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Statement by PJ Keating

Superannuation Guarantee Charge

Decision by the government to abandon 12% contributions

Mandatory superannuation contributions at 9.5% spread over a 35 year working life for someone on $100,000 to $150,000 per annum will provide an income after retirement of roughly 50% of pre-retirement income.

This is way below the 70% of pre-retirement income replacement a Superannuation Guarantee at 12% would provide. And 70% is the level adjudged by income specialists and welfare groups as the appropriate level of disposable income needed in retirement.

Under the current law, the changes introduced by the former Labor government would see the 12% rate begin on 1 July 2019.

The government's decision yesterday, with the connivance of the Palmer United Party, jams compulsory superannuation contributions at 9.5% till July 2021 – effectively wiping out any prospect of the SG ever moving beyond 9.5% without a change of government.

Yesterday's decision represents nothing other than the wilful sabotage of the nation's universal savings scheme. And sabotage for reasons only of prejudice.

The government's connivance with PUP to spike superannuation at 9.5% has little to do with the budget balance this year, or in the early out years, and everything to do with cheap ideology.

The Liberal party has always opposed universal superannuation and as it revealed yesterday, it still does.

This decision ranks with that of the former Howard government's 1996 decision to abandon the Keating government's 15% Superannuation Guarantee, designed particularly to lift the 1940s baby boom generation to more adequate levels of accumulation in their remaining years before retirement.

The cost of yesterday's decision will not only adversely affect the baby boom generation but more substantially, their children – the so-called Generations X and Y.

The Howard/Costello decision in 1996 cost the average Australian worker roughly $250,000 in accumulation over their working life. The cost of yesterday's decision will be in the region of a further $100,000.

The Prime Minister and Mr Palmer trotted out the tawdry argument that working people are better off with more cash in their hand today than savings for tomorrow. They omit to say that superannuation savings represent deferred consumption, not lost consumption. But more than that, that their superannuation contributions become compound savings – where the earnings on their accumulations, are in tax terms, permitted to earn further. That is, earnings on the earnings – compound earnings which, over a lifetime, grow exponentially to support a person in retirement.

If Tony Abbott's argument about the value of cash today had substance, there would be no savings. No savings in savings banks and no savings in superannuation. For, if the Prime Minister's claim were to be true in logic, it would need to be true absolutely. That is, the notion that people are better off spending and disposing of all their income than saving any part of it.

This week, Australia's pool of superannuation savings topped $1.87 trillion - larger than the market capitalisation of the Australian Stock Exchange. That vast pool of savings, which has revolutionised our capital markets and dramatically lowered the cost of Australian capital, exists, in the main, because of compulsory superannuation.

You don't expect conservative governments to believe in much but, at least, you expect them to believe in thrift. This government does not even believe in thrift.

The Treasurer talks of ending the age of entitlement. I gave substance to that notion 30 years ago, when I first asked Australians to provide for their own retirement - to move beyond reliance on the age pension as the default anti-destitution measure.

Yesterday's decision puts the pension back at centre stage, as retirees find that their superannuation accumulation is not large enough to live from without pension supplementation.

Yesterday's decision is an appalling one - by a government lacking any genuine or conscientious concern for the nation's workforce.

Sydney
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