



SUBMISSION TO THE COMMONWEALTH TREASURY CONSULTATION ON

Legislating the objective of superannuation

Date Submitted: 31 March 2023

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National Secretary-Treasurer



About the SDA



The Shop, Distributive and Allied Employees' Association (the SDA) is one of Australia's largest trade unions with some 210,000 members. Our members work in retail, warehousing, fast food, hairdressing, beauty, pharmacy, online retailing, and modelling.

The majority of SDA members are women (60%, approximately 131,000), under 35 years (57%, approximately 120,000 workers), and low-income. Retail and food services are two of the three lowest industries for median weekly earnings.

The SDA has a long history of advocating on behalf of members. We do this through enterprise bargaining; making submissions regarding Awards and the NES to provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other important reviews.

The SDA has 10 policy principles that guide our engagement in these reviews. For a list of these, see Appendix A.



Submission to the Commonwealth Treasury consultation on legislating the objective of superannuation

The Drafted Objective

1. The paper “Legislating the objective of superannuation: Consultation paper, 20 February 2023.” proposes the objective of super be “to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way”.¹
2. The Shop, Distributive and Allied Employees’ Association (the SDA) supports the key tenets of this objective. The SDA understands those key tenets to be:
 - a. Preservation:

Superannuation should be preserved for workers retirement. If an early retirement is imminent for health or other reasons, such as a terminal illness with less than two years to live, it is appropriate to access retirement savings prior to the specified age. Other public policy needs of workers should be met through Australia’s other social, economic, and governmental processes.
 - b. Income:

Income for workers at retirement is the purpose of super, be that income in the form of lump sum(s), an account-based pension or used in the purchase of a longevity income product.
 - c. Dignity:

Dignity and justice for workers in retirement is about achieving a standard of living in retirement that is at least equal to the standard of living achieved while they were working.
 - d. Equitable and Sustainable:
 - i. Equitable allows superannuation to be made even fairer.

There are generous tax provisions in superannuation. But if you are earning less than the Tax-Free Threshold, the only way you are able to access these benefits is through the Low Income Earner Tax Offset. The higher your income, the more advantageous these benefits become. More reasonable tax settings will help avoid superannuation being a wealth management strategy and instead be focussed on retirement. The objective should allow for redesign to make super even fairer.
 - ii. Sustainable allows a focus on the long-term.

Today’s teenagers are the first generation of Australians to get 12% superannuation guarantee for their whole working life, and those in retirement need long-term planning for their stages of retirement including aged care, which may be 20 years from today.
 - e. Government Support:

Superannuation is part of Australia’s social welfare safety net, which includes Medicare, NDIS, pensions, rental assistance, and other programs.

¹ p.6 Legislating the objective of superannuation Consultation paper 20 February 2023. Available at <https://treasury.gov.au/consultation/c2023-361383>

Proposal for additional words

3. The SDA supports the submission of the Australian Council of Trade Unions (the ACTU), including the proposal to add words to ensure that superannuation is universal. Guaranteed super is not currently guaranteed for all. The objective for super should include that it is universal for working age Australians, and as a result it can and should be paid on every dollar a person earns, except for the age pension.

Examples of the need to make super even fairer including the need to pay it on employer paid and commonwealth paid parental leave, and to those under 18 years working less than 30 hours per month. It can also be fairer by guaranteeing super in a way that's more easily observable – by paying on the pay cycle. There are other income streams where super is not currently paid due to the definition of ordinary time earnings, which a clear objective that super be paid to all working age persons would assist.

4. The SDA does not support the alternative wording proposed as those options do not include preservation. Preservation provides assuring the coherence of the system in the long-term. Together, the tenets allow superannuation to be focussed on retirement at the same time as supporting the international, Australian, and local economies through increased gross national savings and the opportunity to invest in the future into which workers will retire.

An Accountability Mechanism

5. The paper seeks views on accountability processes. SDA supports the creation of a lever through which legislation relating to superannuation is checked against its objective. The ACTU congress and the ALP platform policies both propose a Council of Superannuation Custodians, independent of Government, to provide advice on superannuation policy. Other proposals have included a requirement for exposure drafts, public consultation on exposure drafts, independent impact advice, and parliamentary mechanism (such as referral to a select committee) would be appropriate. Given the national economic impact of changes to superannuation, a robust accountability system would be a sound next step in its development.

SDA Members and Retirement

6. For SDA members, the objective of super is retirement – 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 with their super and encourage their workmates to be so too. For example, one member nearing retirement asked at a meeting

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

That said, SDA members are clear that superannuation is not just an account for retirement, but an account to help get you to retirement.

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

“It’s 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.”

7. The statement that “Superannuation has played an important role in combatting poverty in old age and lifting retirement standards.”² is unambiguously true for SDA members. SDA members are mostly women (60%, approximately 131,000), under 35 years (57%,

² p.11 Legislating the objective of superannuation Consultation paper 20 February 2023. Available at <https://treasury.gov.au/consultation/c2023-361383>

approximately 120,000 workers), and low-income. Retail and food services are two of the three lowest industries for median weekly earnings. For SDA members, fairness in superannuation along with the rate and indexing of the age pension and housing are determinants of retirement outcomes. If SDA members get fairer super, living standards lift.

8. Much of the retirement debate describes the role of superannuation alongside the pension and private savings including home ownership. At retirement, working Australians should be able to have a decent retirement income based on the pension and superannuation as well as a safe and secure home.

While the policy narratives continue to focus on pillars rather than simply on what superannuation is, these and other essential workers will not have their retirement needs met. In that context, superannuation needs to be considered in policy debates for those who need it rather than focussed on wealth management. This has the added benefit of mitigating government cost risk associated with pensions and social services, such as aged care.

Superannuation

9. The SDA views superannuation simply and in the way in which retail, warehousing and fast food workers experience it.

Super is an account to help you get to and retire with the same standards of living you had while you were working.

A superannuation account is offered with three attributes which assist the trustees who look after the account meet the objective of dignity and justice in retirement.

Those attributes are:

- a. Investment, which allows workers savings to grow through compound interest over the long-term resulting in higher balances to assist with living standards in retirement.
- b. Insurance, which allows workers to recover from unexpected circumstances and return to the workplace (Income Protection Insurance), support their family to get on their feet if they die (Death Insurance) and plan for the future if things go wrong (Total and Permanent Disability Insurance). Each of these circumstances could be the difference between a great retirement and one with little dignity.

Not only is this insurance good for retirement, it's also good as part of Australia's social safety net. Without the collective power of superannuation, many Australians would not be able to buy life insurance. Life insurance might be prohibited due to disability or pre-existing conditions. The cost might be prohibitive due to risk (dangerous occupations) or workplace settings (such as casual employment).

The systemic risk of underinsurance is also a factor in the role insurance plays in retirement outcomes.

- c. Advice and information, which allows workers to learn about compound interest, to buy and claim on insurance, and to plan for retirement.

These attributes are what allow superannuation to deliver on its important role in Australia's social welfare safety net, alongside other key social reforms such as Medicare and NDIS.

10. Working Australians will retire better if:
 - a. superannuation is fairer and balances are higher,
 - b. if the pension is sustainable and dependable, and
 - c. if the housing crisis is solved and homes are safe and secure.

The objective for super must be that Australians get to retirement and live well once there.

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 & 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 the SDA National Office.

