November
2024

SUPER
MEMBERS
COUNCIL

Guaranteeing a Super Start to Work

Paying Super Guarantee to all workers under 18 years of age

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Executive summary

- Australia's super system was designed to be universal - for everyone - so the breadth of the Australian community can reap its rewards for retirement.
- But Australians under the age of 18 are currently only required to be paid super if they work at least 30 hours a week for the one employer.
- This age exclusion causes confusion and frustration for both teens and businesses. It's complex for business to track and administer - and it can lead to some young people having a super account opened and shut for them several times before they turn 18.
- The under-18s exclusion pre-dates the creation of digital payroll software - and its intent was to stop fees and insurance premiums from eroding low-balance accounts.
- But today there are fee caps and stronger protections on low-balance accounts, so excluding under-18s who work less than 30 hours a week is age-based discrimination.
- 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[1].
- The earlier workers start saving, the greater their compound returns will be. For a median wage earner, compound earnings account for between two-thirds and three-quarters of a super nest egg at retirement.
- **Paying super to all under-18s would see a typical teenager who works for at least two years benefit from almost $2,200 in their super account by the time they turn 18**.
- **This is projected to grow to almost $10,000 (in today's dollars) as 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.**
- Analysis shows the majority of under-18s who work are in ongoing work - with more than half (51 per cent) of under-18s working across the whole year or most of the year, dispelling the myth that under-18s only work for pocket money.
- 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.
- Removing the 30-hour threshold would ease the administrative risk on employers, who must currently identify which under-18 workers exceed the 30-hour threshold each week. This is more complex in industries where casual work is widespread and where workers' super accounts get closed by a fund when left inactive for too long.
- Removing the exception would mean employers have a consistent approach to administering super for all under-18 workers.

Super Members Council policy ask

Strengthen equity and simplify Australia's super system by abolishing the 30-hour threshold for workers under the age of 18. Removing this anomaly will deliver stronger compound returns for today's young Australians for a dignified retirement. SMC supports a transitional period to help manage the impact on business.

[1] UMR Research, 2022

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About the Super Members Council

We're a strong voice advocating for more than 11 million Australians who have over $1.5 trillion in retirement savings managed by profit-to-member superannuation funds. Our purpose is to protect and advance the interests of super fund members throughout their lives, advocating on their behalf to ensure superannuation policy is stable, effective, and equitable. We produce rigorous research and analysis and work with Parliamentarians and policy makers across the full breadth of Parliament.

Introduction

Australia's $3.9 trillion superannuation system is the envy of the world. More than 30 years since it was created, Australians have more super than ever, and the size of super balances is changing lives.

A key reason for this success is our universal super system. The ambition that every worker should be paid super ensures all Australians can reap its rewards. The proportion of workers now being paid super has grown from about 30 per cent in the mid-1970s to around 90 per cent today.

But despite these achievements, some workers still miss out on super. This report looks at one of these exceptions that is well past its use-by date.

Age discrimination is still built into our super system

When compulsory super was introduced in 1992, concessions were negotiated into the design to secure passage of the legislation. One of those was that under-18s needed to work more than 30 hours a week with one employer to be entitled to the employer contributions.

At the time, when the super guarantee rate started at just 3 per cent of people's wages, there were genuine concerns that fees and insurance would erode small super balances, undermining efforts to put aside super for younger working Australians. But the world has changed, and stronger protections are now in place for workers with small super balances.

Small balance protections now in place

Two recent reforms mean small super balances are no longer eroded by fees and charges and the exclusion of some under-18s from the super system can longer be justified. These small balance protections include:

- The 2019 Protecting Your Super package reforms require administration and investment fees (including indirect costs) to be capped at 3 per cent a year for members who have a balance less than $6,000 for their MySuper or choice product. That means average returns are likely to exceed the fee cap, so balances in an average year will continue to grow.
- Since April 2020, super fund members under 25 years of age with an account balance of less than $6,000 generally won't have insurance premiums automatically included as a part of their super unless they opt-in, or work in dangerous jobs.

Under-18s have more to gain by receiving super

The increases in the super guarantee since the 1990s means today's under-18s are missing out on more superannuation than ever before.

