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MEDIA RELEASE: Government needs battle plan to combat the impact of automation and the gig economy on Australian retirement

Policymakers must ready Australia for the potential disruption to people's superannuation and retirement incomes arising from changes to the way people work.

In its submission to the 2018–19 Budget, the Financial Services Council (FSC) has called on the Government to consider in detail the impact to superannuation savings of a potentially significant rise in the number of people in casual or part-time work, or self-employed through the so-called 'gig economy'.

Almost half of 15-24 years olds are not covered by superannuation contributions because they earn below the monthly income threshold of $450 or are working as contractors.

Though less likely, the potential for a rise in unemployment caused by rapid automation of traditional jobs and artificial intelligence should also be assessed.

"Further casualisation of the workforce due to increasing digitalisation is likely," FSC CEO Sally Loane said.

"The gig economy holds great appeal for workers that want full control over when, where and how they work, and for employers that want ultimate flexibility over their staffing arrangements. But this trend can also come with a profound impact on people's superannuation and retirement incomes. Contingency plans must be put in place.

"We are seeing new digital super funds, some of them with 'roll-up spare change' options coming into the market which can assist casual workers and the self-employed save for their retirements. It would also be good to understand the impact of new technology on trends in superannuation."

According to Census data, the number of Australians employed part-time has risen by 14% since 2011. At the same time the number of full-time workers has only increased by 4%.

The FSC has recommended the Government commission an inquiry, preferably by the Productivity Commission (PC), to examine the impact of these potential changes in the labour market on tax revenue, superannuation, life insurance, and retirement savings. This should include a deep analysis of automation, self-employment, contractors and the gig economy.

While the impact of labour market changes to retirement incomes warrants a separate analysis by the PC, the Senate could consider expanding the terms of reference of the recently formed Select Committee on the Future of Work and Workers to include superannuation specifically.

“The FSC considers the Government, and the economy more broadly, would be better prepared for these type of developments if a detailed inquiry occurs now, before major disruption occurs,” the FSC said in its submission, adding: “It is better to be prepared rather than react in haste right in the middle of a major change.”

Ms Loane added: “An inquiry will give employers benefiting from the movement to the gig economy an opportunity to outline how they intend to address their employees’ superannuation shortfall.”

The FSC’s submission also outlines the importance of the financial services sector to the Australian economy. Contributing 9% of Australia’s GDP, it provides more to the economy than any other industry and is one of the best performers for productivity.

Other key FSC Budget recommendations:

- Maintain commitment to increase the Superannuation Guarantee (SG) to 12 per cent;
- As a priority, implement existing commitments to facilitate the rationalisation of legacy products in financial services;
- Continue to pursue a reduction in the overall corporate tax rate to 25%, preferably lower;
- Announce tax reductions to apply once the cap on the overall tax burden is reached. These tax reductions will have no effect on the budget because of the way this cap operates;
- Safeguard the competitiveness of Australian financial services overseas by implementing a zero rate of non-resident withholding tax (NRWT) on Asia Region Fund Passport payments excluding both direct and indirect income from Australian real property; and
- Place a priority on negotiating a tax treaty with Luxembourg and Hong Kong and addressing financial services issues in existing tax treaties. We also encourage the Government to ensure that any new Free Trade Agreements are accompanied by a tax treaty.

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About the Financial Services Council

The Financial Services Council (FSC) has over 100 members representing Australia's retail and wholesale funds management businesses, superannuation funds, life insurers, financial advisory networks and licensed trustee companies. The industry is responsible for investing almost $3 trillion on behalf of more than 14.8 million Australians. The pool of funds under management is larger than Australia’s GDP and the capitalisation of the Australian Securities Exchange and is the fourth largest pool of managed funds in the world. The FSC promotes best practice for the financial services industry by setting mandatory Standards for its members and providing Guidance Notes to assist in operational efficiency.