. 10.
[29] Senate Economics References Committee, *'A Husband Is Not a Retirement Plan' : Achieving Economic Security for Women in Retirement* (Canberra: The Australian Senate, 2016).
[30] Hetherington and Smith, p. 6.

services, and entrenched perceptions that non-full-time employment arrangements better accommodate domestic duties, such as child-rearing.[31] Further structural barriers include the exclusion of superannuation from employer-paid parental leave. Women are more likely than men to take parental leave and to have extended periods of unpaid leave while caring for children or family members. In addition to this, women are more likely to be in insecure work and reliant on earnings outside the Ordinary Time Earnings which superannuation contributions are based upon. As a result, women will earn less superannuation contributions on each dollar earned than men might. There are exclusions which can only be explained by sexism that predominantly affect women, like the near total exclusion of domestic workers from the superannuation system.

> *I don't have enough super for the future, which is not unusual for women, especially of my age. I'm not sure exactly what needs to be done to improve things. However, there is one thing I do know this government needs to get its hands off.*
>
> *— Aileen, Nurse, NSW NMA Member*

Quote 4 ACTU Survey of Union Members




[31] Elyane Palmer and Joan Eveline, 'Sustaining Low Pay in Aged Care Work', *Gender, Work & Organization*, 19.3, 254–75.

Figure 5 Median ($'000) Superannuation Balance 55-64[32]

Caring responsibilities for children are more likely to happen in early to mid-career. This means that every dollar not contributed is compounded. The effect this has on women is profound. Women are at increasing risk of homelessness, with the number increasing 30% in five years.[33] A report by the Australian Human Rights Commission showed that 6,866 older women were homeless in 2016, and a further 5,820 were at risk of homelessness.[34] Generally, women make up the majority of those living in poverty.[35]

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[32] Australian Bureau of Statistics, *6523.0 - Household Income and Wealth, Australia, 2015-16* (Canberra, 13 September 2017).
[33] Australian Human Rights Commission, *Older Women's Risk of Homelessness: Background Paper* (Canberra: AHRC, 2019), p. 6.
[34] Australian Human Rights Commission, p. 8.
[35] Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 42.

## Retirement outcomes for Aboriginal and Torres Strait Islander Workers

Aboriginal and Torres Strait Islanders face the hardest challenges for retirement in Australia. At the most basic level – the retirement income system is not designed for Aboriginal and Torres Strait Islander workers to participate in. Prior to 1968 it was legal for Aboriginal and Torres Strait Islanders to be paid less than non-Indigenous Australians. Aboriginal and Torres Strait Islanders were not able to accumulate property as a result and obviously were not able to accumulate incomes for retirement. The systemic racial exclusion of Indigenous people continues today. Whether it be through racist Government programmes like the Community Development Programme (CDP) or through the creation and maintenance of a retirement income system designed without thought for First Nations people.

> *We lost a daughter to cancer in 2001 and used all our savings to live over the 6 months she took to pass. Years ago, my wife had cancer and again our savings were depleted trying to survive. We then attempted to boost our super and got a warning letter from taxation for putting too much into our super.*
>
> *I am one of only 4 Aboriginal men over 57 currently employed in the NSW Public Sector. It is unlikely I will get to 67 to start to spend my super but I get penalised for trying to build a nest egg for my family. It's a shame that politicians can use their super before the established retirement age inflicted on my people. The average life expectancy for my people is 57 so I am living on a prayer and being penalised for it.*
>
> *— Stephen, Public Sector worker and NSW PSA Member*

Quote 5 ACTU Survey of Union Members

First Nations peoples still have a life expectancy shorter than non-Indigenous Australians. The life expectancy at birth of Aboriginal and Torres Strait Islander men is estimated to be 71.6 years, or 8.6 years less than non-Indigenous men, and for women 75.6 years, or 7.8 years respectively.[36] The age pension eligibility age of 67 is inappropriate for Aboriginal and Torres Strait Islander workers. The current retirement age is racially inequitable and will remain so until the life expectancy gap is closed.

Prior to the Wave Hill Walk Off in 1967, Aboriginal and Torres Strait Islander workers were not able to accumulate property. The generation that is retiring now is the first generation with the right to own homes, to have savings accounts. The effect of intergenerational wealth is not measured

[36] Australian Bureau of Statistics, *3302.0.55.003 - Life Tables for Aboriginal and Torres Strait Islander Australians, 2015-2017* (Canberra, 29 November 2018).

adequately in assessments of the retirement income system, but its effect cannot be understated. Retirement inequality is just one of the inequalities that Aboriginal and Torres Strait Islanders face which needs urgent rectification, and unless there is Government intervention, many First Nations people will continue to retire into poverty.

The exclusion from the system is reflected in the significant disparity of Aboriginal and Torres Strait Islander people with a superannuation account:

### Table 5: Superannuation coverage of Aboriginal and Torres Strait Islander workers and non-Indigenous Australians, 2010[37]

| | Aboriginal and Torres Strait Islander | Non-Indigenous |
|---|---|---|
| Male | 70.7% | 93.6% |
| Female | 60.6% | 81.6% |

And that Aboriginal and Torres Strait Islander workers retire with significantly less superannuation than non-Indigenous workers.

### Table 6 Average superannuation balances for Aboriginal and Torres Strait Islander workers, 2010[38]

| | Aboriginal and Torres Strait Islander | Non-Indigenous |
|---|---|---|
| Male | $55,743 | $110,000 |
| Female | $39,909 | $63,000 |

Currently, First Nations people are still required to work with fewer rights than non-Indigenous workers. The racist Community Development Programme, which targets exclusively Indigenous areas, forces Aboriginal and Torres Strait Islanders to work for the dole – often at for-profit institutions – or face significant penalties to their dole payments. The work that is done is often unsafe, and not protected by work health and safety programmes or insurance, and superannuation is not paid on top of wages earned.

The median income (not counting income derived from CDP or other programs) for Indigenous Australians is 23% lower than that of non-Indigenous Australians.[39] The same issues felt by women as barriers to accumulating superannuation are felt by Aboriginal and Torres Strait Islander

[37] Ross Clare, *Equity and Superannuation - the Real Issues* (Sydney: The Association of Superannuation Funds of Australia, September 2012), pp. 16–17 citing 2010 HILDA data.
[38] Clare, p. 17 citing 2010 HILDA data.
[39] Osei K. Waife, 'Indigenous Australians Retire with 27% Less Savings', *The Conversation* (Melbourne, 11 February 2016).

workers. This issue is compounded for Aboriginal and Torres Strait Islander women who face the worst retirement outcomes of all. Indigenous women have just 36% of the superannuation savings of non-Indigenous men on average. The $450 minimum earnings threshold for SG eligibility, that superannuation is not paid on every dollar earned, and the exclusion of Indigenous workers from the superannuation system compound to worsen retirement inequality.

It is rare that financial advice or services will be offered in language, and rarer still that Aboriginal and Torres Strait Islander kinship will be respected by superannuation fund trustees. Retirement outcomes for Aboriginal and Torres Strait Islanders is a national shame and should be closely examined by the Retirement Income Review as it meets neither the adequacy, equity nor cohesion tests put.

The inadequacy of Aboriginal and Torres Strait Islanders' superannuation strengthens the case for increased compulsory contributions. Indigenous workers need compulsory superannuation on all wages earned in order to improve the minimum retirement outcome. Combined with a more appropriate preservation age and better services, it is critical that the minimum outcomes for retirement for indigenous workers are lifted.

## Superannuation

The objective for superannuation is for every worker to retire with dignity. Workers should retire with an appropriately high replacement rate for their pre-retirement income in order to maintain their standard of living in retirement. The ACTU's policy for superannuation, from its inception, is for 15% superannuation to be paid on top of workers' wages for their working life. It is this rate which will achieve retirement income adequacy for nearly all workers. In order to achieve this, however, superannuation must be both compulsory and universal. It must be compulsory in order to ensure that every worker is entitled to the same benefit, from every employer throughout their working life. Superannuation, however, is not currently universal. The system was designed in a time in which women's participation in the workforce was lower. Full-time work was much more common. As such women, Aboriginal and Torres Strait Islander workers, independent contractors and casual workers often miss out on superannuation benefits. As this proportion of the working population grows, the system is undermined.

Superannuation needs to be reshaped for the future. It needs to be strengthened to support workers in new forms of work, historical overhangs like the $450 threshold must be excised and it must become a universal workplace right. The system must be universal and compulsory for workers to benefit from it.

Superannuation serves an important part of our national interest. Prior to the introduction of superannuation Australia was facing multiple crises. Our savings rates made our economy fragile to external shocks, our economy was decreasingly diverse, and our corporate sector was critically indebted. Not just a vehicle for retirement, superannuation's purpose and potential should be realised as a collective vehicle for the national benefit. There are opportunities to utilise our collective capital pool to face and triumph over our modern problems.

### Superannuation must remain compulsory

For superannuation to be effective, it must be compulsory. Prior to the introduction of compulsory superannuation, a haphazard, non-compulsory system existed causing significant inequality of retirement benefits. Superannuation was a benefit of employment for senior managers, politicians, some public sector workers and some manual workers, but it was far from universal. The inequality of retirement drove union members to campaign for compulsory super.

Unions won superannuation over decades long campaigns in workplaces, through the Australian Conciliation and Arbitration Commission, through the Accords and finally through legislation. Prior to the introduction of universal, compulsory superannuation, receiving superannuation was rare. Just 29% of all workers received superannuation and only 15% of working women (see Figure 6). Other than public sector workers and some mining and manufacturing workers, superannuation and defined benefit schemes were afforded to corporate executives and politicians. Women were generally excluded from superannuation, either through discriminatory hiring practices which forced women out of the workforce or gender-based exclusions. Aboriginal and Torres Strait Islander workers were completely excluded from fair wages and conditions.

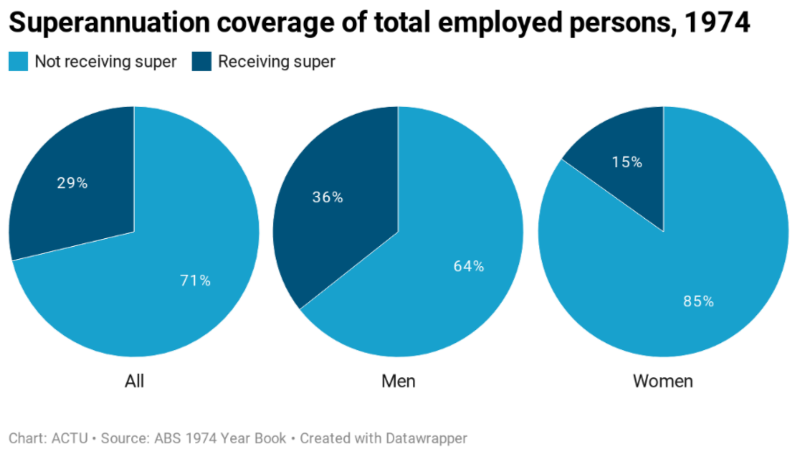


Figure 6 Superannuation coverage of total employed persons, 1974[40]

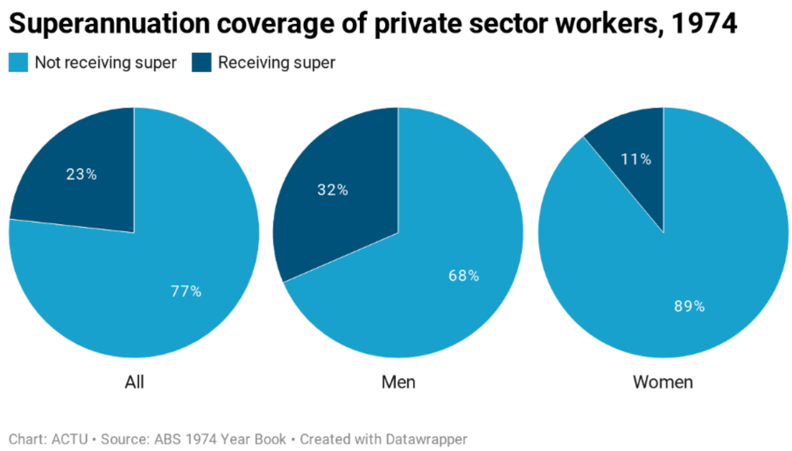


Figure 7 Superannuation coverage of private sector workers, 1974[41]

[40] J. G. Miller, *Official Year Book of Australia* (Canberra: Australian Bureau of Statistics, 1974), p. 719 <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/1301.01974> [accessed 19 January 2020].
[41] Miller, p. 719.

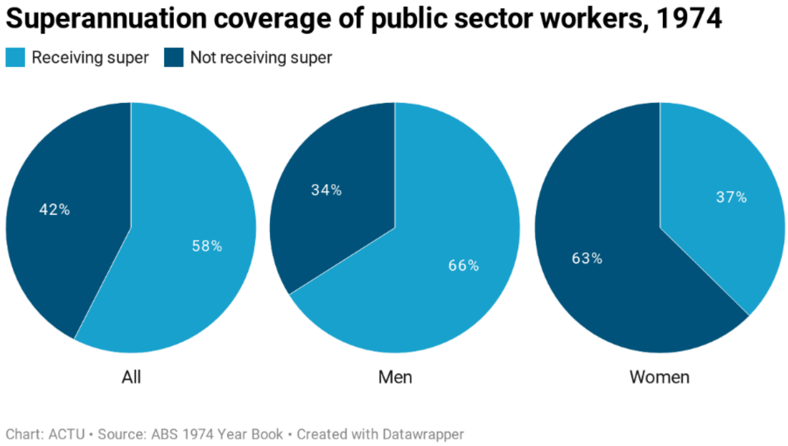


Figure 8 Superannuation coverage of public sector workers, 1974[42]

The objective was to create a stable, portable and universal retirement savings system for workers which supplements the Age Pension. Corporate schemes prior to union campaigns for industry superannuation were 'shrouded in darkness.'[43] The lack of transparency for members created the impetus to ensure that workers were represented in the custodianship of their retirement savings. Unions fought for superannuation to be universal and compulsory because without both, workers would continue to retire into poverty. Prior to 1992, superannuation was neither compulsory nor universal. The figures above from the *1974 ABS Year Book* illustrate the reality of superannuation coverage, should it be made non-compulsory for either the entirety or for sections of the population. Membership of a fund would once again become a rarity, open only to those who had capacity to voluntarily contribute.

> *I have worked for nine years prior to superannuation being introduced by the government. No superannuation was paid. Would it not be a good gesture if the Government would recognise the many women who have worked tirelessly? I have read that it is women who are the ones facing poverty.*
> *— Joan, part-time Teacher, 75, SSTUWA member*

Quote 6 ACTU Survey of Union Members

When superannuation was legislated, it was to ensure every Australian retires with dignity. It is unacceptable in a prosperous society that elderly Australians would choose between a gift for the

[42] Miller, p. 719.
[43] Bernard Mees and Cathy Brigden, *Workers' Capital* (Sydney: Allen & Unwin, 2017), p. 47 quoting George McFirk.

grandkids and heating. Superannuation contributions were always intended to reach 15%.[44] It was recognised by the Government at the time that retirement savings rates below 15% were not going to be enough for dignity for workers. In a report to the Treasurer, Vince Fitzgerald noted that a savings rate of 18% would be needed for workers to reach complete self-sufficiency.[45] Mr Fitzgerald, indeed, still supports the legislated increase to superannuation.[46]

The current legislated target will have a materially positive impact on workers' retirement incomes. According to ASFA, middle income workers will be more than $100,000 better off in retirement due to the increase by 2055. This will have a significantly positive impact on the wellbeing of retiring workers. The superannuation guarantee should already be 12%. The legislated increase to the superannuation guarantee was frozen by the Liberal Government in 2014. This has already cost workers who are retiring now up to $100,000 in retirement savings.[47]

Table 7 Balances at retirement for income cohorts[48]

| | Men | | Women | |
|---|---|---|---|---|
| Income Decile | SG staying at 9.5% | SG rises to 12% | SG staying at 9.5% | SG rises to 12% |
| 1 | $265,000 | $310,000 | $265,000 | $310,000 |
| 2 | $330,000 | $395,000 | $295,000 | $350,000 |
| 3 | $385,000 | $455,000 | $325,000 | $385,000 |
| 4 | $430,000 | $515,000 | $355,000 | $425,000 |
| 5 | $485,000 | $580,000 | $390,000 | $465,000 |
| 6 | $535,000 | $640,000 | $430,000 | $510,000 |
| 7 | $585,000 | $705,000 | $475,000 | $565,000 |
| 8 | $650,000 | $785,000 | $530,000 | $635,000 |
| 9 | $735,000 | $885,000 | $590,000 | $710,000 |
| 10 | $870,000 | $1,045,000 | $690,000 | $825,000 |

44 Ralph Willis, 'Appropriation Bill (No. 1) 1995-96' (House of Representatives, 1995) <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;adv=yes;orderBy=_fragment_number,doc_date-rev;query=Dataset%3Ahansardr,hansardr80%20Decade%3A%221990s%22%20Year%3A%221995%22%20Month%3A%2205%22%20Day%3A%2209%22%20Speaker_Phrase%3A%22mr%20willis%22;rec=0;resCount=Default>.
45 Vince Fitzgerald, *National Savings: A Report to the Treasurer* (Canberra: The Allen Consulting Group, 1993), p. xv.
46 John Kehoe, 'Vince FitzGerald Backs "root and Branch" Review of Superannuation', *Australian Financial Review* (Sydney, 17 January 2019) <https://www.afr.com/wealth/superannuation/vince-fitzgerald-backs-root-and-branch-review-of-superannuation-20190117-h1a665> [accessed 19 January 2020].
47 Greg Combet, 'Undermining Super Would Betray Workers', *Herald Sun* (Melbourne, 29 July 2019) <https://www.industrysuper.com/media/undermining-super-would-betray-workers/> [accessed 31 January 2020].
48 The Association of Superannuation Funds of Australia, *Strengthening Australia's Superannuation System* (Sydney: The Association of Superannuation Funds of Australia, 2019), p. 6 <https://www.superannuation.asn.au/ArticleDocuments/359/200319-ASFA-Core-Policies-2019.pdf.aspx?Embed=Y>.