In the 1990s, the guaranteed super contribution rate was 3 per cent, compared to today's super guarantee rate of 11.5 per cent (increasing to 12 per cent in 2025).

Today's average under-18 could be earning $730 per year in superannuation contributions, none of which will be whittled away by fees and charges.

Paying super to all under-18s benefits workers, strengthens the system

Delaying access to the super system means less money in retirement. It also means that, for many young people, navigating the super system at the outset of their working lives is complex and inequitable. These factors can create unnecessary uncertainty, in turn contributing to lower engagement and potential distrust in the super system.

We already know young workers value the right to super and have fought for super through the enterprise bargaining system. As one example, the Priceline Retail Employees Enterprise Agreement 2021 requires employers to contribute on behalf of all employees, regardless of age or earnings.

Australia has removed other outdated exceptions from the super system. On 1 July 2022, the Australian Government stopped excluding workers earning less than $450 per month from being paid super. Like under-18s, this exception was originally allowed to minimise the burden on employers. At the time the Government removed the $450 threshold, about 300,000 part-time and casual workers became eligible to be paid superannuation[2].

Giving under-18s the same entitlement to be paid super as other workers ensures they also enjoy the benefits of the super system from the time they enter the workforce. With the Super Guarantee scheduled to rise from 11.5 per cent to 12 per cent on 1 July 2025, now is the time to share the benefits of super with all young workers from the start of their working lives.

This change would also be consistent with, and further promote, the proposed legislative Objective of Superannuation. It would advance the “equitable” goal of the objective by treating ordinary time earnings of under-18s in the same way as those of over 18s.

> “It’s definitely a really good idea having that money set aside for you that you can’t access until you retire. The system is very good. But I also think that there should be more attention paid to the young people so that they can start saving from when they first start working.”
>
> Jessica Dawson, 21 years old. Worked as a retail assistant through her teenage years.

[2] Retirement Income Review, 2020

Most under under-18s work less than thirty hours a week and are missing out on super

What under-18s are currently entitled to

The obligation to pay super for workers under the age of 18 falls under the Superannuation Guarantee (Administration) Act 1992 (Cth) (SGAA). While under-18s may be entitled to super through an enterprise bargaining agreement, award or contractual agreement between their employer and a super fund, this report focuses on the entitlement under the SGAA.

Under the SGAA, employers must pay the super guarantee on the wages[3] paid to an employee who is under 18 if the employee works for that employer for more than 30 hours in a week. Since the removal of the $450 threshold, the amount the employee earns is no longer relevant to the payment of super.

The number of hours worked is the actual number of hours the employee works in that week. Employers can't average the hours across fortnightly or monthly pay periods. Workers are classified as part-time employees for those weeks in which they work less than 30 hours, and full-time employees for those weeks in which they work more than 30 hours[4].

Most under-18s work less than 30 hours per week and are not entitled to super.

The majority (93 per cent) of under-18s usually work less than 30 hours per week in all jobs (Figure 1), while 75 per cent work less than 15 hours per week. Half (50 per cent) work less than 10 hours a week. These figures show the vast majority of under-18 workers don't get paid super for work they perform.

SMC analysis also shows that:

- around 8 per cent of young people who are employed have more than one job;
- on average, under-18s work 11.9 hours a week in all jobs (median 9 hours) and 11.5 hours in their main job; and
- average hours worked increases with age, with 15-year-olds working 9.4 hours per week in all jobs; 16-year-olds working 10.7 hours; and 17-year-olds working 14.2 hours.

