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Retirement Income Review Secretariat  
The Treasury  
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To the Secretary,

### **Submission to the Retirement Income Review**

The Australian Manufacturing Workers' Union represents over 70,000 workers who create, make and maintain. We have a proud history of establishing, protecting and enhancing Australia's world leading compulsory superannuation system and the security and dignity that it provides for working people in their retirement.

The AMWU would like to endorse and recommend the detailed submission from the ACTU to this review. It highlights the need for the retirement income system to ensure that no Australian retires into poverty. This can only be achieved by a system that ensures that women and indigenous Australians are not excluded from its benefits as they are today. It also highlights the emerging issues for younger workers that, unless addressed, will see them locked out of the superannuation system and home ownership, with dire implications for their retirement.

### **Fairer treatment of redundancy pay for older workers**

As it stands, any worker over the age at which they are eligible for the pension (the pension age) cannot receive a *genuine redundancy payment* under the Income Tax Assessment Act 1997. This means that the taxation treatment of their payment will be drastically different than another worker under pension age.

This creates an unfair situation in which a long serving worker who has chosen to work beyond pension age will be unfairly penalised if they are made redundant.

In 2019 the government increased the age at which workers would continue to receive preferential taxation treatment of genuine redundancy payments in line with the pension age. Previously, all workers over 65 lost access to these tax benefits, despite the pension age being 65 years and 6 months since 1 July 2017.

These changes do not go far enough and still leave many workers unfairly penalised when they are made redundant. While the pension age coincides with a significant drop in workplace participation, it is not a 'retirement age' and there is no requirement for workers to leave the workforce at any age in Australia.

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In 2019, 385,000 people aged between 65 and 69 are still in paid work and roughly half of them work full time. This makes up one third of the total number of people in this age bracket. There are 156,000 workers aged between 70 and 74 and a further 69,000 over 74 years of age.

In addition to the increase in the pension age, the government has been actively encouraging increased workforce participation for older workers as one way to ameliorate the effect of an aging workforce. This has broadly been successful, with workforce participation rates among workers aged between 55 and 79 increasing steadily over the past 20 years. Workforce participation for these workers is now the highest ever recorded.

In this context, allowing genuine redundancy for workers beyond the pension age would remove discrimination against this growing group of older workers while helping the government achieve its policy goal of increasing workforce participation for older workers.

The government should be seeking ways to make work more attractive and available to older workers, rather than forcing them to remain in the workforce by raising the pension age. Maintaining the preferential taxation treatment of genuine redundancies for workers over retirement age will also improve the retirement income for the relatively small number of workers who would be effected by the current, unjust system.

### **Improvements to superannuation**

The AMWU would like to draw the attention of the committee to the recommendations in relation to superannuation. The AMWU believes that review should recommend an immediate move to 12% superannuation contributions with a pathway to 15%, paid on all hours worked, by all workers (including independent contractors). This should be complemented by a low-income superannuation pathway to support workers who are currently missing out on the benefits provided by superannuation.

These changes will deliver a better life in retirement for these workers and ensure that they get their fair share of recent productivity gains. In the November 2019 Statement on Monetary Policy, the Reserve Bank noted that "since around 2012, the pace of productivity growth... has outpaced growth in real average earnings." Former Prime Minister Paul Keating highlighted that productivity has outstripped real wages growth by around 9% over a five-year period.

Increasing compulsory employer contributions to superannuation is an important way to ensure that workers receive their fair share of these productivity gains. It is also important to note a recent report from the McKell Institute which counters the persistent suggestions that increases in the superannuation guarantee results in lower wage increases for workers. Their analysis finds no evidence of such a relationship, any highlights the lack of empirical evidence in support of the claims which are often made to oppose increases to superannuation.

The AMWU also encourages the Review to accept the evidence that for-profit superannuation funds are a drain on the retirement income system. The Productivity Commission found that these funds significantly under-perform profit-to-member superannuation funds and the Financial Services Royal Commission uncovered systematic misconduct in the management of member funds.

The evidence is in, it is time for for-profit funds to be removed from the superannuation system. All money earned by members funds must be given back to members and not siphoned off to shareholders.

## **Decrease pension age and increase the age pension**

The AMWU notes with concern the impact that the increase in age at which workers are eligible for the pension (the pension age) has, and will continue to have, on many workers reaching retirement age.

The decision to increase the pension age to 67 is bad economic policy and bad social policy. Many older workers already find it hard to get paid employment in their later years, particularly those in physically taxing professions. The decision to raise the pension age will see many of these workers eating into their savings before they are eligible for the age pension, resulting in poorer retirement incomes.

This decision should be immediately reversed and all workers should be eligible for the age pension at age 65.

Further, the AMWU submits that no Australian should be living in poverty. For those Australians living on the age pension, it is a decision of government that leaves them living below the poverty line. The age pension has never been enough to provide for a comfortable retirement, and despite increases in 2009, it remains insufficient for many of its recipients.

The age pension and associated allowances (such as rent assistance) must be increased immediately to ensure that no one retires into poverty. The age pension must be indexed and monitored to ensure that none of its recipients, no matter how complex or unique their circumstances are, are asked to live in poverty, after a life-time of work and contribution to our society.

## **Conclusion**

Australia's retirement income system is one of the best in the world, but many workers who are missing out. We encourage the Review to ensure that the system keeps pace with the changing world of work and delivers improvements that ensure that the system will work for all Australians.

Yours sincerely,



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NATIONAL SECRETARY