The superannuation guarantee must increase to 15% to raise the minimum level of retirement savings for workers. The legislated timeframe for increasing SG to 12% is a necessary step in this process. The objective of superannuation should be to maintain a worker's standard of living from pre-retirement, it is also to ensure a minimum floor for adequacy. This is especially important for women. Women face lower retirement outcomes than men due to compounding barriers to accumulating superannuation. To address this, particular consideration should be given to raising women's SG contributions to 15% at an accelerated rate. Barriers to accumulation for women should be removed as quickly as possible, but redress is needed for women part-way through their careers who have already been harmed by those barriers' existence.

**Recommendation 1 — Increase the Superannuation Guarantee**

Increase the Superannuation Guarantee to 12% immediately and legislate a pathway to a Superannuation Guarantee rate of 15%.

Expedite an accelerated SG increase to 15% for women to help address the gender retirement gap.

## A maturing system

Compulsory superannuation is a relatively recent part of Australia's industrial rights. Unions fought for and won superannuation in workplaces progressively from the 1970s until 1986 and ultimately in all awards. It was not until 1992 that it was legislated and not until 2014 that it reached 9.5%. As Table 3 Superannuation accumulation for a current retiring worker" illustrates, a typical worker may have only received superannuation payments for around half their career, and those remaining payments were not enough to save for a decent retirement. Despite superannuation being won in awards in 1986, it was non-compulsory. From just 29% of employed persons in 1974, unions lifted the density of superannuation fund membership to 51%, and more than doubled the number of women receiving superannuation. However, it was not until 1993 that more than 80% of workers were receiving superannuation.

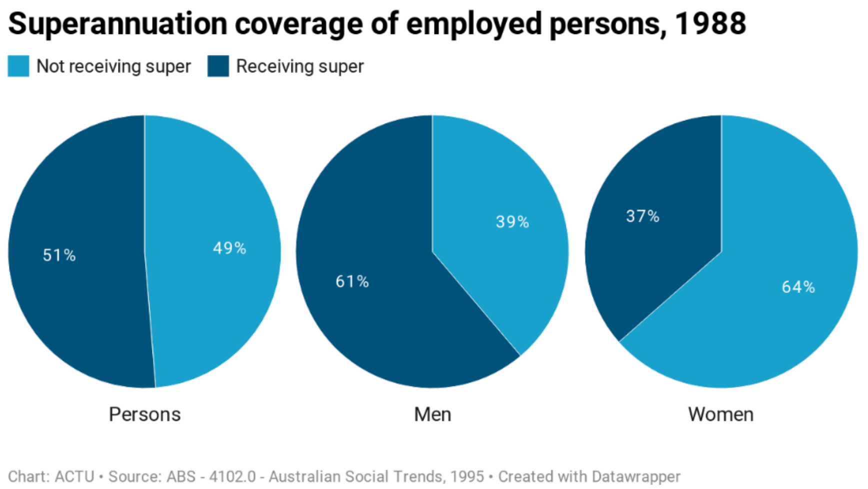


Figure 9 Superannuation coverage of employed persons, 1988[49]

The superannuation system will not meet maturity until the first worker who has received at least superannuation of at least 15% on top of wages has retired. The superannuation guarantee freeze of the Abbott-Turnbull-Morrison Government has already inflicted damage on workers who counted on the legislated increase to superannuation. Any further freeze will stunt the growth of a maturing system and be an act to deliberately undermine the feasibility of it.

## The national interest

The campaign for universal, compulsory superannuation was a key objective for the union movement to achieve retirement income adequacy for workers. Superannuation, however, achieves several national objectives at once and its potential must be realised to face our next set of national challenges. In the 1980s Australia was swimming in foreign debt. Our companies and governments were deeply indebted. Business, Government and household savings rates were low to non-existent. Australian industries were highly concentrated in unimproved exports, highly exposed to the whims of international markets. Australia's interest rates and inflations rates were at record highs. In the words of then Treasurer Paul Keating, we were at risk of becoming a 'banana republic.'[50] Australia needed a national compact in order to face these challenges and needed creative policy to do so and improve workers' standard of living.

Superannuation was one of the many tools the Labor Government used in order to face the challenge. Superannuation was not finally supported by Treasury because it would alleviate poverty among the aged, but because it represented an opportunity to address our current account deficit,

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[49] Australian Bureau of Statistics, *4102.0 - Australian Social Trends* (Canberra, 1995).
[50] Gregory Hywood, 'The Day Politics Turned on Its Head', *Australian Financial Review*, 13 May 1988 <https://www.afr.com/politics/the-day-politics-turned-on-its-head-19880513-jl3a5> quoting Treasurer Paul Keating.

increase the national savings rate, save public money on pension outlays and ultimately use the capital to diversify the national economy.

The current account deficit was an issue that Treasury sought to address. Our reliance on commodity exports, along with high levels of debt and high interest rates meant Australian dollars were spent hand-over-fist overseas. A current account deficit of 6 per cent of GDP was the consternation of leading economists in Australia.[51] The concerted efforts of the government to modernise the economy included adopting an internationally comparable retirement savings system.

Once the superannuation guarantee was introduced, it became clear how compulsory superannuation could and eventually would improve our economy. Australia was also in the grip of a national savings crisis. Australian net external debt to GDP was growing at the time, and Australia needed a boost of domestic investment through national savings. In 1993, Dr Vince Fitzgerald wrote a report to the Treasurer on the importance of boosting national savings to ensure the economy would grow.[52] Raising national savings and improving international competitiveness were 'two sides of the same coin.'[53] And superannuation was highlighted as a key part of raising both. Fitzgerald noted that superannuation was a new (for Australia) structural solution to increasing national savings, but that the rate was not nearly high enough. Fitzgerald noted that for superannuation to both improve retirement incomes for workers and increase national savings, contributions must increase to beyond 15 per cent, and even to 18 per cent.[54]

It is clear that while superannuation has not yet increased to 15 per cent, and with the system still maturing, it has achieved part of the national objective: 'For the first time in 46 years, we have two consecutive current account surpluses.'[55] This is partly due to superannuation funds holding significant foreign assets.

The large pool of superannuation protects Australia against the worst of international financial shocks. The high and increasing presence of long-time-horizon institutional investors reduces volatility in the stock exchange and improves companies' ability to find capital in times of shortages. During the Global Financial Crisis, many firms (including large banks) failed to raise

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[51] Jessica Irvine, 'A Trillion Dollars in Debt, but No "Banana Republic"', *The Sydney Morning Herald* (Sydney, 30 June 2017) <https://www.smh.com.au/business/the-economy/a-trillion-dollars-in-debt-but-no-banana-republic-20170630-gx1pb1.html> [accessed 24 January 2020].
[52] Fitzgerald.
[53] Fitzgerald, p. 15.
[54] Fitzgerald, p. 56.
[55] Bruce Hockman, *Media Release: Australia Records Another Current Account Surplus* (Canberra: Australian Bureau of Statistics, 3 December 2019) <https://www.abs.gov.au/ausstats/abs%40.nsf/mediareleasesbyCatalogue/1BC434D146B7F511CA257EB2001133A1?OpenDocument>.

capital and were at significant risk. Due to the presence of institutional investors and our capital raising 'flexibility' companies had 'an important bugger against the adverse effects of the GFC.'[56] As superannuation grows, it will be better able to fill gaps in the capital market, and smooth shocks to the financial system.

In achieving and maintaining our progress toward improving our current account, our savings rate and retirement outcomes, we can do more. Australian superannuation funds are projected to have more than $5 trillion under management by 2030. This capital must be put to productive use for the national interest.

An architect of Australia's superannuation system, Garry Weaven, called this the 'triple bottom line' approach.[57] We need to measure success at 'the national level, the corporate level and at a community level.'[58]

Superannuation can and should be incentivised to invest in projects and industries which are in the national interest, and the collective power of workers' retirement savings should be used to improve the standing of living of those currently working, as well generating returns for retirement. It is not enough for assets to be inflated through trade from one institutional investor to another, the real economy must feel the impact of superannuation funds' capital and Government has a major role to play in the shaping of that.

Industry super funds are already at the fore of this investment. Industry super funds have built or re-built key pieces of infrastructure for our cities, and more are in the pipeline. Southern Cross Station, Melbourne, or the proposed Melbourne Airport Rail Link are projects which use retirement savings to better the lives of working Australians, as well as creating jobs. But more needs to be done. 90% of institutional investors surveyed by *Infrastructure Partnerships Australia* were 'highly likely' to invest in Australian Infrastructure however just 49% found enough investment opportunities.[59] It is up to Government to create these investment opportunities.

Incentives to invest should reflect our national objectives for industries as well as face up to our national challenges. Our energy industry, health and housing sectors will each require massive levels of investment in order to cope with climate change, the ageing population and affordable

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[56] Australian Securities Exchange, *Capital Raising in Australia*, ASX Information Paper (Sydney: Australian Securities Exchange, 29 January 2010), p. 38 <https://www.asx.com.au/documents/media/20100129_asx_information_paper_capital_raising_in_australia.pdf>.
[57] Garry Weaven, 'Social Leadership – "A People Friendly Ideology"' (presented at the Conference: Crunch Time: Australia's Policy Future, Sydney, 2009), p. 6.
[58] Weaven, p. 6.
[59] Infrastructure Partnerships Australia, *Australian Infrastructure Investment Report 2019* (Sydney: Infrastructure Partnerships Australia, 2019), p. 3 <https://infrastructure.org.au/wp-content/uploads/2019/11/Australian-Infrastructure-Investment-Report-2019.pdf> [accessed 28 January 2020].

housing. Our economy is becoming less diverse and less advanced, with the closure of the car industry and our reliance upon unimproved exports.[60] Creative leadership at all levels of Government is needed to encourage institutional investment into these areas. Public private partnerships in Greenfields projects are underutilised in meeting our infrastructure deficit, while creative approaches to abating risk or increasing returns for investors are rarely offered.

If we direct our collective efforts to creating a future-proofed Australian economy with our collective savings, both current and future retirement incomes will be improved.

## Superannuation and wages

It has been asserted that superannuation is a trade-off for wages, and that in an environment of low wages growth, we cannot afford the legislated superannuation increase. However, the empirical evidence for that is non-existent, and arguments made for that position neglect methods of setting pay. The current environment of low wages growth requires a systemic solution, not a stop gap. Arguments to offset poor wages growth by cutting promised superannuation increases are disingenuous and should be dismissed.

The Australian labour market is not one of perfect competition, like is assumed in common economic modelling. Wages and conditions aren't set through optimisation but through negotiation between workers and their employer, through commissions, or mandated by law. Wages set are the outcome of the power-balance of workers and their bosses, as well as the gendered value of their work. The wages and superannuation trade-off is not one which should be assumed to be one-for-one, or even necessary. It has long been assumed that the key to wages growth is increasing productivity, however despite productivity increasing wages have stagnated. Since 2000, 'real wages have grown half as much as productivity.'[61]

[60] Aaron Patrick, 'Australia Is Rich, Dumb and Getting Dumber', *Australian Financial Review* (Sydney, 8 October 2019).
[61] Jim Stanford, 'Denying Wages Crisis Won't Make It Go Away', *Centre for Future Work at the Australia Institute*, 2019 <https://www.futurework.org.au/denying_wages_crisis_won_t_make_it_go_away> [accessed 20 January 2020].

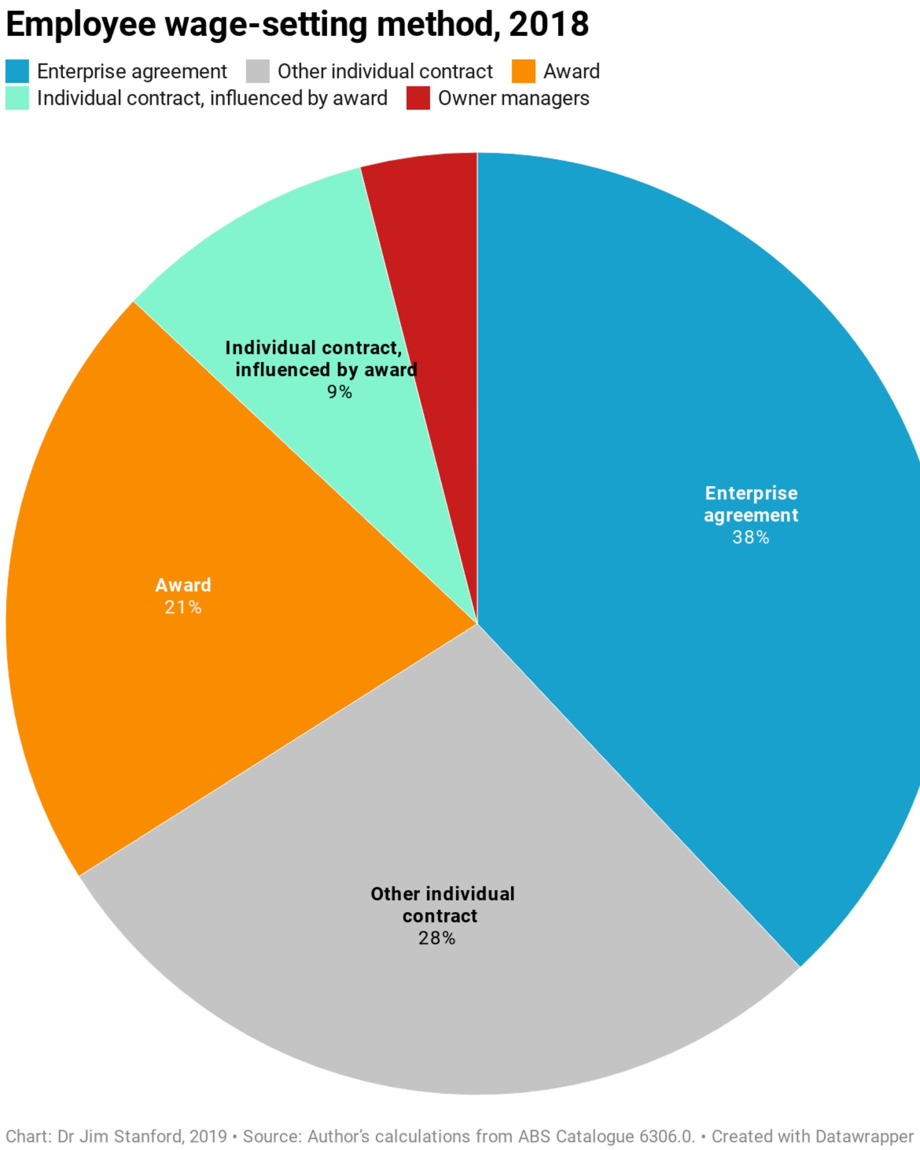


Figure 10 Employee wage-setting method, 2018[62]

The increase to superannuation should not be seen as competing with wages growth in this environment. Rather, superannuation increases will assist workers in increasing their share of productivity earned. Where wages growth is an issue, solve that by solving wages growth. Cutting a worker's retirement income will not solve the systemic issue of low wages growth. Workers need more power to win pay rises, penalty rates must be immediately restored, and the minimum wage must rise to be a living wage as it was originally intended.

[62] Jim Stanford, *The Relationship Between Superannuation Contributions and Wages in Australia* (Sydney: The Centre for Future Work at the Australia Institute, 2019), p. 39 <https://www.futurework.org.au/abandoning_super_increases_won_t_boost_wages>.

Dr Jim Stanford, Director of the Centre for Future Work at the Australia Institute, studied the basis of the claim that superannuation is taken out of wages. *The Relationship Between Superannuation Contributions and Wages in Australia*, 2019, finds that rather than relying upon any evidence, commentators conduct an 'argument by echo chamber,' amplifying and reinforcing commentary of those who agree with them.[63] Given the divorce of wages and productivity, and that wages are set by interactions between individuals, unions, institutions and employers, one cannot simply assume superannuation's effect on the remuneration of workers.

Dr Stanford then conducted an analysis of wages growth for workers over the periods that the superannuation guarantee increased, as well as the minimum wage cases over those years and found no correlation between superannuation and wages. This analysis shows that it is rather the prevailing economic conditions, the power of workers and the will of institutions which set wages, rather than the price of superannuation.

"Since 2013, nominal wages have been growing at around 2% per year — half the rate of the 2000s, and the slowest of any sustained period since World War II."[64] The way to solve the Australian wages crisis is to empower workers and their unions to win them, to re-establish a living wage and to restore penalty rates. Cutting super will not lead to a wage increase.

Given the power imbalance between workers and employers it is naïve to suggest that if the SG is reduced or not increased, that employers will increase wages by the same amount, rather than pocketing the savings.

## Systemic barriers for women

On average, women retire with about 47% of the superannuation of men.[65] This is unacceptable. Australian unions are seeking equal retirement outcomes for women, and the barriers to achieving this must be removed.

*Table 4 Median balance by age and gender* shows how meagre the level of retirement savings is for women.

### Table 4 Median balance by age and gender

| Age | Men | Women | Persons |
|---|---|---|---|
| 55-64 | $183,000 | $118,600 | $150,000 |

[63] Stanford, *The Relationship Between Superannuation Contributions and Wages in Australia*, p. 19.
[64] *The Wages Crisis in Australia: What It Is and What to Do about It*, ed. by Andrew Stewart, Jim Stanford, and Tess Hardy (Adelaide: University of Adelaide Press, 2018), p. 6.
[65] Hetherington and Smith, p. 10.

