21 March 2012

Interview with Neil Mitchell, 3AW

SUBJECTS: Superannuation, the mining tax

NEIL MITCHELL:

Okay. Back to the superannuation issue. There is, I think, a lot of confusion around it. There's a fair bit of spin around it. The Small Business Council has said - told me yesterday they still don't understand how it's going to work. That might have changed in the past 24 hours, but I doubt it. Online is the Minister, Bill Shorten. Good morning.

BILL SHORTEN:

Good morning, Neil.

NEIL MITCHELL:

Okay. When superannuation goes up from 9 per cent to 12 per cent, who pays?

BILL SHORTEN:

The employer will pay a quarter of a per cent in 2013, so it will go from 9 to 9.25. In 2014 it will be 9.5 per cent and it will be half a per cent each year after to 2018.

NEIL MITCHELL:

And the employer has to pay that?

BILL SHORTEN:

That will be paid to the employee from the employer. But the point about the mining tax is that when you have 12 per cent of payroll being put into super that means it's taxed at a lower rate than if it was just received in the hand. So that's a hit on tax revenue. So what the mining tax is doing is compensating for the increased amount of cheaper pay that's going into people's pockets. Now, when we talk about the…

NEIL MITCHELL:

But isn't that only for people under $37,000?

BILL SHORTEN:

No. Superannuation is taxed at 15 per cent. So when your - say you earn $70,000, if you receive your take-home pay, you pay a higher rate of tax than the money which is put into superannuation. The deal with superannuation from 1992 is that it is concessionally taxed because it's compulsory to save.

NEIL MITCHELL:

Yeah. Understand that. But the bottom line is, will it cost - the employers are saying it could cost them $20 billion a year extra.

BILL SHORTEN:

Oh, listen, that…

NEIL MITCHELL:

Will it cost employers extra wages?

BILL SHORTEN:

I'm glad you asked that point. What happens with superannuation is that people's pay goes up anyway. It goes up each year, by and large. What will happen is that superannuation, the increases to superannuation, will be absorbed as part of people's pay rises. So this argument…

NEIL MITCHELL:

So - well, hang on, so they won't get a pay raise. It will go in super.

BILL SHORTEN:

Well, they get a pay rise, of which some will probably go in super, yes.

NEIL MITCHELL:

Well, they're not going to like that because it - that means - you know.

BILL SHORTEN:

Tell you what, Neil, I don't want to retire poor. I don't know about you.

NEIL MITCHELL:

Yeah, but hang on, it's on - there's going to be…

BILL SHORTEN:

I don't like just living on a can of baked beans and toast when you retire. You want to have a little bit more in life.

NEIL MITCHELL:

So yeah, that's all right unless you're 21 or something. Your increase…

BILL SHORTEN:

Oh, mate…

NEIL MITCHELL:

…your increase in pay will go in super.

BILL SHORTEN:

Neil, are we really - no. Let me just give you the facts and…

NEIL MITCHELL:

Yes, all right.

BILL SHORTEN:

I know that's what you want. But in radio sometimes 15 second questionnaires…

NEIL MITCHELL:

Oh, okay, okay. Don't lecture me on how to do radio. Let's just get to the facts.

BILL SHORTEN:

No, I'm not, I'm not. But I'm just saying that we don't want to scare people, that's all.

NEIL MITCHELL:

Well, you've just scared me, because you've said that part of the pay rise will go towards this super increase.

BILL SHORTEN:

Yes.

NEIL MITCHELL:

Okay.

BILL SHORTEN:

Between 1992 and 2002, that was the last time super went up, from 3 to 9 per cent.

NEIL MITCHELL:

Yeah.

BILL SHORTEN:

What happened was that real wages increased and super went up. But if you have a look at the years when the super went up, wages didn't spike. It's not an extra tax on employers, because the only way that could be is if you assume that employers will never increase the wage of their employees ever.

NEIL MITCHELL:

Okay. So you're saying that the superannuation increases will be paid for by absorbing money out of the wage increases.

BILL SHORTEN:

That's the evidence.

NEIL MITCHELL:

So I won't get a wage - I won't get any more in my back pocket. It will go into super, right?

BILL SHORTEN:

What happens, it's a quarter of a per cent increase. So I'm assuming without, you know, and again this is a forecast, I'm assuming that wages in 2013/14 will probably move somewhere between 3 and 4 per cent. I am assuming that a quarter of per cent of that 3 to 4 per cent may well go into your compulsory savings, which is concessionary taxed, so that's a plus.

NEIL MITCHELL:

Okay. So this…

BILL SHORTEN:

So people will still get wage rises. People will have compulsory savings for their future which is concessionary taxed and employers aren't any worse off, because the only way they'd be worse off is if they were never going to give their employees a pay rise again, and we know that's not the history.

NEIL MITCHELL:

Well, what about people on contracts, who are on fixed contracts? I assume that they will - that will just be absorbed there.

BILL SHORTEN:

Oh, it's become - it does - again, I just would submit to the evidence of the last round of superannuation increases between 1992 and 2002. And nothing's happened since then to increase super, except where people have negotiated it themselves. It's that it gets absorbed as part of the wages or the services that people provide their employer.

