REVIEW OF RETIREMENT INCOME SYSTEM

Submission from Fair Go For Pensioners – Newcastle NSW Branch

THREE PILLARS: Age Pension Compulsory Superannuation Voluntary Savings

Group	Income Bracket	Compulsory Superannuation	Voluntary Savings	Age Pension	Comment
Top 1% Millions per annum	The average salary for a CEO in Australia has now reached $5.2 million a year, a level not seen since before the global financial crisis (GFC). 2017	Certainly; and people in this income bracket will retire with millions of dollars a property portfolio; and possibly an art/artifacts portfolio	Certainly, people in this income bracket can afford savings.	Most probably will be self-funded in retirement – so no age pension .	The average salary for a CEO in Australia has now reached $5.2 million a year, a level not seen since before the global financial crisis (GFC). A highly paid CEO in a top fashion company in Australia can earn up to $2,500 per hour.15 A garment worker in Bangladesh like Anju earns as little as AUD $0.39 per hour.16 This means that garment workers earning the minimum wage in Bangladesh would have to work more than 10,000 years to make the same amount that a highly paid CEO can make in Australia in one year. (2017) People in this bracket are very wealthy and may not even come under the above Review – however the majority of the people in this bracket who are the top executives of the company/s that play a very large part in keeping wages flat, encouraging and growing casual and part-time employment over fulltime employment- which means these employees are paying less tax than fulltime employees. Result: not so much tax is going into the Government coffers. Also there is a very high incidence of large and small companies/corporations not paying any tax or not enough tax – again affecting the amount of tax revenue going into Government coffers.

Group	Income Bracket	Compulsory Superannuation	Voluntary Savings	Age Pension	Comment
Top 29% 30% - Earnings	Less than top 1% but high paying salaries - low millions higher six figure salaries	Certainly will retire with substantial rate of superannuation and possibly more than one investment property and other assets	This bracket will be able to afford voluntary savings	Most probably will be self-funded in retirement – so no age pension	
Middle class	90,000 – 180,00 per annum	Superannuation - Decent amount of superannuation for those in the higher end of this bracket	Voluntary savings and/or possibly an investment property to boost retirement for those in the highter end of this bracket.	Some in this group may be eligible for a full pension in the lower are end of this income bracket. Most probably all would be eligible for ar part pension.	
Working class	37,000 to 90,000	Superannuation – if they are employed on a permanent, fulltime, long term basis This should allow some in this bracket to have enough super to supplement their Age pension. Those on the lower wage scale of this group would have minimal superannuation -	Limited or no voluntary savings.	Higher earners in this group may qualify for part-pension – Lower earners in this group would most probably qualify for full pension	The wealth share held by the top 1% in Australia has been growing almost continuously over the past two decades, while the wealth share held by the poorest 50% of Australians has been falling almost continuously over the past two decades. Working people in this bracket must struggle to meet their commitments. Those earning $37,000 per annum are earning less than the 2019 national minimum wage rate which is $740.80 per week
Underemployed Minimum wage or under – employed, casual and part-time employees Recipients of Age, Disability and Carers' and single parents pensions.	18,000 – 37,000 per annum.	Minimal superannuation – if any depending on how casual their employment is.	Low or no voluntary savings	Recipients of Age pension or will become eligible for Age Pension upon retirement	Wealth inequality in Australia has been on the rise over the past two decades, with the gulf between the amount of wealth held by the top 1% and the bottom 50% now the greatest at any time over this period. For people in Australia living on the full age pension (or other equal payment pension) although being better off than those on Newstart and Youth Allowance, they are living below, on or only slightly above the poverty line – dependent upon whether or not they own their own home, have a small amount of superannuation to supplement their pension, or only have the pension and are having to pay rent.
Newstart Youth Allowance	Approx. 13 – 14,000 per annum	Minimal superannuation upon retirement if person has been more unemployed than employed during their	Would not imagine that this group of people would accrue savings.	Eligible for Age Pension when reaching retirement age.	The recipients of Newstart and Youth Allowance no matter what age they are - are the most disadvantaged people in Australia and it is a sad indictment on our Government that instead of them

		working life.			helping to alleviate their poverty-struck situation they would rather have a surplus. The Government says " the best form of welfare is a job" but a job is not a 1,2,3,or 4 hour a day job two or three days a week or even for a whole week – because earnings on these hours would not lift anyone above the poverty line. Jobs need to be well paid full-time, long-term jobs .