Retirement savings are, in part, a function of the gender pay gap. Our superannuation system is centred around defined contributions, and there will be a persistent, lagging gendered superannuation gap for as long as there remains a gender pay gap. Urgent intervention is needed in order to fix the gender pay gap. There is still a societal undervaluing of women-dominated industries and occupations. While significant steps have been taken to alleviate this, there is still work to be done. The historic mispricing of women-dominated industries should be corrected to bring teachers, nurses, early-childhood educators and carers' pay in line with other skilled industries.

However, the gender pay gap is neither the only, nor the most nefarious reason women are still paid less superannuation than men. Women face systemic barriers to accumulating superannuation which require reform to remove.

Workers are not entitled to SG from an employer until they earn at least $450 per month from that employer. 2.1 million people in Australia work multiple jobs, with at least 160,000 working three or more concurrently.[66] The median multiple job holder earns $40,500 per year, more than $2,500 less than the overall median income. The $450 per month minimum earnings threshold is anachronistic and should be immediately abolished. It allows the fundamentally inequitable outcome where two workers can work the same hours and earn the same amount in wages, but one with less superannuation.

Table 8 Median hours worked and percent part-time, Per Capita, ASU & HILDA[67]

| | Median hours worked | Per cent part-time |
|---|---|---|
| **Men, with dependent children** | 40 | 12% |
| **Women, with dependent children** | 32 | 52% |
| **Men, without dependent children** | 40 | 21% |
| **Women, without dependent children** | 38 | 28% |

As Table 8 show, women are more likely to work part-time than men, and women parents are four times as likely to work part-time as men. This lowers women's wages and lowers their

[66] Australian Council of Trade Unions, *2.1 Million People Working Multiple Jobs* (Melbourne, 1 August 2019) <https://www.actu.org.au/actu-media/media-releases/2019/21-million-people-working-multiple-jobs>.
[67] Hetherington and Smith, p. 18 citing HILDA data.

superannuation contribution. It increases the risk of being paid less than $450 per month, compounding the loss of income with a structural barrier to earning superannuation payments.

Women are still more likely than men to take primary caring responsibilities of children and suffer an observable 'motherhood gap' in accumulating superannuation. In a collaboration with the ASU, Per Capita's Hetherington and Smith *Not so super for women* report found that superannuation contributions for mothers plateau between ages 35 and 45, and increase more slowly than men's

> "in almost every aspect of the gender pay gap and the superannuation gap we find that being a parent is negatively associated with women's pay and super while it is positively associated with men's pay and super."[68]

Improving the provision of childcare and increasing the number of men taking primary caring responsibilities over women would improve equality. However, inexplicably, superannuation is not paid on parental leave, despite being paid on all other forms of leave. This exclusion is the most gendered of all barriers for superannuation and should be immediately rectified. However, women often take off far longer than the minimum their employer offers, and the Government provision when caring for newborn children. In order to properly rectify this, superannuation should also be paid on any unpaid parental leave. Superannuation contributions from an employer should be averaged and paid over the agreed period of unpaid parental leave. Women should not suffer a penalty in retirement for taking time to care for children.

> *Having been a mother and not worked full time all my working years. I will not receive a super which will be enough to see me through retirement.*
> *— Moira, nurse, NSW NMA member*

**Quote 7 ACTU Survey of Union Members**

[68] Hetherington and Smith, p. 17.

**Recommendation 2 — Remove Systemic Inequalities for Women**

In order to improve retirement outcomes for women workers, systemic barriers to accumulation of superannuation for these workers must be removed immediately.

Legislation should be immediately enacted to:

- remove the $450 per month minimum earnings threshold for SG eligibility,
- require the payment of superannuation on paid and unpaid parental leave,
- remove barriers to affirmative action for women which effect employers and superannuation funds.
- Expedite SG increases for women

A key recommendation of the ASU/Per Capita *Not So Super for Women* report is the introduction of a low-income superannuation pathway. The pathway would target minimum retirement incomes and use the workers age, contributions and superannuation balance to determine if they will have enough to retire with. Hetherington and Smith produced an indicative low-income superannuation pathway which targets the ASFA modest standard (Figure 11). While further investigation and evidence is needed as to what the target should be, the ACTU endorses the implementation of such a pathway.

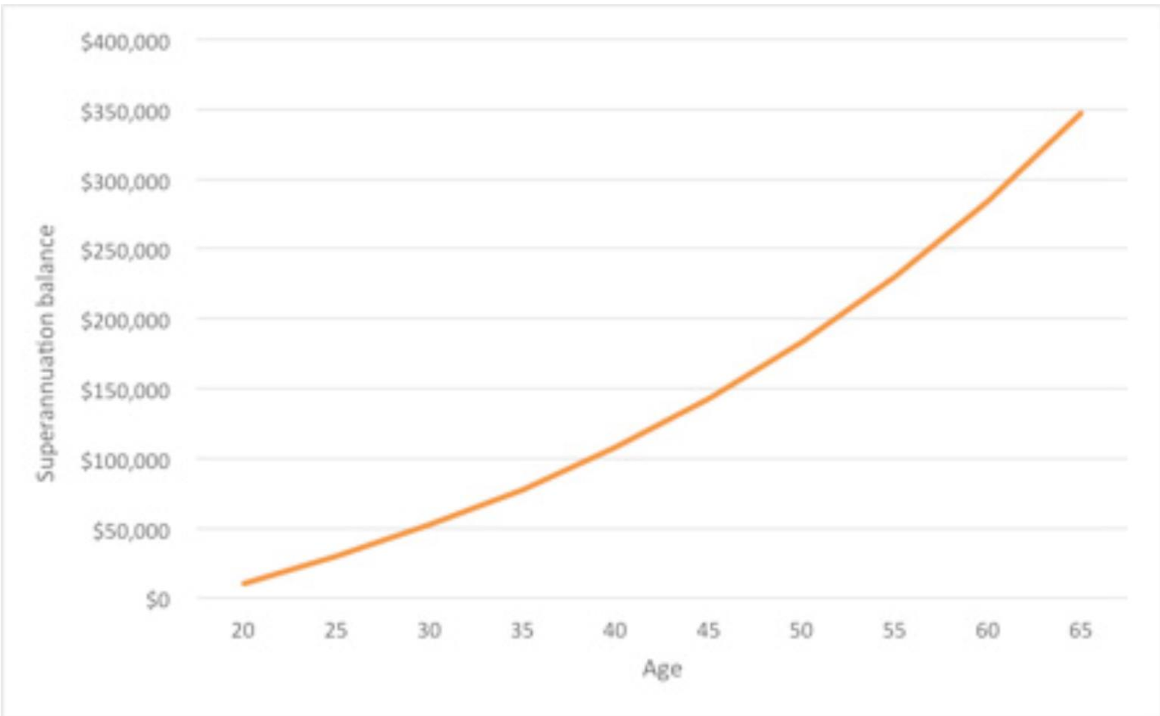


Figure 11 Indicative low-income superannuation accumulation pathway

**Recommendation 4 — Introduce a superannuation accumulation pathway**

Introduce a superannuation accumulation pathway to ensure workers have enough superannuation to retire comfortably with.

## Systemic barriers for Aboriginal and Torres Strait Islander workers

Aboriginal and Torres Strait Islander workers face the worst superannuation and retirement outcomes of any cohort in Australia. Decades of systemic exclusion from fair wages and the ability to accumulate property, systemic and pervasive racism combined with cynical and discriminatory Government policy has left Aboriginal and Torres Strait Islanders with less ability to accumulate superannuation than the general population. Aboriginal and Torres Strait Islanders also face difficulties interacting with the financial system. Services are rarely offered in-language, and even rarer to be culturally sensitive, aware and appropriate. The treatment of Aboriginal and Torres Strait Islander workers by financial services firms was a key area of focus by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, showing predatory practices of financial services firms as well as ignorance leading to worse financial outcomes for Aboriginal and Torres Strait Islanders.

As discussed earlier, eligibility ages for the Age Pension and the preservation age for superannuation are inappropriate for Aboriginal and Torres Strait Islander workers. While it is repugnant that there is still a life expectancy gap between Indigenous and non-Indigenous people, it is worse that despite knowing this for decades, eligibility ages have been set too high anyway. The Age Pension eligibility age of 67 is too high for all workers, but especially so for Indigenous workers. The preservation age, too, is set too high to be fair for Aboriginal and Torres Strait Islander workers. New Age Pension eligibility and preservation ages should be set for Indigenous workers, which is mindful of the life expectancy gap.

*Maree Gruppetta worked in the tertiary sector and began superannuation in her 40s. Maree was a member of the National Tertiary Education Union.*

*Like many Aboriginal women, Maree had little opportunity to build a substantial amount of superannuation before she passed away and relied on an insurance policy to cover costs of her health treatment and to leave a legacy for her children and grandchildren.*

*Maree continued working during 5 years of cancer treatment including radiotherapy and chemotherapy because there were no other options to provide for herself or her family.*

*Maree died in 2019 aged 57*

Aboriginal and Torres Strait Islander workers are more likely to be in low-paid, insecure work and to suffer unemployment. 42% of Indigenous Australians aged 15-64 were employed at the time of the 2016 Census, compared with 72% of non-Indigenous Australians.[69] The Financial Services Royal Commission stated that Aboriginal and Torres Strait Islander workers were "half as likely as non-Indigenous people to report an equivalised weekly household income of $1,000 or more in 2016 (20% compared with 41%)."[70] That Indigenous workers earn less than non-Indigenous workers means they are more likely to be excluded from superannuation by the $450 per month minimum threshold for SG eligibility. This threshold should be abolished, as it unfairly deprives those who most need more superannuation the ability to accrue it.

The Community Development Program (CDP) is a racist program which forces jobseekers in predominantly Aboriginal and Torres Strait Islander communities to work three-times as long as other jobseekers for the same payment. Under the CDP, people are forced to work 25 hours a week over 5 days in order to qualify for Newstart. If you miss a day of work, for any reason not accepted by the provider, you can be fined $50 from the already meagre payment. CDP workers are excluded from the Fair Work Act, from workers' compensation schemes, and from accruing superannuation. The program should be immediately abolished. It compounds the inequality that Indigenous people face.

Very few, if any, financial services are offered to Aboriginal and Torres Strait Islanders. Other than specialist financial services firms visiting remote communities, access to quality financial services is poor. Part of this issue is the general difficulty for superannuation funds in identifying their members as Indigenous or otherwise. Superannuation funds generally do not, as a matter of policy or as an oversight, identify their members. This practice should change, so funds could better cater for the cultural and language differences of Aboriginal and Torres Strait Islanders. Superannuation funds and Government services should be required to offer their services in language wherever possible. Superannuation funds and insurers should also be required to improve their policies in defining relatives and dependants to better take into account Aboriginal and Torres Strait Islander members' kinship, wishes and cultural expectations.

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[69] Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, *Aboriginal and Torres Strait Islander Consumers of Financial Products* (Canberra: Commonwealth of Australia, 21 June 2018), p. 15 <https://financialservices.royalcommission.gov.au/publications/Documents/aboriginal-and-torres-strait-islander-consumers-of-financial-products-background-paper-19.pdf> [accessed 14 January 2020].
[70] Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, p. 15.

### Recommendation 3 — Remove Systemic Inequalities for Aboriginal and Torres Strait Islander Workers

Aboriginal and Torres Strait Islander workers face poorer retirements than non-Indigenous workers and require immediate reform to address. Legislation should be immediately enacted to:

- remove the $450 per month minimum earnings threshold for SG eligibility,
- lower the Age Pension eligibility age for Aboriginal and Torres Strait Islander workers,
- lower the preservation age, and any corresponding tax concessions available for retiring Aboriginal and Torres Strait Islander workers,
- abolish the Community Development Programme and all work for the dole programs which undermine minimum entitlements and do not accrue superannuation payments,
- require superannuation funds and government services related to retirement to be offered in-language where possible
- remove barriers to affirmative action for Aboriginal and Torres Strait Islander workers which effect employers and superannuation funds, and,
- reduce the documentation load required to prove kinship in Aboriginal and Torres Strait Islander communities.

## Attaining universality

The intention of legislating for universal, compulsory superannuation was for every worker to receive superannuation. However, many workers still miss out on superannuation. Independent contractors, largely in the construction industry, are not paid superannuation. The rise of the gig economy, with its exploitative employment practices, is forcing young workers and those in once traditional industries to more insecure work. Independent contractors and gig economy workers are employees in all but legal definition. This legalistic distinction, especially for superannuation entitlements, undermines their rights and entitlements and ultimately their retirement incomes. The fragmenting nature of work is also allowing employers to decrease the proportion of a workers' income which is superannuable. Superannuation paid only on Ordinary Time Earnings (OTE), and workers' final salaries are increasingly comprised of various allowances, penalties or composite rates.[71] This lowers the actual superannuation payable for a worker and incentivises more complicated rostering for employers. Superannuation should also be paid on workers' compensation payments. An injury in the workplace already prevents many from working, and permanent injuries can stunt career progress and lifetime earnings. When recovering and on workers' compensation, workers should not be additionally penalised a secure retirement.

Over the past five years, more and more technology-based employment platforms have launched in Australia. Uber, Deliveroo and Foodora are some of the most insidious and popular platforms to

[71] Ordinary Time Earnings (OTE) includes shift penalties, however does not include overtime rates, the payment of some allowances, or bonuses for working overtime. OTE also excludes leave loading, and any termination payments which would ordinarily accrue superannuation, like unused annual leave. (

have launched. Less well known is the incursion of on-demand labour into the health and disability sectors. Using well-paid celebrities to advertise to consumers and potential workers, the platforms claim it is a way to be your own boss. In reality, workers employed by companies like Uber have no job security, often earn less than minimum wage, receive no superannuation and are not covered by workers' compensation schemes. Workers can be fired with no notice, for any arbitrary reason.

Despite the companies' insistence that those who work for them are not workers, there are both Australian and international examples where courts or tribunals have found the opposite. Former Foodora rider Josh Klooger won an unfair dismissal case from the firm in 2018.[72] He was dismissed for speaking up about his pay and conditions, and this case had the flow-on effect of causing all former Foodora riders to be reclassified as employees. Foodora was found to have underpaid their workers by at least $5.5 million due to the intentional misclassification.[73] However companies like Uber and Deliveroo continue to operate and claim their workers are not employees and deny them superannuation payments. These companies also suppress workers' wages to well below the minimum. Uber drivers are estimated, on average, to be paid $14.62 per hour for their work.[74] Well below the minimum wage and excluding potential superannuation payments.

> *In 2016, Darwin-based concreting company JGA Concreting Pty Ltd, required a number of its concreting employees to obtain ABNs and work on a "sub-contract" basis even though the substance of the working arrangements continued to be that of employer/employee... the company has ceased remitting PAYG tax payments for these workers, is not making superannuation contributions and no longer takes account of the ABN workers for payroll tax purposes.*
> *(CFMEU, 2017)*

Independent contracting, outside of the gig economy, is rife in the construction industry.[75] *Sham contracting* is the practice of requiring employees to have an ABN and contracting them as a business to intentionally avoid responsibilities under the Fair Work Act. This is concentrated in the construction industry, but prevalent in transport through the gig economy and heavy vehicle transport, and health and community services as Figure 12 demonstrates.

[72] Transport Workers' Union of Australia, *Submission to the Inquiry into Victorian On-Demand Workforce* (Sydney: Transport Workers' Union of Australia, 2019), p. 10.
[73] Transport Workers' Union of Australia, p. 13.
[74] Jim Stanford, *Subsidising Billionaires* (Sydney: Centre for Future Work at the Australia Institute, March 2018), p. 4.
[75] Construction, Forestry, Mining and Energy Union, *Inquiry into Corporate Avoidance of the Fair Work Act 2009* (Melbourne: CFMEU, 2017) <https://www.cfmmeu.org.au/sites/cfmeuvic-7-x.com.au/files/uploads/CFMEU_Submission_Senate%20Inquiry_Corporate%20Avoidance%20of%20FW%20Act_270117.pdf>.


Figure 12 Independent contractors, industry of main job, August 2019[76]

[76] Australian Bureau of Statistics, *6333.0 Characteristics of Employment, Australia, August 2019*.

*My name is Nick Harrison, I'm 42 years of age and I've been working in the non-university higher education industry for around 9 years. My discipline area is audio production.*

***I was underpaid superannuation for 6 years and 9 months at one of my employers because they made me work under an ABN.*** *I had to make a request to the ATO to find out if I was owed superannuation. The ATO decided that I was owed superannuation and my employer paid out around $17,000 into my superannuation account.*

*The superannuation is only a component of what was not correctly paid to me because the Award rate for the teaching that I was doing is around twice what I was being paid for the period. That means that the superannuation I've been paid is still only half of what I should have been paid.*

*I been told that my employer intends to object to the decision by the ATO. To me that means that they have stolen my superannuation, have been caught out, and now want to steal it back again. The ATO won't confirm whether the objection has been received, and won't tell me how much longer it will take to deal with the matter. It has already taken over a year to get my payment.*

*As a family, once we do end up heading into retirement we haven't earned enough money to put away any savings. At this point, superannuation would be the primary source of income that we're hoping to rely upon.*

*It's been really difficult to go through the process to retrieve the superannuation. There's been very little information and support during the process. Overall it's been exhausting trying to take on my former employer on my own. I was working among many other colleagues who are also in the same boat - over a hundred lecturers at the same employer - who have not been paid the correct wages and superannuation. There's lots of confusion amongst fellow lecturers around what wages and conditions they should be on, and whether they should be collecting superannuation. This has improved since a lot of lecturers have joined the union.*

Quote 8 NTEU Member Survey Respondent

The effect of sham-contracting and the rise of the gig economy is an erosion of workers' rights, and an erosion of the universal superannuation system. While it is important to abolish sham-contracts, many independent contractors do wish to remain so. Truly independent contractors should still, however, accrue superannuation. This would have the effect of increasing the retirement savings of many workers and cementing minimum entitlements.

