[SUBJECT/SERIES]

Protecting Your Super Package

SUBMISSION

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Industry Super Australia

ABOUT INDUSTRY SUPER AUSTRALIA

Industry Super Australia is a research and advocacy body for Industry SuperFunds. ISA manages collective projects on behalf of a number of industry super funds with the objective of maximising the retirement savings of over five million industry super members. Please direct questions and comments to:

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PROTECTING YOUR SUPER PACKAGE

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1. Executive Summary

Industry Super Australia (ISA) appreciate the opportunity to provide comment on the exposure draft legislation and associated draft explanatory material announced in the 2018-19 Budget the "Protecting Your Super" package. ISA has a long history in advocating for changes that are in the best interest of members of superannuation funds.

ISA supports the objectives of the Exposure Draft Treasury Laws Amendment (Protecting Superannuation) Bill (the Exposure Draft Bill). System wide measures are needed to reduce multiple accounts and to remove not needed and unnecessary insurance - particularly duplicate insurance policies.

However it is apparent better targeting is needed to achieve these objectives without removing cost effective default insurance from those who do need it. Detailed analysis by ISA suggests two thirds of those who will lose all default insurance under this package are likely to need it. This includes an estimated 2.5 million Australians working in high risk jobs, with dependent children, or a mortgage for whom low cost basic cover is likely to be in their best interest. Accordingly the package requires some amendment to mitigate against such adverse consequences.

In summary ISA:

- Supports the removal of exit fees
- Supports caps and argues that fee caps applied must be transparent, equitable and fair and apply to fees charged directly to the member
- Recognises the need for insurance changes to protect account balances and proposes changes to ensure members employed in high-risk industries are protected on application to APRA. Furthermore there is sufficient evidence to suggest the age limits on automatic cover be 22 rather than 25 and that *active* accounts of members older than this obtain the benefit of default cover irrespective of account balance
- Agrees with measures to automatically consolidate accounts but suggests changes which will improve member outcomes
- Suggests an additional transitional period of 6 months

Fee changes

ISA recognises the need to protect low balance accounts from fee impacts and supports the intention behind the proposed changes. However, the proposed fee changes could result in outcomes which are not in the best interests of low account balance members or fund members more generally.

Whilst supporting the removal of exit fees and recognising the intent behind the introduction of account fee caps, the reforms need to be amended to limit opportunities for fee arbitrage and reduce the compliance and administrative impact of the proposed changes.

Additionally, the full implications of the proposals relating to fees require further work to provide a fair and equitable fee structure that will protect low account balance members. Moreover, further clarity is needed on the types of fees impacted by the proposal.

Ultimately, the key consideration when determining if fees are appropriate to members is the net benefit members receive in return for the fees paid.

Insurance within superannuation

ISA supports the principle that all insurance provided to members, through default or choice mechanisms should be appropriate and not unduly erode the retirement benefits of members. However, the proposed changes are an unnecessarily blunt instrument which, if implemented in their current form, will harm the interests of large cohorts of the adult population who need insurance cover, particularly those engaged in high risk occupations and those members with dependants and mortgages.

ISA recommends changes which continues to protect inactive, younger and low account balance members whilst recognising the legitimate requirements of members employed in high-risk occupations, those with dependants and mortgages.

ISA cautions against broad-brush changes which see insurance removed from active older members who have yet to reach an account balance of $6,000. This type of change is unnecessary and potentially counterproductive.

Whilst we accept that there should be an age at which automatic insurance cover is offered, there is insufficient evidence to support that age 25 is the acceptable age in all circumstances. Based on ISA's analysis, a hard and fast rule that insurance cannot be offered to people under age 25 has the potential to exposes certain younger people to disadvantages (for example people in high risk occupations; or younger people with dependants). ISA supports measures which restrict the age to which automatic insurance can be offered, but there should be some ability for trustees to apply for the age limitation to be reduced for those in high risk occupations. Such applications, could be made to APRA, which would necessitate the trustee providing the rationale for why a younger threshold age is appropriate for the demographic of their fund. Based on ISA's analysis of the ABS there is a meaningful number of people who are aged under 25 who need insurance, because they may have dependants, financial and other responsibilities, and are employed in high-risk occupations.