Age Pension: Comment by Fair Go For Pensioners Newcastle NSW Branch

There is no circumstance at all where Fair Go For Pensioners Newcastle Branch members will ever agree that the family home should be included in the Assets Test. If it were to be ; no-one who owns a home would be eligible for an age pension because of the over-inflated value put on housing in this country. If this review is looking at the family home being included in Assets Test – we strongly urge members on the Committee to recommend and urge the government not to go down this path which would certainly lead to even more people existing below or on the poverty. Why? too much of the job market is geared toward part-time; casual; limited hours work which even if it is long term work the employees' earnings will never be enough to accrue a level of superannuation to see them through retirement.

Superannuation is a valuable commodity for working people. However, the rorts discovered during the Banking Royal Commission were shameful and of course illegal. It is interesting that the Industry Funds showed to be the better run, lowest fees rate and ethically superior to all the bank funds and private superannuation companies. It is therefore FGFP – Newcastle Branch's strong recommendation that Industry Superannuation funds be recognised as the best and safest option for workers and such funds be the recommended funds for use by employers. The current rate of superannuation guarantee levy is 9.5% annum FGFP – Newcastle believes this should be raised to 12.5% per annum.

Voluntary Savings: It is FGFP Newcastle Branch belief that the only people who could have voluntary savings of a substantial amount for retirement years are those who are in the top 30% of earnings in Australia. Those in 31 – 49% of earnings may be able to voluntary save, but probably not enough that would interfere with them being eligible for an age pension. It is extremely difficult for anyone to save money in the current climate who are in the bottom 50% of earnings.

The current age pension rate is not lifting those on a full pension – be they single or a couple – out of poverty. It may be argued the rate is above the current poverty line, but it is by such a minimal amount it does not alleviate the financial dire straits being suffered by Age Pensioners. FGFP Newcastle, initially proposed a calculated percentage base amount, however further investigation has shown that this process is not valid given the high, consistent rate of unemployment, underemployment and wages being flat. We believe these factors will not give a pension rate high enough to stop financial hardship among aged pensioners.

We therefore call for:

- The Age Pension rate to be no less than the "Basic" or National Minimum Wage rate (not a new claim, the Union of Australian Women and other Seniors' Groups have called for this over the years), and increases be put in place on a bi-annual basis to raise this rate to "living wage"
- Government concessions to pensioners to be continued and increased.
- An Independent Pension Tribunal to be established to be responsible for setting the ongoing age pension rate.
- An Inner Cabinet Ministry be established with the "Minister for the Aged" to be responsible for overseeing all aspects of AgedCare to ensure no elderly person is living in poverty or suffering harm. That all the elderly are receiving proper, healthcare, have a safe, secure stable environment in which to live at a cost that allows them to live in financial security and with dignity.
- In the latest figures from the ABS – there is no accommodation for Male Total Average Weekly Earnings – the closest is Fulltime Adult Average Weekly Total Earnings)
    - (Full-Time Adult Average Weekly Total Earnings in May 2019 was $1,695.20, an increase of 2.7% from the same time last year) .(Australian Bureau of Statistics as released 15/8/2019)
    - As of 1 July 2019 the national minimum wage is $19.49 per hour or $740.80 per week. Employees covered by an award or registered agreement are entitled to the minimum pay rates, including penalty rates and allowances in their award or agreement. These pay rates may be higher than the National Minimum Wage.
- The current Age pension rate is $933.40 per fortnight or $466.70 per week. The weekly Age pension rate is a very long way away from the Fulltime Adult Average Weekly Total Earnings in May 2019 of $1,695.20 per week and although a deal less, is still a long way away from the national minimum wage of $740.80 per week.; and this is the reason why so many Age Pensioners (and others receiving a Government pension/allowance) are living in poverty.

