



Submission to

Retirement Income Review Panel

Regarding

Australia's retirement income system

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Submitted by: Gerard Dwyer
National Secretary-Treasurer

SDA National Office
Level 6
53 Queen Street
MELBOURNE VIC 3000
(03) 8611 7000
Telephone: general@sda.org.au
Email:

Abstract

1. The Shop, Distributive and Allied Employees' Association has over 210,000 members working in retail, fast food, warehousing, hairdressing, pharmacy, online retailing and modelling. They are low paid workers, with award rates of just over \$800 per week, and they are predominately women (60%) and young people (40%). Their experience of the retirement income system has improved markedly since the introduction of universal superannuation in the 1990s. Unlike employers in higher paid industries, retailers rarely provided super before this time. Most working Australians now have an account and there has been an increase in women having superannuation from one in four women to one in three. The Australian retirement income system is world class as a result of the introduction of industry superannuation.
2. While the system is world class, the environment it operates within is changing, for example Australians are increasingly needing to pay rent and mortgages during retirement with the proportion of owner-occupied dwellings at its lowest since 1954. The number of homeowners aged 55 to 64 years owing money on mortgages has tripled from 14% to 47% between 1990 and 2015. Our members have been at the frontline of wage stagnation which is well below the long-term average of 3.2 per cent, a level not seen since late in 2012. They have had cuts to their penalty rates losing up to \$6,000 a year which has long term impacts on accumulation of superannuation with an estimated \$9.6b impact for those who work on Sundays. They have watched the failure of recent economic policy, such as tax cuts to companies and a lack of non-mining investment, impact on retail sales rates with 2019 falls of 0.2%, a level not seen since the early 1990s recession. Last time there was a financial crisis, it was their superannuation that helped us get through. Our members have told us that they need and want superannuation contributions to be paid (compulsory) and paid to all (universal). Universal superannuation allows them to share Australian's resources for investment in our economy and to get benefits usually reserved for the wealthy—such as affordable investment (and the ability to invest small amounts), financial advice (including to reduce worry about poverty in retirement), and insurance (including ability to take out insurance without a health check).
3. To further improve dignity and justice in retirement, the SDA recommends changes:
 - 3.1. that would ensure superannuation is compulsory (through the award system) and universal (including through the creation of a new indicative model of retirement income with the first next step being 12% superannuation on all income),
 - 3.2. that would reduce the negative impact on women, such as the removal of the \$450 per month earnings threshold and ensuring superannuation is paid on parental leave,
 - 3.3. that would reduce the regressive impact of the taxation arrangements including the creation of a new underwritten minimum superannuation right to sit alongside the pension, and
 - 3.4. that would allow Australia to realise the full benefits of the superannuation system including application of representative governance model for all superannuation and acknowledgement of the role of superannuation in driving the economy.
4. These and the full list of recommendations aim to shift the retirement income system from enabling high income earners to accumulate wealth towards a system providing for dignity in retirement, especially for low-income workers and women. . After many years of tinkering around the edges of the retirement income system, it is time to focus on those who need the system to support them the most.

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Executive Summary

5. Superannuation must be universal and compulsory:

Members of the Shop, Distributive and Allied Employees' Association work in retail, fast food, warehousing, hairdressing, pharmacy, online retailing and modelling. They are low paid workers and are predominately women and young people. The SDA has a long history of advocating on their behalf.¹ Their experience of the retirement income system has improved markedly since the introduction of the superannuation guarantee. Prior to the 1980s, superannuation was largely reserved for public servants and those working for multinational firms. Retired low-income workers were reliant on the pension and planning for the retirement of young workers was largely ignored. Universal superannuation extended a great benefit that was reserved for the few to the many – both low- and middle-income Australians. This universality must continue and be extended to reflect the modern workplace, which requires it to be compulsory. 12% must be paid on every dollar earned immediately so that as the system matures a truly universal and compulsory system will allow for dignity and justice in retirement.

6. Increasingly, there will be only two pillars to the retirement system:

Today, our members retirement is supported by superannuation and the pension, not home ownership. Home ownership, once touted as the third pillar of retirement income, is now at rates as low as it was in the 1950s and housing stress is increasing for low-income families paying high proportions of their salary and pension towards their housing.²

The housing market has shifted so much that the Retirement Income Review Consultation Paper November 2019 describes home ownership as part of the 'voluntary savings' pillar. In the context of wage stagnation including through cuts to penalty rates, 'voluntary savings' and home ownership are increasingly rare possibilities for workers in the retail industry. The retirement income system now requires housing security to be considered in the models of superannuation and pensions, for example to assume the need to pay debt (both housing and personal), to pay rental costs in retirement, and to pay for housing across a longer life expectancy.

¹ For a rationale for SDA policy positions, see Appendix A.

² Hall, A. and Thomas, M. "Declining home ownership rates in Australia" in *Parliamentary Library Briefing Book: Key issues for the 46th Parliament* (2019) Australian Parliamentary Library: Canberra (accessed on 17/01/2020 at https://www.aph.gov.au/About-Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p)

The other pillars, superannuation and the pension, interrelate. Superannuation was designed to supplement the pension for low- and middle-income workers but is increasingly being treated as a safety net. Living on the pension, envisaged as a safety net, is increasingly difficult given the rising costs of essentials such as health, housing, transport and energy. Yet, the system should provide for high-income workers to be on no pension, middle-income workers to rely on their superannuation and the pension, and low-income workers to use any superannuation they have to supplement social security payments. Those at risk of poverty, should receive enough from the pension to have dignity and justice in their retirement, and that is not currently the case for those on the maximum rate of pension.

The government needs to acknowledge that in time, there will no longer be three pillars of the retirement system.

7. Superannuation should be leverageable capital for affordable fees, advice and insurance:

Australia's superannuation system is known for reducing the pension liability for government, increasing household financial assets and national savings, and the benefit of local capital available for investment in the Australian economy and the creation of jobs. There are other benefits that are often overlooked. Superannuation provides a unique opportunity for Australians to share their resources to achieve supports usually reserved for those who have higher incomes. For example, members of superannuation funds can invest their funds at affordable rates, receive affordable financial planning services and advice, and affordable and otherwise inaccessible insurance.

Insurance is a notable benefit of the superannuation system. The most cost-effective method of providing death, total and permanent disability (TPD) and income protection insurance is with group policies and for many the only way that is currently possible for some is through superannuation, especially where it does not require a medical assessment. Insurance is a means of protection—be it financial protection or reimbursement against losses, insurance makes recovery from adverse events possible. It allows risk to be shared and makes those events easier to recover from. This notion of shared risk is inherent in superannuation, not just insurance as is the need to have common as well as individual objectives.

8. This submission argues that to further improve dignity and justice in retirement, the following changes should occur:

Recommendations

1. *To ensure that there is a shared understanding of who is working and who requires safety net support, define worker consistently across policy areas using the International Labour Standards definition, which reads “workers and other persons in the world of work, including employees as defined by national law and practice, as well as persons working irrespective of their contractual status, persons in training, including interns and apprentices, workers whose employment has been terminated, volunteers, jobseekers and job applicants, and individuals exercising the authority, duties or responsibilities of an employer.”³*
2. *To ensure it remains compulsory to pay superannuation, the Government should:*
 - a. *provide for superannuation rights and entitlements within the Fair Work system by:*
 - i. *including the payment of superannuation on the pay cycle in the National Employment Standards (NES), and*
 - ii. *retaining the default arrangements linked to relevant awards,*
 - b. *deliver on the promised 12% superannuation guarantee immediately, and*
 - c. *establish a new model of superannuation that acknowledges the circumstances of Australians who do not own a home. This requires moving—*
from an ideal of ‘15% from employer, 5% voluntary savings, accumulation over a working life, home ownership and supplementation with the pension’—
to an ideal of ‘15% from employer, 5% voluntary savings, accumulation over a working life, home ownership or rent assistance, and supplementation with the pension’.
3. *To ensure superannuation is universal, the Government should legislate that superannuation is paid for all workers:*
 - a. *on every dollar earned, especially*
 - i. *for those who are under 18,*
 - ii. *for those who earn less than \$450 per month,*
 - b. *by making it part of the fair entitlements guarantee,*

³ International Labour Organisation, “C190: Violence and Harassment Convention” in *International Labour Standards* (2019) ILO: Online (accessed on 17/01/2020 at https://www.ilo.org/ilc/ILCSessions/108/committees/violence-harassment/WCMS_711570/lang--en/index.htm)

- c. *while on government or employer parental leave, both paid and unpaid, and ensure that the government paid parental leave scheme is extended to a minimum of 26 weeks at full pay and the payment of the applicable superannuation,*
 - d. *on earnings while on workers compensation,*
 - e. *on social security payments from government, especially family and carer payments, and*
 - f. *increase Superannuation Guarantee Charge penalties for the non-payment of superannuation, empower workers and their representatives to inspect employers' records of payment of superannuation, permit unions to be called upon by workers to take action against employers for the non-payment of the superannuation, and establish a small claims tribunal where workers and their representatives can go to recoup unpaid superannuation.*
- 4 *To ensure that inequality is not exacerbated by the superannuation system, the Government should:*
- a. *underwrite a minimum superannuation right that would allow for supplementation of the pension based on the minimum wage (\$19.49 p/hr in 2019) by underwriting a 12% contribution (\$4,621.46 in 2019),*
 - b. *remove the 15% tax on contributions of low-income workers, ensure tax on superannuation is always lower than ordinary wages and that there is limited opportunity for bracket creep as tax and economic conditions change, by doubling the Low-Income Superannuation Tax Offset (LISTO), extending it to those earning 75% of Male Total Average Weekly Earnings or less per annum, and/or setting marginal contributions tax rates to the marginal earnings tax rates.*
 - c. *create a mechanism to provide relief for low- and middle-income workers from fees for superannuation.*
 - d. *as recommended by the "Not So Super, For Women" report, "reduc[e] the effective marginal tax rates faced by second earners returning to work after having children. One option for achieving this aim is to make Family Tax Benefit payments universal for all parents while increasing the top marginal tax rates such that the overall impact is revenue neutral. In addition, improved access to and affordability of childcare would increase the financial incentive for women to return to work."⁴,*