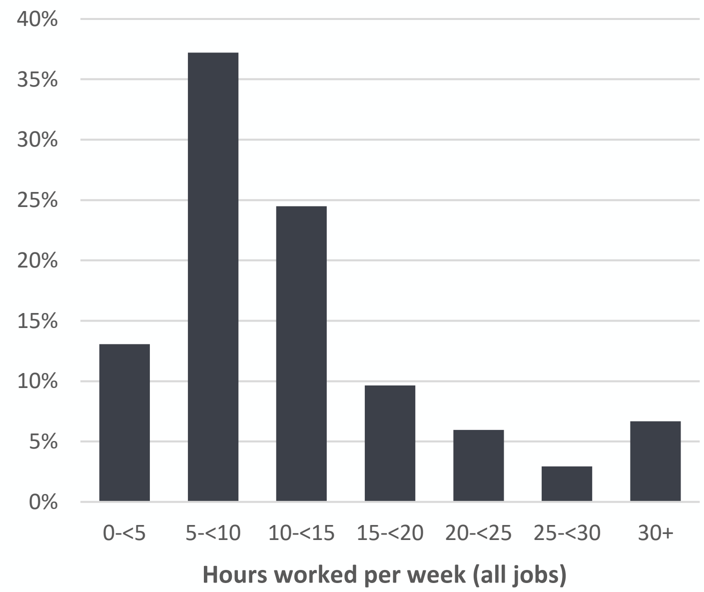

Figure 1: Distribution of hours worked under-18s, all jobs. Source: HILDA, waves 19 to 22.

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[3] Under the SGAA, if an employee is entitled to the super guarantee, it is only required to be paid on their ordinary time earnings (OTE). OTE excludes some payment types such as casual employee overtime payments, on-call allowance outside ordinary hours of work, parental leave.

[4] Superannuation Guarantee Determination SGD 93/1

The majority of under-18s who work are in ongoing employment

More than half (53 per cent) of under-18s work across the whole year, or most of the year (Figure 2).

Very few – 12 per cent – work less than three months of the year in temporary summer break or school holiday jobs. This means most are earning income right throughout the year.

Contrary to some stereotypes, this cohort is not just working for pocket money in the holidays. Rather, they are committing to ongoing employment throughout the year, for savings and spending.

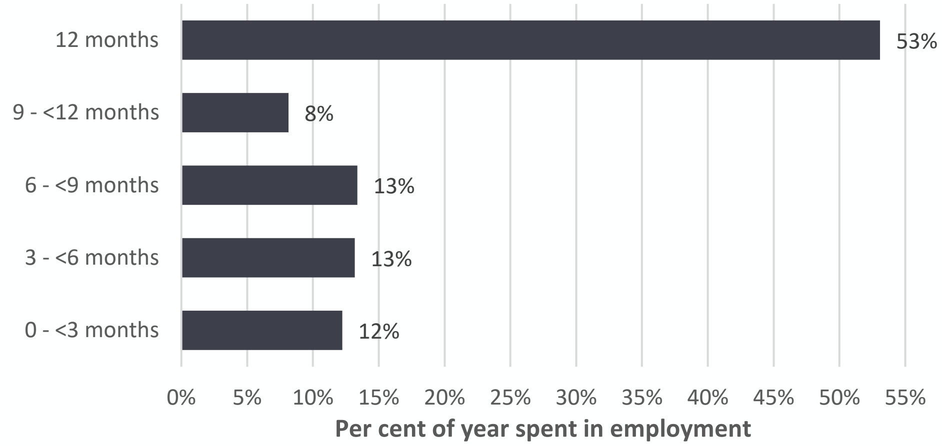

Figure 2: Work History, U18s. Source: HILDA, waves 19 to 22.

> "Money that could have been put into my superannuation could have grown through compound interest over time."
>
> Jessica Dawson, 21 years old. Worked as a retail assistant through her teenage years.

Occupations

While under-18s work in a range of jobs, almost half of them work in sales (46 per cent). Almost 1 in 4 work as labourers (24 per cent) and 1 in 5 work as community and personal service workers (21 per cent). See Figure 3.