Extracts from Reports

➢ **IMF says** Australia has one of the fastest rising income inequality rates

➢ The increase in wealth was enough to pay for more than half of Australia's federal public health spending in 2016-17.

➢ "**Oxfam** is committed to tackling poverty and inequality – but a broken economic system that is concentrating more wealth in the hands of the rich and powerful, while ordinary people struggle to scrape by, is fuelling an inequality crisis," said Helen Szoke, Oxfam Australia's chief executive.

"Over the decade since the global financial crisis, the wealth of Australian billionaires has increased by almost 140% to a total of $115.4bn last year. Yet over the same time, the average wages of ordinary Australians have increased by just 36% and average household wealth grew by 12%.

"The richest 1% of Australians continue to own more wealth than the bottom 70% of Australians combined. While everyday Australians are struggling more and more to get by, the wealthiest groups have grown richer and richer."

- 15th March 2018 article by Amanda Woodward

Australian CEO salaries have increased to near pre-GFC levels even as most workers' wages remain stagnant, a new report reveals.

The highest paid CEO in Australia earned $21.6 million in 2017. While the average chief executive take home salary was well below this, earnings for the top tier are nevertheless rising fast, according to a new report from the liberal think tank the Australian Institute.

This is happening even as real wage growth for most workers has remained stagnant. The average salary for a CEO in Australia has now reached $5.2 million a year, a level not seen since before the global financial crisis (GFC).

The institute analysed data from the top 100 companies to reveal that CEO salaries dropped from $5.5 million before the GFC to $4.7 million in 2011. Since then, it has gradually crept back up to its current level.

FGFP – Newcastle Branch comment:

It is sincerely hoped that all those who are in the top 30% bracket of earnings are paying the correct tax rate. We read and hear much too often about various tax avoidance schemes that the wealthy subscribe to.

If company/corporation and everyone working paid the correct rate of tax applicable to their company profit or individual income – maybe our government would not be so hell-bent on trying to find ways to cut government pensions and allowances, but instead would be eager to increase such payments to a level that allows all recipients to live in financial security and dignity.

Ms Emma Dawson Executive Director of 'Per Capita" said during a recent interview wioth the New Daily: " the federal government's economic policies would "markedly and deliberately" worsen inequality. For example, the third stage of the government"s tax cuts, which come into effect in 2024will give back $8,839 a year to people earning $180,000 and just $379 to people earning the minimum wage ..... Meanwhile the unemployment benefit Newstart hasn't increased in real terms since 1994 and childcare costs have increased almost 35 per cent since 2013" She also pointed out that Australia places relatively few taxes on wealth and commented that Labor's franking credit reforms " would only have hit people who are so well off that they don't need to draw any pension or work for a living at all. We're just not willing to tackle these big inequities. The cost of franking credits to that group alone is running at $5 - $6 billion a year now. Well, again, that's what it would cost the government to meet the shortfall in funded home care packages for the elderly.

Fair Go For Pensioners – Newcastle believe that the franking credits scheme in its current format is totally unsustainable and very ethically questionable. Very close scrutiny by the Retirement and Income Review Panel is required. It seems incredulous that people who have paid not tax should receive a tax return payment, however we are not wishing to place anyone in hardship so a fair and equitable system needs to be introduced.

Lynda Forbes
On behalf of Fair Go For Pensioners Newcastle Branch.
20th January 2019

F.Y.I.

