SUPER MEMBERS COUNCIL

Pay super to all under-18s

Fact Sheet | November 2024

Under-18s are largely excluded from super

- Australia's super system was designed to be universal (for everyone) so all Australians can reap its rewards.
- But Australians under the age of 18 are not paid super unless they work at least 30 hours a week for the one employer.
- Because most (93 per cent) of under-18s usually work less than 30 hours per week, most are not paid super.

What are under-18s missing out on?

- A typical teenager who works at least two years could miss out on almost $2,200 in super by the age of 18.
- Teens are projected to miss out on almost $10,000 (in today's dollars) by the time they reach retirement age.
- About 505,000 under-18 workers will be excluded from paid super in 2024-25, missing out on a combined total of $368 million in super contributions.

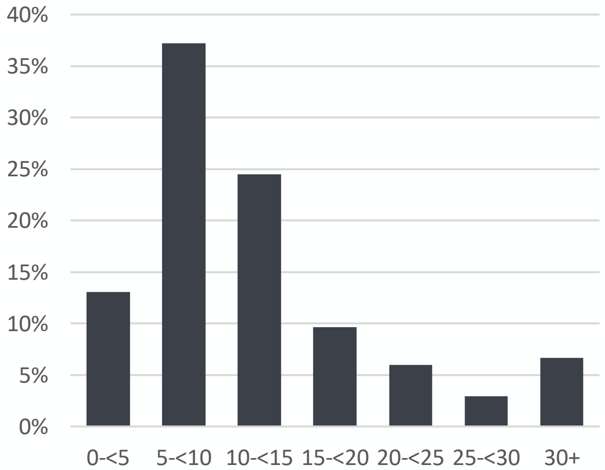

Figure 1: Distribution of hours worked under-18s, all jobs.
Source: HILDA, waves 19 to 22.

Why were under-18s excluded?

- The under-18s exclusion pre-dates the creation of digital payroll software - and its intent was to stop fees and insurance prem iums from eroding low-balance accounts.
- But today there are fee caps and stronger protections on low-balance accounts, so continuing to exclude under-18s who work less than 30 hours a week is age-based discrimination with little justification.

The benefits of paying all under-18s super

- Paying super to all teens would lead to higher super balances - up to $10,000 by retirment for the typical teenager.
- Always paying super gives young people financial incentives to save and foster engagement with the super system from the start of their working lives.
- It removes confusion around the entitlement to super. Young people can lose trust in the super system due to complexity and inconsistency of application.

But don't teens just earn pocket money?

- SMC analysis shows most under-18s who work are in ongoing work - with 51 per cent working across the whole year or most of the year, dispelling the myth that under-18s only work for pocket money.

Simpler for employers

- Removing the 30-hour threshold would help reduce employer administration of super contributions.
- Currently, employers must monitor weekly hours of workers under-18 and pay super when those hours reach the 30-hour threshold in any given week. This is exacerbated when employing a casual workforce, whose hours may change week to week.
- The administrative effort required is significant and is why some employers struggle to accurately meet their super obligations or unintentionally get it wrong.

A small payroll impact on employers

- Businesses can generally claim a tax deduction for super contributions. Given this, the estimated impact on businesses would be around $260 million in 2024-25, or an estimated additional total payroll cost across all industries of around 0.03 per cent.
- SMC analysis of HILDA data shows 30 per cent of under-18s received super contributions from their employers already, despite not working 30 hours per week.
- Given there is a payroll impact on business, particularly small and medium-sized businesses, SMC recommends government consider a transition period, to give businesses the time to adjust, as was done when the $450 per month threshold was removed.

It's time to pay all under-18s super

- Australians strongly support universal super, with 85 per cent saying anyone in paid work should be paid super. This support for making super universal is consistent across all parts of the Australian community.
- Making super universal would means less reliance on the Age Pension long term, which means less pressure on the Federal Budget and all Australian taxpayers.