



► Challenge to industry super fund consensus

Business splits on 12pc super

Joanna Mather

The nation's biggest employer groups – including Ai Group, which half owns \$170 billion AustralianSuper – are openly contemplating another freeze in the super guarantee following the appointment of an expert panel to review the retirement income system.

Ai Group chief executive Innes Willox said increasing the super guarantee from 9.5 per cent of gross wages to 12 per cent should remain the ultimate goal, but the question was “how we get there and when we get there”.

“There are a couple of things that have to be weighed up here: the need for real wages to increase, the need for people to save for their retirement and the need for business to bear the cost,” he said.

That Mr Willox, who sits on the board of AustralianSuper, is willing to publicly entertain the prospect of a delay marks a significant shift in the national conversation about super.

The super guarantee has been paused at 9.5 per cent of wages since 2014 but is legislated to rise to 10 per cent in 2021, before increasing to 12 per cent by mid-2025.

Had Labor won the federal election, there would be no talk of another delay.

But speculation is rife that the Coalition will take a proposed freeze at 10 per cent to the next federal election by framing the remaining incremental rises to 12 per cent as an impediment to wage rises.

“We welcomed the previous delay in the increases and we believe any further increases should be considered very carefully in the context of the

impact on jobs and economic growth,” Australian Chamber of Commerce and Industry chief economist Ross Lambie told *The Australian Financial Review*.

“It's important to remember that any

increase in the superannuation guarantee charge is effectively a pay rise funded by the employer.

“Any increase without a corresponding increase in productivity comes at significant cost to businesses, particularly small business.”

The Morrison government has appointed a three-member panel to establish “facts” rather than make recommendations about the retirement income system. The review was a recommendation of the Productivity Commission, which identified unnecessary multiple accounts, high fees and poor performance as problems to be overcome before further increases in the super guarantee.

Assistant Minister for Superannuation Jane Hume has described the government as having a “moral” obligation to fix the system before moving to 12 per cent, and believes 10 per cent is a “nice round number”.

AustralianSuper is the nation's largest super fund. It has two shareholders: Ai Group and the ACTU, which is wedded to the 12 per cent goal set by former prime minister Paul Keating.

AustralianSuper chief executive Ian Silk pointed to Prime Minister Scott

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Morrison's comments about being committed to the legislated timetable for increases. "The super guarantee is legislated," Mr Silk said. "It's been twice delayed and people who don't like super can always find a reason for it to be further delayed."

Other industry groups with shareholders in major industry funds – such as Master Builders Australia, which has a 50 per cent stake in Cbus, and the Australian Hotels Association, which part owns Hostplus – did not respond to questions about whether further super guarantee rises are good for workers and the economy.

The retirement income inquiry is likely to consider research by the Grattan Institute, which found lifting the guarantee to 12 per cent will erode wages without improving retirement incomes much for average workers.

"It's hard to think of a policy less in the interests of working Australians than higher compulsory super contributions," Grattan's Brendan Coates said in July.

"Instead the big winners from higher compulsory super will be the wealthiest 20 per cent of Australian workers, who benefit from extra super tax breaks and are unlikely to receive the age pension anyway."

Nearly two million workers already receive 12 per cent – sometimes more – including politicians, public sector employees and academics.

Views from employers about going to 12 per cent appear to be split according to sector and size of the businesses.

Australian Mines and Metals Association chief executive Steve Knott said his members – large companies that pay highly skilled workers comparatively big wages – were unperturbed.

"The incremental increases to the superannuation guarantee rates between now and July 1, 2025, have . . . been factored into the remuneration forecasting and planning for AMMA members for some years now," he said. "The bigger issue over the next five to six years is the projected increase in the national mining workforce, including specific occupations where shortages

may emerge."

At the other end of the scale, small businesses say they are troubled by the prospect of higher employment costs.

Australian Retailers Association executive director Russell Zimmerman said 12 per cent was a worthy goal but the government should consider a slower climb. "Maybe it could be 0.25 every few years," he said. "That might be a better way of doing it."

"We've seen too many retailers go to the wall and as much as it sounds like a cliché, things are fairly tough, and I think probably a hiatus before it was implemented would be better."

Master Electricians Australia chief executive Malcolm Richards said the rate should be flexible at between 10 per cent and 12 per cent. Businesses that could afford to pay 12 per cent could position themselves as "employers of choice," he said.

"If the increase is to proceed, we believe the burden should be shared equally between employers and employees, with half of the super contribution to be funded from scheduled wage increases."

Mr Richards called for more flexibility in the timing of the increase. "Most employees in the electrical contracting sector are family businesses with just one or two external staff," he said.

"Higher contributions to superannuation for staff will need to come out of the pockets – and probably the retirement savings – of those families."

ACCI's Dr Lambie said the double whammy of another above-inflation award wage rise in the first half of 2020 plus higher compulsory super could be very bad for jobs. "The superannuation discussion . . . is best factored in as part of the comprehensive review of retirement incomes announced by the Treasurer to ensure people are going to be well catered for in their retirement."

"We can't look at the rate of superannuation guarantee charge in isolation," he said. "There's been a lot of focus from the banking royal commission that some superannuation funds haven't been serving members well."

"Just increasing the charge to 12 per cent doesn't necessarily mean workers will get the full benefit. Broader considerations need to be taken into account."



Ai Group's Innes Willox is willing to entertain the prospect of a delay.