



**ECONOMICS, FINANCE & PUBLIC
ADMINISTRATION COMMITTEE REPORT
Improving the Superannuation Savings of People
Under 40
19 June 2006**

[Ms GRIERSON](#) (Newcastle) (4.58 p.m.)—I too commend the committee's report *Improving the superannuation savings of people under 40*. This report was undertaken in the context of an ageing population and obviously the quest for an adequate retirement income which is essential given that people will be living longer and there is a need to offset the costs of an ageing population. Reducing the age pension costs against increasing costs of home and aged care is a challenge, particularly when there will be a reduced workforce supporting the ageing population.

It needs to be acknowledged that the Hawke-Keating government's economic credentials and policies, particularly in introducing compulsory superannuation contributions in lieu of foregone wages, have benefited this nation enormously. In fact the billions of dollars of current super savings have made a major contribution to the economic growth sustained since 1996. This inquiry had a particular focus on young people, and I must acknowledge the excellent contributions many made. It was clear that young people do like having a guaranteed super contribution collected from their income, but they did have the view that superannuation is something you think about when you become much older. When choosing what they should do with any accumulated savings or surplus income, young people were more interested in retiring their HECS debt or acquiring a property rather than sinking money into the less tangible superannuation fund. I remind all young people that currently the interest charged on HECS debts is the lowest in the market and encourage them to pay the minimum.

Several submissions were received urging the committee to recommend allowing early access to superannuation savings. This was rightly resisted, in my view. Early access would really just allow people to borrow from themselves, from their future security, taking quite a gamble that they would attain sufficient prosperity to offset this dipping into their superannuation. The facts, of course, do not support this kind of risky speculation. However, the committee, in considering the changed nature of work for young people, with the increased use of casual employment and the tendency towards

multiple jobs and careers, did recommend that the income threshold of \$450 should be maintained, not increased, and even perhaps lowered.

Having watched many young people work in the hospitality industry, I know that many employers seek to dodge the superannuation guarantee levy by maintaining a large casual workforce and making sure that very few of them are given sufficient hours of work per week to guarantee collection of the superannuation contribution. I actually was one of the committee members who supported the abolition of the threshold, but I understand the added risk of this measure encouraging employers to resort to the black economy and paying cash under the table to avoid compliance obligations. So, with some reluctance, I did agree with the recommendation, but I would like to see a youth employment advocate with real powers to pursue any employers who exploit young people in the workplace.

The need for improved financial literacy training was supported by the committee. I must praise the New South Wales government's initiatives that see young girls in high school being given this sort of training in school hours in special workshops. It is a wonderful idea and I was delighted to share my experiences in this regard with one group of participants from year 10.

Our recommendation that all employees be placed in a voluntary scheme with the ability to opt out is quite radical but is worth consideration by the government. A three per cent imposition—as a default voluntary contribution—was suggested, and I look forward to this recommendation being debated. The need for better individualised information from super funds and better regulation and supervision of this information from ASIC would be a welcome improvement on current practice. Realistic savings targets and projections would allow people to make informed choices about their financial future.

Recommendations that would harmonise the tax treatment of invalidity payments for self-employed people and bring unincorporated small business into the superannuation guarantee system should also be fully pursued by the government. In fact, I think there has been some espionage going on, because the government moved towards one of those recommendations in the last budget. The recommendation that maternity leave and maternity bonus payments should include the payment of super guarantee contributions is an excellent one, since women clearly are disadvantaged by moving in and out of the workforce because of family commitments.

The committee also supports the co-contribution measures now in place and would like to see a concerted campaign to inform a wider audience, particularly young people, of the benefits of this scheme. Co-contributions are also a way for many women to attempt to catch up in establishing an adequate and realistic superannuation savings account. The recommendation of the report to remove the 10 per cent work test regarding eligibility for the co-contribution would help to overcome the current disadvantage to self-

employed women and others who have been out of the workforce who are still making superannuation contributions as well as to people returning to study and retraining—a fact of modern life. The latter is imperative, given the skills shortage in this country and the need for continuous learning and up-skilling that characterises modern employment.

The recommendation for a single default super fund for casuals and young people is one I would particularly like to see implemented, especially when people are members of so many different funds. I can imagine a government tendering this kind of service as a no-frills, low-cost service that allows people who belong to multiple funds to belong instead to just one fund. It is common practice for many young people to lose track of those multiple funds that they belong to and then, to many of them, those superannuation contributions are lost forever. Our suggestion that this be an opt-out provision, allowing for choice if so desired, is a good one.

There was more we could have explored, given time to pursue some issues raised in evidence. For example, one witness told us of the situation for expats when they work overseas for lengthy periods. They may pay or accumulate super in another country, then receive their pay-out when returning and use that for the cost of their return airfare or for their resettlement costs in Australia. But then they discover that they are perpetually behind in accumulating superannuation towards their retirement. In fact, that witness recommended perhaps putting some information on travel documents or passports to explain that. It would also be worth the government exploring bilateral arrangements with some countries to allow the superannuation to stay with the person and the funds to be transferred back to Australia.

I have concerns that many young people with multiple accounts have their amounts diminished by multiple fee collection and multiple collection of death and disability payments. However, our recommendation for a default for those in multiple schemes would help to overcome this.

I also congratulate the secretariat on their excellent support of this inquiry. Anything we can do in this parliament to assist those under 40 to plan for their financial future is worthy of support. I note the comments by the member for Hunter that the last budget did show the Treasurer's preference to assist people over 60 and to give some sort of superannuation benefit to them. It is clear from this inquiry that there is a real need to look at getting more people into superannuation rather than encouraging bonuses and greater payments when they retire. But I think that is a debate that has to be had.

I also recommend this report to the parliament and thank the committee members. It is a committee that, unlike some, worked in a very bipartisan way. Its leadership is excellent and I pay full tribute to the chairman, Mr Baird and to the secretariat.