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Senate Standing Committees on Economics
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Senate Economics References Committee Inquiry into the non-payment of the Superannuation Guarantee

Anglicare Australia welcomes the opportunity to respond to this inquiry. Anglicare Australia is a network of 36 agencies working with disadvantaged and marginalised people across Australia, including people who are living under great financial strain, and in some cases poverty, including those in their retirement. From our work across a diversity of services, including employment services, disability services, emergency relief and housing, we know that the income issues some people face at retirement reflect their working lives, battles with health, various caring responsibilities, and experience of deep and persistent disadvantage prior to retirement. Given the nature of the care and services Anglicare members provide, and the human insights we gain from it, this submission will focus in particular on the effect of the non-payment of the superannuation guarantee on low income workers and their retirement incomes.

It is important to set this issue in the broader context of economic change. Australia's workforce – what it looks like, what is needed from it and how it operates – is undergoing significant change as the economy transforms. The unprecedented growth in insecure work reflects these changes. An increasing number of people are stuck in precarious employment situations, characterised by unpredictable or fluctuating income, irregular hours, uncertainty over the length of the employment arrangement, a lack of basic rights and entitlements, and a lack of power to negotiate wages and conditions. The situations of the many thousands of people who access the services offered by Anglicare agencies reflect these changing circumstances. Anglicare Australia believes that while the growth of insecure work in Australia demonstrates employment conditions are changing in response to emerging economic challenges, to the detriment of many, we haven't yet seen the development of a workforce, work cultures, or employment standards that can adequately serve the needs of individuals and communities.

The non-payment of the superannuation guarantee is a direct reflection of this issue. A recent report jointly published by Industry Super Australia and Cbus found that people in industries where insecure work is becoming the predominant mode of employment – construction, hospitality and cleaning – were the most likely to have been underpaid superannuation contributions from their employer.¹ Likewise, the groups who were most affected by unpaid

¹ Industry Super Australia and Cbus 2016, [Overdue: Time for action on unpaid super](#)

superannuation contributions – women, young people, people on low incomes – are also the people most affected by insecure work. This is a direct link that cannot be ignored, both because of its disproportionate effect on people who will have the least income in retirement, and because it clearly points to an issue that is going to affect more people into the future as these economic changes progress. We need to address this now to avoid a much greater problem as the next generations enter retirement.

Anglicare Australia believes that government has a fundamental responsibility to respond to the new reality of an increasingly casualised and insecure employment conditions by strengthening workers' rights and protections, and ensuring employer compliance with related legal requirements. A 2012 inquiry into insecure work by Brian Howe found substantial evidence that employers were misrepresenting or disguising employment relationships to avoid paying employees entitlements such as superannuation.² For the same inquiry, the Productivity Commission provided an indication of the scale of the problem in the construction industry, estimating that the number of labour hire workers has increased 15.7% a year from 1990 to 2002, from 33,000 to 190,000.³

This practice undermines competitive neutrality between employers and also ultimately undermines standards for employees, including the payment of superannuation, if those who systematically avoid paying it are allowed to do so. The effects are not restricted to superannuation. Undermining competitive neutrality between employers can drive down employment standards across the board. As the UNSW Industrial Relations Research Centre argued, the growth of insecure work demonstrates how our current system is permitting the active exclusion of workers from their substantive rights under the National Employment standards.⁴

The non-payment of the superannuation guarantee puts people at risk of an inadequate income in retirement. For those who have spent a substantial time in insecure work, the intermittency of employment and income combined with the increased chance of having their super underpaid or unpaid means this risk is even higher. Insecure work finds people frequently moving between the workforce and unemployment. While unemployed, many have to rely on government payments such as Newstart, which not only put recipients under intense financial pressure due to their well-documented inadequacy, but also – as they do not include superannuation contributions – leave them worse off in retirement. This is a problem also faced by people who have had to take time out of the workforce to care for children or ageing parents, or because of long periods of illness or injury. Without enough super and without enough private savings, there is an increased reliance on the Age Pension.

² Australian Council of Trade Unions 2012, '[Lives on Hold: Unlocking the Potential of Australia's Workforce](#)' Report of the Independent Inquiry into Insecure Work in Australia, chair Brian Howe

³ *Ibid.*

⁴ Australian Council of Trade Unions 2012, '[Lives on Hold: Unlocking the Potential of Australia's Workforce](#)' Report of the Independent Inquiry into Insecure Work in Australia, chair Brian Howe

The effect of an inadequate income on a person's health, wellbeing and quality of life in retirement is substantial. People living on the Age Pension today report having to take significant, and sometimes drastic, measures in order to get by; including turning off their hot water for months at a time; blending food because they can't afford to go to a dentist, and having to choose between food and medication.⁵ A recent Benevolent Society report found that the pensioners who were worst off were overwhelmingly single female pensioners who did not own their own house.⁶ These findings highlight that those who have not had a consistent income throughout their working lives – whether through working in less secure sectors of the workforce, or taking time out of the workforce to take on caring responsibilities – are the most likely to experience poverty in retirement. There are clear social costs in having people living on inadequate incomes, in retirement or otherwise. The financial costs to government are also significant. ISA estimates that unpaid super will hit \$66 billion by 2024 if no action is taken.⁷ While this figure gives an indication of lost government revenue, there is also a significant cost in increased government expenditure on the Age Pension and services for those who cannot afford their own household necessities or care.

Recommendations

Our recommendations follow this discussion by addressing issues around insecure work and its effect on retirement incomes. Together, they demonstrate how governments could take a holistic response to this growing issue.

Firstly, we recommend that workplace law and regulations are reformed to ensure that definitions of employee/employer relationships capture indirect or disguised forms of employment. Anglicare Australia believes that any efforts made by government to stop the illegal non-payment of compulsory superannuation to employees should logically be extended to address sham contracting and other means through which employers can legally deny employees their entitlements.

Secondly, we believe that the government should consider how it can promote more secure work, including by supporting community- focused job creation, partnering in the funding of social enterprise, facilitating the creation of work cooperatives, and through the adoption of ethical procurement principles that take on board social and economic impacts locally and regionally.

Finally, there are a number of measures the government could implement to assist those whose retirement incomes are impacted by insecure work.

- The \$450 minimum income level for superannuation guarantee payments should be removed, allowing workers on low incomes, or multiple sources of low incomes, to build their superannuation.

⁵ The Benevolent Society 2016, [The Adequacy of the Age Pension in Australia: An assessment of pensioner living standards](#).

⁶ *Ibid.* p.5

⁷ Industry Super Australia and Cbus 2016, p.3

- The government must also lead by example, and pay superannuation contributions on top of government allowances, such as Newstart, Carers Allowance and the Disability Support Pension.

In particular superannuation contributions should be paid on the allowances that are effectively remuneration for “informal” caring responsibilities which contribute in excess of \$60 billion to the Australian economy.⁸ We thank the Committee for its consideration of our recommendations and our broader position on this issue and we look forward to seeing the final report.

Yours Sincerely,

Kasy Chambers
Executive Director

⁸ Deloitte Access Economics 2015, *The economic value of informal care in Australia in 2015*. Carers Australia: Canberra