NEIL MITCHELL:

Well, so, just to get it clear, business will not be paying an extra dollar, right?

BILL SHORTEN:

No, I can't see that business will be paying any more in the future than they otherwise would have been if the superannuation changes hadn't gone through. But what I do recognise is that a portion of what would have been employees' increases will go into compulsory savings, which is concessionary taxed.

Now, it's the tax concession which makes, in my opinion, the compulsory savings attractive. You don't get the dollar in the hand, but what you do get is you get proportionally more of your pay in your superannuation account, because it's not paying as much tax.

NEIL MITCHELL:

Yeah, okay.

BILL SHORTEN:

I'm not trying to tell you - I wasn't trying to tell you about radio before. I just…

NEIL MITCHELL:

No.

BILL SHORTEN:

I accept that it is - there are three elements to this mining tax debate and super. (1) Employers aren't going to be paying more wages, despite the sort of scaremongering in a couple of the newspapers I read this morning, you know. First of all, the extra 3 per cent doesn't come in till 2018.

NEIL MITCHELL:

Yes.

BILL SHORTEN:

It's done in seven instalments and, you know, if your - if you've got a company with a payroll of $100,000, this increase in super means that in 2013/14 you're going to pay an extra $250 to your employees.

NEIL MITCHELL:

Well, let's look at it more broadly than that. Will the Government intervene in enterprise bargaining agreements to ensure that the superannuation is increased?

BILL SHORTEN:

Well, I would say that most parties - oh, I shouldn't use parties, it's industrial relations jargon - most employers and employees are capable of working these matters out. And that was the history…

NEIL MITCHELL:

Well…

BILL SHORTEN:

… in 1992/2002.

NEIL MITCHELL:

That's true, but will - is the Government prepared to intervene in enterprise in bargaining agreements to ensure superannuation is increased?

BILL SHORTEN:

Well, it's going to be the law. So I think your point is, will we be demanding that all wages are offset in a specific formula by the quarter of a per cent which is happening in 2013/14, or half a per cent in 2015? My view is that people are able, and history reflects my point of view, they are able to work through these issues.

Superannuation is clearly part of a pay rise and I'm not - some of the unions say, oh, you can't say that. Everything should be extra and extra and extra. I'm not saying that. I'm a realist. When an employer is passing on a pay rise, I have no doubt that increased superannuation is part of that package.

But we don't have centralised wage fixation like they had back 20 years ago. And people are – adults - they are capable of negotiating factors including superannuation.

NEIL MITCHELL:

Mr Oliver - Dave Oliver's going to be the new Secretary of the ACTU - is quoted as saying, we've never viewed this as a salary sacrifice scheme.

BILL SHORTEN:

Fair enough. That's his opinion.

NEIL MITCHELL:

And he's wrong, he's right. You're going to stand up to the ACTU on this?

BILL SHORTEN:

No, what I'm saying to you is, it's not a matter of who I stand up to. The employers are saying it's a 3 per cent tax.

NEIL MITCHELL:

Well, they're saying 3 per cent tax. The ACTU is saying, we're not going to cop it coming out of our wages. What's going to happen?

BILL SHORTEN:

The sun will come up tomorrow morning and in 2013/14 super will go up. Compulsory super will go up to 9.25 per cent. And what will happen is, I believe it will be part of the calculations of employers, in terms of the pay rises that they pass on to their employees. And in some places where employees are represented by a union, they'll probably be able to negotiate a better pay deal than where they're not represented by a union.

NEIL MITCHELL:

In which case the employers will be then paying for it.

BILL SHORTEN:

It will all be part of the package. I'm not going to catastrophise about making sure that people have adequate retirement savings. I wish that this increase in superannuation had been done 30 years ago and 40 years ago when Robert Menzies was Prime Minister.

What worries me is not the increase of super to 9.25 per cent, which will be part of a wages, you know, outcome. What worries me is that so many people still have fairly modest balances. What worries me on superannuation is that in 2007 the Howard Government made it very attractive for people to put all their money into super. Then we had a global markets upset. You know, people were borrowing money to go into super.

NEIL MITCHELL:

Well, all those things are legitimate to worry about, but also it's legitimate today to worry about business saying that there's not a bottomless pit of funds and this could cost them $20 billion. And at the other end we see the unions saying, but hang on, we're not going to pay for it. So you've got both sides saying, we're not going to pay for it.

BILL SHORTEN:

Well, I've been in plenty of wage negotiations where everyone said, I'm not going to pay for it, rah, rah, rah. Do you know what? Once the media caravan's moved on and the dogs have barked, we will find that the extra superannuation will have a very positive impact at all sorts of levels. (1) For the individuals, (2) for Australia, because we've got more savings going on.

And again, I just wish that we were - had a little bit more history here. Do you know in 1992 there were people saying exactly what the employers are saying, exactly what the unions were saying, and now, you know, now we've been 9 per cent - who…

NEIL MITCHELL:

Is it all right if - given your radio advice - all right to move on and take some calls now?

BILL SHORTEN:

Yes. Thank you, Neil.

NEIL MITCHELL:

Thank you very much. Bill Shorten, Minister for Superannuation.