⁴ Hetherington, D. and Smith, W. *Not So Super, For Women: Superannuation and Women's Retirement Outcomes* (2017) Per Capita and ASU: Melbourne (accessed on 17/01/2020 at https://percapita.org.au/our_work/not-so-super-for-women/)

- e. change the tax rates for a workers second job so that those working several low paid roles are not disadvantaged,*
- f. make it easier for employers to make extra payments into a woman's superannuation fund, for example by explicitly providing for this option and preventing the need for a special measure from the Australian Human Rights Commission (AHRC) approval to boost women's superannuation and by smoothing out the impacts of the financial year periods after times of no or low income, and*
- g. reduce the benefits given to high-income individuals such as dividend imputation and using the superannuation system for tax avoidance.*

5 To realise the full benefits of the superannuation system, the Government should recognise the value of:

- a. a fair and equitable interpretation of the sole purpose test which permits shared as well as individual objectives,*
- b. shared management and investment of capital (e.g sharing the benefits resulting from economic development such as job creation),*
- c. affordable insurance (including for income protection, total and permanent disablement, and death),*
- d. affordable financial planning and advice, be that related to their financial health for retirement or other needs consistent with the sole purpose test, and*
- e. given the evidence of determinantal outcomes delivered by profit motivated entities and outperformance by industry superannuation, require representative governance models for all superannuation funds and support profit-to-member superannuation funds in their efforts to meet the needs of members.*

9. The SDA also supports the submission of the ACTU.

10. This submission is focussed on the most important issues - equality for low-income workers and women. Those who have taken time away from work, worked part-time or casual or in lower earning roles often provide the vital, undervalued caring roles in our society such as having and raising children and caring for the ill and elderly. This results in a financial penalty not only during their working life cycle but into retirement. After many years of tinkering around the edges of the retirement income system, it is time to focus on those who need the system to support them the most.⁵

⁵ For a summary of SDA policy positions on superannuation, see Appendix B.

Response to Retirement Income Review Consultation Paper

The SDA and Retirement Income

The Shop, Distributive and Allied Employees' Association

11. The Shop, Distributive and Allied Employees' Association (SDA) is one of Australia's largest trade unions with over 210,000 members⁶. The SDA has membership in retail, fast food, warehousing, hairdressing, pharmacy, online retailing and modelling.
12. The majority of SDA members are low-income workers, women and young people. Retail and food services are two of the three lowest industries for median weekly earnings. In 2018, the median weekly earnings of all Australians was \$1066⁷, some 34% higher than retail workers. Approximately 40% of SDA members are under the age of 25 (approximately 83,000 people) and 60% are women (approximately 131,000).⁸
13. The Fair Work Commission described retail workers (along with hospitality workers) as “more likely to be female, younger (under 25 years), work part-time hours, be employed on a casual basis and be award reliant than employees in other industries. Employees in these industries are also more likely to be low paid.”⁹ The Commission was also “satisfied that a substantial proportion of Fast Food industry employees are ‘low paid’; are more likely to reside in lower income households and are more likely to experience financial difficulties.”¹⁰ Average weekly earnings in the retail trade are \$1,200 per week¹¹ but for Award reliant retail workers the full time adult rate is \$813.60 per week (\$42,307 per annum). Many award reliant retail workers earn less than this as they work part-time or casual hours.
14. The SDA has a long history of advocating on behalf of members. The SDA does this through enterprise bargaining; ensuring Awards and the NES provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other important reviews that relate to their experiences.¹²

⁶ Internal SDA data.

⁷ ABS, “6333.0 - Characteristics of Employment, Australia, August 2018” (accessed on 09/07/2019 at <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6333.0>)

⁸ Internal SDA data.

⁹ [2017] FWFCW 1001 PN 80

¹⁰ [2017] FWFCW 1001 PN 1356

¹¹ ABS, “6302.0 - Average Weekly Earnings, Australia, May 2019” (accessed on 09/07/2019 at <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0>)

¹² For a rationale for SDA policy positions, see Appendix A.

Retirement Income for SDA members

15. Our members experience of the retirement income system has improved markedly since the introduction of compulsory superannuation. Prior to the 1980s, retired low-income workers were reliant on the pension and planning for the retirement of Australians under 25 was largely ignored. Universal superannuation extended a great benefit that was reserved for the few to the many. This universality must continue and be extended so that 12% is paid immediately on all income regardless of age, earnings or hours worked. As superannuation matures additional changes are needed to achieve a truly universal system allowing for dignity and justice in retirement.
16. Superannuation was designed sit alongside home ownership and the aged pension and to be supplemented with personal savings to provide dignity in retirement. However, in practice low-income workers are reliant on the pension, as their home ownership rates and superannuation balances are low. Superannuation was designed to supplement the pension but is increasingly being treated as a safety net. Living on the pension, envisaged as a safety net, is increasingly difficult given the rising costs of essentials such as food, health, housing, transport and energy. Ultimately, the system should provide for high-income workers to be on no pension, middle-income workers to rely on their superannuation and the pension, and low-income workers to use any superannuation they have to supplement social security payments. Those at risk of poverty, should receive enough from the pension to have dignity and justice in their retirement, and that is not currently the case for those on the maximum rate of pension. Home ownership, once touted as the third pillar of retirement income, is now considered as 'voluntary savings' and in the context of wage stagnation including through cuts to penalty rates, retail lagging, and no real emphasis on non-mining economic investment, 'voluntary savings' are rarely possible for workers in the retail industry. In addition, there is increasing housing stress for low-income families. It is therefore too simplistic an analysis to assume home-ownership and voluntary savings are a solution. If the costs of rent, mortgage payments and personal debt are not accounted for when the system matures in the 2040s inequity will be exaggerated.

Structure of this submission

17. This submission outlines some ways to improve dignity and justice in retirement for working Australians and does so within the structure provided by the Retirement Income Review Consultation Paper November 2019 (the consultation paper).

18. Consultation Question

1: Are there aspects of the design of retirement income systems in other countries that are relevant to Australia?

Australia has a world-class retirement income system

- 18.1. Australia has a world-class retirement income system. In October 2019, a world review of superannuation systems ranked Australia at 3rd, behind only the Netherlands and Denmark (Mercer Global Pension Index 2019). Our superannuation system is strong. It is world class.

Some but not all of the Mercer Global Pension Index proposals are worthwhile

- 18.2. The Mercer measure, however, proposes changes to make the system 'first-class' by:

- 18.2.1. moderating the asset test on the means-tested age pension to increase the net replacement rate for average income workers.

The SDA disagrees that this change would make the system first-class. The amount of Age Pension you are eligible for progressively reduces (by \$3 per fortnight per \$1000 of assets) until it cuts off completely when the value of your assets exceeds the figures. This rose from \$1.50 in 2017. Both the change in 2017 and this proposal to revisit the rate is an example of focussing on middle, rather than low-income workers. The focus of policy debates about the pension should be a reduction of advantages to high income workers and improvement of circumstances for low-income workers.

- 18.2.2. raising the level of household saving and reducing the level of household debt.

The SDA agrees with this change but notes the preconditions to achieve it are not being met by the economy. The preconditions are economic,

workplace and education reform that would deliver increased wages, increased retail sales and investment in non-mining productivity. For example, where tax benefits are provided, they should be to the lowest income workers and Newstart should be increased. These changes would result in a direct and immediate boost to the economy. Once the economy is delivering, we can focus on raising household savings and reducing household debt.

- 18.2.3. introducing a requirement that part of the retirement benefit must be taken as an income stream.

The SDA agrees that requiring part of the retirement benefit to be an income stream would align the system to its purpose. Superannuation is for retirement and it is reasonable to expect Australians with substantial funds in superannuation to gradually draw them down through retirement. However, the decision on how to effectively use housing and financial assets at retirement, should be determined by need. For example, some members have debt profiles that are changing (e.g. as mortgages are taken out at later ages and health crises sometimes require personal debt). Australia should retain the opportunity for low-income workers to pay off debt and live on the pension, on the basis that the pension should be high enough to provide a basic standard of living.

- 18.2.4. increasing the labour force participation rate at older ages as life expectancies rise; and
- 18.2.5. introducing a mechanism to increase the pension age as life expectancy continues to increase.

SDA responds to these together.

SDA disagrees that increasing the pension or retirement ages would make the system first-class. There is merit, however, in making it easier and more enjoyable to live a longer life and to work while doing so if you wish. Those in demanding roles (including those that require standing all day, fulfillment, and long hours) should be offered reliable and high-quality education and training prior to and during their working lives. They

should have the opportunity to retrain as they shift careers and focus on work that suits their older years.

Our members have indicated to the SDA that they wish to change roles as they age. For example, those whose life has been in sales or hairdressing might seek a role that involves less standing. SDA also has members who have worked for many years in a trade and now work for trade related retailers due to a need to stop physically demanding roles. Some of them feel greatly the impact of temperature and standing in retail outlets as they age. In addition, increasing the retirement and pension ages would magnify employment matters currently being raised by older workers, including with workers compensation, long serve leave and access to insurance. The relevant legislation for these should be reviewed to ensure older workers are not penalised while in employment and as they transition to retirement. The retirement income system should provide opportunities for working Australians to retire or transition to fewer hours if and when they wish.