A balance needs to be struck between trying to limit unnecessary account erosion and exposing at risk cohorts to the disadvantage of not having the benefits of automatic insurance.

We also note the disproportionate impact on women of this and other measures in the package.

Consolidation of superannuation accounts

ISA is supportive of measures which will appropriately consolidate superannuation accounts. We propose changes which better serve the interests of members, including a more comprehensive definition of account activity associated with the removal of the ability of funds to permanently exclude a member from being declared lost and inactive.

We also propose that if a fund holds a low balance account, receiving higher returns than it would receive with the ATO, then that account remain with their fund unless, the ATO can match the account with an active account (at another fund) for the member.

Transitional arrangements

It seems that the proposed timelines for the introduction of change are unrealistic, particularly as they apply to insurance. A modest further transitional period of 6 months relating to the insurance measures will enable the industry to better prepare for the changes, and potentially mitigate some of the risk for trustees, such as losing their commercial bargaining powers as they renegotiate new contracts in a short period of time.

2. Schedule 1 – Fees charged to superannuation members

ISA support the proposed change attempting to reduce administration and investment fees charged to low account balance members. Greater clarity will avoid the inconsistent application of the fee cap across funds. The fee arrangements can be fine-tuned (as set out below) to deliver better outcomes.

As a matter of principle ISA supports the intra-fund cross subsidisation of fund operating costs between different cohorts within the fund provided the arrangements are fair and reasonable. It is important to recognise that a primary consideration for trustees when considering fees charged to a member's account is the net benefit received by the member. Fees should not be considered in isolation.

2.1 Exit fees

ISA supports the introduction of a new section 99BA (1) of the Superannuation Industry (Supervision) Act 1993 (SIS Act) which provides that the trustees of a regulated superannuation fund not charge exit fees.

The proposed 99BA(2) expressly identifies an exit fee as a fee relating to the costs of disposing of all or part of a member's interests in a superannuation entity, other than a buy-sell spread.

Notwithstanding the provisions of s99C and s29VC of the SIS Act which require costs to be based on a cost recovery basis, it is inevitable that there will be an increased focus on buy-sell spreads and potentially other charges as a result of the banning of exit fees, as funds seek to recover the administrative costs associated with an exit from the fund.

If trustees seek to utilise buy-sell and other charging mechanisms to recover transaction costs, there is the potential for less transparency. Additionally the costs may not necessarily be associated with the costs borne by the trustees and ultimately the costs charged to members of the fund.

A buy-sell spread is a fee to recover transaction costs incurred by the trustee of a superannuation entity in relation to the sale and purchase of assets of the entity. Whilst exit fees and buy-sell spreads cover different events, they need not and the use of buy-sell spreads can potentially be adjusted or introduced to accommodate sale of assets on exiting the fund.

To avoid fee gaming cost recovery should be basis of all fees charged to member's accounts within both MySuper and Choice products.

2.2 Fees Cap for low-balance accounts

The principle behind the introduction of a new section 99G in the SIS Act which, for account balances of less than $6,000, caps the total combined administration and investments is supported. However, there are issues that need to be addressed to ensure the intent behind the policy change is given proper effect.

The introduction of differential charging within a fund must be associated with clarity regarding what constitutes investment and administration fees. The difficulties associated with adequately finalising Regulatory Guide 97 are indicative of the problems of not appropriately classifying direct and indirect fees. Without clarity, there is a risk that the inconsistencies identified with Regulatory Guide 97 will continue. This is evidenced by the fact that some retail funds purport to charge no administration fees, yet in reality these fees are charged to member accounts in an opaque fashion.

The inclusion of indirect investment fees in the calculation of the fee cap would be a difficult, costly and an exercise that may not provide a desired policy outcome. ISA proposes that regulations identify those investment fees that should be included in the cap. Until such time, it would be inappropriate to include indirect investment fees not directly charged to the member's account in the fee cap calculation.

