

CONSTRUCTION FORESTRY MARITIME MINING AND ENERGY UNION

15 July 2019

Senate Standing Committees on Economics
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Committee,

TREASURY LAWS AMENDMENT (PUTTING MEMBERS' INTERESTS FIRST) BILL 2019

1. We are writing in relation to the *Treasury Laws Amendment (Putting Members' Interests First) Bill 2019 (the Bill)*, which was introduced into the House of Representatives on 4 July 2019.
2. The Construction, Forestry, Maritime, Mining and Energy Union (**the Union**) is Australia's main trade union in construction, manufacturing, maritime, mining and energy production. We represent workers in some of the most dangerous industries in the country.
3. In high risk industries such as construction, the importance of access to affordable and comprehensive insurance cannot be gainsaid.
4. We strongly oppose the Bill insofar as it:
 - a. removes the ability for superannuation funds to provide default insurance to members under the age of 25; and
 - b. removes the ability for superannuation funds to provide default insurance to members with account balances below \$6,000.
5. In the context of high risk industries, these proposals do not put members' interests first. Rather, the Bill works to exclude some of the most vulnerable workers from insurance protection; it compromises the safety net of default insurance cover for workers; and it significantly erodes the ability of workers in high risk industries to access affordable and comprehensive insurance coverage.
6. If the Bill is passed, its effect will be antithetical to the stated policy intent. It must – at the least – contain an exemption for workers in high risk industries, such as construction.

The workers at risk in the construction industry

7. Construction is considered by Safe Work Australia to be a national priority industry. The most recent data from Safe Work Australia's Construction Industry Profile¹ show that:
 - a. between 2003-2013, 401 workers died on construction sites in Australia;
 - b. in 2012–13 the construction industry accounted for 9% of the Australian workforce, but 10% of workers' compensation claims for injuries and diseases involving one or more weeks off work;
 - c. in 2013–14 the construction industry again accounted for 9% of the workforce but accounted for 12% of work-related fatalities; and
 - d. in 2012–13 the construction industry had the 4th highest incidence rate of serious claims per 1000 employees, and 5th highest fatality rate per 100 000 workers in 2013–14.
8. The construction industry also has a relatively young workforce, with 43.3% of workers aged 15 to 34 years, compared to 38.8% across all industries². It is the largest employer of young, full time workers, employing 152,100 – or 17.7% - of all full time workers aged 15 to 24 years (in February 2015). This proportion has increased since 2011, when census data indicated that 16.7% of employees are aged 15-24³.
9. In addition to being over-represented in the construction industry, young people are more vulnerable in the workplace because:
 - a. their relative inexperience make it less likely that a young worker will perceive when something becomes unsafe;
 - b. they are less likely to be able to say no, and refuse to do something even if they think it might be dangerous; and
 - c. they are more likely to have a limited awareness, or understanding, of their rights and obligations in relation to work health and safety regulation.
10. However, it should not be assumed that workers under 25 do not have significant financial obligations, or that they are not required to contribute to household expenses. Construction workers are more likely to assume financial obligations at a young age. Anecdotally, the CFMEU's experience is that blue collar workers are more likely to marry, and have children at a younger age.

¹ <https://www.safeworkaustralia.gov.au/system/files/documents/1702/construction-industry-profile.pdf>

² 2015 Industry Outlook, Construction, Department of Employment, ISSN 2201-3660: <https://cica.org.au/wp-content/uploads/2015-Construction-Industry-Outlook.pdf>

³ Data: Census 2011 – Age Profile of Selected Industries; Safe Work Australia, 2018, Number, frequency rate and incidence rate of serious claims by industry (2011-12 to 2015-16p)

11. These experiences are borne out by Cbus's observations that:
 - a. over the 17 months ending May 2019, it has accepted on average 1.6 death / terminal illness benefit claims per week for members under 25; and
 - b. for those members between 21 and 25 years of age, over 60% of death benefits are paid to dependents⁴.
12. Despite their higher risk profile, the majority of those under 25 are unlikely to opt into insurance.
13. The construction industry is also characterised by transient workforces who regularly move between projects and, in many cases, between employment and self-employment. These factors contribute to an over-representation of workers with low account balances.
14. Cbus' analysis indicates that the exclusion for those with balances of under \$6,000 would see a typical member work for around 14 months before being able to be covered by default arrangements.
15. The removal of default insurance for account holders with a balance less than \$6000 would also mean that new entrants to the industry – including apprentices - would be without coverage at the beginning of their working lives. This is concerning in the fact of Cbus's indication that it has accepted:
 - a. 3.5 death claims a week for inactive members (who have not made a contribution for 13 months); and
 - b. 2.6 death claims a week for members with balances under \$6,000⁵.
16. The long and the short of it is that the workers who would be excluded from default group insurance policies under the Bill are the same cohort that require – and claim – on default insurance schemes.

The importance of a safety net of default insurance coverage

17. It is precisely because of the factors described above that industry superannuation funds have established a safety net of default insurance coverage.
18. Default insurance schemes in high risk industries:
 - a. cover a broader range of risks which result in death and injury, with very little overlap with workers' compensation schemes; and
 - b. are able to accommodate breaks from work which are more common in transient industries such as construction.

⁴ Cbus at XX

⁵ Cbus, 2018, Submission to Senate Economics Legislation Committee Inquiry into Treasury Laws Amendment (Protecting Your Superannuation Package) Bill 2018, at p4

19. However, if the Bill is passed, it is estimated that hundreds of thousands of construction workers who need, rely on, and successfully claim against default cover will be removed from cover. Those workers will find it harder to obtain insurance at reasonable rates outside of group insurance schemes.
20. Cbus estimates that:
- a. if members are required to opt in to insurance cover, around 30% of members will be refused cover or only provided conditional cover;
 - b. given the riskier nature of contraction work, premiums for remaining members would rise by 20-30%⁶.
21. This estimate is broadly consistent with KPMG's estimate of a 26% increase in group life premiums for superannuation members across the economy⁷.

The unreasonably short timeframe proposed by the Bill

22. Finally, we note that the Bill is drafted so as to commence on 1 October 2019, with certain notification obligations commence beginning 1 August 2019. This timeframe is unreasonably short, as is the timeframe given to stakeholders to make submissions to this inquiry.
23. The unreasonably short timeframe makes it difficult, if not impossible, for members to understand how the proposed changes may affect them and assess their options going forward. It is antithetical to the stated intention of the Bill to "[put] members' interests first".

Conclusion

24. If the Bill is passed, we strongly support Cbus' call for a mechanism to provide targeted safeguards to funds which offer default insurance coverage to higher risk member profiles who need, rely and claim against their cover.

CFMMEU
15 July 2019

⁶ Cbus at 2

⁷ Investment Trends May 2017 Member Sentiment & Communications Report, based on a survey of 6,720 super fund members