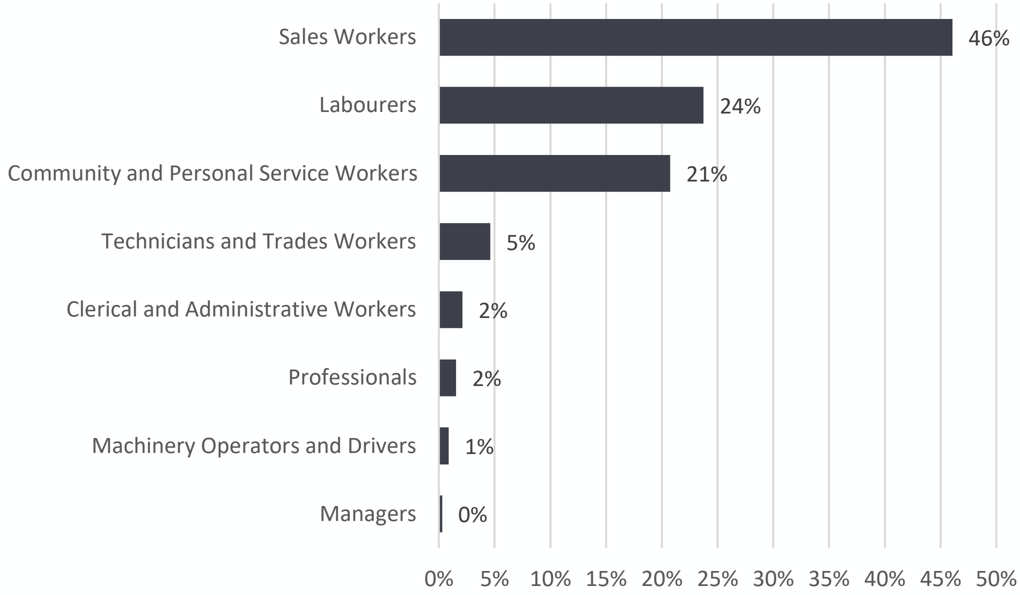

Figure 3: Occupation under-18s. Source: HILDA, waves 19 to 22.

Industries

When it comes to the industries in which they work, most under-18s work in either accommodation and food services (49 per cent) or retail trade (28 per cent) industries (Figure 4).

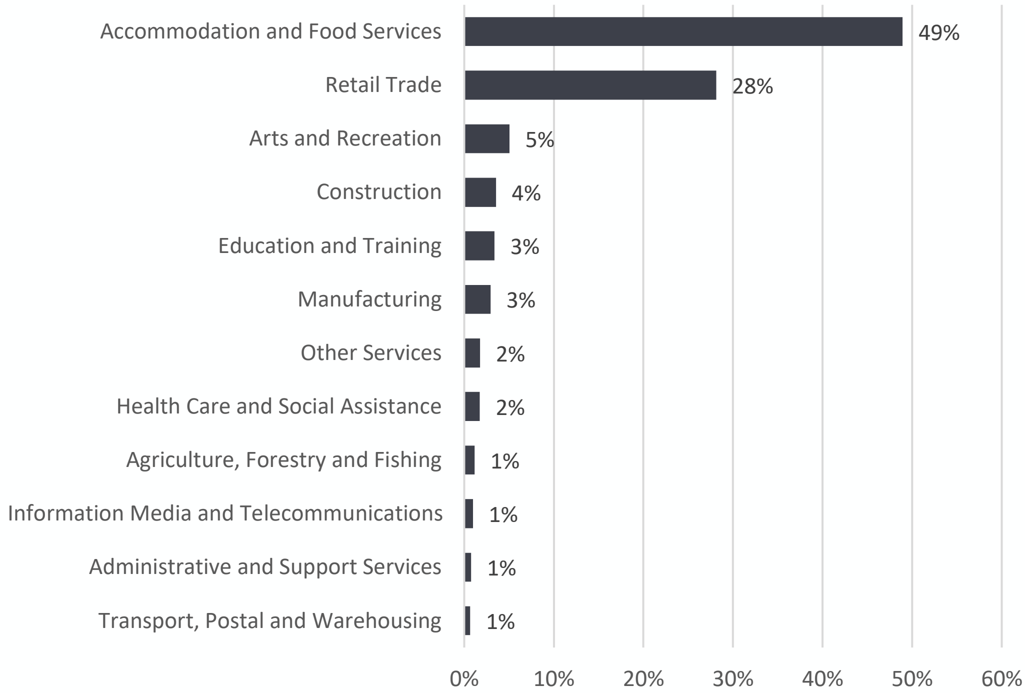

Figure 4: Current main job by industry. Source: HILDA, waves 19 to 22.

The benefits of removing age-based exclusion

In a single generation, Australia has built a remarkable super system that supports millions of people to retire with more dignity, freedom, and choice. Australians today have more super than ever, and the size of super balances is changing lives – delivering higher living standards, stronger financial security, and more flexibility in retirement. But with any system there is scope to improve, including addressing system inequities, ensuring super benefits as many people and as fairly as possible.