Improvements should focus on women, young people and low-income workers

18.3. These proposals are made in an international context, and the unique situation of Australians needs to be considered. For example,

18.3.1. For younger Australian's retirement, generational inequity must be redressed in whatever options are being considered. Their grandparents and those currently retiring have had access to falling interest rates over 30 years resulting in asset increases through both the housing and share markets. Many in that generation also had access to free tertiary education, received generous superannuation tax concessions and are able to access superannuation and government pensions at a younger age. The next generation has lived with significantly higher child care costs for their children, subdued wage growth and rising income tax bracket creep over the past decade. Those that follow, will have different economic conditions such as dealing with the increased aggregate tax burden (such as growing costs of health and community services), there being fewer Australians of traditional working age compared with the very young and the elderly, and their own life expectancy being longer. These factors require the

retirement income system to be planned for the unique needs of Australians.

- 18.3.2. One SDA member, Tania, is 20 and has been working for two and half years. She is paid junior rates even though she's an adult and her wages reduced when the penalty rates were cut. Tania didn't receive superannuation until she turned 18. When asked what she thought about the fact that under 18s don't get superannuation, she said

It's absolute b@\$#&t. Regardless of how old we are, if we're working at 15 or 14 and 9 months or whatever, we should be paid that money to benefit later in life.*

She has fellow workers at her small rural supermarket that call in sick sometimes then don't get a shift for 5 weeks. As a result, they don't meet the \$450 threshold and super isn't paid. As a result, they all get less money at retirement.

- 18.3.3. For Australian women, a lifetime of inequity is exacerbated by the unmet need for equity provisions in the retirement system. The Melbourne Mercer Global Pension Index does not consider this lens adequately. Despite a lifetime of work – paid employment and unpaid caring – 90% of women will retire with inadequate superannuation¹³ and with on average 47% less superannuation than men.¹⁴ Women aged 60 are at much greater risk of retiring into poverty with 34 per cent of single women in Australia living below the poverty line.¹⁵ One in three women don't even have a superannuation account.¹⁶ Women's periods of time outside the paid workforce and, their tendency to holding multiple roles¹⁷ show that they live on a system of payments throughout their lives, not just wages. In that context, the \$450 threshold, not providing superannuation to women of all ages, not accumulating any super during periods out of the workforce, and giving tax incentives to the wrong groups is a major concern. These issues were identified in the Senate Economics Committee report from 2016, "A

¹³ ANZ, *ANZ Women's Report: Barriers to Achieving Financial Gender Equity*, July 2015, p 64

¹⁴ ISA, *Closing the gender superannuation gap*. Online (accessed on 09/07/2019 at <https://www.industrysuper.com/campaigns/closing-the-gender-superannuation-gap/>)

¹⁵ Unpublished Household, Income and Labour Dynamics in Australia (HILDA) Survey Data 2017, quoted in Heath, N. "Aged over 60 and female? Here's why you might be at risk of poverty" in *Voices* (4 Oct 2019) SBS: Online (accessed on 17/01/2020 at <https://www.sbs.com.au/topics/voices/culture/article/2017/11/24/aged-over-60-and-female-heres-why-you-might-be-risk-poverty>)

¹⁶ Clare, R. *Better Retirement Outcomes: a snapshot of account balances in Australia* (July 2019) ASFA: Sydney (accessed on 17/01/2020 at <https://www.superannuation.asn.au/policy/reports>)

¹⁷ Unpublished Mature Workers in Organisations Survey Data, quoted in Price, J. "The nightmare that's been waiting to hit Australian women" in *Sydney Morning Herald* Fairfax Media: Online (accessed on 17/01/2020 at <https://www.smh.com.au/lifestyle/gender/the-nightmare-that-s-been-waiting-to-hit-australian-women-20190812-p52gc3.html>)

husband is not a retirement plan: Achieving economic security for women in retirement”. The Per Capita / ASU report, ‘Not So Super, For Women’ also provides explanations as to why this is the case and gives examples.

- 18.3.4. One SDA member, let’s call her Alison, is raising her two children. At 35, Alison told us that she and her husband are on the same income at a major Australian supermarket chain but that he has a balance of some \$50,000 more than she does. This is predominately because she took time away from paid work to care for their children. This is a clear example of the economic penalty experienced by women undertaking vital caring roles, a penalty not shared across a family. This has also been exacerbated by the reduction in her superannuation balance by over \$7200 plus interest as a result of the Abbott governments freeze to the promised superannuation guarantee increases in 2014.
- 18.3.5. For low-income Australians more broadly, the system cannot continue to ignore regressive tax provisions and should include a fair and equitable interpretation of the sole purpose test. Currently, those on the highest incomes receive the greatest benefit from superannuation’s taxation arrangements and those with the greatest need for the benefits of the leveraging of the retirement system are not permitted to do so. This is contrary to the objective of the system—it wasn’t designed for the wealthy to accumulate greater wealth, it was designed for low- and middle-income Australians to save for a dignified and just retirement. High income Australians can get benefits such as annual or retirement bonuses, share ownership options, income from investment properties, and top ups of superannuation. This compares to low-income Australians having to pay for such things as rent and mortgage repayments into retirement, and increasingly so with the proportion of owner-occupied dwellings at its lowest since 1954¹⁸ and homeowners aged 55 to 64 years owing money on mortgages tripling from 14% to 47%.¹⁹
- 18.3.6. For example, there should never be a situation in which superannuation is taxed at a higher level than ordinary wages for low-income workers and

¹⁸ Hall, A. and Thomas, M. “Declining home ownership rates in Australia” in *Parliamentary Library Briefing Book: Key issues for the 46th Parliament* (2019) Australian Parliamentary Library: Canberra (accessed on 17/01/2020 at https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BriefingBook46p)

¹⁹ Ong Viforj, R. and Wood, G. “More people are retiring with high mortgage debts. The implications are huge” in *The Conversation* (June 12, 2019) Conversation Media Group: Online (accessed on 17/01/2020 at <https://theconversation.com/more-people-are-retiring-with-high-mortgage-debts-the-implications-are-huge-115134>)

low-income Australian's should not be funding tax concessions for the wealthy. The system that provides for this—the Low-Income Superannuation Tax Offset, formerly Low-Income Superannuation Co-contribution (LISC) – should be improved. Currently, those earning \$37,000 or less per annum can have funds deposited into their superannuation automatically after their annual tax has been processed. The superannuation system exacerbates the issues with the tax system overall. Using Treasury data, as well as various ABS figures and the University of Melbourne's HILDA survey, Per Capita calculated that major tax concessions totalling \$135 billion per year were costing the budget more than the four main welfare payments — the aged pension, family assistance payments, disability benefits and Newstart — combined.²⁰ This was eloquently described in 2018 by Kasy Chambers, the Executive Director of Anglicare Australia, "\$37 from every Australian worker a week to keep on keeping Australia's richest 20 per cent rich."²¹

- 18.3.7. Concessional treatment of superannuation is necessary and is aimed at ensuring a greater number of Australians have adequate retirement incomes, but the current system needs to be rebalanced to focus on retirement, not the avoidance of tax by wealthy individuals. In 2015, it was estimated by the Association of Superannuation Funds of Australia (ASFA) that about 24,000 of the richest superannuation holders - each with more than \$2 million in their accounts - are receiving about \$5.2 billion a year in tax free income. A further 51,700 retirees with balances between \$1 million and \$2 million receive \$4.9 billion a year tax free. The 24,000 Australians with the largest balances receive average annual payments of \$216,000 and those in the second group receive average annual payments of \$95,000.²²
- 18.3.8. ASFA has argued that Australians will need about \$58,000 per annum for a comfortable retirement. Others argue a relative benchmark is needed. For low-income workers to achieve either, the interaction between marginal income tax rates and rates of tax on superannuation needs to be adjusted so that superannuation earnings are taxed appropriately. For

²⁰ Dawson, E. and Smith, W. *The Cost of Privilege* (2018) Per Capita and Anglicare: Melbourne (accessed on 17/01/2020 at https://percapita.org.au/our_work/the-cost-of-privilege/)

²¹ Quoted in Janda, M. "Tax concessions to wealthy costing six times the dole: Anglicare" in *The ABC News* (26 Mar 2018) ABC: Online (accessed on 17/01/2020 at <https://www.abc.net.au/news/2018-03-26/tax-concessions-put-welfare-costs-in-perspective-anglicare/9585930>)

²² Clare, R. *Superannuation and high account balances* (April 2015) ASFA: Sydney (accessed on 17/01/2020 at <https://www.superannuation.asn.au/policy/reports>)

example, excessive superannuation earnings could become subject to taxation at the relevant individual's marginal rate.

18.3.9. The distributional impacts of the superannuation and tax system in Australia needs to be rebalanced.

18.4. The context for Australian young people, women and low-income workers demonstrates that the international proposals named in the consultation paper should not be taken as a given, but rather analysed and only implemented if they will improve the situation for low- and middle-income Australians.

Purpose of the system and role of the pillars

19. Consultation Question

2: Is the objective of the Australian retirement income system well understood within the community? What evidence is there to support this?

3: In what areas of the retirement income system is there a need to improve understanding of its operation?

4: What are the respective roles of the Government, the private sector, and individuals in enabling older Australians to achieve adequate retirement incomes?

5: The Panel has been asked to identify the role of each of the pillars in the retirement income system. In considering this question, what should each pillar seek to deliver and for whom?

6: What are the trade-offs between the pillars and how should the appropriate balance between the role of each pillar in the system be determined?