Superannuation should be paid on every dollar earned. Composite salaries are a reality for many nurses, paramedics, and those working extended hours or rosters – like in mining. These salaries can create certainty for workers in their earnings. However, the superannuation guarantee is only required to be calculated on OTE, as confirmed by a recent Federal Court Decision.[77] 3,000 BlueScope workers represented by the Australian Workers' Union claimed they were underpaid between $2,239 and $11,416 over six years and launched court action to recover their lost superannuation.[78] The Federal Court overturned an earlier decision on appeal and found in favour of the employer. Salary arrangements are agreed to by workers on the principle that entitlements derived from that salary are done so fairly. Calculating superannuation on only OTE ignores the reality of work for many. FIFO workers, shift workers, and those who are required to work regular overtime have an SG rate lower than other workers due to this distinction. It creates a fundamentally inequitable treatment between workers earning the same take-home pay and should be rectified.

> *I think super should be paid on all hours worked not just the 38 minimum.*
>
> *— Tim, transport worker and TWU Member*

**Quote 9 ACTU Survey of Union Members**

Those under 18 have fewer rights than other workers. Junior wage rates suppress wages for young workers despite their circumstances or need. The existence of junior wages undermines the minimum wage and our minimum entitlements system. Young workers are not entitled to superannuation unless they work for more than 30 hours per week. This arbitrary exclusion lowers the wages of young workers for no reason, and incentives employers to hire young workers for fewer hours. This exclusion should be abolished along with junior rates.

Those unlucky enough to suffer an injury in the workplace should not be doubly punished by forgoing superannuation payments. Workers' compensation payments should also accrue superannuation payments to better reflect income lost due to injury.

[77] Allsop CJ, Collier, and Rangiah JJ, Bluescope Steel (AIS) Pty Ltd v Australian Workers' Union [2019] FCAFC 84, 2019.
[78] Nassim Khadem, '"Uncertainty" over Super as BlueScope Workers Miss out on "Millions" in Backpay', *Australian Broadcasting Corporation* (Sydney, 12 July 2019) <https://www.abc.net.au/news/2019-07-12/uncertainty-over-super-as-bluescope-workers-miss-back-pay/11298700> [accessed 20 January 2020].

**Recommendation 5 — Superannuation should be paid on every dollar earned**

Superannuation should be paid on every dollar earned, up to the cap on superannuable wages. Currently superannuation is only paid on Ordinary Time Earnings and must be paid on total earnings

**Recommendation 6 — Superannuation should be paid on Workers' Compensation**

Injuries in the workplace should not haunt you throughout retirement. Where workers are taking time off work and receiving workers' compensation payments in lieu of wages they are losing retirement savings to injury. Workers should receive superannuation payments on top of workers' compensation.

**Recommendation 7 — Superannuation should be paid to every worker**

Superannuation should be paid to every worker, not just those classified as 'employees.' Contractors and gig economy workers should be entitled to the same right as all workers. Superannuation should also be paid to workers under the age of 18.

## Eliminate superannuation theft

2.94 million workers lose $5.94 billion each year in unpaid super, a report from Industry Super Australia (ISA) has found.[79] Unpaid super is the easiest form of wage theft to get away with and one of the most prevalent. Workers miss out on billions each year to unscrupulous employers either deliberately stealing super or not paying super. And because the ATO does not enforce the law,

> *Previous employer pretended to be paying the workers their super, showed on the payslips but was not being paid into our funds. Complained to the owners who had set themselves up in a family trust (their daughter did the accounts and books). They assured it was an oversight & would be paid. They didn't and workers complained to the ATO about the wage theft. Received a letter from ATO saying they had decided not to take any action. This dodgy family owned business ripped off their workers and other contractors, set themselves up in a trust to protect themselves and their own interests at the expense of their workers and legal obligations and pretty much got away with it. No consequences for super theft whatsoever. Where is the justice in that? Unpaid super or wage theft affects workers for years and decades to come, much more than the initial amount stolen due to the compounding and growth effect of the super fund.*
>
> *— [Name withheld], ETU Member*

Quote 10 ACTU Survey of Union Members

[79] Industry Super Australia, *Super Scandal: Unpaid Super Guarantee in 2016-17* (Melbourne: Industry Super Australia, 2019), p. 3.

they increasingly get away with it. We need laws to make super simpler for workers and their bosses so super theft reduces and workers get their money back sooner.

Since ISA started reporting on the state of unpaid super in Australia, the problem keeps getting bigger. As more employers use unpaid super to pad their margins, more workers are missing out on crucial retirement savings. Since 2013, the number of workers missing out on their super has increased by more than 90,000 or more than $300m in stolen super.

Blue collar workers are most likely to be ripped off their super. Machinery operators and drivers, labourers, technicians and trade workers make up more than 1 million workers underpaid their super. Just under one in three community and personal service workers have their super stolen, amounting to more than $468m.

While unpaid super affects every income decile, lower paid workers are stolen from the most. Young workers are also more likely to miss out, reflecting their relative vulnerability to exploitation as Figure 13 and Figure 14 show. The impact of superannuation theft on retirement outcomes is dramatic. On average workers aged 60-64 who were victims of superannuation theft had $41,184 less in superannuation than those who were not underpaid.

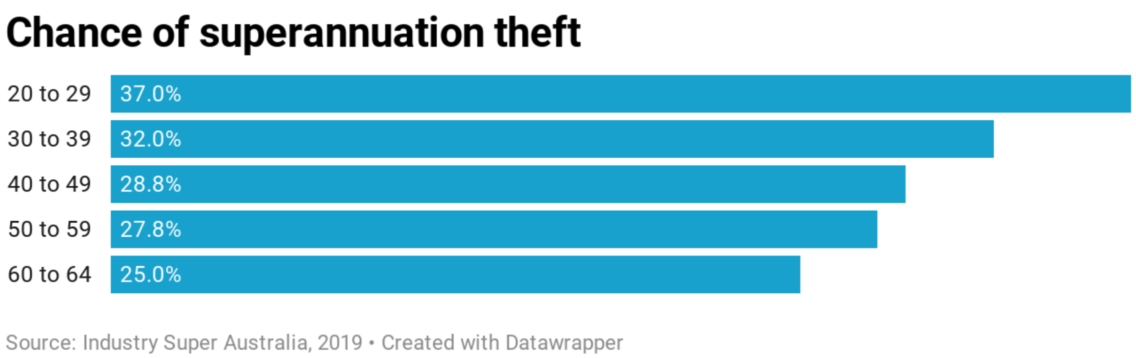


Figure 13 Chance of superannuation theft by age[80]

[80] Industry Super Australia, p. 13.

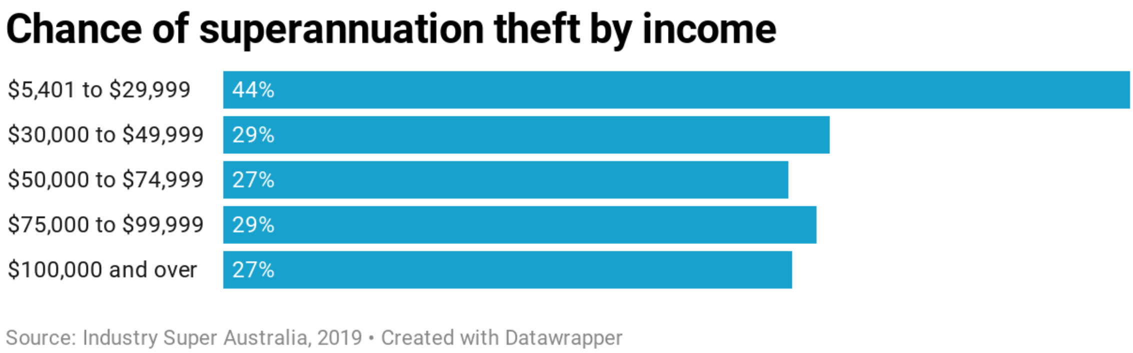


Figure 14 Chance of superannuation theft by income[81]

In order to ensure that the superannuation system is operating efficiently and effectively, superannuation entitlements must be properly enforced. Current methods of enforcing superannuation are opaque and slow. The Morrison Government has refused to act on unpaid super, only proposing an amnesty from charges or penalties associated with unpaid super for bosses who promise to pay it back.[82]

If a worker is not paid their superannuation, then they need to submit their claim to the ATO. The ATO is slow to deal with claims, and workers have no visibility as to where their claim is up to as it is being assessed. Workers have no right to initiate action against their employer to recover super. Some workers have an entitlement, but only if they're employed under an award or a union-negotiated enterprise agreement.

Superannuation entitlements should be replicated in the National Employment Standards (NES). This would give workers the right to pursue unpaid super in the same fashion as wages. Workers should be entitled to take action rather than rely on the slow, opaque process of the ATO. Replicating superannuation in the NES would give workers and unions the capacity to pursue superannuation claims at the same time as wages claims. By increasing the avenues to recovering unpaid superannuation, the incidence of unpaid superannuation would decrease, and the likelihood of recovery would increase. Workers would be presenting with their superannuation entitlement as a fundamental right of employment upon commencement and could far-easier represent themselves.

To make this effective, however, unions and workers should have the right, at any time, to inspect records of payment for superannuation and wages.

Superannuation is currently required to be paid every quarter. This can result in a three-month lag between earning your super and being paid. The time-lag between wages and super makes it hard

[81] Industry Super Australia, p. 13.
[82] Commonwealth of Australia, *Treasury Laws Amendment (Recovering Unpaid Superannuation) Bill 2019*.

for workers to know if they've been paid super on time and in full. In order to rectify this, all superannuation payments should be made at the same as wages.

At present, wages and superannuation recovery processes are difficult and lengthy. A specialised tribunal should be established, as part of the Fair Work Commission, to deal with wages and superannuation theft claims. This tribunal should be low-cost and accessible for workers seeking to enforce their rights.

### Recommendation 8 — Eliminate superannuation theft

Superannuation theft is the theft of workers' retirement savings by unscrupulous employers. The following measures should be introduced to eliminate superannuation theft:

- Unions should be given the power to inspect employers' records of superannuation payments,
- Superannuation should be paid at the same time as wages,
- Superannuation Guarantee provisions should be replicated in the National Employment Standards, and,
- Wages and superannuation recovery systems should be improved and made more efficient, affording more rights to workers and their unions to initiate recovery action.

## Better funds and defaults

Industrially determined default super funds are one of the union movements greatest achievements. Default super funds outperform choice super funds on average. The Productivity Commission inquiry found that default funds outperform choice funds on average, and significantly outperform the benchmark. The Productivity Commission also found that all-profit-to-member funds, industry funds, significantly outperform their for-profit, bank-owned counterparts. The industrially determined default distribution system has been central for the success of the superannuation system and has lifted workers' retirement savings. By contrast, bank-owned superannuation funds have been a persistent drain on the retirement income system. Bank-owned funds were exposed by the Financial Services Royal Commission for poor Governance, bad performance and ripping off their members. There is no place for profit in this system, and immediate action to restore confidence should be taken to remove bank-owned funds.

The industrially determined default system is successful. Workers are represented when determining their default funds and workers typically default into an industry fund. Through the establishment of universal superannuation, a key objective was to improve the transparency, fees and performance of superannuation funds. Existing for-profit or corporate funds were opaque and performed poorly, with disinterested management investing in uncompetitive products. A central objective of unions when arguing for increasing superannuation contributions was to ensure workers' retirement savings were entrusted to funds which represent them. The Productivity Commission recommendation to change the default distribution system should be rejected. Rather the Morrison Government should abandon its political delay to appointing the Fair Work Commission Expert Panel to allow the Commission to determine industrial defaults.

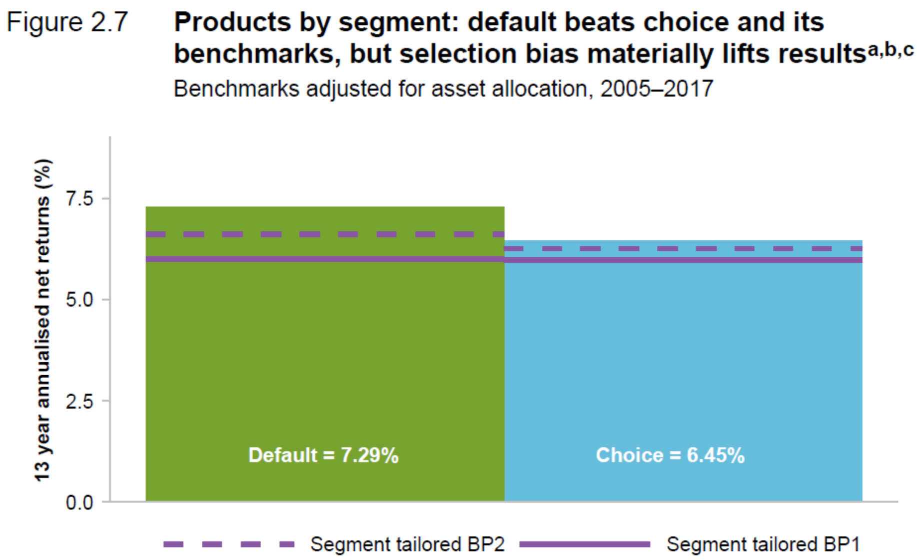


Figure 15 Productivity Commission figure on default fund outperformance[83]

The most beneficial situation for a worker to be in is where their union has negotiated an industry fund into their agreement. Industrially determined default funds mean that workers are defaulted into a superannuation fund which represents them and is tailored to their industry. Workers defaulted into Cbus have access to more affordable blue-collar insurance than in any other fund. HESTA represents the nearly 70% women in its fund through a strong advocacy programme for women's retirement outcomes.

Workers should also be able to make the collective choice for a single fund in the workplace. Workers bargain for a superannuation fund when it suits them, due to the performance of the fund, the products it offers, an insurance arrangement that the employer and workers can agree to, or because they feel represented by their fund. Workers are more likely to be defaulted into a high-

[83] Productivity Commission, *Superannuation: Assessing Efficiency and Competitiveness* (Canberra: Productivity Commission, 2018), p. 125.

performing fund when they bargain for a single fund.[84] This key part of industrial defaults should be retained.

As superannuation grows and funds mature, it is more important to retain the industry connection. The success of the equal representation model and its ties to industrially determined default funds needs to be retained to ensure superannuation funds are run in the best interests of their members going forward. Equal representation governance of industry funds has ensured that members pay the lowest fees, have the best-value insurance for their industry and invest in the real economy and job-creating projects.

As workers change jobs or careers, their superannuation should go with them. Unintentional multiple accounts erode workers' retirement savings and action is needed to eliminate existing multiple accounts and stop the creation of new ones. The Productivity Commission recommendation to staple workers to a fund for life should be rejected. Superannuation is not funds' money — it is workers' money. The proposal by the Productivity Commission to guarantee a fund (even for-profit super funds) a member for life would do nothing to eliminate the existing pool of multiple accounts and would eliminate the industrial connection that has made Australian superannuation so successful. Rather, a workers' retirement savings should be stapled to them and should flow to their default industry fund.

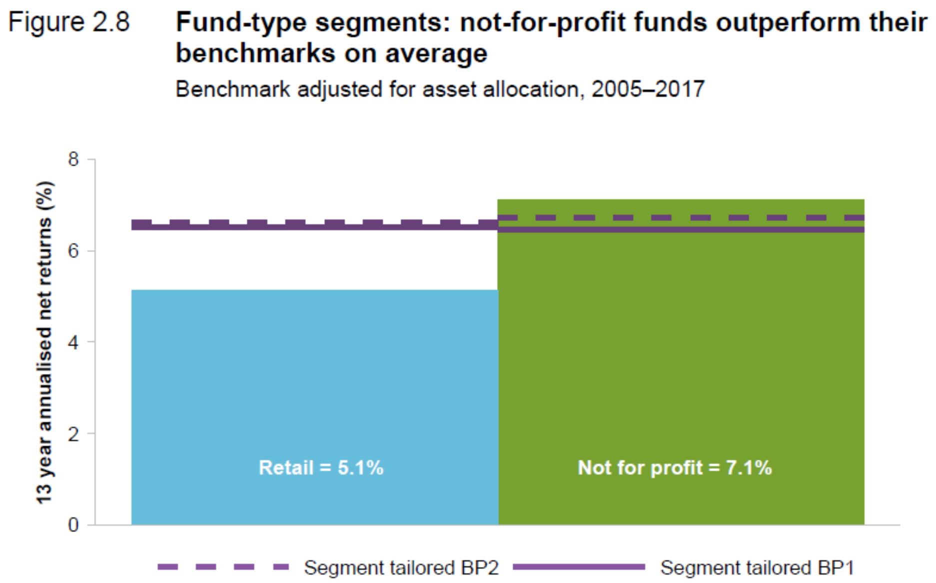


Figure 16 Productivity Commission figure showing not-for-profit fund outperformance[85]

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[84] James Pawluk, 'To Senate Economics Committee Inquiry into Treasury Laws Amendment (Your Superannuation, Your Choice) Bill 2019', 17 January 2020 <https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TLABYSYC/Submissions> [accessed 28 January 2020].
[85] Productivity Commission, p. 128.