Excluding under-18s who work less than 30 hours per week from super is aged-based discrimination. While most other employees enjoy the right to super contributions on their wages, under-18s are missing out.

We can simplify Australia's super system and strengthen equity by removing the 30-hour threshold for workers under-18. Universal super is a fundamental principle of our world class system and ensures widespread participation in retirement savings across the workforce so all Australian's can reap the rewards of super.

Young people would be better off in retirement

Removing this anomaly will mean greater returns in the long run and supporting the young workers of today to achieve a dignified retirement tomorrow. The power of compounding returns means that under-18s who are missing out on super are missing out on compounded retirement savings.

Super Members Council analysis shows:

- **the typical under-18 who works for at least two years, would have almost $2,200 in super contributions by the time they are 18 years of age.**[5]
- **This is projected to grow to almost $10,000 (in today's dollars) by the time they retire on their 67th birthday.**
- **If super is paid to all under-18s, around 505,000 workers across Australia would be paid an average $730 in extra super contributions in 2024-25.**
- **In aggregate, this would amount to an estimated extra $368 million in super contributions in 2024-25 if the change was made.**

Promoting better engagement with super

Paying super to all under-18s would strengthen the relationship between working and earning super. It would also give young people financial incentives to save and foster engagement with the super system from the start of their working life.

Current rules cause confusion around the entitlement to super, particularly when the weekly work hours of an under-18 may fluctuate throughout the year. As a result, young people may lose trust in the super system due to its complexity and its inconsistent application in their working lives.

> "97% of respondent Rest members believe it's important that superannuation applies to all working Australians regardless of how much they earn or how many hours they work."
>
> Source: RedBridge online survey of 2,304 Rest members aged 18+, July 2024

[5] SMC cameo analysis, see Appendix for details.

Super Members Council research shows that when people understand how super works, they're more likely to make more informed decisions about their financial future and engage more effectively with their super retirement savings[6].

Paying super to all under-18s will create a clearer association between working and earning super for young people. It will help a new generation to become connected to and aware of the benefits of saving for retirement, and more engaged with the super system and their super fund.

Making super simpler for employers, by removing administrative burden

Removing the 30-hour threshold requirement for workers under-18 would help reduce employer administration of superannuation contributions. It is also likely to help reduce the higher rates of unpaid super for younger Australians.

Currently, employers must monitor the weekly hours of workers who are under-18 and pay super when those hours reach the 30-hour threshold in any given week. This complexity is exacerbated when employing a casual workforce, whose hours may change week to week.

While the threshold is based on weekly hours worked, superannuation is currently only required to be paid quarterly. Although the Australian Government has announced that from 1 July 2026, super will need to be paid at the same time as wages, maintaining the threshold will still mean employers must assess in a pay cycle when super will and won't apply to their workers and maintain accurate records until it's time to report to the Australian Taxation Office.

The administrative effort required from employers to keep track of which employees are under-18 and working more than 30 hours in any one week is significant. This contributes to why some employers struggle to accurately meet their obligations to pay super and unintentionally get it wrong.

Young people are often confused about their super entitlements, and many employers do not think they need to pay super for workers under-18 at all[7]. Anecdotal evidence indicates some employers pay super to all their under-18 workers because they consider it is easier to do so from a payroll and compliance perspective[8].

The difficulty in keeping track of when and how much super they are entitled to, and the fact employer super contributions currently need only be paid quarterly, means workers must wait three months or longer to confirm that their super is being paid correctly or at all.

Fiscally beneficial

Helping people save more for retirement means less reliance on the age pension at retirement, and less pressure on the Federal Budget and all Australian taxpayers in the long-term.

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[6] Pyxis Research, July 2024

[7] Meeting with the Young Workers Centre, February 2023.

[8] Meeting with the Young Workers Centre, February 2023.