Retail and fast-food workers understand superannuation

20. In the SDAs experience, SDA members are aware that superannuation is wages put aside for their retirement and that it grows over time. Maddison, aged 21 who works in a supermarket said

Super is income for after your working age. Hopefully by the time you're 70 you can budget wisely.

SDA members are also engaged and encourage their workmates to be so too. Our member, for example, asked at a recent meeting

When are we going to get the increase to super? It's going to be 12%, isn't it?

Another, when discussing superannuation described the relevance of super to those who can't rely on it for their retirement,

Its money for us and our families to access later in life and as our lives end to cope with that. Things like funeral costs. It's back up.

They have also increased their engagement with their super since the introduction of smart phones, with banking, super and budgeting apps on the rise. In the past, they may have not even opened their annual statement and today they're checking their balance regularly. It is to underestimate the Australian populous to suggest they need to improve their understanding of superannuation.

The objective should be dignity and justice in retirement

21. The consultation paper describes the objective of the Australian retirement income system as aiming to allow older Australians to achieve adequate income in retirement, and it alludes to wealth generation. Wealth generation is not the purpose of the retirement system, and superannuation, in the view of SDA members. They see superannuation as money put aside for retirement. The retirement income system should have the objective of providing for low- and middle-income Australians to achieve dignity and justice in retirement. This means, for example, that the superannuation guarantee should be increased and that the tax system should encourage saving for a retirement income, not the accumulation of wealth the avoidance of tax.
22. This view and understanding of our members who are representative of ordinary Australians, must be the basis of understanding and responses by government, regulators, and superannuation funds to improve the retirement outcomes for low and middle-income workers.
23. For each area of policy, there is a different definition of worker, resulting in varied levels of superannuation being paid. Given the desirability of universality of superannuation, an all-encompassing definition of worker should be used that includes all workers, irrelevant of employment circumstances including those on leave and on social security payments (except the pension). One such definition is used in the context of violence and harassment at work and is set out in Recommendation 1.

Dignity and justice in retirement requires universal and compulsory superannuation

24. Governments, regulators and funds also underestimate the history and link between the industrial system and superannuation. Prior to the 1980s, superannuation was largely reserved for public servants and those working for multinational firms. Some managers in the private sector also received superannuation. It was designed as an employment benefit to encourage workplace loyalty. Only 32% of the workforce was covered by

superannuation and only 15% of women had superannuation.²³ The modern superannuation system was established in 1983 when the government negotiated that a pay increase would be forgone on the basis that it would instead be made as a contribution to Superannuation for all workers. By 1992, this was enshrined as compulsory superannuation, in the form of the Superannuation Guarantee. It was then regulated by the Superannuation Industry (Supervision) Act in 1993. As a result, large parts of the administration of superannuation are in standalone legislation, yet superannuation is principally an industrial matter. This link to industrial contexts is often treated as secondary to other policy areas such as social security in retirement (e.g. pensions), financial services and consumer protection (e.g. regulation), and matters requiring capital for those who have little of it (e.g. investment and insurance). The industrial context is better suited to superannuation because it supports compulsory application and is an important link to the creation of jobs and the economy.

25. The concepts of universal and compulsory superannuation also require better understanding across the stakeholders mentioned, but also by the community more broadly. SDA proposes that the concept of ‘universality’ is that in the 1990s superannuation was extended to those who previously did not have access to it. Compulsory superannuation is that which creates the expectation of saving by low- and middle-income workers for their retirement. Compulsory is not, for example, a product that can be treated as if it were a standard marketplace. Remaining compulsory is, for example, why it’s necessary to link superannuation to the industrial system so that employers administer this legal industrial right.
26. Having superannuation linked to awards is the mechanism that had two significant benefits. Firstly, it is enforceable through industrial systems. Retailers, for example, who have tried to avoid paying have been held to account for this through the activism of the SDA. Secondly, most workers superannuation is held in industry superannuation which has delivered better outcomes.²⁴
27. Moving from compulsory superannuation to optional superannuation for low-income workers would undermine the objectives of the retirement system and take away an industrial right that is an important part of their existing terms and conditions of employment.

²³ Neilson, L. and Harris, B. *Chronology of superannuation and retirement income in Australia* (2010) Australian Parliamentary Library: Canberra (accessed on 17/01/2020 at https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/BN/0910/ChronSuperannuation)

²⁴ ISA, *Compare the pair*. Online. (accessed on 09/07/2019 at <https://www.industrysuper.com/campaigns/compare-the-pair/>)

- 27.1. Firstly, calculating the compensation for a decision of that kind would be fraught given the cumulative benefit over time of superannuation. Low-income workers have little discretionary income and the vast majority do not contribute in addition to the employer contribution. Amending the system to make it optional is likely to result in low-income workers reverting to sole reliance on the pension.
- 27.2. Optional superannuation would also have a disproportionate impact on women. Women are more likely to be on a low-income and more likely to be impacted by any change to the compulsory nature of superannuation. Optionality would exacerbate the inequalities that already exist for women within the current system.
- 27.3. There have been some narratives that young people want the money now. However, a 21-year-old SDA member said

When I was 15, I thought money was being taken from me. I wanted it now, not to wait till I'm old. Now I see super as saving for the future, so I don't have to worry about it. I don't want to worry about buying salmon or having the heater on. The more you're exposed to it, the more you get it.

28. A system which is not compulsory or universal would also place a higher demand on the aged pension. Universal and compulsory superannuation should be designed for low- and middle-income workers.

The base model requires updating to reflect two pillars

29. In the 1980s and early 1990s, the model of retirement income was built in the context of increasing home ownership, and it was suggested that 20% of income plus accumulation over a working life (with 15% being compulsory) plus supplementation with the pension would meet the objectives. However, the changing economic conditions have not seen this fully realised. There is a lack of understanding that the intent was to create a retirement system over time and that the first step was to progressively provide increasing guaranteed superannuation contributions. When modelling the impact of a rise in the superannuation guarantee, one academic concluded that if the policy objective is self-insurance for living to a very old age, being forced into early retirement, or incurring lower investment returns, then 12% can be justified²⁵. As the system is designed for low- and middle-income workers to be able to live in dignity, managing these risks is precisely the purpose of the system.

²⁵ Khemka, G., Tang, Y., and Warren, G. *The 'Right' Level for the Superannuation Guarantee: A Straightforward Issue by No Means* (2020) Research Gate: Online (accessed on 17/01/2020 at <https://www.researchgate.net/publication/338518506>)

30. When considering the respective roles of Government, the private sector, and individuals in enabling Australians to achieve adequate retirement incomes, it is important to consider the lack of capacity of low- and middle-income Australians to make voluntary contributions. There are roles for government, employers and high-income workers to support change. Government must address the crisis in housing and change the way the retirement system works; employers must pay higher wages, reinstate penalty rates and the requisite superannuation; and high-income workers must cease to avoid tax and acknowledge the superannuation and pension are meant for low- and middle-income workers.
31. In addition, by the time many SDA members retire in 50 years' time, the profile of housing will have changed so markedly that there is likely to be only two pillars to the retirement system. SDA shares the view of the ACTU that 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. However, even if opportunities for housing reform—such as changes to negative gearing, offering long term guaranteed rental arrangements, and government investment in affordable, social and public housing—are taken up, the three-pillars concept will need to change. This is especially true of the pension and the need to meet higher costs of living. For example, the pension is currently indexed in a way that acknowledges wages (MTAWE) and costs of consumer products (CPI) but does not acknowledge the slowing of wages and specific costs of essentials such as health, housing, transport and energy which are more relevant to an ageing population.

The new model needs to be an indicative goal for the long term

32. The consultation paper describes that it's necessary to have 'Trade-offs between pillars', but they should not be characterised as 'trade offs'. The system should instead work seamlessly to provide for high-income workers to require no pension, middle-income workers to rely on their superannuation and supplement it with the pension, and low-income workers to use any superannuation they have to supplement social security payments. Those at risk of poverty, should receive enough from the pension, along with Medicare, NDIS and other social security, to have dignity and justice in their retirement. To date the model of retirement income has been simplified to three pillars. It is time to establish a shared understanding of the needs and provide that indicative description to all stakeholders.

Recommendation 1: *To ensure that there is a shared understanding of who is working and who requires safety net support, define worker consistently across policy areas using the International Labour Standards definition, which reads “workers and other persons in the world of work, including employees as defined by national law and practice, as well as persons working irrespective of their contractual status, persons in training, including interns and apprentices, workers whose employment has been terminated, volunteers, jobseekers and job applicants, and individuals exercising the authority, duties or responsibilities of an employer.”²⁶*

Recommendation 2.a: *The Government should provide for superannuation rights and entitlements within the Fair Work system by: including the payment of superannuation on the pay cycle in the National Employment Standards (NES); and retaining the default arrangements linked to relevant awards.*

Recommendation 2.b: *Deliver on the promised 12% superannuation guarantee immediately.*

Recommendation 2.c: *Establish a new model of superannuation that acknowledges the circumstances of Australians who do not own a home. This requires moving—*

from an ideal of ‘15% from employer, 5% voluntary savings, accumulation over a working life, home ownership and supplementation with the pension’—

to an ideal of ‘15% from employer, 5% voluntary savings, accumulation over a working life, home ownership or rent assistance, and supplementation with the pension’.

²⁶ International Labour Organisation, “C190: Violence and Harassment Convention” in *International Labour Standards* (2019) ILO: Online (accessed on 17/01/2020 at https://www.ilo.org/ilc/ILCSessions/108/committees/violence-harassment/WCMS_711570/lang--en/index.htm)

33. Consultation Question

7: Demographic, labour market, and home ownership trends affect the operation of the retirement income system now and into the future. What are the main impacts of these trends? To what extent is the system responsive to these trends? Are there additional trends which the Review should consider when assessing how the system is performing and will perform in the future?