'Broken' economic system delivers windfall gains to richest one per cent

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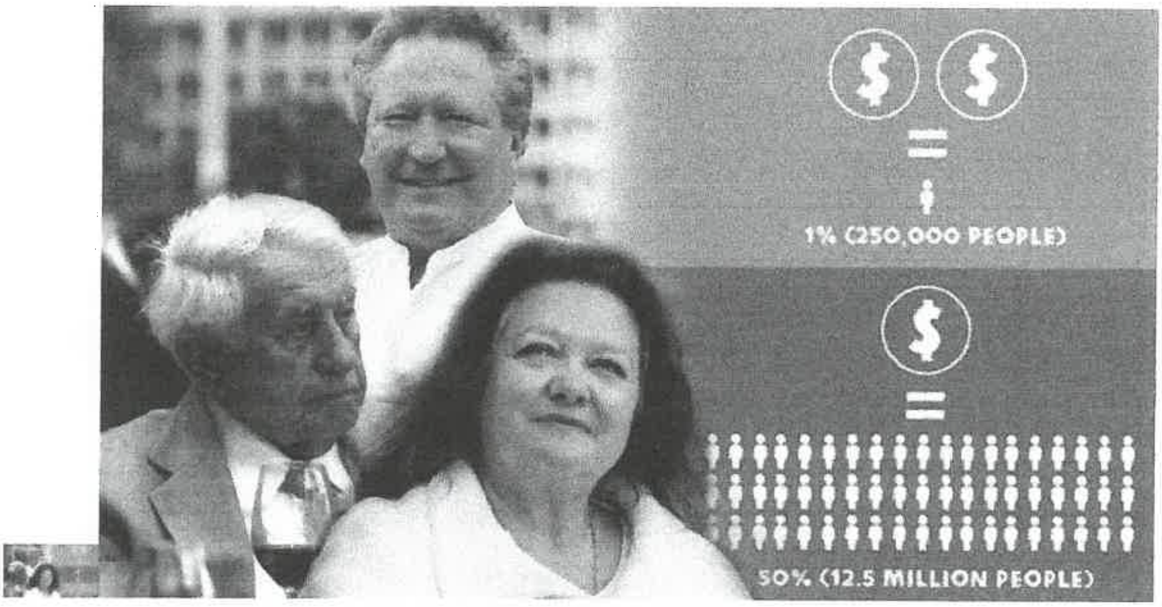


The richest 1 per cent of Australians are now more than twice