Australia: Labor and the superannuation industry

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The current political crisis in Australia over the imposition of a mining superprofits tax has highlighted the close relations of the Labor government with the country's huge superannuation industry—one of the beneficiaries of the tax. Under fire from mining corporations, Prime Minister Kevin Rudd spent the evening of May 24 privately entertaining leading superannuation industry executives at his home.

The immediate reason for the get-together is clear enough: to co-ordinate a public defence of Labor's proposed 40 percent tax on mining industry super-profits—the Resource Super Profits Tax (RSPT). Since the tax was announced in early May, Labor and the miners have been engaged in a pitched media battle that Labor seems to be losing. Labor—unable to convince voters that the mining tax is in their interests—has called on the superannuation sector to pull its weight in fielding pro-tax arguments. The industry stands to gain billions from the plan, which involves siphoning a portion of miners' profits into other sectors of the economy.

Super industry chiefs have hit the airwaves following their prime ministerial dinner. David Whitley, chief executive of the Industry Super Network, an industry lobby group, told reporters that the miners should end their "hyperbolic statements… and stop this clear and overtly political campaign. It's been increasingly difficult to separate truth from myth." John Brogden, a former Liberal Party politician and now CEO of the Investment and Financial Services Association, justified the mining tax and associated measures on ABC Radio as a "once-in-a-generation policy shift". Fiona Reynolds from the Australian Institute of Super Trustees asked "can the nation afford not to see these measures introduced?"

Superannuation itself has become an issue in the debate, with mining corporations playing to fears that the tax will hit share market values, undermining superannuation returns of individuals. While not openly defending the tax, the Association of Superannuation Funds of Australia struck back last week declaring that any impact on mining shares would be minimal. AustralianSuper CEO Ian Silk told the *Australian Financial Review*: "The tone and quality of the debate of the RSPT has been very poor. It is simplistic and misleading to point to the falls in mining share prices as an indication of the market's discomfort to the mining tax."

The superannuation industry stands to gain significantly from the government's budget. Labor's plan involves adding $500 per year (raised from the mining tax) to the superannuation accounts of low-income earners. Labor has also announced a plan to increase compulsory superannuation contributions from 9 to 12 percent of wages by 2019. These contributions are nominally covered by employers, but in fact will be passed on to workers in the form of foregone wages. Rudd has already invited employers to take the new super impost "into account when negotiating future wage agreements".

Most critically though, the additional 3 percent to be sliced off workers' wages will go—just like the 9 percent compulsorily collected from workers since 1992—straight to the superannuation funds. Via the stock market, a significant portion of these funds will be used to increase the value of the country's largest corporations.

The figures involved in this transfer of workers' wealth are staggering, especially given the relative smallness of the Australian economy. Since 1992, superannuation funds have grown by $A1.17 trillion, making Australia the largest per capita holder of superannuation funds in the world and the fourth largest in gross terms. The figure is equivalent to 100 percent of Australian GDP. Superannuation institutions own 26 percent of shares on the Australian stock exchange.

According to Labor's estimates, a further 3 percent increase in super contributions will add $85 billion to

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Australia's superannuation pool in the next decade and more than $500 billion by 2037. The stakes for Australian capitalism in maintaining and expanding the current superannuation system are thus huge. Finance sector research company Rice Warner says that within 15 years, total superannuation holdings will have increased to $A2.7 trillion. The National Australia Bank estimates that it and the three other major banks, which either directly or indirectly control the largest single share of superannuation proceeds, will see their earnings increase by 4 percent by 2014 because of the super changes.

The proposed 30 percent increase in super contributions (from 9 percent to 12 percent) expands a policy devised and implemented by the Hawke-Keating Labor governments to keep down wages and at the same time expand superannuation to undermine the pension system. The scheme also integrated the trade unions directly into the operations of business as joint partners in various superannuation schemes.

The expansion of superannuation has been critical to Australian capitalism in providing big business with a reliable domestic source of capital. Since the advent of compulsory super, Australian companies have been assured of access to millions of dollars per week and billions per year. For instance, during the course of 2009, Australia's listed companies, unable to raise critical funds because of the global credit crunch, received $A61 billion in cash injections from local super funds.

The great claim made for Australia's so-called super "miracle" is that it will improve post-retirement living standards. The government has been delivering that line anew since the announcement of the super changes, with Rudd telling a finance industry conference that "the introduction of universal superannuation is among the proudest achievements of Australian Labor governments. Put simply, Australia's Superannuation system means more freedom and a greater sense of security for older Australians."

But the figures that Rudd offers to support these claims—proffered with apparent pride at the same industry address—themselves demonstrate the deceit involved in the so-called superannuation "miracle".

A national superannuation pool of $A1.7 trillion has been amassed by stripping wages from every worker every week for nearly 20 years. Yet, according to Rudd, "a low-income earner on half of average weekly ordinary time earnings [that is, on $31,000 per year] would expect to be 80 percent reliant on the age pension after retirement." Because aged pension rates decline as recipients receive other income (including super), and because median wage figures indicate that half of all workers earn less than $40,000, it is likely that around one third of all retirees have to live on no more than $320 (for singles) or $240 (for those in a couple) per week. The average weekly rent in Sydney, the country's largest capital city, is $230 per person (not per dwelling), making it probable that at least one third of all non-home owning retirees are already living at or below the poverty line.

In addition, there are many workers who have suffered significant periods of unemployment or for other reasons have been unable to work and thus have negligible superannuation. For these people there is little or no assistance other than the meager pension.

Rudd's language highlights the real political importance of the changes to superannuation. It is not the income rates of retirees that are of significance to Labor and the financial elite, but rather the rate of "reliance" on the pension. By boosting superannuation contributions, the Labor government is not only making extra funds available to finance capital, but at the same time is attempting to reduce the reliance of retired workers on pensions.

Labor's superannuation policies—dictated ultimately by the banks—remove an increased share from workers' pay packets and place their future retirement at the mercy of the markets. In 2008-2009, the median value of Australian super accounts fell 24 percent (some fell much further). A corrective upswing in 2010 is paraded by the super industry as evidence of the system's resilience and security. But already, with the second stage of the global crisis fast emerging, the funds are again sliding into negative territory, falling 4.1 percent in May alone.

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