The retirement income system is undergoing a long process of maturity

34. The consultation paper describes that since the introduction of universal superannuation the superannuation system has matured with increased funds under management but that not until 2042 will those retiring have had a full working life of contributions. It argues that this period of 30 years has also seen changing life expectancy, increasing non-property assets, a changing age profile of first home ownership, changes in working conditions and broader economic changes reflecting on CPI, interest rates and investment returns.

The system requires responsiveness to economic trends, such as wage stagnation

35. SDA notes that there have been other economic trends that should inform retirement income planning. Wage stagnation has been noted consistently by Australia's Reserve Bank and the treasury as a major handbrake on the Australian economy.²⁷ Wage growth at 2.2% has been well below the long-term average of 3.2 per cent. This is a level not seen since late in 2012.²⁸ 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.²⁹ However, joint research from Macquarie and Wollongong universities confirmed that the cuts failed to create any new jobs. Additional trends are noted in CSIRO's Australian National Outlook 2019, "While the majority of Australians have benefitted from economic growth, the benefits have been unequally distributed. Stagnant wage growth over the past

²⁷ Gilfillan, G. *The extent and causes of the wage growth slowdown in Australia* (2019) Australian Parliamentary Library: Canberra (accessed on 17/01/2020 at https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1819/WageSlowdown)

²⁸ ABS, "6302.0 - Average Weekly Earnings, Australia, May 2019" ABS: <https://www.abs.gov.au/ausstats/abs@.nsf/mf/6302.0> quoted in Letts, S. "Wage growth slips again to 2.2 per cent" in *The ABC News* ABC: Online (2019) (accessed on 17/01/2020 at <https://www.abc.net.au/news/2019-11-13/wage-price-index-q3-2019/11699456>)

²⁹ [2017] FWCFB 1001 p.783

decade, coupled with strong house price growth, has left many Australians, particularly in younger generations, feeling left behind. A growing and ageing population is placing greater stress on Australia's cities, infrastructure and government services.”³⁰

Principles for assessing the system

36. Consultation Question

8: Are the principles proposed by the Panel (adequacy, equity, sustainability, and cohesion) appropriate benchmarks for assessing the outcomes the retirement income system is delivering for Australians now and in the future? Are there other principles that should be included?

9: How does the system balance each of the principles and the trade-offs between principles (e.g. sustainability and adequacy) under current settings? What is the evidence to support whether the current balance is appropriate?

The principles for the system should be compulsory, universal, equitable and contributory

37. In order to meet the retirement needs of low- and middle-income workers, superannuation must be compulsory and universal. Due to the cumulative and distributive impact of the increasing asset base, ‘adequacy’ can only be achieved if superannuation is paid (compulsory) and paid to all (universal). While Australia has a strong world class system, there remains fairness (equity) issues requiring options that permit shared as well as individual objectives to continue. ‘Equitable’ is a principal the SDA agrees should be applied to any reform of the system.
38. Regarding additional principles, the SDA notes that our members are at the frontline of an important economic indicator, ‘retail sales’. Retail sales rates fell in 2019 by 0.2%, a level not seen since the early 1990s recession.³¹ A key role of increased national savings created by universal superannuation is local capital being available for investment in the Australian economy, and the creation of jobs. If earnings are up, demand is created, which in turn creates production and investment and more jobs. For all Australians, superannuation should be contributing to the national economy. The SDA refers to this additional principle as ‘contributory’ and responds to the matters described in the consultation paper as

³⁰ CSIRO. Australian National Outlook 2019. (2019) CSIRO: Canberra (accessed on 17/01/2020 at <https://www.csiro.au/en/Showcase/ANO>)

³¹ Chau, D. “Retail slumps to ‘weakest’ level since 1990s recession as tax cuts fail to stimulate consumer spending” in *The ABC News* ABC: Online (2019) (accessed on 17/01/2020 at <https://www.abc.net.au/news/2019-11-04/retail-sales-disappoint-tax-cuts-rba-fail-to-boost-spending/11668912>)

‘sustainability’ and ‘equity’ under this principle, which goes to the realisation of the full benefits of the system.

Adequacy

39. Consultation Question

10: What should the Panel consider when assessing the adequacy of the retirement income system?

11: What measures should the Panel use to assess whether the retirement income system allows Australians to achieve an adequate retirement income? Should the system be measured against whether it delivers a minimum income level in retirement; reflects a proportion of pre-retirement income (and if so, what period of pre-retirement income); or matches a certain level of expenses?

12: What evidence is available to assess whether retirees have an adequate level of income?

Adequacy requires superannuation paid on all income from all sources

40. Compulsory and universal superannuation along with an appropriately indexed pension is the foundation required to achieve adequacy of retirement income for Australians and achieving that requires improvements through the long process of maturing the system.

40.1. At its infancy, the system assumed that Australians would retire owning their home. It also assumed that at the start, low percentages would be put aside but that over time the system would support those who did not receive superannuation to do so. A compulsory contribution of 15% would occur through the industrial system and Australians would choose to contribute approximately 5% of their ordinary wages (a total of 20% of their salary during their working life). Middle-income Australians would have the opportunity to supplement their superannuation pension with the government pension, and where necessary low-income Australians and those at risk of poverty would be protected from it by the government pension.

40.2. Over the last 30 years, several factors have been at play. Home ownership has reduced and occurred later in life. Employers took too long to agree to compulsory contribution. When it was legislated through the superannuation guarantee, some employers didn't pay the required superannuation and it was necessary to legislate

a penalty. And, the economic conditions have worsened, disadvantage has increased causing less capacity to make voluntary contributions, and there have been issues with the indexation of pensions. To assure compulsory superannuation, workers and their representatives should be empowered to inspect employers' records of payment of superannuation. Unions should be empowered to be called upon by workers to take action against employers for the non-payment of the superannuation.

- 40.3. Today, a new model for adequacy is emerging, and that model must be designed to meet what is predicted as the future needs of those who do not own a home. The three-pillar system provided for health, communication, clothing, travel and household goods. The new model must provide for housing, health, communications and utilities, clothing and groceries, travel, household goods and, insurances (car, health and life). It should also remove any discrimination by age and gender. Currently under 18s do not get super. If a person has multiple jobs, which is mainly women and young people, and they're earning less than \$450 in each, they will get no super. Women are also discriminated against based on a disproportionately higher engagement in unpaid work due to caring responsibilities and following pregnancy. For example, the current government paid parental leave scheme does not provide for the payment of superannuation, despite the fact that at the time the Paid Parental Leave Act was introduced in 2010, it was done so with a recommendation that superannuation on this payment be introduced shortly after. This has not happened. The government scheme should increase from 18 weeks to 26 weeks and superannuation should be paid on this. 26 weeks equates to six months and is the time recommended by the WHO for a mother to recover from birth, to breastfeed and bond with her baby to form secure attachment.³²

The new model should be fit for the next 20 years, and look to 50 years

41. It is time now, 30 years after its creation, to change the model to acknowledge the change in housing, especially for young workers. One SDA member said "We don't have a bright future. Me and my peers are worried we might not get to buy a house." The new model should be fit for 20 years' time when, in the 2040s, most Australians who are retired are

³² WHO. *WHO Recommendations on newborn health: guidelines approved by the WHO Guidelines Review Committee*. World Health Organization: Geneva (2017) (WHO/MCA/17.07) (accessed on 17/01/2020 at <http://apps.who.int/iris>)

doing so with a lifetime of superannuation contributions. Workers starting to contribute today will retire in 50 years, so a long planning horizon is necessary. Once the new model is fully implemented, government, employers and unions, the superannuation industry and individuals can review the system again to ensure that at its maturity the objective of dignity and justice in retirement is achieved for low- and middle-income workers.

Recommendation 3: To ensure superannuation is universal, the Government should legislate that superannuation is paid for all workers:

- on every dollar earned, especially
 - for those who are under 18 years of age,
 - for those who earn less than \$450 per month,
- by making it part of the fair entitlements guarantee,
- while on government or employer parental leave, both paid and unpaid, and ensure that the government paid parental leave scheme is extended to a minimum of 26 weeks at full pay and the payment of the applicable superannuation,
- on earnings while on workers compensation leave,
- on social security payments from government, especially family and carer payments, and
- increase Superannuation Guarantee Charge penalties for the non-payment of superannuation, empower workers and their representatives to inspect employers' records of payment of superannuation, permit unions to be called upon by workers to take action against employers for the non-payment of the superannuation, and establish a small claims tribunal where workers and their representatives can go to recoup unpaid superannuation.

Equity

42. Consultation Question

13: What should the Panel consider when assessing the equity of the retirement income system?

14: What factors and information should the Panel consider when examining whether the retirement income system is delivering fair outcomes in retirement? What evidence is available to assess whether the current settings of the retirement income system support fair outcomes in retirement for individuals with different characteristics and/or in different circumstances (e.g. women, renters, etc.)?

15: Is there evidence the system encourages and supports older Australians who wish to remain in the workforce past retirement age?

16: To what extent does the retirement income system compensate for, or exacerbate, inequities experienced during working life?

17: What are the implications of a maturing SG system for those who are not covered by compulsory superannuation?

The retirement income system needs to redress and prevent future inequity

43. A fair retirement income system needs to redress and prevent future inequity. There are currently aspects built-in to the system that work against low-income workers, women and young people and provide preferential treatment of the wealthy.

Young people are disadvantaged

43.1. Younger generations, as outlined above (Paragraph 18.3.1) , are at a disadvantage due to changes in interest rates, education, tax concessions, pensions, costs of child care, increased aggregate tax burden and subdued wage growth.

