

# How workers won the right to superannuation since the 1980s

## History

- 1980's 35% of workers had superannuation
- Mainly managers, executives and public sector workers
- Not generally available for blue collar workers, women and part time staff
- Most funds were defined benefit funds - only fully vested at 20 - 25 years
- When leaving employment employees got only contributions less charges
- This disadvantaged members who had short periods of service
- Some industry funds established in the 70's, more in mid 80's

## National Wage Case 1986

- Based on negotiations between ACTU and Labor government as part of the Accord
- In 1986 the wage case provided for 3% of the wages claim to be paid into approved super funds
- This led to the creation of more industry funds
- By 1988 51% of workers had super
- 1991 - 71% of workers had super

## Superannuation guarantee legislation

- Introduced from 1 July 1992
- Gradual increase of employer contributions to super to 9% by 2002/03
- 1993 - 80% of workers had super
- 1995 - 85% of workers had super

## Industry funds - what made these different?

- Accumulation schemes not defined benefit
- Portability
- Low cost administration
- Fully vested - all funds plus interest are the members'
- Employee and employer representation in fund management
- Commitment to ensuring employer contributions are paid
- Cheaper TDP and disability insurance
- Superannuation members home loans

## Performance

- Industry funds have mainly outperformed similar corporate or life office products
- Relates to lower fees, innovative investment strategies, changing the whole market industry funds work together on innovative products - economies of scale
- Most major industry funds now have assets over \$1 billion
- Industry funds invest a higher percentage in Development Capital in Australia - growing Australia

## Choice of fund

- Requirement on employers is that they must offer a choice of super fund to employees
- The choice must include:
  - one Retirement Savings Account (RSA) - Bank product, capital guaranteed, low interest, no trustee structure
  - one Public Officer Fund
  - the relevant Industry Fund
  - an in-house fund
- Employees have 28 days to choose
- Enterprise agreements can override this

## Threats

- Government policy on competition and choice designed to reduce industry fund power base
- Bank RSA's will result in erosion of retirement income due to lower performance.

## Adapted from ACTU