A small payroll impact for employers

Size of employers with under-18s

While under-18s work across a broad range of variously sized business, most are employed by either very small or very large businesses (Figure 5). Most young people are employed in large businesses with over 5,000 employees (30 per cent), with the second-most prevalent employer being small businesses with 5-19 employees (27 per cent). The data also shows super coverage increases with firm size. Large firms (those with more than 100 employees) tend to pay super for under-18s even when not legally required to do so.[9]

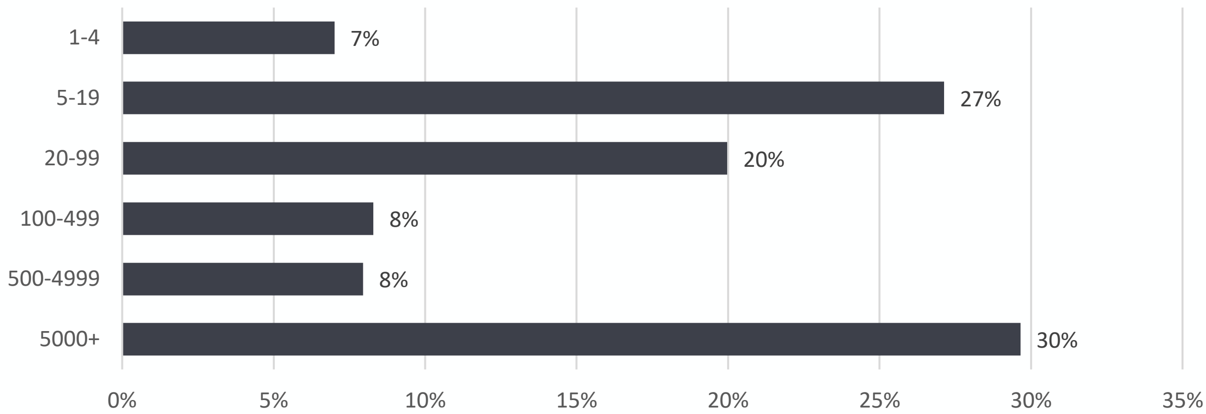

Figure 5: Under-18s by size of employers. Source: HILDA, waves 19 to 22.

Employers currently paying super to under-18's

Many employers have recognised the benefits of paying super to their employees under-18 – even if they don't work 30 hours in a week. SMC analysis of HILDA data shows 30 per cent of under-18s received super contributions from their employers despite not working 30 hours per week. This was the case for those employed by small, medium and large employers, although it's more common among medium and larger employers (see Figure 6).

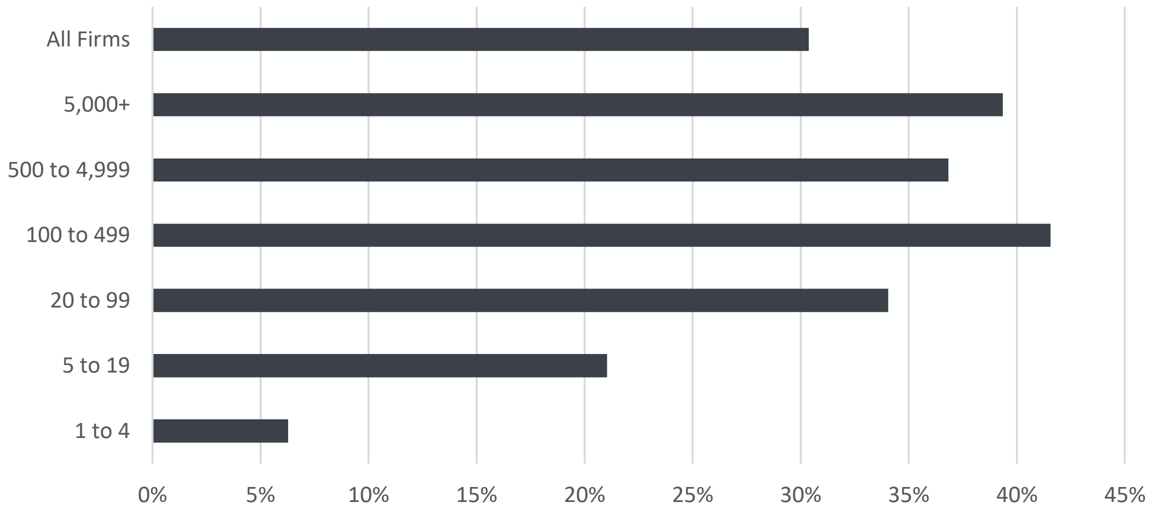

Figure 6: Proportion of employees under-18 working less than 30 hours a week who are paid super by firm size . Source: HILDA, waves 19 to 22,

[9] SMC examined the HILDA Survey data for U18s who answered yes or no to the question: Does your [employer / business] currently make contributions into a superannuation scheme on your behalf? This question was asked only in waves 2, 6, 10, 14 and 18 so we looked at each wave individually and then altogether. We used this to classify our data into 2 subsamples: those who reported receiving SG versus those who did not.