Bank-owned superannuation funds are systemic underperformers and should be removed from the superannuation system. Superannuation funds were the subject of extreme scrutiny throughout the Financial Services Royal Commission, and bank-owned funds had extensive and significant cases of misconduct. Charging fees for no service, charging advice fees to the dead, hawking superannuation products, rorting their members or compensating members with their own money were just some of the examples of misconduct exposed by the Royal Commission. Combined with their underperformance, there is no place in the retirement system for profit.

**Recommendation 9 — Restart the Fair Work Commission default fund process**

The Fair Work Commission must be empowered to conduct reviews of default superannuation funds in modern awards. Underperforming and scandal plagued super funds like those offered by AMP must not be present in modern awards.

**Recommendation 10 — Kick underperforming funds and bank-owned funds out of the system**

For-profit superannuation funds are a drain on the superannuation system, leech retirement savings from workers, and result in generally worse retirement outcomes than all-profit-to-member funds. For-profit superannuation funds and systemic underperformers must be removed from the system.

## Tax concessions unfairly targeted

Tax concessions on superannuation contributions and earnings are a necessary part of the superannuation and retirement income system. Tax concessions incentivise voluntary contributions, but also assist workers in growing their superannuation balance ahead of retirement. The tax concessions for superannuation on both income and earnings disproportionately flow to the wealthy, and barely benefit lower-income workers. As Figure 17 *Tax benefit of superannuation as a proportion of total income* illustrates, tax concessions from superannuation become more valuable for higher income earners. Higher income earners not only receive more in real dollars as a tax concession, but also as a proportion of their total income.

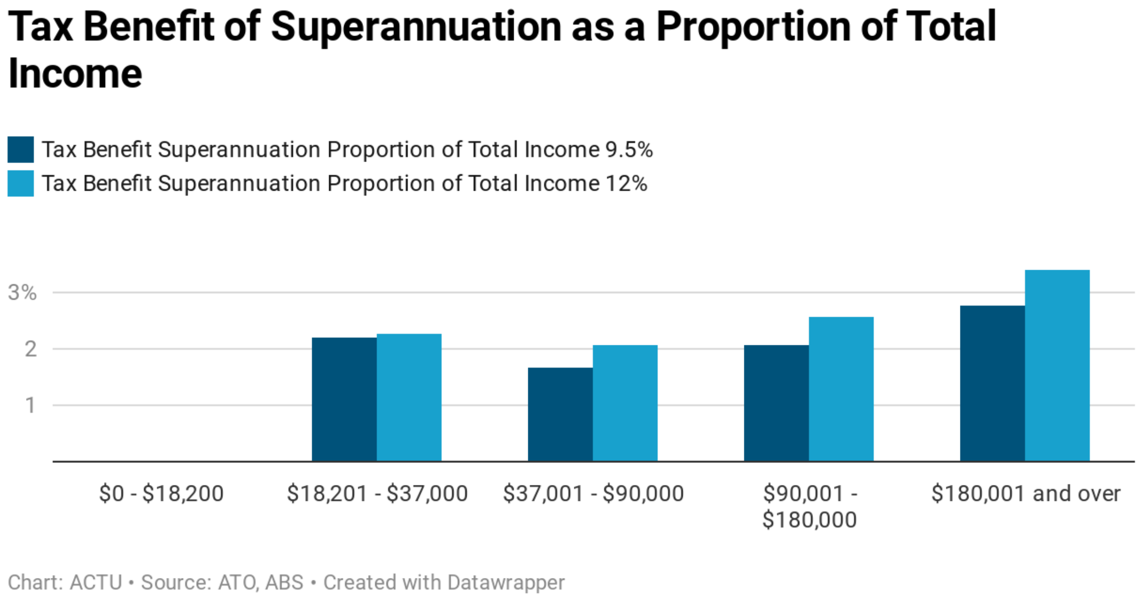


Figure 17 Tax benefit of superannuation as a proportion of total income[86]

Tax systems should be progressive. Higher income earners have the greatest capacity to pay tax and should pay more, including as a proportion of their income. Superannuation taxes should be no exception. Figure 17 shows a regressive tax. Even accounting for the Low-Income Superannuation Tax Offset (LISTO), low income workers receive no tax benefit from superannuation, but those on $180,000 per year receive a significant tax benefit. This trend line should be reversed.

The tax benefits should be highest for low-income earners and lowest for high income earners. The ACTU is calling for a Marginal Contributions Tax Rate for superannuation. Figure 18 shows a potential system for implementing a marginal tax rate for superannuation contributions. With the low-income superannuation pathway in mind, low contribution rates should attract co-contributions from the Government via a rebate. Middle income workers should still receive concessional contributions, but high-income earners should receive limited to no concessions. Age and balance would need to be considered for those looking to make catch-up contributions just to have enough to retire in a fuller exploration of tax concessions for superannuation contributions.

[86]Figure derived from the difference between the SGC tax rate and the marginal income tax rate for that bracket. Inclusive of LISTO and the Medicare Levy. Income is set at average taxable income reported with the tax bracket.

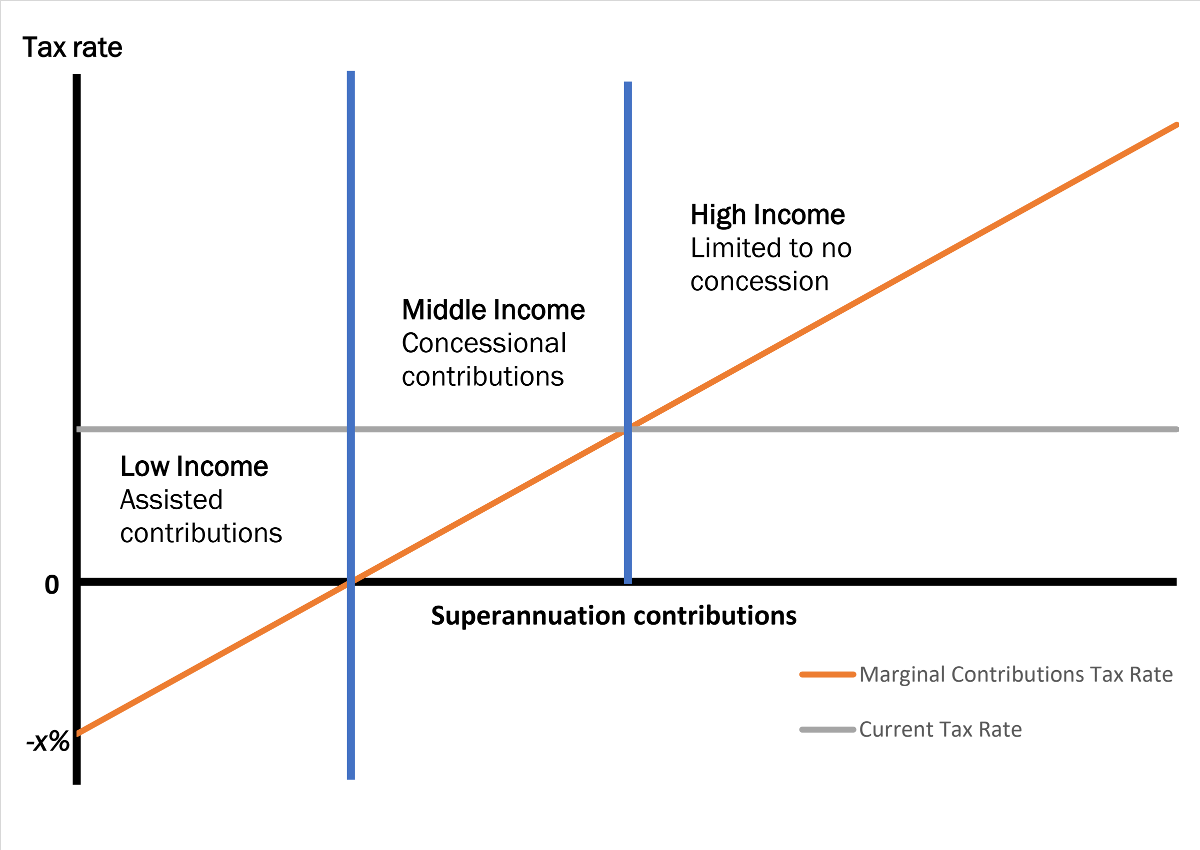


Figure 18 Potential tax treatment of superannuation contributions

Should Figure 18 be used as a guide, the tax benefits of superannuation would flow greatest to low-income workers, and then least to high-income earners, as illustrated in Figure 19. This would reform superannuation contributions to be progressive.

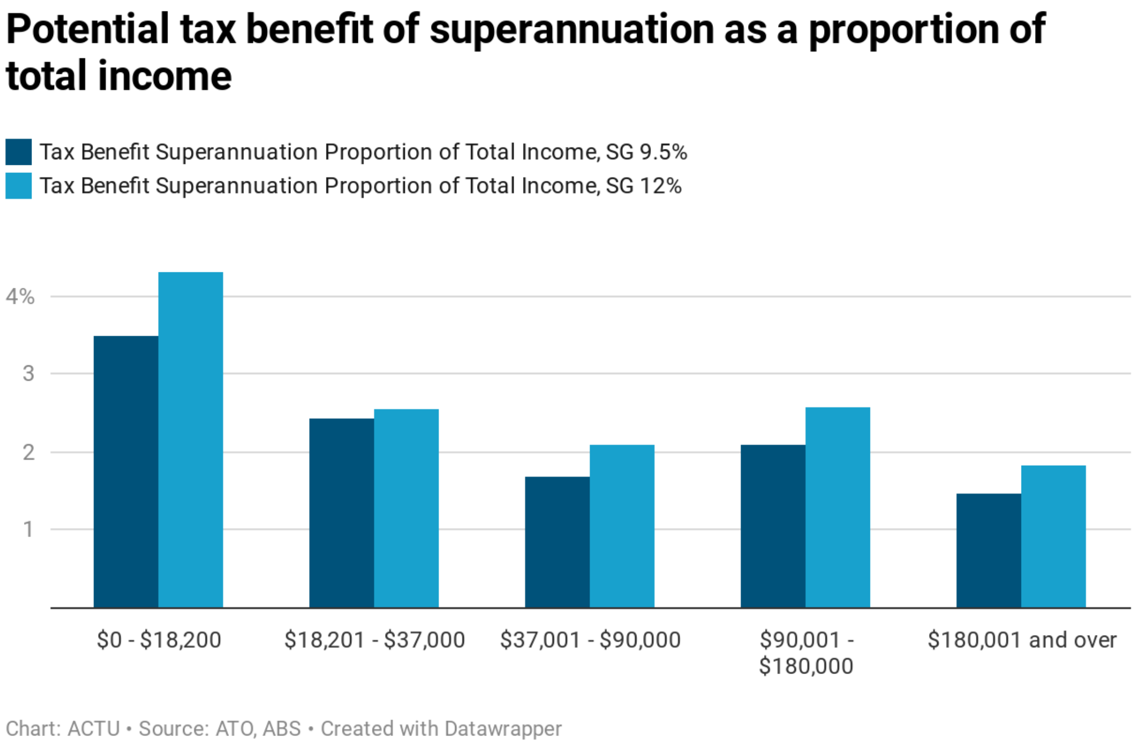


Figure 19 Potential tax benefit of superannuation as a proportion of total income

While contributions could be simply reformed, superannuation earnings both in accumulation and pension phase are taxed concessionally or not at all. The $1.6 million cap on superannuation balances and transfers is still an exceptionally high amount for most workers. The cap pays no regard to the age or accumulation pathway. The previously described low-income superannuation accumulation pathway, Figure 11, would be the basis of a progressive tax system for superannuation earnings. Figure 20 shows the model for a marginal earnings tax rate. Those under the blue line would receive Government assistance to return to a path for a dignified retirement. Those above the orange line would forgo tax concessions on earnings, as their superannuation accumulation pathway is in excess of a comfortable retirement and does not require subsidy.

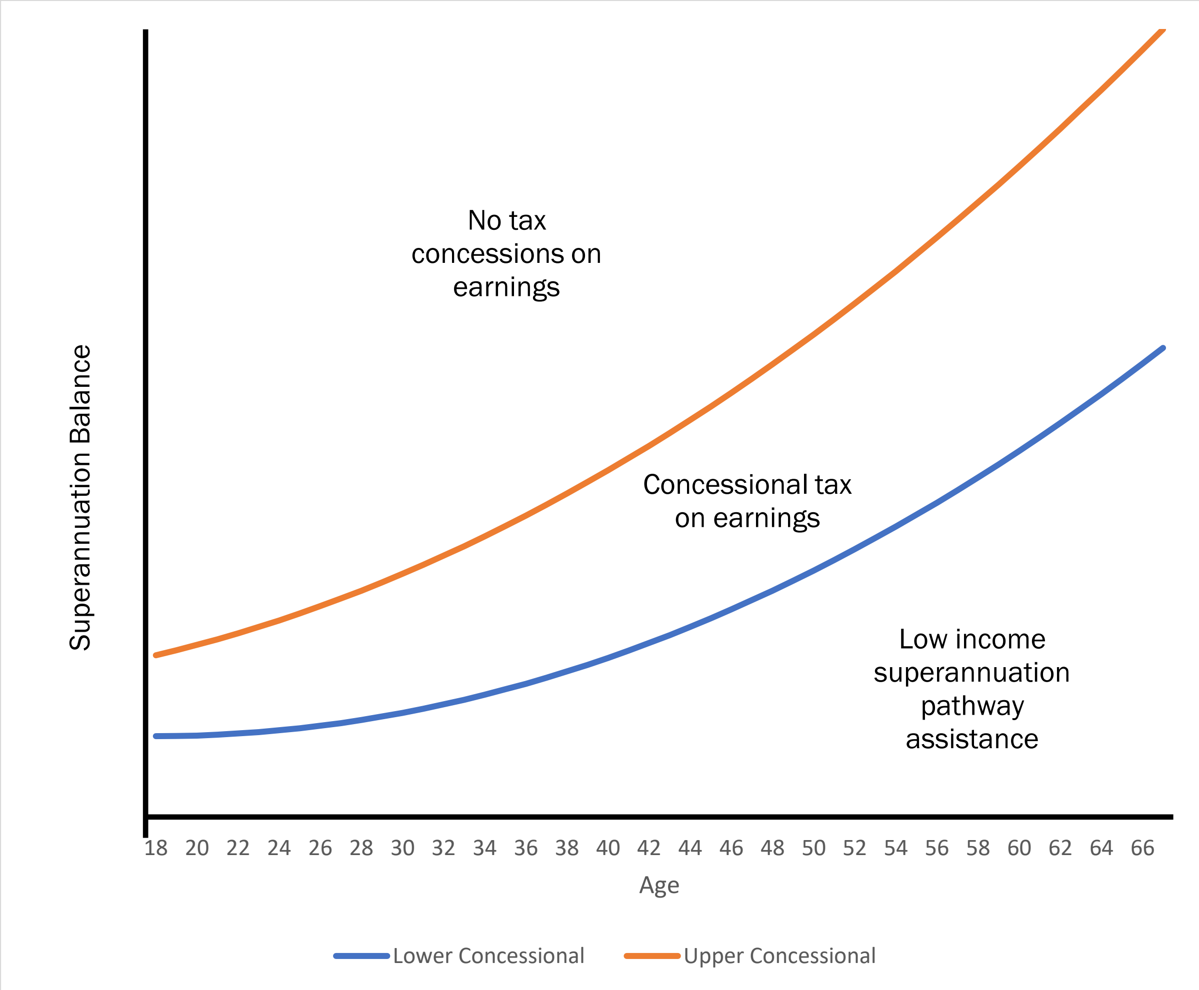


Figure 20 Potential marginal earnings tax rate

Superannuation tax concessions should be reformed to be targeted at those who need assistance to save for retirement. Current tax concessions are unfairly targeted and regressive. High-income earners have never required government assistance to save, but low-income earners do. The ACTU is calling for sensible reforms to tax concessions in superannuation.

### Recommendation 11 — Scrap unfair tax concessions

Tax concessions, especially in the retirement phase, are far too generous to the wealthy. Tax concessions for the wealthy should be removed and/or better means tested.

## Age Pension & Social Assistance

The purpose of the Age Pension is to ensure that every Australian retires with dignity and financial security. The Age Pension is the foundation of the retirement income system and its value and accessibility should reflect the value we place in the retired.

But if the Age Pension is a safety net, it is not working. Many workers who rely upon the pension or a part-pension are retiring into poverty. The Age Pension is set too low to be an adequate income in retirement and is not increasing at a rate which keeps up with the cost of living. The Age Pension Assets Taper Rate, and the related deeming rate, undermine the value of superannuation. These arbitrarily set rates that are punitive for retirees, forcing those with modest superannuation balances to get by with low incomes.

Many workers are forced into retirement early. Either by losing their job later in life or being forced out of the workforce due to injury, illness, or age-based discrimination. Blue collar workers face this the most. The average age of retirement is lower for workers in manual industries than non-manual, (see Figure 1 Average age of retirement by industry and Figure 2 Type of work and average retirement age). These workers face the grim prospect of burning through their superannuation then living off Newstart. To redress this, both Newstart should be increased and the Age Pension eligibility age should be lowered.

### Age Pension is not adequate

The Age Pension is not high enough for workers to retire with dignity. ACOSS research shows the Age Pension is well below the poverty line of 60% of median income.[87] Figure 21 Pension payments and the poverty line gap shows the difference between the Age Pensions and the poverty-line, in dollars per week. The gap means that 31.5% or 801,000 of those receiving the Age Pension are living in poverty.[88]

[87] P. Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2* (ACOSS, 2018), p. 54.
[88] Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 27.

