



## BPW Australia

Affiliated with BPW International  
ABN 50 956 174 998  
Suite 154, 16 Beenleigh Redland Bay Road  
Loganholme QLD Australia 3127  
Tel: +61 7 3103-1391 Fax: +61 7 3112-6838  
Email: bpwaust@bpw.com.au  
Web: bpw.com.au

## Extending the Superannuation Guarantee to Low Income Workers

**Purpose** BPW Australia takes action for women's equality at work, on boards and in leadership, and works for women's economic independence and equal opportunity. The 2018 BPW Australia Conference resolved to advocate nationally for extending the superannuation guarantee to low income workers.

**Context** The Superannuation Guarantee (SG) is a compulsory system of superannuation support for employees, paid for by employers, introduced in 1992 through the Superannuation Guarantee (Administration) Act.

The Act lists [exemptions](#) whereby an employer is not required to provide superannuation contributions for certain categories of employees, including those paid a salary or wage of less than \$450 a month (before tax) and domestic workers employed for less than 30 hours a week. Withholding superannuation to these categories of employees reduces future superannuation entitlements and financial security in retirement. Given women are the majority of workers facing precarious employment and are more likely to be affected by this discriminative exemption, it increases the gender superannuation gap.

### Key message

BPW Australia advocates for Australian governments and political parties to ensure women and men have an equal opportunity to build an adequate retirement income by:

- making policy and legislative changes to extend the superannuation guarantee to low income workers, regardless of the nature of their work arrangements
- allocating sufficient ongoing funding in the federal budget to implement the changes without penalty to other workplace programs and policies.

**The Economic Case** The [workplace has changed since 1992](#), and only half of Australia's workforce has full time permanent work. It is not uncommon for employees to hold several part-time jobs that each pay under \$450 per month or offer less than 30 hours a week. In these circumstances, the employee receives no SG contributions from any employer.

Given [women make up the majority of such employees](#) and have [the least amount of Superannuation on retirement](#), this [seriously impacts women](#) more than men, further reducing their capacity to retire with economic security.

**Actions** BPW Australia will lobby the Australian Government, MPs and political parties to remove the SG exemption for low income employees and to properly fund the change so that there is no or minimal cost impact on small businesses and no diminishment of complementary workplace programs.

BPW Australia will work to raise public and media awareness of how the current SG rules for low income workers impact retirement incomes and the role these arrangements play in increasing the disparity of retirement incomes between women and men.

**Audience** The Australian Government, Members of Parliament, political parties and the media.

**Partnerships** BPWA is an affiliate of [economicSecurity4Women](#), a national alliance of women's organisations advocating for women's economic wellbeing and financial security, and is a founding member of the [Australian Gender Equality Council](#), a collective of organisations working for gender equity.

## BPW Australia Policy Position Statement on Extending the Superannuation Guarantee to Low Income Workers

BPW Australia affirms the following principles:

- Equal pay for work of equal value is a core principle of BPW International and BPW Australia.
- BPW members value equity and justice, transparency and respect.
- Policies, whether explicit or implicit, that benefit one gender or the other, such as reducing access to superannuation, are unfair and unreasonable.

BPW Australia notes the following evidence:

*The Superannuation Guarantee (Administration) Act 1992*

The Superannuation Guarantee (SG) is a compulsory system of superannuation support for employees, paid for by employers, introduced in 1992 through the [Superannuation Guarantee \(Administration\) Act](#). The 2014 Federal Budget set the minimum SG contribution at 9.5% until 30 June 2018, but subsequent changes mean it will increase by 0.5% each year from 1 July 2022 until it reaches 12% from 1 July 2025.

However there is an [exemption in the Act](#) for employers to withhold the Super Guarantee from employees paid a salary or wage of less than \$450 a month (before tax) and domestic workers employed for less than 30 hours a week such as a part-time nanny or housekeeper. The threshold was originally introduced in 1992 to reduce the burden on employers arising from super guarantee changes. At the time, most employees were fulltime and permanent.

*Changing times*

The [workplace has changed](#) since 1992, and only half of Australia's workforce has full time permanent work. These days more employees are casual, part-time or on contract and working fewer hours, often for multiple employers who are all exempt from paying the Super Guarantee. It is not uncommon for employees to hold several part-time jobs that each pay under \$450 per month or offer less than 30 hours a week. In these circumstances, the employee receives no SG contributions from any employer. [Women are the majority of such employees](#) and have [the least amount of Superannuation on retirement](#), so this seriously impacts women more than men. This imbalance impacts their capacity to retire with economic security.