43.2. The nature of work is also different to the previous generations with fewer ongoing full-time and part-time jobs. There is increased casualisation, contract work, sub-contracting, and unpaid internships. Work is now insecure and precious for many Australians. According to a McKell Institute report, while unemployment may be low, underemployment and the underutilization rates for workers is high. Over a

million Australian workers are classified as independent contractors - with few superannuation rights, or other entitlements.³³

- 43.3. Most recently, this has manifest in cuts to penalty rates. The cuts affect hundreds of thousands of workers, and for a level 1 retail employee, the July 1, 2019 penalty rate cut was up to \$55 a month or \$670 per year. On average, the Australian Council of Trade Unions (ACTU) argues Australian workers are losing up to \$6,000 a year. For a person with a loss of \$6,000 they would also lose \$720 per year in superannuation. Over a period of 40 years and assuming compounding interest of 8%, the impact at time of retirement would be approximately \$185,000 minus tax (if taxed at 15%, the amount could be \$157,000). Some argue young people should wait before contributing to superannuation. Waiting 5 years would see a difference of approximately \$62,500³⁴ in their final retirement account balance.
- 43.4. The impact on superannuation of the cut to Sunday penalty rates has been modelled in detail and reported in the Australia Institute's paper, *The Consequences of Wage Suppression for Australia's Superannuation System*. The aggregate cut to low income earners who work on Sundays is estimated at \$9.6 billion.³⁵
- 43.5. Referring to penalty rate cuts, and the fact that under 18s and those earning under the \$450 per month don't get super, one young SDA member expressed her frustration with what she called

cuts here and there [which] add up over time.

The system is failing women

- 43.6. The current retirement system is failing women. As outlined above (Paragraph 18.3.3), women are retiring with less super, despite a lifetime of work – paid and unpaid. The lack of provision for all income to receive superannuation results in a model designed around paid work based on full time continuous employment which discriminates against women who are more likely than men to have interrupted work patterns due to unpaid caring responsibilities and are more likely to be employed in part-time or casual work, while they balance work and family and caring responsibilities.
- 43.7. Our society, economy and retirement system does not appropriately value or financially compensate those individuals who undertake the role of carer for our

³³ Alexander, L., *Understanding Insecure Work in Australia* (2019) McKell Institute: Brisbane (accessed on 17/01/2020 at <https://mckellinstitute.org.au/research/articles/explainer-why-is-job-insecurity-so-prevalent-in-australia/>)

³⁴ Compounding interest calculated by SDA using the ASIC calculator.

³⁵ Stanford, J. *The Consequences of Wage Suppression for Australia's Superannuation System*. (2017) Australia Institute: Sydney (accessed on 17/01/2020 at https://www.futurework.org.au/wage_suppression_a_time_bomb_in_superannuation_system)

children, the ill, disabled and elderly. A role which predominately falls to women. A system which appropriately values and compensates the contribution of unpaid caring is needed to ensure improvements in the economic outcomes and security of women. There are many other reasons for the unequal retirement outcomes including the lack of pay equity, and casual and part time work increasing in industries where women are more likely to work.,

- 43.8. Recognising the contribution women make to providing care should include the introduction of superannuation paid on the government paid parental leave payments, periods of paid and unpaid parental leave by employers and on family and carers payments as is outlined in the recommendation (See Recommendation 3).
- 43.9. Women are also more likely to work multiple low-paid jobs and as a result are more likely to be impacted by the \$450 threshold. Currently, if you earn under \$450 per month from an employer, there is no legal obligation to be paid superannuation. In 2016-17, there were over 1 million employees earning this, and more than half of them were women. Of these, 10% were holding multiple jobs. In retail, if a woman on adult casual rates of pay works one four-hour shift per week she earns less than \$450 ($26.76 \times 4 \times 4 = \428.16), and her employer is not obliged to pay superannuation. If she also works for another company for 3 hours ($37.47 \times 3 \times 4 = \449.64), the two roles would have afforded her \$105 per month in superannuation if she had been employed by the same company. Over a period of 40 years and assuming compounding interest of 8%, the impact at time of retirement is approximately \$27,200 (if taxed at 15%, the amount could be \$23,000).³⁶

The inequity is measurable and requires redress and prevention

44. These examples highlight that small changes have significant impacts on women and young people. The freeze to superannuation that occurred in 2014, unpaid owed superannuation, discrimination in definitions and other seemingly minor issues together could mean the difference between a balance of a few hundred thousand and millions of dollars, and an annual pension difference of \$10,000 compared to \$50,000.
45. The SDA believes this inequity would be resolved if government underwrites the superannuation rights of Australian workers.

³⁶ Compounding interest calculated by SDA using the ASIC calculator.

- 45.1. The idea is to ensure individuals build savings to help address the financial pressures brought on by the significant change to housing pressures and to reduce government liability for the pension. Maximising the benefit of accumulation of funds for low-income workers would close the growing gap in retirement income of low paid Australians and especially women. This would be a first step towards achieving an accumulation pathway approach as outlined by the ACTU, ASU and others.
- 45.2. The superannuation right would be administered by employers declaring superannuation paid as part of their tax processes and the government using the end of financial year processes associated with tax to top up those who have not received the necessary minimum. The minimum would operate linked to the national minimum wage and the superannuation guarantee amount would be applied. So, if implemented in 2020, all Australians would receive 12% contribution based on \$19.49 p/hr (the national minimum wage in 2019). That is, if you didn't get super of \$4,621.46 in 2019, the government would top up your account to ensure contributions of at least this amount. This could be considered a good first step towards meeting accumulation pathways goals and is a simple way of ensuring minimum contributions that accumulate interest and reduce reliance on the pension in years to come.
46. Coupled with universality provisions (such as payment of superannuation on all social security payments including Newstart) and holding employers to account for their compulsory contributions, this underwritten superannuation would allow the pension to be reserved as a well-indexed safety net for low-income workers and to top up others if needed. The cost of this proposal would be offset by savings in pension in the long term, flow on tax revenue, and the local economic stimulation by the spending of older retirees.³⁷
- 46.1. There is inequity caused by regressive taxation arrangements. For example, unlike marginal income tax rates, tax on superannuation is rudimentarily applied. For example, superannuation is taxed at a flat rate of 15% which means it is usually taxed at a lower rate than income tax. The tax-free threshold and other needs for low-income workers necessitated the creation of the Low-Income Superannuation Contribution. This and its successor (the LISTO) have gone some way to redress the

³⁷ Clare, R. Spending patterns of older retirees: New ASFA Retirement Standard – September quarter 2014 (Jan 2015) ASFA: Sydney (accessed on 17/01/2020 at <https://www.superannuation.asn.au/policy/reports>)

distributive impact of the rudimentary taxation of super, but not far enough. For example, it is limited to those earning around \$37,000 and could be extended to more low-income workers. It may also be instructive to model the impact of applying a proportional discount to taxation for contributing to superannuation based on the marginal tax rates and continuing to allow a person earning tax free income to have additional funds contributed as occurs with the Low-income Superannuation Tax Offset. Fees are also inequitably applied. In February of 2019, a 3 per cent fee cap on accounts with \$6000 or less was applied. This newly set standard for fees could be the basis for a rebate from government for low-income workers.

47. While some of the barriers to equity are explicit, some are subtle requiring new focus. Some employers recognise the inequity in retirement outcomes and choose to contribute more to the superannuation of their workers who are women than their workers who are men. Each organisation is different in how they go about this, but some feel compelled to get explicit permission from the Australian Human Rights Commission (AHRC) and some feel compelled to provide analysis of outcomes to date in order to defend their position. So clear is the ability to achieve substantive equity by contributing more to women's superannuation that "An additional 2% superannuation payment for women while employed at the organisation, including periods of maternity leave." is used as an example in the *"Guidelines: Special measures under the Sex Discrimination Act 1984 (Cth)"* of the AHRC. To make it easier for employers to make extra payments into a woman's superannuation fund, it should be made explicit under the Sex Discrimination Act 1984 (Cth) that a special measure is not required.

Recommendation 4.a-4.f:

- Underwrite a minimum superannuation right that would allow for supplementation of the pension based on the minimum wage (\$19.49 p/hr in 2019) by underwriting a 12% contribution (\$4,621.46 in 2019).
- Remove the 15% tax on contributions of low-income workers, ensure tax on superannuation is always lower than ordinary wages and that there is limited opportunity for bracket creep as tax and economic conditions change, by doubling the Low-Income Superannuation Tax Offset, extending it to

those earning 75% of Male Total Average Weekly Earnings or less per annum, *and/or setting marginal contributions tax rates to the marginal earnings tax rates.*

- Create a mechanism to provide relief for low- and middle-income workers from fees for superannuation.
- As recommended by the “Not So Super, For Women” report, “reduc[e] the effective marginal tax rates faced by second earners returning to work after having children. One option for achieving this aim is to make Family Tax Benefit payments universal for all parents while increasing the top marginal tax rates such that the overall impact is revenue neutral. In addition, improved access to and affordability of childcare would increase the financial incentive for women to return to work.”³⁸
- Change the tax rates for a workers second job so that those working several low paid roles are not disadvantaged.
- Make it easier for employers to make extra payments into a woman’s superannuation fund, for example by explicitly providing for this option and preventing the need for a special measure from the Australian Human Rights Commission (AHRC) approval to boost women’s superannuation and by smoothing out the impacts of the financial year periods after times of no or low income.

³⁸ Hetherington, D. and Smith, W. *Not So Super, For Women: Superannuation and Women’s Retirement Outcomes* (2017) Per Capita and ASU: Melbourne (accessed on 17/01/2020 at https://percapita.org.au/our_work/not-so-super-for-women/)

48. Sustainability Consultation Questions

18: What should the Panel consider when assessing the sustainability of the retirement income system?