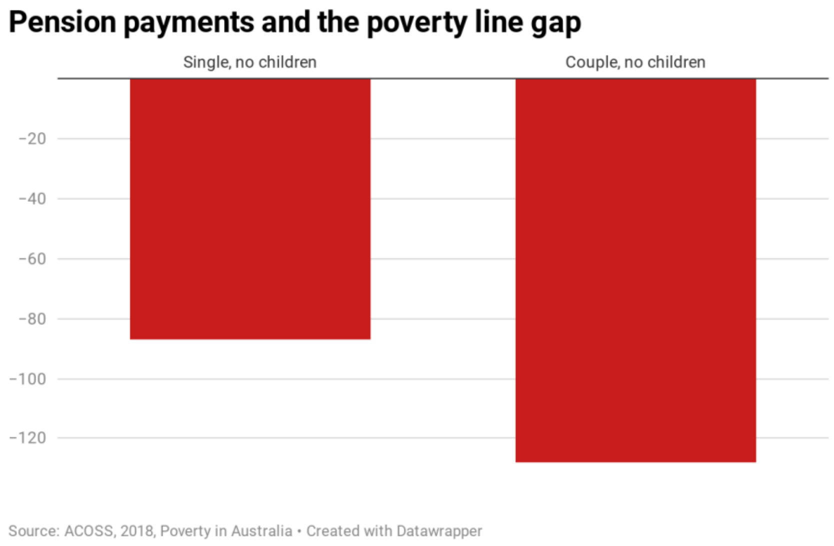


Figure 21 Pension payments and the poverty line gap[89]

Electricity costs have soared in recent years, along with gas prices, the cost of seeing a GP and the cost of insurance (especially private health insurance). See Figure 23 How pensioners and allowance recipients spend and Figure 24 The necessities are nearly always higher than CPI or AMWE. The last significant, non-indexed rise to the Age Pension was in 2009. Community standards and expectations of what a reasonable standard of living are much higher than what pensioners can afford now.

> *"I live alone with my dog. My dog is old and I probably won't have her much longer. I would not be able to afford to keep another dog, so it will just be me, a very lonely life."*
> *— Woman responding to ASU survey on retirement incomes (Hetherington & Smith, 2017)*

Those receiving the Age Pension must scrounge their already meagre income in order to deal with emergencies, provide gifts to their families, adopting and caring for a pet, or enjoy small luxuries. Pensioners should not have to choose between heating or cooling the house and travelling interstate to see family.

The increase in poverty amongst older Australians is most evident in the increase in the number of homeless people eligible for the Aged Pension. Chomik and Yan found that the number of homeless people had significantly increased recently. Older people make up 16% of the total

[89] Davidson and others, *Poverty in Australia, 2018. ACOSS/UNSW Poverty and Inequality Partnership Report No. 2*, p. 54. This gap is calculated before housing costs and so excludes rent assistance, however those renting are more likely to be in poverty despite the additional payment.

population without a home.[90] Older women saw the largest increase in homelessness, showing the largest increase of any cohort (Figure 22).

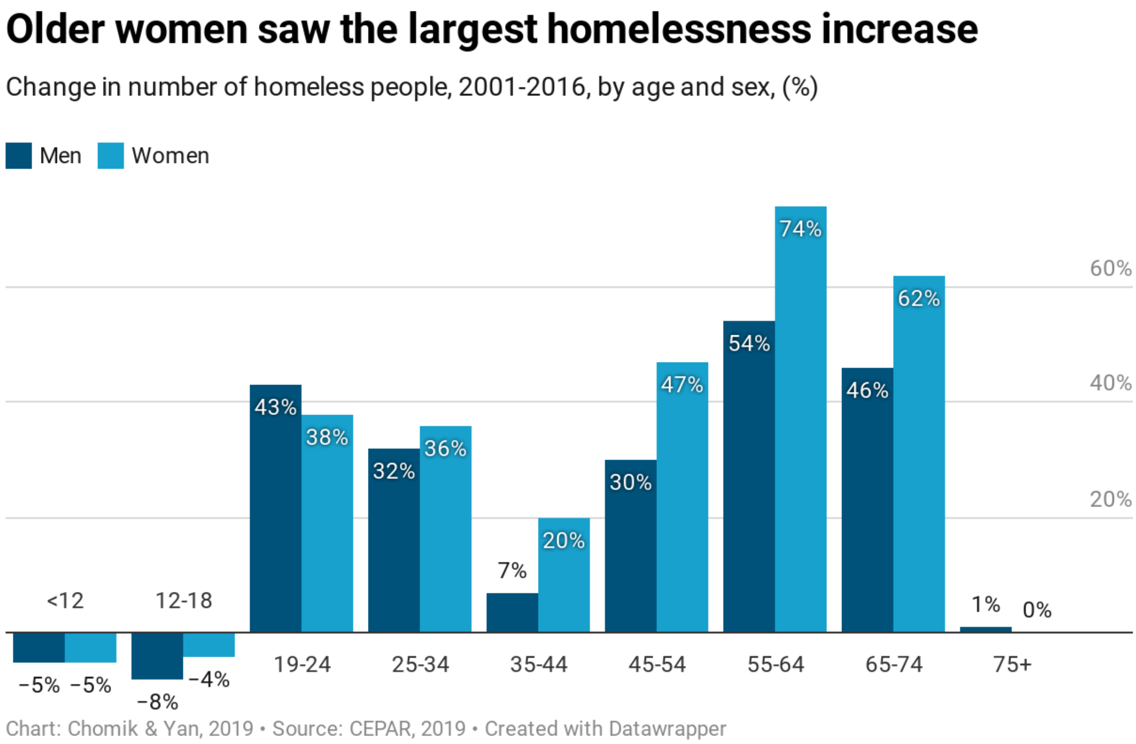


Figure 22 Older women saw the largest homelessness increase[91]

The rise in homelessness and poverty among pensioners shows the payment is not adequate. Only a unilateral rise in the Age Pension will lift those receiving it out of poverty, and assist pensioners deal with past rises in utility and housing costs and assist those renting and receiving the Age Pension.

### Recommendation 13 — Increase the Age Pension

The pension is barely enough for most, and a poverty wage for those renting. The pension must be immediately increased.

[90] Rafal Chomik and Sophie Yan, *Housing in an Ageing Australia: Nest and Nest Egg?* (Sydney: ARC Centre of Excellence in Population Ageing Research, 2019), p. 50 <http://cepar.edu.au/sites/default/files/cepar-research-brief-housing-ageing-australia.pdf>.
[91] Chomik and Yan, p. 51 Figure 39C.

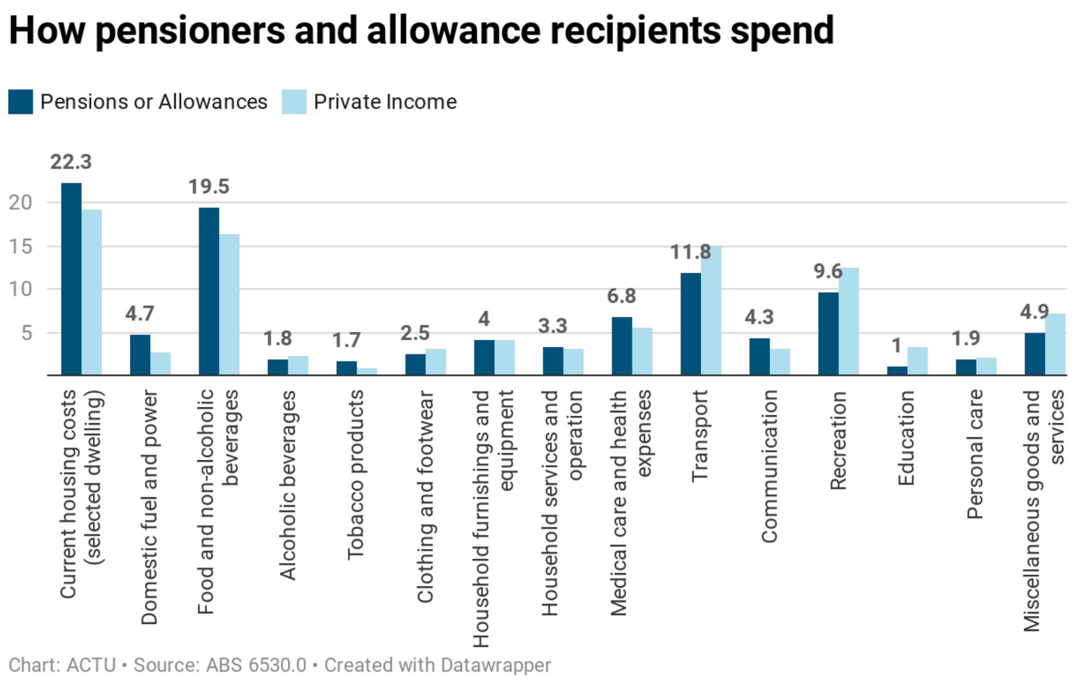


Figure 23 How pensioners and allowance recipients spend[92]

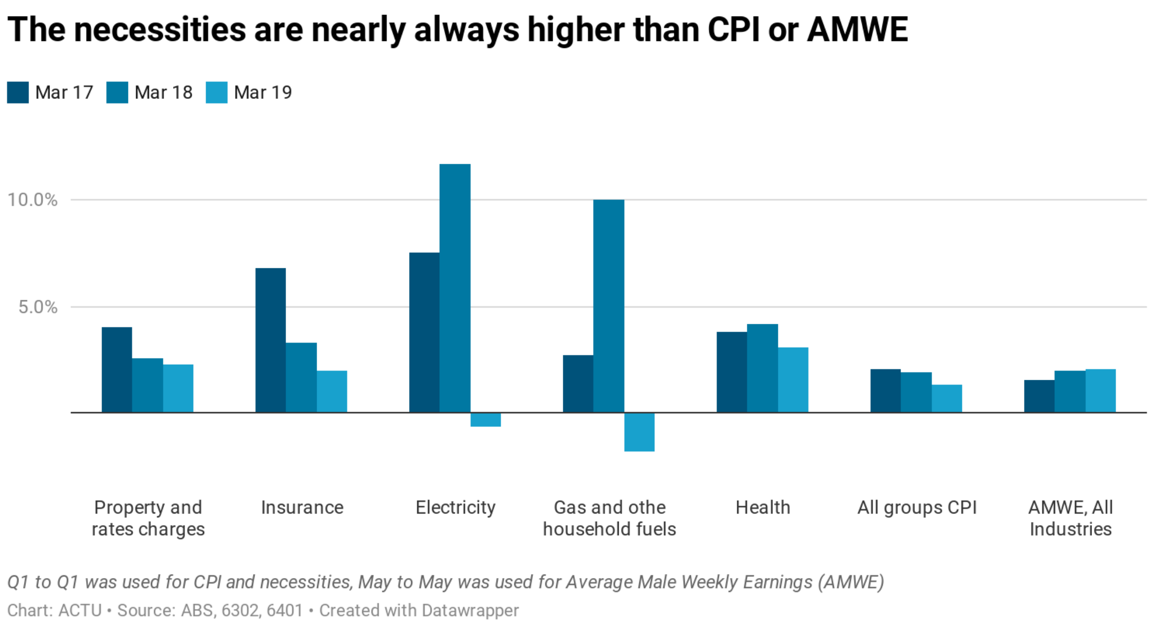


Figure 24 The necessities are nearly always higher than CPI or AMWE[93]

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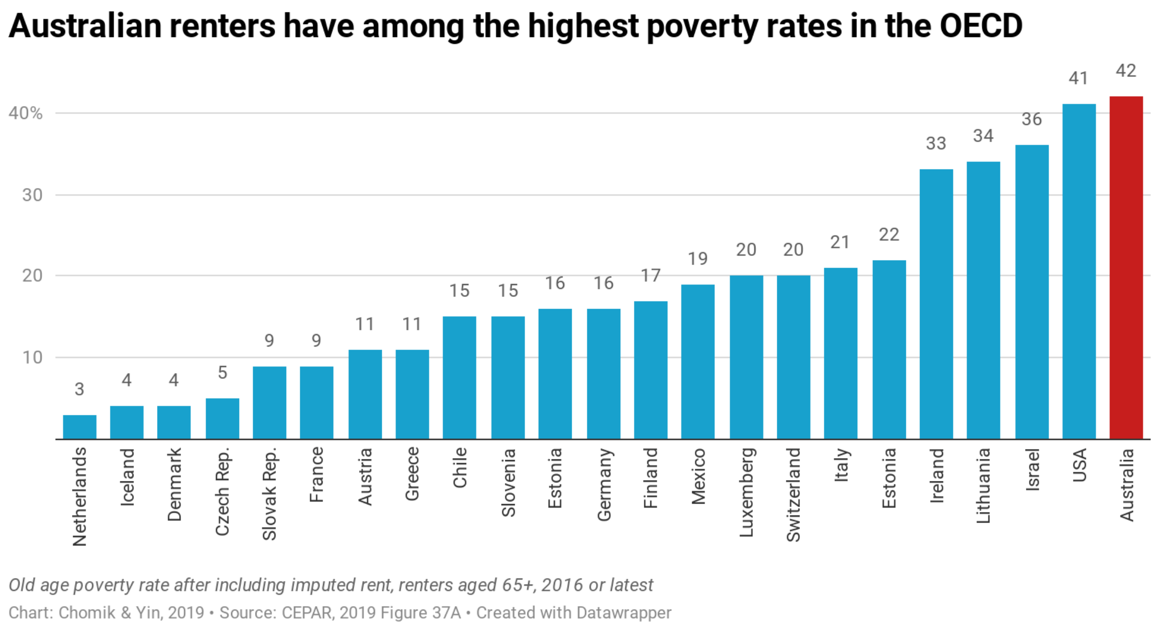
92 Australian Bureau of Statistics, *6530.0 - Household Expenditure Survey, Australia: Summary of Results, 2015-16* (Canberra, 13 September 2017).

93 Australian Bureau of Statistics, *6401.0 - Consumer Price Index, Australia, Sep 2019*, 30 October 2019 <https://www.abs.gov.au/Ausstats/abs@.nsf/exnote/6401.0>; Australian Bureau of Statistics, *6302.0 - Average Weekly Earnings, Australia, May 2019*, 15 August 2019 <https://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/6302.0Main+Features1May%202019?OpenDocument>.

## Renters doing it especially tough

Those receiving the Age Pension are doing it especially tough if they are renting. Australia has the highest rate of poverty among aged renters in the OECD, see Figure 25. But even this figure understates the problem. ACOSS estimates that 57.9% of those renting and aged over 65 are in poverty, or 203,300 people. The cause of poverty among older people renting is simple. The age pension, even with rent assistance, isn't high enough to cover the cost.




### Figure 25 Australian renters have among the highest poverty rates in the OECD[94]

Despite the rise in the Age Pension in 2009 and the provision of rent assistance, housing stress is increasing amongst the aged and increasing the quickest (see Figure 26).[95] Chomik and Yan, CEPAR, found that older renters have the highest relative poverty rates both in Australia and the OECD as shown in Figure 25.

The rate of poverty among renters is a national crisis, especially for women and Aboriginal and Torres Strait Islander retirees. Both an increase to the Age Pension, to deal with the rising costs of living, and an increase to rent assistance for those renting is needed.

[94] Chomik and Yan, p. 48 Figure 37A.. Note the graph lists Estonia twice, this is also in the source material.
[95] Chomik and Yan, p. 47.

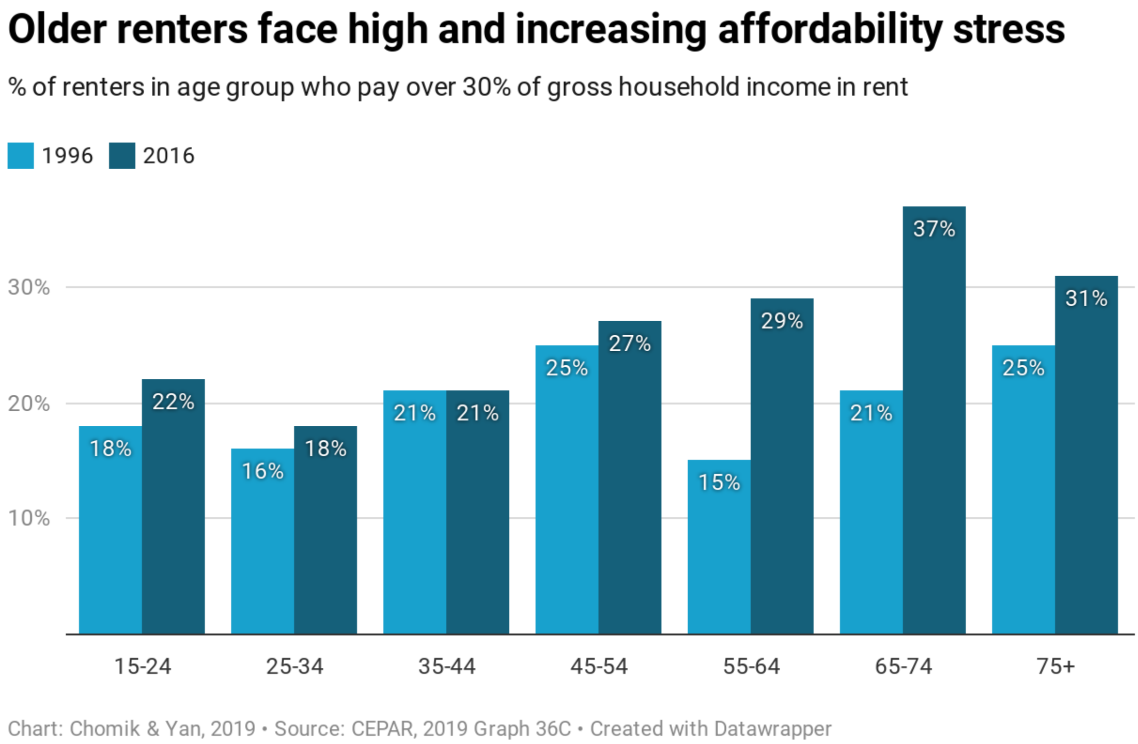



Figure 26 Older renters face high and increasing affordability stress[96]

**Recommendation 14 — Increase rent assistance to Pensioners without a home**

Rent assistance paid to Age Pensioners barely makes a difference to those renting, forcing them into poverty. Rent assistance should be immediately increased.