Total Payroll Costs

A business owner can generally claim a tax deduction for super contributions made on time to a complying super fund. Taking this into account, the estimated impact on businesses of paying super to all under-18s would be around $260 million in 2024-25 if this exclusion was abolished.

Figure 7 shows this as a share of total compensation of employees – which is around 0.03 per cent. The impact is higher in the accommodation and food services sector (mainly large fast food employers) with the change expected to increase total payroll by 0.45 per cent, or less than half of 1 per cent.

This analysis takes into account our finding that almost one in three (30 per cent) workers under-18 already receive superannuation, despite not meeting the 30 hours per week threshold.

Finally, this proposed change is similar in nature to changes initiated in 2022 to stop excluding workers earning less than $450 per month from receiving super, a change that was widely supported as it removed an obvious outdated and discriminatory element of our superannuation system. The Regulation Impact Statement for the measure found it would only have a minor regulatory impact.[10]

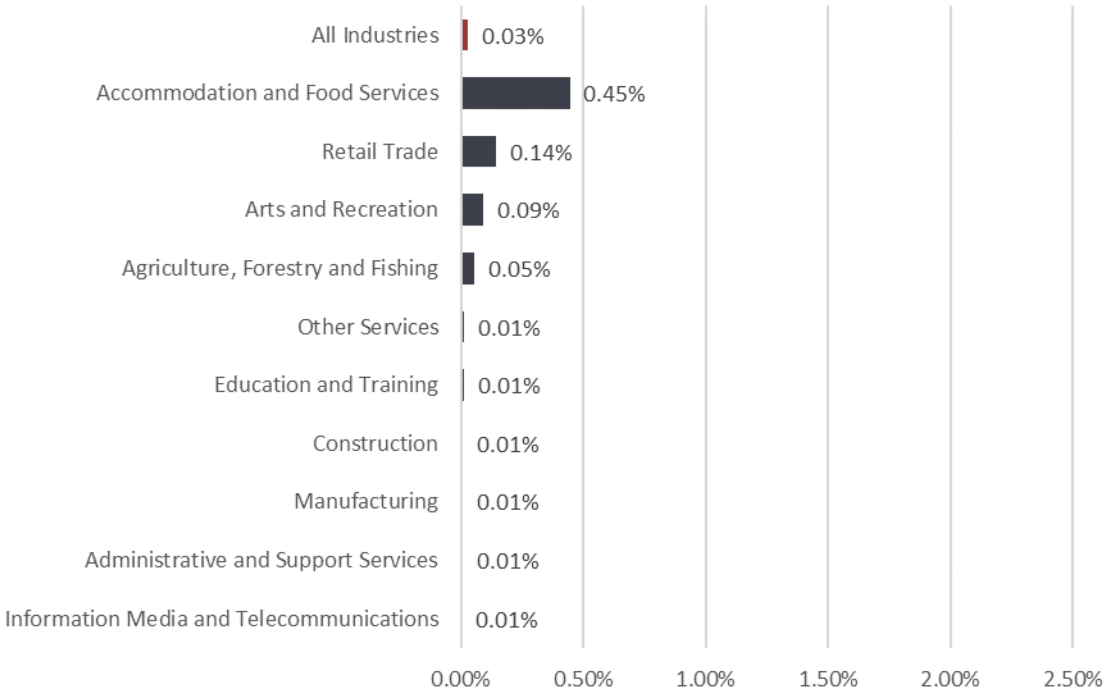

Figure 7: Estimated additional total payroll cost by industry. Source: HILDA, waves 19 to 22, ABS Australian National Accounts, 2024

Removing the administrative burden from employers

Removing the 30-hour threshold requirement for workers under-18 would help reduce employer administration of superannuation contributions. It is also likely to help reduce the higher rates of unpaid super for younger Australians.