19: What factors should be considered in assessing how the current settings of the retirement income system (e.g. tax concessions, superannuation contribution caps, and Age Pension means testing) affect its fiscal sustainability? Which elements of the system have the greatest impact on its long-term sustainability?

20: How can the overall level of public confidence be assessed? What evidence is available to demonstrate the level of confidence in the system?

49. Cohesion Consultation Questions

21: What should the Panel consider in assessing whether the retirement income system is cohesive?

22: Does the retirement income system effectively incentivise saving decisions by individuals and households across their lifetimes?

23: What evidence is available to show how interactions between the pillars of the retirement income system are influencing behaviour?

24: What is the evidence that the outcomes the retirement income system delivers and its interactions with other areas (such as aged care) are well understood?

25: What evidence is there that Australians are able to achieve their desired retirement income outcomes without seeking formal financial advice?

26: Is there sufficient integration between the Age Pension and the superannuation system?

A sustainable and cohesive system can make a difference to the economy

50. The principles outlined by the SDA includes that the system is contributory. In doing so, the system should be 'sustainable' and 'cohesive'. By sustainable, the consultation paper refers to increasing longevity of the population, risk of old-age inequality if some have greater access to superannuation than others and changing work patterns, and the risk these create of cost to public finances, lack of confidence, reduction in other savings, other changes and shocks (e.g. home ownership, interest rates, labour trends, and recessions) and the desire to not have superannuation used to save beyond retirement needs. By 'cohesive', the

consultation paper refers to such things as incentives, interactions between the pillars, and how individuals engage with super.

Superannuation should be for retirement, not wealth accumulation

51. SDA notes that a sustainable and cohesive system should also be designed for low- and middle-income workers. It should be calibrated to ensure that retirement is the purpose. Self-managed superannuation funds, for example, are used for tax minimisation (especially for avoidance of income tax and capital gains on shares), asset protection (including in the event of bankruptcy), and limited recourse borrowing arrangements. In addition, taxation arrangements on dividends need reform. Prior to the creation of universal superannuation, tax was paid both at the corporate and income tax level and dividend imputation credits were created to avoid shareholders paying tax twice. In 2001, this was extended to those who do not pay tax. Payments are usually reserved for the social security system, but these credits resulted in the tax system distributing a payment rather than a refund. This is a perversion of the tax system and requires reform. After learning about how the tax for superannuation works, a 21-year-old checkout operator said,

It's like the rich get richer and the poor get poorer.

In making a difference to the economy, superannuation makes a difference for workers

52. A contributory retirement income system invests superannuation in a way that increases Australian jobs, responds appropriately to environmental, social and governance concerns, and is in the members best interest.

Superannuation investment can reduce the impact of economic crises

- 52.1. The value of investing in Australia and Australian jobs was highlighted when the country avoided the worst consequences of the Global Financial Crisis with direct and indirect investments able to be made in Australia with Australian finance. Australian companies were able to raise equity locally, rather than through overseas debt markets. In addition, if there were less funds saved throughout life there would be an increased reliance on the pension and this cost would be borne by government through increased taxes or reduced pension entitlements.

- 52.2. Contributing trillions of dollars in capital into an economy requires a level of corporate social responsibility. Without putting an ethical lens on investment, there is a risk of errors like those seen in the United States in the lead up to the global financial crisis (investment in subprime loans), exposed in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, and found in numerous regulatory investigations.
- 52.3. Examples of poor governance include the Commonwealth Bank, where the failure of culture caused them to provide the facilities for money laundering. At AMP, the directors are facing charges after charging Australians who have died and those who are alive for services they didn't provide. Westpac are accused of breaching Australia's anti-money laundering and counter-terrorism financial laws 23 million times. Over 60% of so-called 'independent' directors at The Commonwealth Bank and AMP were former CEOs. These Boards were majority management under the guise of independent directorship.
- 52.4. Their experience and expertise is in adhering to corporations law and regulators, rather than community standards. On 14 January, the banks noted in their evidence to the House of Representatives Standing Committee on Economics details of 20 class actions being brought against them by the community. A demonstration of the cultural assumptions they bring to the Board that corporations are legally required to maximise shareholder value³⁹, rather than their actual duty to "act honestly, in good faith and to the best of his or her ability in the interests of the company"⁴⁰.
- 52.5. Representative boards in industry superannuation have a mix of skills, industry background, and experience in strategy, risk, and performance management. "Alignment" rather than independence should be the goal of superannuation reforms.⁴¹ With a refocussing of debate in this way, there would be greater support for profit-to-member superannuation funds which have demonstrated their value to members in many ways, especially in financial returns. Industry Super Australia (ISA) describes that "If you'd switched to an Industry Super Fund 15 years ago, on average you'd be around \$36,000 better off than in a retail super fund. And even if

³⁹ See Fox, J. *Shareholder primacy: Is there a need for change? A discussion paper* (2014) Governance Institute of Australia: Sydney (accessed on 17/01/2020 at <https://www.governanceinstitute.com.au/advocacy/thought-leadership/shareholder-primacy-is-there-a-need-for-change/>)

⁴⁰ *Corporations Act 2001* (Cth) s.181(1) (AUS)

⁴¹ Markey, R., Rafferty, M., Thornthwaite, L., Wright, S., and Angus, C *The Success of Representative Governance on Superannuation Boards* (2014) McKell Institute: Sydney (accessed on 17/01/2020 at <https://mckellinstitute.org.au/research/reports/the-success-of-representative-governance-on-superannuation-boards/>)

you'd only switched 10 (\$12,764) or 5 years ago (\$5,319), you'd still be better off...."⁴². Following the decision to create compulsory superannuation, it was considered important that the funds be held in trust by representatives of the workers and employers. This remains true today, and should be required of all superannuation boards.

Superannuation's sole-purpose test allows workers to share benefits of the system

- 52.6. Held in trust, management of superannuation funds is extensively regulated. Trustees are required under Australian law to act in accordance with the provisions of the deed, consistently with trust law (including common law provisions), the Superannuation Industry (Supervision) Act, the Corporations Act and relevant regulations. These are regulated by different entities, with such things as licence requirements, prudential standards, guidelines and other practice notes from multiple regulators. This complexity lends itself to interpretation, which can focus on individual rather than collective benefits. For example, APRA's draft prudential standard for strategic planning and member outcomes released in Dec 2019 outlines that "An RSE licensee must ensure that its expenditure decisions are for the purposes of the sound and prudent management of its business operations and consistent with the best interests of beneficiaries." In practice this is read to be a strategy which is in "the members' best interest" not in "members best interests".
- 52.7. A fair and equitable interpretation of the sole purpose test would permit shared as well as individual objectives. The legislation requires that actions be for the sole purpose of providing benefits to members on their retirement or on the achievement of the regulated age, benefits to members dependants upon their death, and benefits to the member on cessation of income due to ill-health. It neither requires nor would it be possible to implement direct correlation between the individual and the expenses of a fund. It is also undesirable for individual benefit to be the sole purpose. A contributory system allows for sharing the cost of management and investment of capital, affordable purchasing of insurance, and affordable financial planning and advice. One could say, colloquially, that the sole purpose test should help a person trust that their retirement funds are only used to collect money (including the receipt, follow-up and checking of superannuation guarantee and contribution payments), make money (investment), save money

⁴² ISA, *Compare the pair*. Online. (accessed on 09/07/2019 at <https://www.industrysuper.com/campaigns/compare-the-pair/>)

(financial advice), protect money (insurance), and distribute money (pension phase), and that it is therefore about shared as well as individual benefits.

Superannuation allows for insurance that would otherwise not be available

- 52.8. Provision of insurance is clearly provided for within the sole purpose test and should continue to be so and the value of that insurance should be measured similarly to other insurances. Superannuation allows a low- and middle-income workers to get an affordable and accessible means of protection. Be it financial protection or reimbursement against losses, insurance makes recovery from adverse events possible. It allows risk to be shared and makes those events easier to recover from. In responding to their needs, the SDA observes SDA members with insurance in several forms. There is the insurance they hold personally for their home and car, workers compensation, SDA member insurance, and the insurance linked to superannuation. Insurance in the superannuation context is designed to assist and support workers experiencing unexpected health and wellbeing challenges. As superannuation has many members, it is the most cost-effective method of providing death, total and permanent disability (TPD) and income protection. It is also one of the few methods to receive insurance without having to have a health assessment, because a fund often crosses an industry and they have many members with similar needs that actuaries can assess and predict costs of. If group insurance was not provided, many of those with pre-existing conditions would be excluded from insurance or have to wait some years before underwriting would be offered. The need for health checks is a significant barrier to insurance for low- and middle-income Australians.
- 52.9. Some arguments have been put that young Australians do not need insurance, and group insurance often excludes older Australians. While some insurance companies have not upheld community standards, and changes are needed to ensure that unconscionable negotiations do not succeed, this does not outweigh the benefit of shared liability. Our members, both young and old, have told us that insurance is an important component of superannuation. Their claims also demonstrate need—in the two years to 2018, the superannuation fund for retail workers, REST paid out \$213 million to members with an account balance of less than \$6000, \$203 million to those with inactive accounts and \$50 million to those who are under 25 and have passed away or experienced a disability.
- 52.10. Income protection is relevant for low-income workers as they are less likely to have savings. Indeed, the number of income protection claims for those impacted by a recent legislative change was greater than death and TPD. Nearly 60% of claims in the 2017 and 2018 years were for income protection. Case studies provided by REST also demonstrate

that income protection has supported workers to address their health and wellbeing challenges and return to work which assists with contributing to the economy.