## Retiring early and into poverty

The average retirement age is nowhere close to 67. Blue collar workers, especially, are often forced into retirement. Physically demanding jobs become more difficult as workers age and workers often struggle to find work due to age discrimination. Workers have also been forced out of their jobs and struggle to be re-employed due to poor Government policy, as with the car industry, or poor transitional arrangements for industries. Those retiring early without much in superannuation, or before preservation age, are forced onto Newstart. Newstart is a poverty-inducing payment and should be immediately increased.

Figure 1 Average age of retirement by industry and Figure 2 Type of work and average retirement age show that workers retire far earlier than the Age Pension eligibility age. Many workers do so involuntarily. Either through retrenchment, age-related employment discrimination, high levels of

[96] Chomik and Yan, p. 47 Figure 36C.

regional unemployment and job scarcity. Figure 3 Types of employment-related age discrimination shows how older workers are often devalued despite the skills they bring to the workplace.

The NSA is set at just $39 per day and has not been increased for more than 25 years. Its real value has declined, leaving it to be a poverty-inducing payment. Before one can even be eligible for Newstart they must draw upon their superannuation, if they can access it, or other assets outside super. This forces workers onto a lower standard of living before they could access the age pension, or to change plans just before retirement. The union movement, the business community, and social services group all agree that Newstart should be immediately increased.

Many of the issues facing workers retiring early are described in the section *Retirement outcomes for workers*.

**Recommendation 15 — Lower the Age Pension eligibility age**

The Age Pension eligibility age is too high and unsuitable generally for blue collar workers. It must be immediately lowered to 65 for all workers.

**Recommendation 16 — Increase Newstart**

Increase Newstart Allowance by at least $75 a week, with the goal to increase the rate above the poverty line by increasing it ultimately by $160 a week.

## Reform the Age Pension Asset Taper Rate

Scott Morrison, as Social Services Minister in 2016 cut Age Pension payments for more than 300,000 people by increasing the Age Pension Asset Taper Rate. After altering the threshold and limit, the Taper Rate harshly cuts away the level of part-pension payments for those with medium-sized superannuation balances or other held assets. The Asset Taper Rate actively works against the intention of the part-pension, by creating an income trough for retirees on a part-pension. It is also a measure which exclusively impacts those with modest to medium-sized superannuation balances. It is irrelevant for the extremely wealthy who still enjoy tax incentives. The arbitrarily set deeming rate, too, undermines its own purpose. Set to be a fair indicator of the earnings potential for retirees’ assets, it is now unreasonably high and further undermining part-pensioners’ incomes.

Hammond and O'Brien, 2017, show that under current arrangements, only when retirees are essentially completely self-sufficient, they are better off than they would be before being on the part-pension.[97]

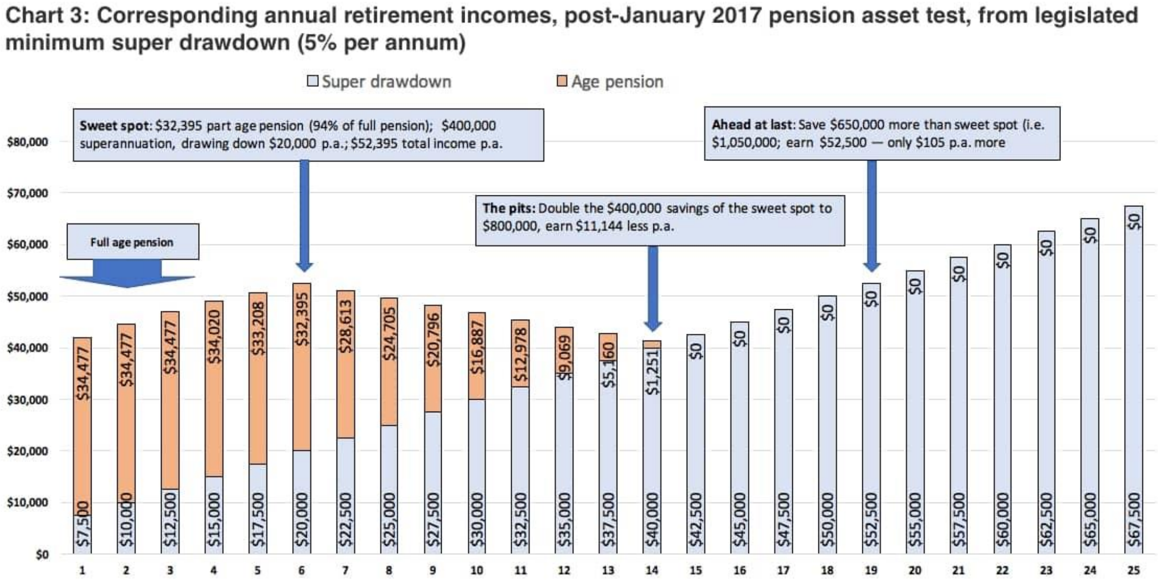



Figure 27 The income trough for part-pensioners[98]

Under Morrison's arrangement, the retirement system is working against itself. Rather than encouraging savings, the Taper Rate undermines the value of superannuation.

The principle of a targeted Age Pension is sensible. Where possible support from the Government should be given to those in most need. The Taper Rate as currently set though is a punitive measure against those with modest to medium assets, not those with significant assets in superannuation. The wealthiest retirees don't access the pension, but still receive tax-free status in the pension phase, and still receive significant concessions on their earnings and contributions. The change was originally heralded as a one for fairness, against the wealthiest retirees. But it cut $2.4 billion out of the pension to redistribute into general revenue. Rather than impacting the wealthiest retirees, it impacted those with relatively modest superannuation balances (compared to the wealthiest retirees) who were receiving a part the pension.[99]

The fixed deeming rate is a similar measure. Introduced where the RBA's cash rate was 2.25% and set at 3.25% it represented a reasonable expectation of what someone would be able to receive

[97] Jack Hammond QC and Terrence O'Brien, *Age Pension Changes Are Unfair to Retirees with Savings between $400k and $1m* (Melbourne: Super Guide, 26 June 2017) <https://www.superguide.com.au/how-super-works/retirement-income-savings-trap-caused-coalitions-2017-superannuation-age-pension-changes> [accessed 24 January 2020].
[98] Hammond QC and O'Brien.
[99] Ben Eltham and Osman Faruqi, 'Debate: Is the New Means Test for the Aged Pension Fair?', *The Guardian* (Sydney, 3 January 2017) <https://www.theguardian.com/commentisfree/2017/jan/03/debate-is-the-new-means-test-for-the-aged-pension-fair> [accessed 24 January 2020].

in a term deposit or high-interest savings account.[100] The cash rate is now 0.75% and consumer-savings accounts regularly face interest rates of 0.1%, but the deeming rate is 3%. The rate is set through a political process, which has allowed Governments to save money over a lengthy period of low interest rates. The consequences of this are either to encourage retirees to invest in riskier assets to essentially taxing them more. Both undermine the purpose of the deeming rate to be a fair indicator of potential income earned from assets. Deeming rates should be set independently of Government, by tying it to a reasonable expectation of earnings linked to interest rates.

### Recommendation 15 — Reform deeming rates to a floating variable rate

Current deeming rates are current set politically and are unsuitable for what appears to be a protracted period of low interest rates. Deeming rates should be independently set to a floating, variable rate.

### Recommendation 17 — Reform the Age Pension Assets Test

The Age Pension Asset Test is currently too harsh and for those on a part pension, counteracts any positives from accruing superannuation. It must be set at a reasonable level to ensure part-pensioners have a decent standard of living.

## A note on sustainability

There is a tendency among commentators to unconsciously assume the current allocation of Government expenditure to retirement incomes is about right, and savings and expenditure when advocating for policies should be found within the system. In doing so, commentators believe that they can optimise retirement expenditure within constraints and make the allocation of retirement expenditure a technical problem to solve. This is flawed thinking. The journey the polity took to get to current retirement settings reflects past political choice, mostly made for immediate benefit. The Age Pension Asset Taper Rate is an example where retirement incomes were raided for 'budget repair' by the Coalition, but the refundability of franking credits to non-pensioners was considered a sacred aspect of the retirement system. This is despite the latter being far more progressive than the former. The 'sustainability' of the system is political, not technical. Savings and expenditure within the retirement system should be considered independently to the overall budget position. An objective of the retirement income system is not to minimise public expenditure, if it were that would necessarily be a political decision. Rather the objective is to ensure no Australian retires into poverty and that all workers retire with independence and dignity. Government will need to spend more to do this. There are revenue opportunities about, given the myriad structural issues with our

[100] Sarah Martin, 'Deeming Rates Explained: How They Work and Why Pensioners Want Them Changed', *The Guardian* (Sydney, 9 July 2019) <https://www.theguardian.com/australia-news/2019/jul/09/deeming-rates-explained-how-they-work-and-why-pensioners-want-them-changed> [accessed 24 January 2020].

budget. Many big businesses are paying no tax, foreign multinationals aggressively avoid taxes in Australia, millionaires can claim thousands in deductions for accountancy and no royalties are paid on offshore oil or gas production.

Neither the Review, nor should policy makers, consider the allocation of retirement expenditure within the budget a technical exercise.

## Housing

Housing is a pillar of our retirement income system. As described above, secure housing and owning your own home is one of the greatest predictors of having a decent retirement. Over the past 20 years, housing costs, especially in capital cities, have exploded. Fewer people own their own home, and more are retiring with mortgage debt. Rents increase in costs, and the conditions of renting are poor for many. In order to address this, as part of a retirement income objective, Australia should set a national housing objective. In order to improve the experience of retirees renting, tenants' rights should be improved.

Housing is a human right. Homelessness, as has been discussed, impacts far too many retiring and older Australians with older women the fastest growing cohort of homeless people. This must be immediately rectified. It points, however, to a lack of clarity around what the objective for homeownership is in Australia. This absence of policy has led to a situation where tax concessions for houses are targeted at those looking to buy their ninth or tenth house, rather than their first and only. Rents have also soared, and the construction of new homes is occurring without enough planning for the infrastructure or services needed for quality living.

There should be a national housing objective for Australians. All working Australians should have the means and opportunity to buy a home which has access to infrastructure and services to support all cohorts of Australians. Those renting should also be treated with dignity and respect. Renters, despite having permanent and increasing housing costs in retirement, face stressors that other retirees don't. Short-term leases, restrictions on pets, restrictions on improvements, intrusive inspections and the potential for a lease to be cut short by a change of owner.

While house prices have exploded across Australia, mortgage debt amongst retirees and older Australians has outstripped even that. Between 1987 and 2015 house prices have tripled, on average, but mortgage debt for older Australians has increased sixfold.[101] Those paying off a mortgage through retirement are often no better off than those renting.

[101] Ong and others, p. 1.

Housing affordability is a crisis for younger Australians. It is taking longer for Australians to save to purchase their own home and longer for them to pay off their mortgages. Long-term rates of home-ownership will continue to decline unless significant interventions in the housing market are made to improve affordability.

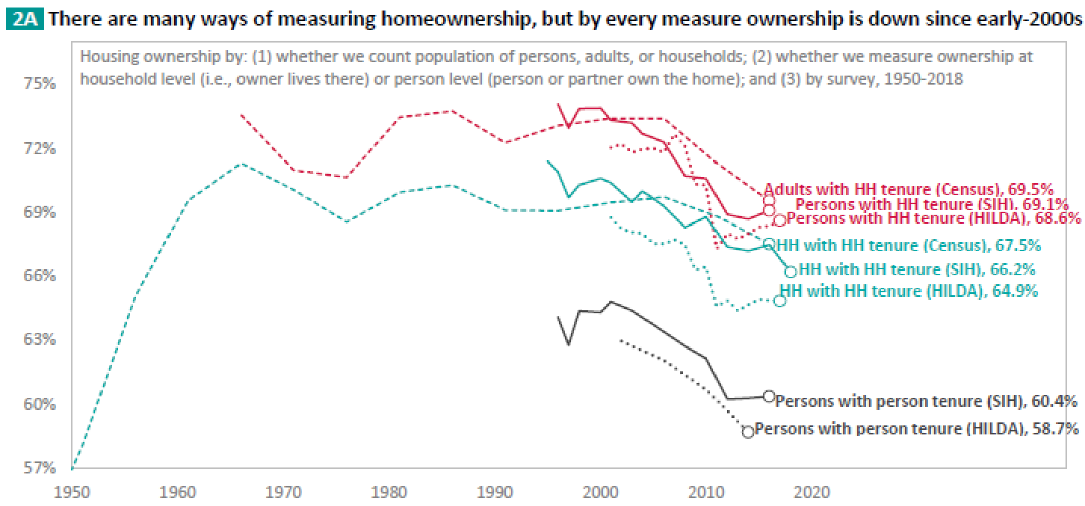



Figure 28 Declining home ownership rates[102]

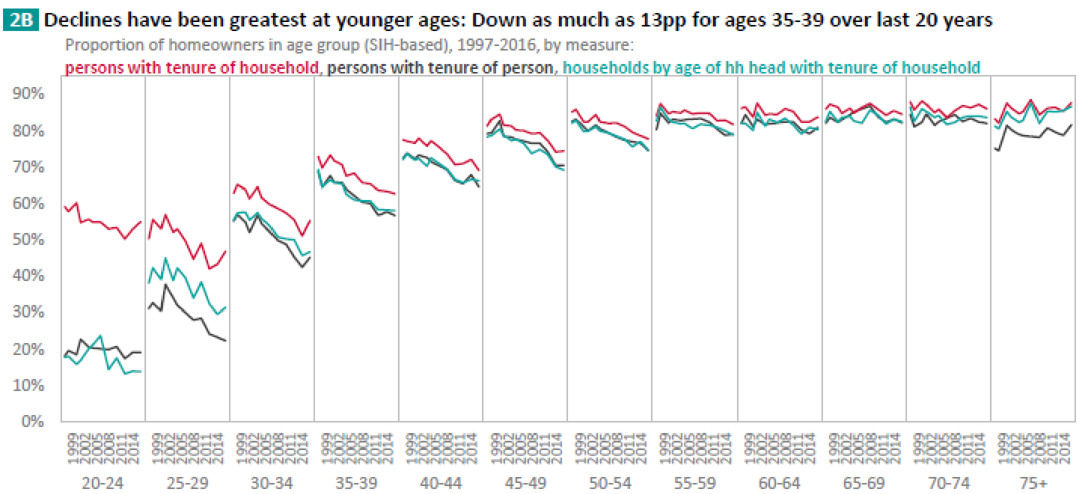



Figure 29 Declining home ownership is most pronounced for younger people[103]

[102] Chomik and Yan, p. 3.
[103] Chomik and Yan, p. 3.

### Recommendation 18 — Make housing more affordable

Owning a home without a mortgage is the most important aspect of a good retirement. The following steps must be taken to make housing more affordable:

- Increase the supply of affordable housing, especially in areas the aged live, through Government-led building and investment incentives,
- Reform and limit negative gearing, and,
- Reform and limit capital gains tax exemptions on investment properties.

### Recommendation 19 — Improve tenants' rights

Broadly speaking, renters are vulnerable and have few rights. Lease terms are often short, rights to make improvements, have pets and make the home more liveable are limited. Tenants must be afforded greater rights to alleviate housing stress on long-term renters.

## Health and Aged Care

Health and Aged Care are significant aspects of retired workers lives. It is important when considering the retirement income system, that a significant proportion of retired workers' assets are spent on these categories, with Aged Care often the last major purchase of one's life. Both privately and publicly funded health care are key aspects of the social wage. Both health and aged care should be properly funded by the Government. Gaps in our universal healthcare system contribute to poorer health and retirement outcome among retirees. Cancer treatments, MRIs, and dental care are often excluded for pensioners and the aged. This needs to be rectified. The Aged Care system is under deserved scrutiny by the Aged Care Royal Commission after residents have suffered abuse and mistreatment. Aged Care must be adequately funded to ensure safe and quality care.

The Royal Commission into Aged Care Quality and Safety has uncovered cases of elder abuse and chronic understaffing of Residential Aged Care Facilitates (RACFs). Adequate public funding for RACFs is needed, along with mandated staffing levels and improvements to professional development, wages and conditions. Australia spends among the least of comparable nations on long-term RACFs, at just 1.2 per cent of GDP. Denmark, Sweden, Japan and The Netherlands spend between 3 per cent and 5 per cent of GDP caring for the elderly.[104] As a result the Aged Care industry has poor wages, devaluation of essential jobs, poor professional development, high

[104] Stephen Lunn, 'Aged Care System "Underfunded and Understaffed"', *The Australian* (Sydney, 24 January 2020) <https://www.theaustralian.com.au/nation/politics/aged-care-system-underfunded-and-understaffed/news-story/a6e4bc1e5fc316c199d73af28994d2b5> [accessed 24 January 2020].

turnover of workers, poor management, and cultural and operational barriers to change.[105] Compounding poor funding is the siphoning of public funds through tax avoidance schemes by some for-profit RACF providers.