as wealthy as the bottom 50 per cent combined, research has found.

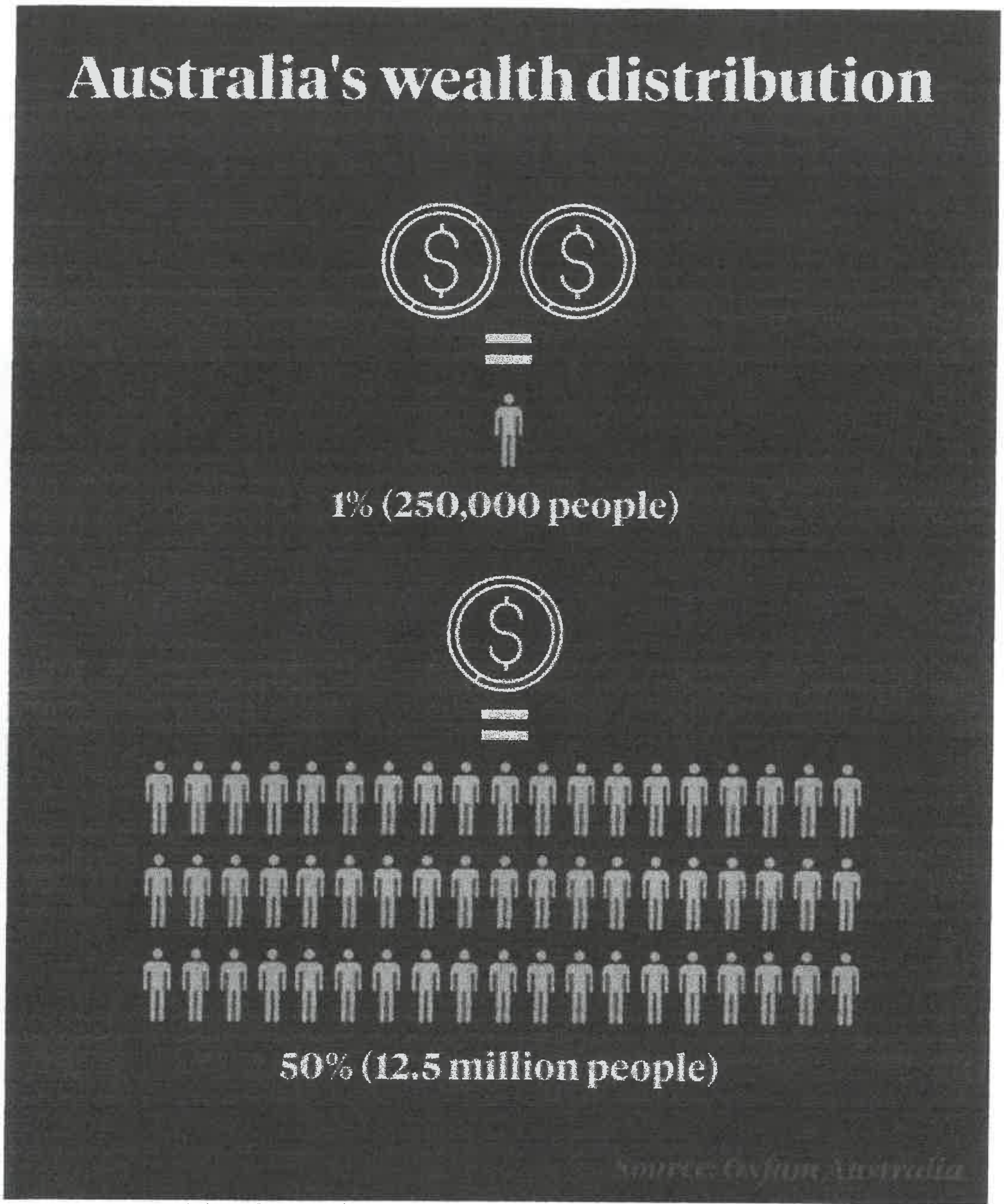
Soaring living costs and stagnant wages have made it much harder for ordinary working Australians to make ends meet.