- 52.11. An example from an SDA member is a young man who contacted an SDA branch when he was at risk of homelessness following an injury that was exacerbated by work. The SDA supported him through the process, and because of support from the SDA, REST and the insurer, he was able to avoid eviction. He returned to work a few months later. This is a positive outcome because of access to insurance, which was affordable because of superannuation.

Superannuation allows for financial advice that would otherwise not be available

- 52.12. Financial planning and advice is also inherent in the system. The third pillar, 'voluntary savings' suggests a need to plan for retirement. 53% of older Australians are worried about outliving their savings and women are even more worried. One response to this, which resulted in people being less likely to worry, is financial planning.⁴³ Given the purpose of superannuation, planning in this way is a reasonable part of the system. It should not, however, be considered an alternative to compulsory superannuation. Some have raised that financial planning, advice and counselling as a solution to the lack of savings by low- and middle-income earners. Given the economic conditions, it is not a lack of desire that stops Australians from saving and buying a home. One can't choose to save if their wages aren't keeping up with costs of living.

- 52.13. As outlined in December 2019 by ASIC, Australians "look to their superannuation fund to provide them with financial advice."⁴⁴ Given the lack of trust in financial advisers⁴⁵ and the conflicted way that incentives are paid to them⁴⁶, superannuation funds have an important role in giving access to members to straightforward advice that they can afford and trust. When members receive advice, they may not need a full financial plan but are sometimes seeking guidance about super.

⁴³ National Seniors and Challenger, *Retirement income worry:*

Who worries and why? National Seniors: Canberra. (accessed on 17/01/2020 at <https://nationalseniors.com.au/research/retirement/retirement-income-worry-who-worries-and-why>)

⁴⁴ ASIC, *REP 639 Financial advice by superannuation funds* (2019) ASIC: Online (accessed on 17/01/2020 at <https://download.asic.gov.au/media/5395538/rep639-published-3-december-2019.pdf>)

⁴⁵ ASIC, *REP Financial advice: What consumers really think* (2019) ASIC: Online (accessed on 17/01/2020 at <https://download.asic.gov.au/media/5243978/rep627-published-26-august-2019.pdf>)

⁴⁶ Robertson, A. "Financial planning is still not conflict-free and it could be costing you money" in *The ABC News* ABC: Online (2019) (accessed on 17/01/2020 at <https://www.abc.net.au/news/2019-09-21/financial-planning-still-not-conflict-free/11534264>)

Recommendation 4.g and 5a-e:

- Reduce the benefits given to high-income individuals such as dividend imputation and using the superannuation system for tax avoidance.
- A fair and equitable interpretation of the sole purpose test which permits shared as well as individual objectives.
- Shared management and investment of capital (e.g. sharing the benefits resulting from economic development such as job creation).
- Affordable insurance (including for income protection, total and permanent disablement, and death).
- Affordable financial planning and advice, be that related to their financial health for retirement or other needs consistent with the sole purpose test.
- given the evidence of determinantal outcomes delivered by profit motivated entities and outperformance by industry superannuation, require representative governance models for all superannuation funds and support profit-to-member superannuation funds in their efforts to meet the needs of members.

Conclusion

53. The SDA recommendations, described throughout this response to the *Retirement Income Review Consultation Paper November 2019* and summarised at Appendix B, promote further maturity of Australia's already strong retirement income system. Australia already has a world class superannuation system and should continue to build it so that retirement in Australia is dignified and just. That can only occur if the system remains focussed on being compulsory, universal, fair and contributory.
54. In December of 2019, a small group of SDA members, along with those of the ANMF (Australian Nursing and Midwifery Federation) and the ASU (Australian Services Union), gathered in Canberra. It was the first time many of them had met and had been given an

opportunity to consider policy issues of superannuation in detail over a period of three days. The overwhelming view of the members was that the 2014 freeze to the superannuation guarantee was unfair. They lost an average of \$7000, not including accumulation. The most uncomfortable aspect of those days was the increasing realisation that not only had they and their workmates been hurt by the freeze, but that there were members of parliament advocating for this to happen again. These members knew that if the freeze occurs again, their wages will not rise consistent with the cut.⁴⁷ One described that she would prefer the Government help her save for her retirement because she knows she would choose to put that money into her grandchild who has a disability.

55. Finally, a quote from an SDA member, who said to many members of parliament regarding the 2014 freeze,

Please don't let that happen again.

⁴⁷ Taylor, K., *Does higher superannuation reduce workers' wages?* (2019) McKell Institute: Sydney (accessed on 17/01/2020 at <https://mckellinstitute.org.au/research/articles/superandwages/>)

Appendix A: Rationale for SDA policy positions

SDA policy is driven by providing value to our members whose work is regulated by a broken industrial framework. We seek an economic system that supports, protects and advances the interests of working people in this country.

Our predecessors built the conciliation and arbitration system which provided the foundations to our nations prosperity over a century ago, it is now our responsibility to build a system for the next generation.

Since the introduction of the Fair Work Act 2009 and subsequent radical changes to the financial and digital context inequality has grown and economic and political power has concentrated in the hands of a few.

We believe that fundamental not incremental change is needed. In contributing to policy, we seek to drive a new system that acknowledges the change that has occurred and will withstand the emerging world of work.

We engage in topics that help us drive this agenda and are guided by ten principles that we believe will create value for our members. Those principles are:

1. Address Inequality & Enshrine Fairness.
Minimum expectations must be set and adhered to.
2. Equity & Empowerment.
All workers must be supported to progress so that no-one is left behind.
3. Mobility & Security.
A socially successful economy must provide opportunity for all, regardless of their background. Systems must be built in a way that support success and adaptation in a rapidly changing world of work.
4. Delivering Prosperity and Growth for All.
A foundation for prosperity and economic growth must be achieved.
5. Protection in Work & Beyond.
Workplaces and the community must be healthy and safe for all workers and their families during and beyond their working lives.
6. Workers Capital & Superannuation.
Workers capital and superannuation must be an industrial right for all workers and treated as deferred earnings designed for dignity and justice in retirement.
7. A Strong Independent Umpire.
A strong, independent, cost effective and accessible industrial umpire and regulator must be central to the future system of work in Australia.
8. Protection & Support for Our Future.
Protecting and supporting our future requires a strong and vibrant retail industry and supply chain providing jobs with fair and just remuneration and contributing to the economy including through skilled workers.
9. Work & Community.
Work is a fundamental human activity that provides for personal, social and economic development. Work as it operates in community must build and protect a balance between life at work and life so that workers can contribute to society through the wider community.
10. Institutional Support for Collective Agents
Institutional support must provide for collective agents (registered organisations) so that they are recognised, enshrined and explicitly supported as central to the effective functioning of the system.

Details of specific policy positions can be discussed by contacting:

SDA National Office
Level 6 53 Queen Street
MELBOURNE VIC 3000
Email: general@sda.org.au
Phone: (03) 8611 7000

Appendix B: Summary of SDA policy positions on superannuation

Workers capital and superannuation is an industrial right for all workers and must be treated as deferred earnings designed for dignity and justice in retirement. This requires:

1. Superannuation rights and entitlements to be provided for and enforced within the industrial (Fair Work) system.
2. Superannuation for all workers on all earnings.
3. Superannuation equality for women, including those who have taken time away from work to have and raise children.
4. Superannuation equality for low-income earners.
5. Superannuation default arrangements and industry superannuation funds linked to relevant awards.
6. A safety net – through insurance and a commonwealth pension system – configured to assure a dignified and just working life and retirement.

SDA Positions

1. The two biggest issues in superannuation is the quality of life of women and low-income earners as they reach retirement age. The tinkering around the edges on superannuation must cease and a focus must shift to women and low-income earners.
2. Without an ongoing focus on superannuation from the time a person begins to work, inequality in retirement will continue. This is why there must remain a focus on young people.
3. Superannuation should apply to all wages, whoever pays and whenever they are paid, including parental leave and workers compensation.
4. Banks and other for-profit providers have no place in super. Superannuation is workers money, and they are the equivalent of shareholders. They should benefit from the interest on their money.

SDA Asks

1. Regulate retirement income through superannuation, taxation, pensions, housing policy and other mechanisms to meet the needs of low-income earners, women and young people.
2. Redefine worker in a way that is consistent across policy areas.
3. Include superannuation and the payment of superannuation on the pay cycle in the National Employment Standards (NES) and have it remain linked to relevant awards.
4. Legislate for superannuation guarantee to be 12% immediately and in time higher.
5. Have superannuation paid for all workers:
 - a. on every dollar earned, including on earnings for those who are under 18 years of age,
 - b. on earnings of those making less than \$450 per month,
 - c. by making it part of the fair entitlements guarantee,
 - d. while on government and employer parental leave, both paid and unpaid, and set the government parental leave scheme at full pay for 26 weeks,
 - e. on earnings while on workers compensation leave, and
 - f. on social security payments from government, especially family and carer payments.
6. Increase the penalties and ability for workers to organise in response to non-payment of superannuation, and underwrite a new minimum superannuation right.
7. Reform the tax system so that it is not regressive and providing a tax avoidance strategy. For example, the LISTO, earnings benchmarks, financial year date impacts, tax rates including on second jobs and for second income earners, tax brackets and dividend imputation rules require reform and there is an opportunity to make boosting women's' super easier through the AHRC and to provide fee relief.
8. support the superannuation system to be a vehicle for low- and middle-income earners to achieve shared objectives; share the cost and economic benefit of management and investment of capital; acquire affordable insurance (including for income protection, total and permanent disablement, and death); receive affordable financial planning and advice; and use only profit-to-member funds.