The Aged Care Royal Commission is ongoing, and recommendations for improvements to the system can be found in engagement by affiliates representing Aged Care workers. The ANMF, HSU and UWU each represent workers in the Age Care industries. Unions representing Age Care workers know that better resident care can be achieved by ensuring a secure, well-paid and adequately staffed workforce. Their recommendations to the Royal Commission should be adopted as policy to improve residential care.

**Recommendation 20 — Aged Care must be adequately funded**

Aged Care and Social Assistance funding must be increased, with legislated staff to patient and nurse to patient ratios in aged care facilities. Aged Care workers must receive better wages, conditions and professional development to complement the complexity, value and skill of their work. Similarly, disability support workers must receive better wages, conditions and professional development to complement the complexity, value and skill of their work, and to counteract the reliance on casualised, gig-economy employment practices across the disability sector.

The cost of healthcare is constantly increasing. The cost of dental care, co-payments, and private health insurance have been increasing above inflation and make up a significant proportion of many retirees' spending and incomes. The gradual and continuing push toward privatising the health system of Australia is working against the public interest. Australians are paying more than ever for health care, and many are opting not to seek treatment due the cost. Figure 30 and Figure 31 show the significant and persistent increasing cost of health care in Australia above the rate of inflation and wage growth

[105] Australian Nursing and Midwifery Federation, *Aged Care Workforce: Submission of the Australian Nursing and Midwifery Federation to the Royal Commission into Aged Care Quality and Safety* (Melbourne: ANMF, 2019), p. 2 <http://anmf.org.au/documents/submissions/ANMF_Submission_to_RC_Aged_Care_Workforce.pdf>.

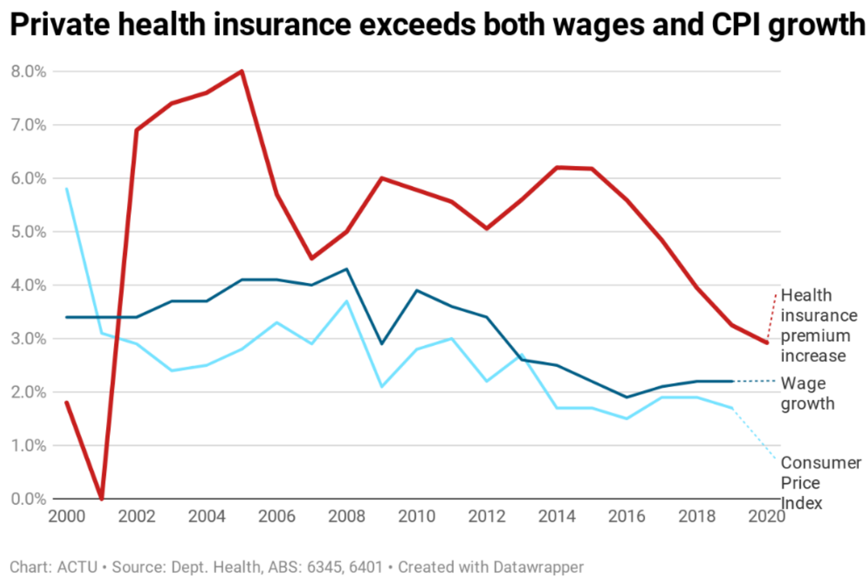



Figure 30 Private health insurance increases faster than both wages and CPI growth[106]

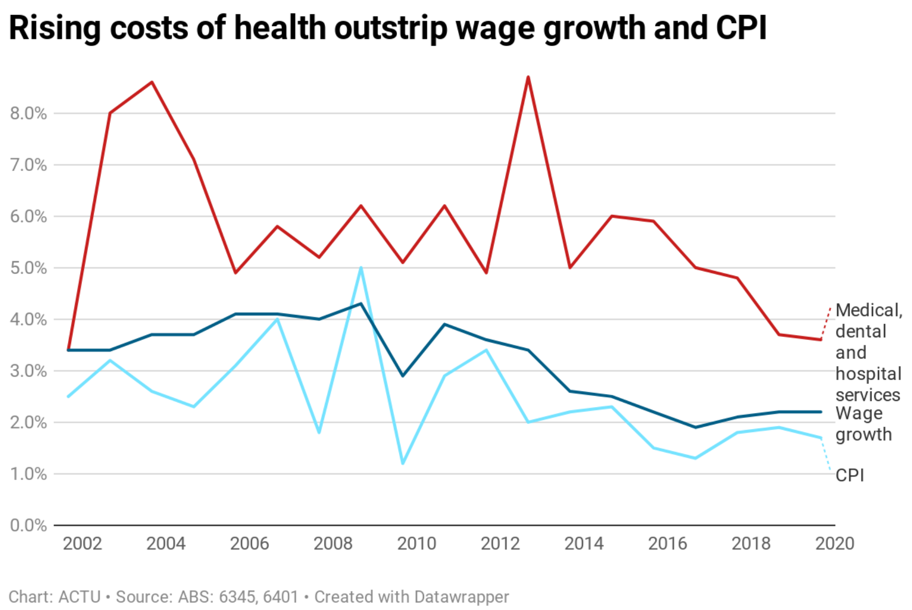



Figure 31 Rising costs of health outstrip wage growth and CPI[107]

In order to ensure a better quality of life for retired workers, more components of health care should be paid for by Medicare. Dental services and cancer treatment are universal needs but incur huge

[106] Commonwealth Department of Health, *Average Annual Premium Price Change by Insurer* (Canberra: Government of Australia, 7 December 2019) <https://www1.health.gov.au/internet/main/publishing.nsf/Content/privatehealth-average-premium-round> [accessed 24 January 2020]; Australian Bureau of Statistics, *6401.0 - Consumer Price Index, Australia, Sep 2019*; Australian Bureau of Statistics, *6345.0 - Wage Price Index, Australia, Sep 2019* (Canberra, 13 November 2019) <https://www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/07C8525D230737D4CA2581D700791749?opendocument>.

[107] Australian Bureau of Statistics, *6401.0 - Consumer Price Index, Australia, Sep 2019*; Australian Bureau of Statistics, *6345.0 - Wage Price Index, Australia, Sep 2019*.

out-of-pocket expenses for patients. Funding is a significant part of this. The quality of care should be improved by mandating nurse-to-patient ratios nationally for hospitals.

### Recommendation 21 — Health care funding must be increased

Funding for health care must be increased to cope with the increased demand on health services. Nurse-to-patient ratios should be made law, nationally, to improve the quality of care for all Australians. Dental care and cancer treatment should incur no out-of-pocket expenses.

## Voluntary savings

Voluntary savings are declining due to a protracted period of wages stagnation. This has left workers with little to put aside for a rainy day. 20% of Australians don't think they could raise $3,000 in a week for an emergency.[108] The gender pay gap is also sustained, meaning women are less able to save, on average than men. The decline in the savings rate, due to poor wage growth, has increased the importance of compulsory superannuation. Workers are not able to save for retirement outside of superannuation, as was the case before the introduction of compulsory super.

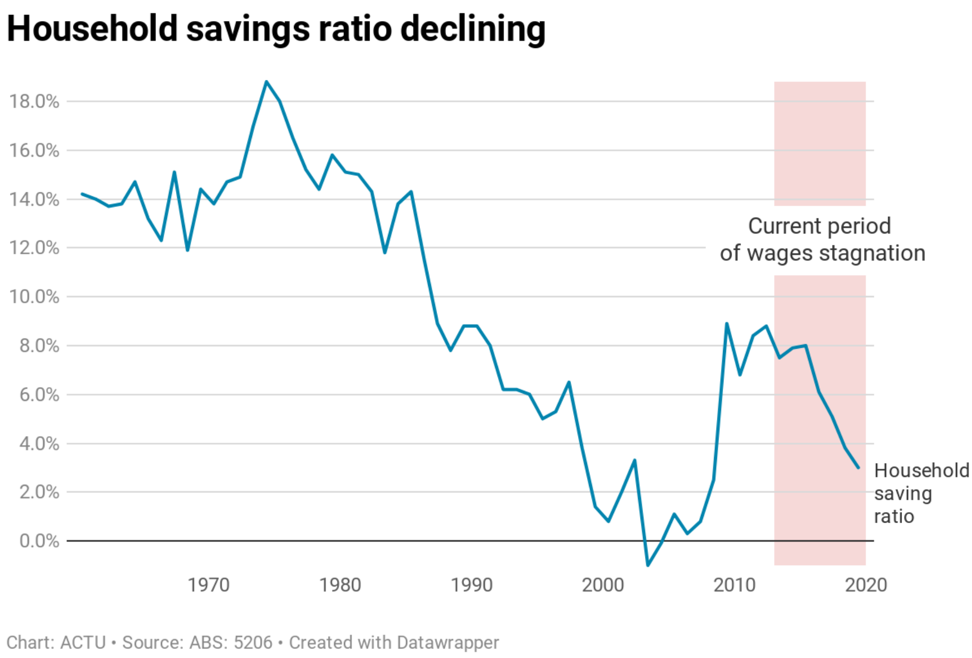



Figure 32 Household savings are declining[109]

Australia is facing a wages crisis. Worker's rights have been persistently undermined by Government and big business have used their power to force workers onto lower wages. Combined with persistently high unemployment and underemployment, wages are stagnating. "Since 2013, nominal wages have been growing at around 2% per year — half the rate of the 2000s, and the slowest of any sustained period since World War II."[110]The wages crisis is weighing on superannuation contributions, too. Deliberate wage-suppression tactics, including forcing workers back on the Award wage (as Murdoch University, CUB attempted to do, and Aurizon succeeded in),

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[108] Me, *Household Financial Comfort Report* (Melbourne: Me Bank, 2019), p. 43 <https://www.mebank.com.au/getmedia/b59491c6-778e-4fca-83c2-a3d11936eff1/ME-16th-Household-Financial-Comfort-Report_June-2019_v2.pdf> Figure 39.
[109] Australian Bureau of Statistics, *5206.0 - Australian National Accounts: National Income, Expenditure and Product, Sep 2019* (Canberra, 4 December 2019) <https://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/5206.0Sep%202019?OpenDocument>.
[110] Stewart, Stanford, and Hardy, p. 6.

cutting penalty rates, and imposing bargaining caps on public services will cost workers $100 billion by retirement.[111]

Wage stagnation has been noted consistently by Australia's Reserve Bank and the treasury as a major handbrake on the Australian economy. Wage growth at 2.2% has been well below the long-term average of 3.2 per cent. This a level not seen since late in 2012. Wage stagnation was exacerbated when penalty rates were cut in 2017, the argument was put to the Fair Work Commission that if penalty rates were cut by between one quarter and one half, that trading hours and services would be extended to weekends with an increase in hours overall. The argument was essentially that it would create new jobs.[112] However, joint research from Macquarie and Wollongong universities confirmed that the cuts failed to create any new jobs.[113] Despite 26 years of economic growth, persistent inequality and wage stagnation have left many behind. Unless wage stagnation is address, it will continue to be a drag on our economy, and will place greater stress on the funding of cities, infrastructure and government services,

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111 Jim Stanford, *The Consequences of Wage Suppression for Australia's Superannuation System* (Sydney: The Centre for Future Work at the Australia Institute, 2017).

112 National Retail Association, *Final Submission by the National Retail Association Re Fast Food Industry Award 2010* (Brisbane: National Retail Association, 2016), p. 23 <https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/am2014305-finsub-nra-080216.pdf>.

113 Martin O'Brien, Raymond Markey, and Eduardo Pol, 'The Short Run Impact of Penalty Rate Cuts on Employment Outcomes in Retail and Hospitality Sectors in Australia', *Economic Papers: A Journal of Applied Economics and Policy*, 37(3) (2019), 270–86.

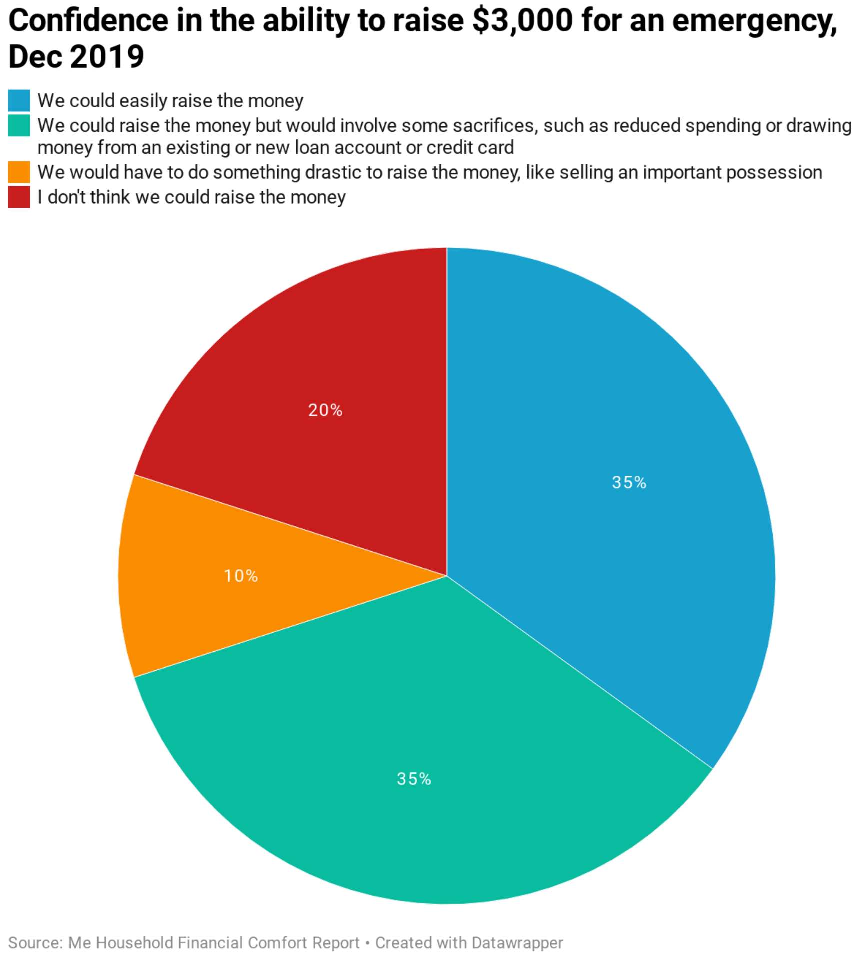


Figure 33 Confidence in the ability to raise $3,000 for an emergency, 2019

The gender pay gap remains stubbornly high at 20.8% for full-time employees, and 24.2% for all workers. Women have the least ability to save and suffer greater from financial hardship. Redressing the historic undervaluing of women-dominated industries is incredibly important to achieving this. Women are more likely to work casually or part-time and more likely to take on caring responsibilities for children. Unless the gender pay gap is eliminated, women will continue to retire with less assets, less in superannuation and lower savings rates. Women will have higher rates of homelessness than men. It is an urgent problem which needs significant intervention.

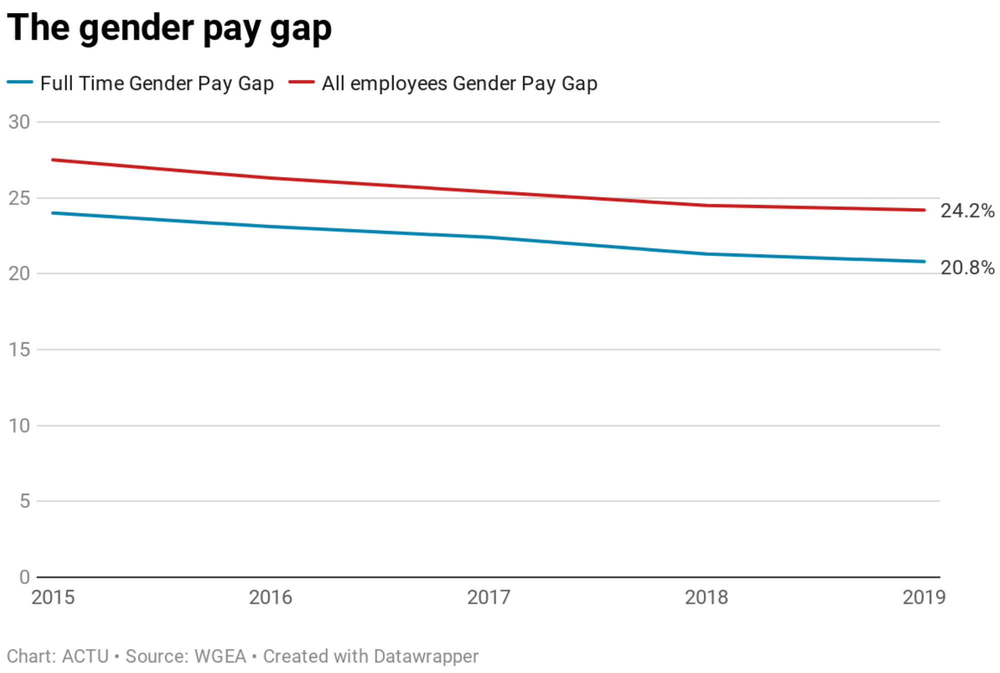


Figure 34 The gender pay gap[114]

### Recommendation 22 — Increase workers' wages

The minimum wage is too low. A minimum wage of at least 60% of median income is required to lift workers on the minimum out of poverty. Wages growth must improve to increase superannuation contributions' value in retirement and improve the capacity for workers to save. Wages are not keeping up with the cost of living.

### Recommendation 23 — Eliminate the gender pay gap

Women still have significantly lower wages than men, and the wages gap must be eliminated. The gender pay gap directly contributes to poorer retirement outcomes for women through lower superannuation balances, lower savings, and lower rates of home ownership

[114] Workplace Gender Equality Agency, *The Gender Pay Gap* (Canberra, 2019) <https://www.wgea.gov.au/topics/the-gender-pay-gap>.

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