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AUSTRALIAN CHAMBER OF COMMERCE AND INDUSTRY

LIFTING SUPER RATE NOT A VIABLE POLICY

Without fair funding there'll be industry backlash

PETER ANDERSON

THE 20th anniversary of compulsory superannuation was recently celebrated in Canberra with considerable fanfare.

And the Gillard government wants to progressively raise the compulsory 9 per cent employer payment to 12 per cent. If implemented, that would cost employers and small businesses an extra $20 billion a year.

Two things were missing from the celebrations: acknowledgment of employers, and an accurate picture of how the payment has been funded and could be funded, if increased.

In most workplaces, the first 3 per cent was not delivered in 1991. It was imposed years earlier by the centralised industrial relations tribunal, which implemented the then ALP-ACTU Accord. That first 3 per cent mostly involved wage or efficiency trade-offs.

Many organisations, including the Australian Chamber of Commerce and Industry's predecessors, opposed the accord and the 3 per cent because we weren't a party to the deal and were rightly concerned about cost. Business had success in persuading the tribunal to substitute some wage rises for superannuation. This softened the blow. Employers became joint trustees of industry funds.

When Paul Keating lost power in 1996 he had already legislated the rise in super from 3 per cent to 9 per cent by 2002. The Howard government chose not to reverse it. Unlike the first 3 per cent, the next 6 per cent was not a wage trade-off. It had been legislated to be paid by employers. Keating's introduction of enterprise bargaining in 1993 broke down the power of centralised wage fixation, making it impossible to set a national rule requiring or delivering a wage trade-off.

Howard's 1996 IR laws accelerated that shift, with fewer workplaces regulated by tribunal wage decisions. For those that were, the tribunal only had to take superannuation into consideration, among other factors, but not discount wages.

In the years since 2002, when employer payments hit 9 per cent of payroll, there has hardly been a mention, let alone a discount, of super payments affecting wage decisions under the Howard, Rudd or Gillard governments.

This history tells us that it is the nation's employers that are directly funding the whole of the 9 per cent and at best receiving a wage offset of about 3 per cent. Keating and Superannuation Minister Bill Shorten this week countered that unit labour costs declined and the profit share improved each year the superannuation levy increased. But the fact that two things occur at the same time doesn't mean they cause each other. Between 1991 and 2002, we were coming out of the 1990 recession and lifting productivity on the back of economic and labour market deregulation. This, not compulsory superannuation, led to better business outcomes.

What this means for the planned $20bn rise from 9 per cent to 12 per cent is telling. A promise without a funding base is not a viable policy. So far the government has thrown up a grab-bag of funding ideas. None have legs. It first suggested the mining tax. Revenue from that tax won't fund employer super payments at all, just the government's loss of tax revenue as super is tax concessional.

Next it's suggested that the IR system could create a wage trade-off. This is at best a partial answer because the wage system has been decentralised in the 20 years since 1991. There isn't a national wages system that would allow a whole of economy wage-superannuation trade-off.

Then it's thought that collective bargaining can produce the trade-off. Theoretically it could, but in practice it's a long shot. Less than one in 10 workplaces are unionised or collectively bargain. And the ACTU has said that unions want wage rises plus super, without discount.

Finally, it's said that productivity can pay for higher super. If only. Productivity has to pay for all the wage and labour costs, not just super. Even on current trends, productivity is rising by less than 1 per cent each year, when labour costs are rising at over 4 per cent.

The call to increase retirement savings is not silly, but it's not serious policy without a workable and fair funding basis. Even without the 9 per cent going up, the amount paid by employers rises every year as wages go up.

What's also missing is fair contribution by the superannuation industry. The recent Cooper Superannuation Review says lower fees and commissions could be equivalent to a 1 per cent rise in the levy.

A combination of the superannuation industry cleaning up its act, employees making a co-contribution and government providing direct tax relief to employers (such as reducing payroll tax) would be a starting point for a real discussion with industry. In the absence of that balanced approach there will be a backlash from industry and small business.

Peter Anderson is chief executive of the Australian Chamber of Commerce and Industry

Abacus returns on Monday