



13 February 2020

Senate Standing Committees on Economics
References Committee
By email: economics.sen@aph.gov.au

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Dear Committee Members,

Re: Unlawful non-payment and underpayment of employees' superannuation entitlements

Non-compliance with the Superannuation Guarantee is a steady leak in Australia's retirement system. Across the economy workers lose out on \$6 billion a year in super. Unpaid super is unfortunately common in the building and construction industry and this has a significant impact on the retirement savings of Cbus members. Our members are at the coalface of this problem.

Blue collar workers in the building and construction industry are significantly more likely to experience unpaid super than white collar workers. In 2019, Industry Super Australia found that unpaid super was experienced by:¹

- 45% of machinery operators and drivers.
- 42% of labourers.
- 41% of apprentices.
- 39% of technicians and trade workers.

The rate of unpaid super for professionals was around half these rates, at 22%. This figure is still completely unacceptable.

Economic impact of unpaid super

Analysis by Industry Super Australia in 2019 found that members with underpaid Superannuation Guarantee contributions have significantly lower balances than members who were not underpaid, and the impact is increasing exponentially:²

- In 2016-17 the average balance difference was of \$24,506, up from \$19,709 in 2013-14.
- There was on average a 50% difference in the super balance of a person underpaid compared to a person of similar age and income who received their correct super entitlements.
- Members aged 60-64 had an average balance difference of \$41,1849 – up from \$23,857 in 2013-14.
- Young workers who are building their balances are particularly impacted. For low income earners aged under 25, those not underpaid have 81% more super than those who miss out on their entitlements.

¹ Industry Super Australia, Super Scandal, Unpaid Super Guarantee in 2016-2017, 2019.

² Industry Super Australia, Super Scandal, Unpaid Super Guarantee in 2016-2017, 2019.

In 2019, Cbus commissioned qualitative research which asked members what advice they would give their 16-year-old selves. Many Cbus members recommend tackling unpaid super:³

"Whoever you are working for make sure you are being paid the correct amount and if you are being paid it at all."

"Make my boss pay my superannuation."

"Make sure your employer pays your super instead of being too scared to bring it up, lest you get sacked."

In addition to the impact on members, Superannuation Guarantee non-compliance adversely impacts employers that comply with their obligations – compliant employers incur the costs of making Superannuation Guarantee contributions that competitors who do not comply do not incur.

Interaction with members' insurance

Non-payment of superannuation for an extended period results in a member appearing 'inactive' to the fund.

Following the passage of the Protecting Your Super legislation in 2019, members lose their default TPD and Death cover if no contributions have been made on their behalf for over 16 months. This can leave members uninsured and unaware of that fact, with potentially tragic consequences for them and their families.

Cbus works hard to recover unpaid super on behalf of our members

In the last five years, we have recovered \$330 million in unpaid super on our members' behalf.

Over the past 15 years, Cbus has recovered \$600 million in unpaid super for members.

Cbus uses a suite of tools to identify suspected non-compliance with SG obligations. Over the last decade, Cbus, working with Industry Funds Credit Control, has recovered additional \$31 million in unpaid super through insolvency and legal proceedings.

Non-payment and underpayment of Superannuation Guarantee contributions require urgent policy responses

Payment of Superannuation Guarantee contributions should be aligned with payment of wages. This would enable non-payment and underpayment to be identified more quickly and improve member engagement with superannuation more generally.

The Australian Taxation Office, which is responsible for recovering unpaid Superannuation Guarantee contributions and penalising non-compliance, should take a much stricter and more proactive approach to imposing penalties on those who do not meet their Superannuation Guarantee obligations.

Individual workers should have a legal avenue for recovery of unpaid super, as already exists for recovery of unpaid or underpaid wages. The Government should empower workers and their

³ CoreData Member Segmentation Research 2019.

representatives, such as their superannuation fund, to take action against employers for the non-payment of the superannuation guarantee or superannuation contributions.

Data is a significant pain point for members, and especially for those who lack financial expertise. Government agencies including Centrelink and the ATO collect and hold a significant amount of information directly relevant to members' employment, income and retirement. Government already collects all the information required to identify non-payment and underpayment of super. Government should, where members consent, share relevant information directly with a member's superannuation fund. This would enable funds to give members better advice, chase unpaid super, pre-populate forms for members, and support members to achieve a better understanding of their financial position before and in retirement.

Cbus members support these changes

Non-compliance with Superannuation Guarantee obligations by some employers adversely impacts public confidence in the retirement income system.

Surveyed members want unpaid Super to be proactively regulated and recovered:⁴

"Why aren't they fining people if they don't pay?"

"It would be more reassuring if someone policed this."

"They need to tighten things up, it needs to be as important to the government as getting tax."

"The Government should have a mechanism to ensure that it's going in."

Yours faithfully



Robbie Campo
Group Executive – Brand, Advocacy & Product
Cbus Super

⁴ CoreData Member Segmentation Research 2019.