And cuts to the public sector mean there's less support for those doing it tough.

All while the top end of town rakes in more money than it could hope to spend – and slip through loopholes to avoid paying tax.

In a report released before the World Economic Forum beginning in Switzerland on Tuesday, global charity group Oxfam found the richest 250,000 Australians have more than double the amount of wealth than the bottom 12.5 million Australians combined.

The richest 1 per cent own 22.2 per cent of Australia's total wealth ($2.3 trillion), while the bottom 50 per cent own just 9.2 per cent ($968 billion).



The top 1 per cent are now twice as wealthy as the bottom 50 per cent.

Oxfam attributed the gap to the "greater financial return placed on money and assets (capital) than on work," in addition to corporate tax avoidance and tax breaks for asset owners.

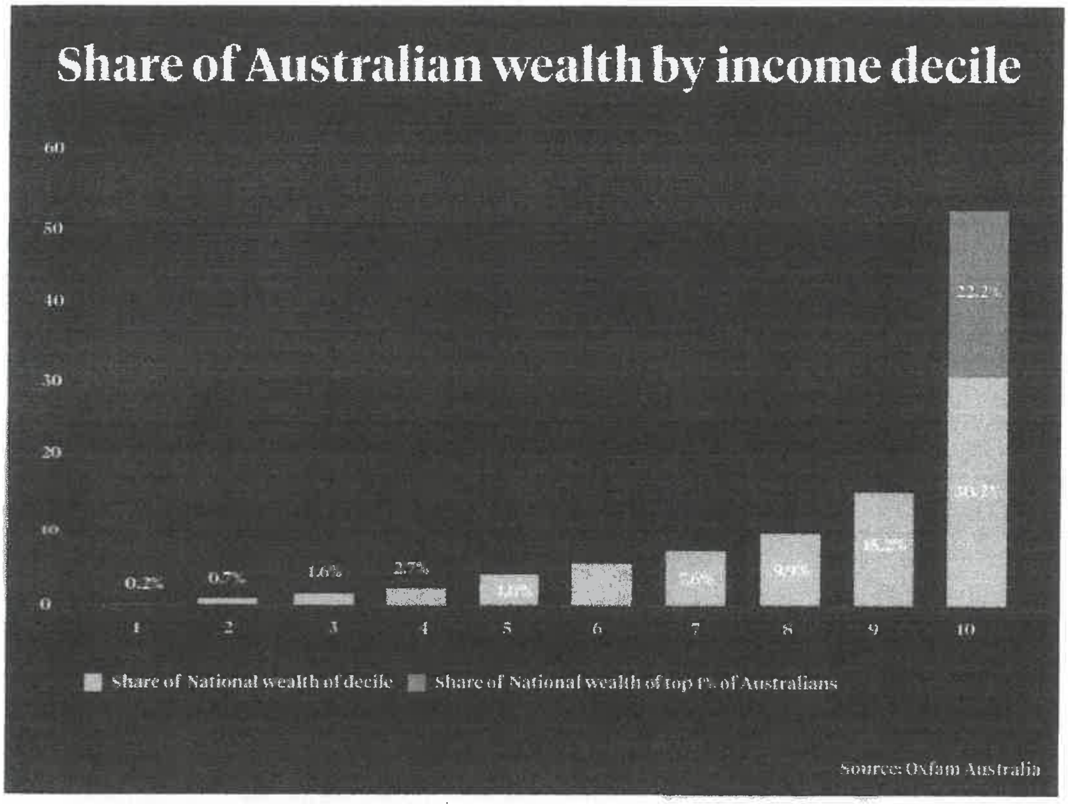
Oxfam Australia CEO Lyn Morgain said the report showed Australia's economic model was "broken".

Stagnant wages and insufficient public spending have made it much harder for average Australians to achieve "a high-quality lifestyle," she said.

And a winding back of Australia's progressive taxation system is only making matters worse.

"This is a new phenomenon – where the number of billionaires continues to increase and amass wealth that they can't possibly hope to spend, while average community members are seeking basic support," she told *The New Daily*.

"This is not just accepting that some people will be richer than others. This is a population-wide trend that is very worrying, not just for the very poor but, in fact, for the middle."



According to the Australian Taxation Office, one-third of companies with revenues over $100 million paid zero tax in the 2017-18 financial year.

The list of companies that didn't pay tax included oil and gas companies Exxon Mobil ($9.23 billion in Australian revenues), Chevron ($5.27 billion) and Woodside ($6.28 billion), as well as Vodafone ($3.4 billion in Australian revenue), Toyota ($10.51 billion), and News Corp Australia ($2.45 billion).

Ms Morgain said these companies had refrained from paying their fair share of tax at a time when governments needed significant funds to deal with major challenges such as climate change.

"The bushfires are the best example of that," she said.

