

**ACTU SUBMISSION TO THE SENATE ECONOMICS  
COMMITTEE INQUIRY INTO THE SUPERANNUATION  
BUDGET MEASURES BILL 2004, THE SUPERANNUATION  
LAWS AMENDMENT (2004 MEASURES NO. 1) BILL 2004; AND  
THE SUPERANNUATION LAWS AMENDMENT (2004  
MEASURES NO. 2) BILL 2004**

**June 2004**

1. The ACTU welcomes the opportunity to make a brief submission to the Committee in relation to the Bills implementing a number of recently announced superannuation measures.
2. The Committee will appreciate that, having had very short notice of the inquiry, the ACTU is not in a position to comment in detail on the provisions of the Bills.
3. Nevertheless, the ACTU seeks to bring the following issues and concerns to the attention of the Committee.

**SUPERANNUATION BUDGET MEASURES BILL 2004**

4. As with the introduction of the current co-contribution scheme, the ACTU is concerned that the scheme will mostly benefit eligible employees who are members of families where a high income earner is in a position to assist with making the contributions, either directly or indirectly.
5. The ACTU recognises that the new co-contribution scheme does extend benefits to employees on higher incomes than previously as well as increasing the incentive to make voluntary contributions.
6. However, the 2000 ABS survey<sup>1</sup> found that only 20 per cent of private sector employees made personal superannuation contributions and that 37% of those not making contributions said it was because they could not afford to.
7. The ACTU submits that the funds allocated to this scheme could be better used by reducing the tax on superannuation contributions paid by low paid employees, thereby increasing the final retirement benefit for those most in need of assistance.
8. Consistent with the approach taken when the surcharge was last reduced, the ACTU opposes the proposal to reduce the surcharge to half its original level over the next three years.
9. The surcharge reduction is tax relief for the wealthy - it is consistent with the Government's overall approach to the Budget, which is to direct tax reduction

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<sup>1</sup> *Superannuation Australia* Cat No. 6360.0

initiatives to those on relatively high incomes.

10. The co-contribution proposal does not balance the reduced surcharge because it targets assistance to those who can afford to make voluntary contributions rather than to those who need assistance.
11. The ACTU submits that the surcharge should be restored to its original level and the savings redirected into increasing retirement benefits for the low-paid.

#### **SUPERANNUATION LAWS AMENDMENT (2004 MEASURES NO. 1) BILL 2004**

12. This comments above in relation to the co-contribution proposals are also relevant to this Bill.
13. The proposal to extend eligibility for the co-contribution to “employees” who are not entitled to employer superannuation contributions highlights the Government’s lack of concern with fairness or in assisting those who will have difficulty in achieving an adequate retirement income.

#### **SUPERANNUATION LAWS AMENDMENT (2004 MEASURES NO. 2) BILL 2004**

14. The ACTU welcomes the Government’s decision to repeal the provision permitting pre-1991 earnings bases to be used for calculation of the SG even where it is inferior to the default definition of “ordinary time earnings” in the SGAA.
15. The effect of the current provision is that thousands of employees, including mine workers, Queensland nurses and others under some private sector Queensland awards, as well as groups of employees subject to pre-1991 corporate fund arrangements, receive lower SG contributions than the rest of the workforce.
16. This is because the employers involved are able to base their SG calculations on lower rates of pay - such as award pay rates rather than actual rates in agreements - or are able to exclude allowances and penalty rates from the calculations. This has cost some employees thousands of dollars in retirement benefits and has given their employers an unfair disadvantage over competitors and the rest of the labour market.
17. In light of this, the ACTU is very disappointed that the Government proposes to retain the current position until 2010.
18. It is absurd to think that employers who have enjoyed a windfall over the last decade in SG savings need six years to adjust to paying the same rate as all other employers.
19. To suggest, as does paragraph 4.9 of the Explanatory Memorandum, that time is needed to “..build, if necessary, the increased superannuation contributions

into their wage bargaining processes” is to say that not only should employers keep the benefits they have achieved through lower SG contributions, but that employees should pay, through lower pay increases, for the eventual restoration of the correct position.

20. The ACTU is also concerned that removing all references to awards and other industrial instruments could have the effect of disadvantaging employees who currently receive the benefit of a higher earnings base. While a higher superannuation calculation would remain enforceable through the industrial system, it is more efficient that the ATO continue with its current approach to enforcement of higher earnings bases.
21. This position is not inconsistent with supporting removal of references to inferior earnings bases, because employers will still be required to comply with awards and other arrangements requiring a higher earning base. The issue here is not what employers pay but simply to ensure effective enforcement by allowing either the ATO or the industrial system to pursue the entire amount of SG applicable.
22. The ACTU submits that the Bill should be amended to:
  - (i) provide for an immediate requirement that all employers calculate SG on a basis no less than the current definition of “ordinary time earnings in the SGAA; and
  - (ii) provide for continued application of higher earnings bases provided for in awards, etc.