

27 July, 2010

Employers should not fear 12% super: first rise to cost no more than a cup of coffee a week

The Australian Institute of Superannuation Trustees (AIST) – the peak representative body for the \$450 billion not-for-profit super sector - today said employer groups had nothing to fear about the SG rising to 12%, noting that businesses and employment prospects were not unduly affected by past SG increases which were far greater and less gradual.

AIST CEO Fiona Reynolds said the incremental seven year timetable for lifting the SG to 12% by 2019 – whereby the first two years of increases were just 0.25 per cent – gave business and employees plenty of time to factor in the increase to wage negotiations.

“The first 0.25 per cent rise – which isn't scheduled to take effect until 2013 - is equivalent to less than \$3 a week – the price of a cup of coffee - for the average wage earner,” said Ms Reynolds. “It's hard to argue that such a rise will be a huge impost on either wage costs or take-home pay, particularly when real wages are expected to have increased by more than six per cent by 2013-14.”

Ms Reynolds also noted that among the estimated 25% per cent of employers who already paid SG in excess of 9%, many would not have to adjust their contribution rate until at least 2016-17 when they were required to pay 10.5%. In the meantime businesses would benefit from the lower company tax rate.

“Employers need to recognise that increasing the SG to 12% isn't just about improving the retirement outcomes of all Australians. It's about strengthening our economy, it's about funding retirees that will support business and it will also boost our national savings pool, which played a key role in ensuring Australia weathered the global financial crisis better than most,” Ms Reynolds said.

In an AIST Newspoll conducted in June this year, an overwhelming majority of working Australians – 73% of workers surveyed – supported the planned gradual rise in the 9% Super Guarantee to 12%. 76% of respondents in the same poll were in also in favour of the low-income super rebate.

Media enquiries:

AIST CEO Fiona Reynolds : 0408 336 116: AIST Media Manager Janet de Silva: 0448 000 499

AIST is the peak industry body for the \$450 billion not-for-profit super sector which includes industry, corporate and public sector funds covering the super interests of nearly 2/3 of the Australian workforce.