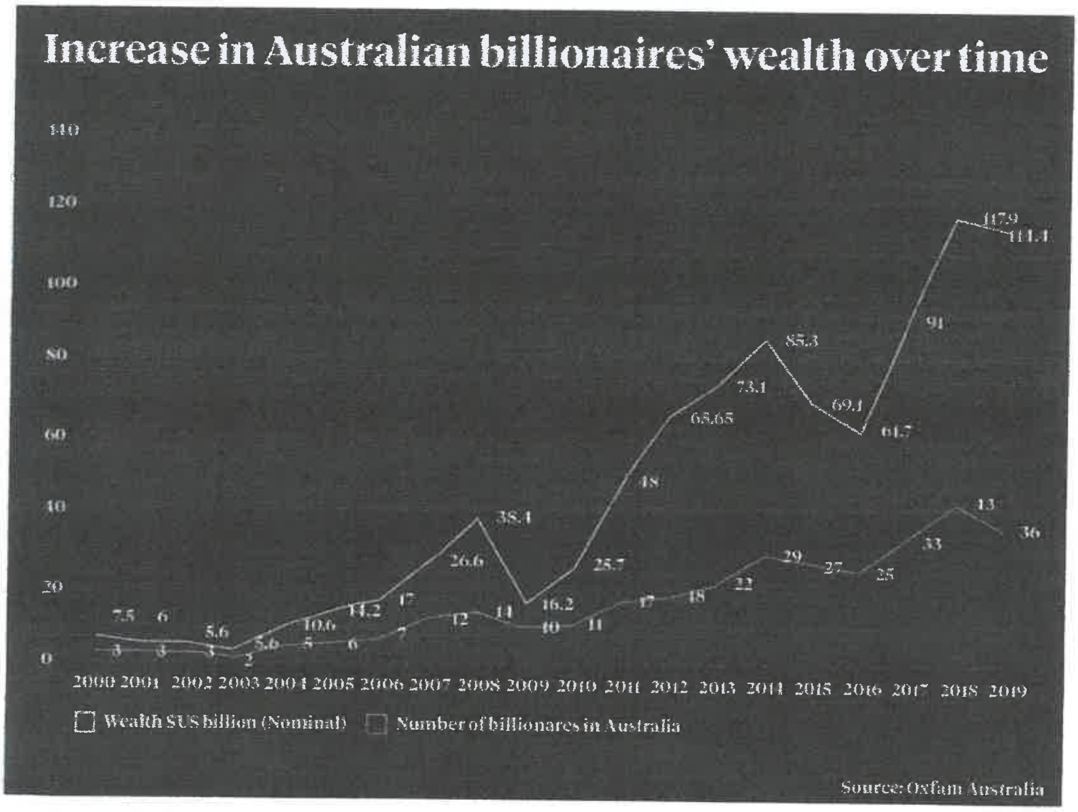
"We now need to find additional funds, but we can't do that if the top end aren't paying their fair share of tax."

Emma Dawson, executive director of progressive think tank Per Capita, said many Australians would be shocked and surprised by Oxfam's findings, given the country liked to think of itself as "egalitarian".

Ms Dawson told *The New Daily* the federal government's economic policies would "markedly and deliberately" worsen inequality.

For example, the third stage of the government's tax cuts, which come into effect in 2024, will give back $8639 a year to people earning $180,000 and just $379 to people earning the minimum wage, she said.

Meanwhile, the unemployment benefit Newstart hasn't increased in real terms since 1994, and childcare costs have increased almost 35 per cent since 2013.



"We're not saying that tax reform isn't needed and we don't need to address bracket creep," Ms Dawson said.

"But this policy is explicitly aimed at giving more money to people who are already doing it pretty well. And it isn't doing much for people earning little.

"So these are changes that are going to exacerbate that inequality – both in terms of the direct money going into people's pockets, but also because those tax cuts in total are removing $158 billion in revenue from our budget over the next five years.

"And that's money that would otherwise be spent on social wages – on things like healthcare, childcare, education – the costs of which are all going up at a massive rate."

Added to this is the fact Australia places relatively few taxes on wealth.

For example, Ms Dawson said Labor's franking credit reforms "would only have hit people who are so well off that they don't need to draw any pension or work for a living at all".

"We're just not willing to tackle these big inequities," she said.

"The cost of franking credits to that group alone is running at $5 or $6 billion a year now. Well, again, that's what it would cost the government to meet the shortfall in funded home care packages for the elderly."

Govt says it has taken action on tax avoidance

Asked whether growing wealth inequality was damaging for Australian society, treasurer Josh Frydenberg said the best way to tackle inequality was to provide job opportunities across the economy.

He told *The New Daily* more than 1.4 million new jobs have been created since the Coalition came to government.

And he said the government was clamping down on tax avoidance, too.

"Since the commencement of the ATO's Tax Avoidance Taskforce on 1 July 2016, the ATO has raised around $15.5 billion in tax liabilities against large public groups, multinational corporations, wealthy individuals and associated groups," Mr Frydenberg said.

"In the 2019-20 budget, the government also provided more than $1 billion to the ATO to extend its Tax Avoidance Taskforce to 2023, with a focus on multinationals, big business and high wealth individuals.

"This additional funding is estimated to raise a further $4.6 billion in tax liabilities over the next four years."