*Senate Inquiries 2016 and 2018*

In 2015, the Senate referred the matter of economic security for women in retirement to the Economics References Committee for inquiry. Its 2016 report '*A husband is not a retirement plan: achieving economic security for women in retirement*' included [\[recommendation 14\]](#):

- that the Australian Government amend the Superannuation Guarantee (Administration) Act 1992 to remove the exemption from paying the superannuation guarantee in respect of employees whose salary or wages are less than \$450 in a calendar month.

In their September 2018 report, the [Senate Committee on the Future of Work and Workers](#) recommended abolishing the \$450 minimum threshold for Superannuation Guarantee Contribution eligibility. Recommendation 24 recommends

- that the government reform Australia's superannuation system to ensure it remains strong in light of emerging labour market trends, with specific reference to gender equity and workers engaged in non-standard employment arrangements. Specific elements of this reform should include abolishing the \$450 minimum threshold for Superannuation Guarantee Contribution eligibility.

Given the increasing numbers of workers who are intermittently employed, and improvements in technology that have improved the cost-effectiveness for employers paying small amounts, Australian Super and the Council on the Ageing [[sections 6.68 and 6.72 of the Senate 2018 report](#)] both advised that the exemption was no longer justified. Australian Super suggested its removal could deliver up to \$513 per annum for a worker with more than one job and an estimated additional \$70,000 in retirement over 40 years of working.

#### *The Productivity Commission*

The [Productivity Commission's latest report](#) on superannuation in May 2018 asks whether the current system is working for members – and answers firmly in the negative. The Productivity Commission pointed out that small accounts are [eroded through fees](#), which they describe as excessive. This was also exposed in the Financial Services Royal Commission. Associate Professor [Helen Hodgson](#) of Curtin University explained in The Conversation that low earners moving from job to job often find themselves with many superannuation accounts and, although the extra amounts a worker would receive if the A\$450 per month floor was removed are small, over a lifetime of multiple jobs these payments add up. She also cautions that, with so little [underlying wage pressure](#), there is a risk of employers of low-wage workers handing out even lower wage rises to fund the super payments. The Fair Work Commission must ensure this doesn't happen.

#### *Election promises*

The [Australian Labor Party](#) has recently promised that, if they are elected, they will phase out the A\$450 per month wage threshold at which employers make compulsory contributions.

The [Liberal Party](#) has announced legislation to protect low-balance accounts from excessive fees and insurance costs, but has not yet committed to removing the low income exemption.

BPW Australia advocates for the exemption to be removed and for the Superannuation Guarantee to be paid to all employees at the same rate. There should be no financial or administrative burden on small businesses or employees when this change is implemented. Established SG payment systems should be extended to accommodate these payments.

This policy change needs to be part of a suite of changes aimed to achieve gender pay equity. Although the gender pay gap is narrowing, we won't come anywhere near bridging the superannuation gap [until we close the gap that lies behind it](#).

#### BPW Australia seeks the following actions:

Political parties to adopt an election policy that supports fair access to superannuation for women and men regardless of income and work arrangements.

The incoming government to make the removal of the low income exemption for Superannuation Guarantee payments a priority.

Government, employer and industry stakeholders, unions and employee advocates to collaborate to actively promote and implement best-practice strategies to tackle the gender gap in retirement incomes.

The media to help raise public awareness about how the current SG rules for low income workers impact retirement incomes, and the role these arrangements play in increasing the disparity of retirement incomes between women and men.

*BPW develops the business, professional and leadership potential of women through its advocacy, mentoring, networking, skill building and economic empowerment programs and projects.*

*BPW Australia is a well-established organisation of women who advocate and take national action for women's equality at work, on boards and in leadership. We are affiliated with BPW International, a globally influential women's organisation with consultative status at the United Nations. BPW International works for global gender equality in power and decision-making through our advocacy and UN participation.*

*BPW Australia welcomes as members women in paid and voluntary work, including women who used to work and women who aspire to work. Our membership includes: employers and employees; corporate women and small business women; women in professions, crafts and trades; and from the non-profit and government sectors.*