Changing nature of work opens up $10 billion shortfall in superannuation

A $10 billion shortfall in superannuation savings due to increasing changes to traditional ways of work is compromising the retirement outcomes of millions of Australian workers and the system more broadly, according to new research commissioned by AustralianSuper and Cbus Super.

The research estimates that 2.3 million Australian workers now partially or entirely fall outside of superannuation coverage, this represents around $10 billion in missed superannuation payments each year.

Without action these figures will rise to 3.1 million workers and $23 billion in contributions by 2027, representing one in five workers.¹

The gig economy and non-traditional ways of working are changing the employment landscape, while technology has made it easier to segment work into smaller parcels often falling outside of the scope of superannuation.

Women are especially penalised by the current model, being more likely to participate in part time or casual work, which increasingly comes in the form of a contractor rather than employee relationship.

Women – particularly those in part-time work - are also overwhelmingly caught by the outdated provision that restricts superannuation payments to individual jobs earning more than $450 per month.

The problem is large enough to undermine the success of Australia’s retirement income system and requires an urgent response from policy-makers, regulators and the industry.

AustralianSuper Group Executive Membership, Rose Kerlin, said the changing nature of work means the $450 threshold for payments is penalising more and more workers.

“The abolition of the $450 threshold and increasing the Super Guarantee to 12% as soon as possible are the key reforms needed to ensure the superannuation system keeps pace with the changing nature of work in the economy and ensures members can achieve the best possible retirement,” Ms Kerlin said.

“AustralianSuper believes that without meaningful reforms the superannuation system will be leaving vulnerable workers behind when it comes to retirement. The abolition of the $450 threshold could help up to one million Australian workers boost their superannuation savings.”

¹ Data and modelling in this submission are drawn from research conducting by NMG Consulting (unless stated otherwise). It is anticipated that the full research report will be released in the first half of 2018.
Cbos Chief Executive Officer, David Atkin, said that in the construction industry – for which Cbos is the leading industry superannuation fund – transient contract work, casualisation and self-employment is not new, but it is increasing and it is affecting people’s retirement savings.

“Not surprisingly, the construction industry features prominently in the research around those not receiving compulsory super contributions, with an estimated gap of nearly $2 billion a year affecting the retirement savings of nearly 350,000 people,” Mr Atkin said.

“After 25 years of compulsory superannuation in Australia, it is clear there is a large and growing number of Australian’s not sufficiently saving for their retirement.

“It’s time for industry, regulators, policy-makers, employers and unions to come together to discuss solutions.”

The research by NMG Consulting points to a design fault in the scope of the current superannuation guarantee legislation and its predication on traditional, full-time, continuous employment. It also concludes that the exemption for the self-employed, based on the assumption that they will accumulate assets in their business to fund their retirement, has not been validated by experience.

About AustralianSuper
AustralianSuper manages more than $130 billion of members’ assets on behalf of more than 2.2 million members from across 270,000 businesses. One in 10 working Australians is a member of AustralianSuper, the nation’s largest industry super fund.

About Cbos Super
Cbos is the leading Australian Industry Super Fund for all those working in the building, construction and allied industries. Our 750,000 members’ retirement savings join a $43 billion pool that gives them access to large scale, long-term, diverse and innovative investments. Cbos is proud to have delivered an average of 9.24% per year to our members over the past 33 years.

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