Currently, employers must monitor the weekly hours of workers who are under 18 and pay super when those hours reach the 30-hour threshold in any given week. This complexity is exacerbated when employing a casual workforce, whose hours may change week to week.

While the threshold is based on weekly hours worked, superannuation is currently only required to be paid quarterly. Although the Australian Government has announced that from 1 July 2026, super will need to be paid at the same time as wages, maintaining the threshold will still mean employers must

[10] Treasury Laws Amendment (Enhancing Superannuation Outcomes For Australians and Helping Australian Businesses Invest) Bill 2021 (see page 3 off the Explanatory Memorandum)

assess in a pay cycle when super will and won't apply to their workers and maintain accurate records until it's time to report to the Australian Taxation Office.

The administrative effort required from employers to keep track of which employees are under-18 and working more than 30 hours in any one week is significant. This contributes to why some employers struggle to accurately meet their obligations to pay super and unintentionally get it wrong.

Young people are often confused about their super entitlements, and many employers do not think they need to pay super for workers under 18 at all[11]. Anecdotal evidence indicates some employers pay super to all their under-18 workers because they consider it is easier to do so from a payroll and compliance perspective[12].

The difficulty in keeping track of when and how much super they are entitled to, and the fact employer super contributions currently need only be paid quarterly, means workers must wait three months or longer to confirm that their super is being paid correctly or at all.

Removing the added compliance risk from employers

A further complicating issue is that under the Choice of Superannuation Fund laws, employers set up or obtain account details for under-18s even when it is not certain they will be eligible for super. If new accounts are established they may go unused if no contributions are paid because they do not work more than 30 hours per week.

Many funds have policies in place to close accounts if no contributions are received within a certain timeframe as do Protecting Your Super Laws. This can add compliance risk to employers if an under-18 subsequently becomes eligible for super contributions but payments are rejected due to their account been closed.

Phased implementation to help businesses

SMC acknowledges the impact that this reform would have on business, particularly small and medium-sized businesses. Accordingly, 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.

[11] Meeting with the Young Workers Centre, February 2023.

[12] Meeting with the Young Workers Centre, February 2023.

Conclusion: including young Australians in our super system strengthens it for everyone

The case for paying under-18s super just like all other workers is clear and compelling.

The success of Australia's world-envied super system is built on it being universal. All workers are included and all share in the transformational benefits. But, at the super system's beginnings, some under-18s were excluded and the reasoning for this exclusion no longer stacks up.

Super Members Council analysis shows this reform would mean more money for retirement for younger Australians - and less reliance on the Age Pension.

No good reason remains for keeping a minimum hour threshold. There are now protections in place for small super balances, and it would be easier for employers to accurately pay super if the rules for all workers under-18 were the same.

Paying super from the start of work would also better set up young workers to engage with their super and our retirement savings system more broadly by establishing a clear connection between entering the workforce and earning super.

What policy change is required

Strengthen equity and simplify Australia's super system by abolishing the 30-hour threshold for workers under-18. Removing this outdated exclusion will mean greater returns in the long run and support young workers of today to achieve a dignified retirement.

Improving the universality of the system will ensure young people have a consistent, positive and financially rewarding experience of Australia's world leading retirement savings system from the start of their working lives.

SMC acknowledges the impact this reform will have on business, particularly small and medium-sized businesses. We support a phased transition and implementation of the change.

> "If you work at a business, you should be getting paid super. It's logical to me."
>
> Jessica Dawson, 21 years old. Worked as a retail assistant through her teenage years.

Appendix

Cameo modelling

The SMC cameo model tracks the accumulation of superannuation throughout the life of hypothetical individuals or couples. The model simulates components of the tax, transfer, and superannuation systems – such as contributions, returns, drawdowns and age pension payments – under current and alternate tax settings to estimate the impact of policies on retirement outcomes.

HILDA data

This document uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The unit record data from the HILDA Survey was obtained from the Australian Data Archive, which is hosted by The Australian National University.

The HILDA Survey was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views based on the data, however, are those of the authors and should not be attributed to the Australian Government, DSS, the Melbourne Institute, the Australian Data Archive or The Australian National University and none of those entities bear any responsibility for the analysis or interpretation of the unit record data from the HILDA Survey provided by the authors.