2.2.1 Overly complicated form of member protection

As part of the Stronger Super changes the Government accepted some recommendations from the Cooper Review, including that member protection rules be removed. Member protection was aimed at preventing the erosion of member accounts under $1,000 where fees charged to a member are higher than investment earnings attributed to the member in a reporting period.

The Cooper Review found that: 'the Panel considers that member protection operates as a disincentive for members to consolidate small account balances, is administratively inefficient and has outlived its usefulness.'1

The current proposed changes appear to result in additional complexity and costs combined with the possibility that some funds may engage in charge shifting rather than charge reduction. Below ISA proposes minor changes to the reforms to mitigate the complexity and costs.

2.2.2 Fee cap calculated annually

The proposed change to set the fee cap currently requires twice annual testing at 1.5 per cent for a total, annual 3 per cent cap. A less onerous and costly approach is to use one annual balance test day to calculate the 3 per cent cap. Such methodology does not necessarily alter outcomes for members, but significantly reduces compliance and administrative costs for funds (which ultimately reduces costs for members).

The additional costs incurred will be borne by all members.

2.2.3 Fee cap calculated retrospectively

To avoid fee arbitrage the fee cap should be applied retrospectively. This will minimise circumstances where large sums will be contributed to an established low balance account to enjoy a fee cap period, which is only intended to protect low-income balance accounts. Admittedly such circumstances will be rare, however, the sums involved are likely to be significant.

[1] Super System Review: Final Report – Part Two: Recommendation packages, 30 June 2010, page 323

2.2.4 What constitutes an investment fee and administration fee?

The scope of the proposed fee cap is ambiguous. In particular, the terms used in the proposed section 99G are simply 'investment and administration fees'. It is not clear that the cap on fees applies to fees directly charged to members by the fund, or also includes indirect fees and costs deducted from investment returns.

Due to the quantum of the fee cap and the ordinary usage of the term fee, we believe the intention is that the investment fee caps only include direct fees charged to the member's account and do not include indirect investment costs.

While limiting the fee cap to direct fees is more straightforward, it raises a risk that the fee cap can be arbitraged or avoided in horizontally integrated firms, to the extent that funds reduce direct fees, on the one hand, and increase indirect costs charged by related parties, on the other hand.

This form of fee arbitrage should be prohibited.

If the intention is that the fee cap includes indirect fees and costs, as well as direct fees, the proposed fee cap should only be imposed after the regime for calculation and disclosure of indirect costs has also been reformed. Currently, the calculation of indirect costs does not include platform costs, and the costs of investing in certain REITs (while including certain costs related to property holdings that are not investment costs). ASIC has commissioned an expert review of its relevant regulatory guide, which may address some of these issues.

3. Schedule 2 – Insurance for superannuation members

The proposed changes in relation to insurance are an unnecessarily blunt instrument that will adversely impact the legitimate interests of hundreds of thousands of Australian employees.

ISA's comments in relation to the proposed insurance changes should be read in conjunction with our support for action in relation to the reduction in unwanted multiple superannuation accounts. Successfully reducing the incidence of unwanted multiple accounts will be the primary means by which insurance costs are reduced.

We agree with the Explanatory Memorandum's description that the stated intent of the changes relating to insurance which is to '.. protect members' superannuation savings from erosion by: ensuring that arrangements for insurance in superannuation are appropriate so that members are not paying for insurance coverage that they do not know about or premiums that inappropriately erode their retirement savings.'[2]

The statement in the Explanatory Memorandum is not inconsistent with the trustee obligations contained in the covenants included in s52(7) (c) of the SIS Act:

(c) to only offer or acquire insurance of a particular kind, or at a particular level, if the cost of the insurance does not inappropriately erode the retirement income of beneficiaries.

In addition to the legislative requirement to do so, Industry Super funds provide insurance to members because it is consistent with providing for the needs of their members, including those

[2] Explanatory Memorandum page 4.

who are unable to work to retirement age. The proposed insurance coverage changes inappropriately remove insurance from hundreds of thousands of Australians who would be considerably worse off as a result of the automatic removal of their current insurance protections.

ISA's analysis of the likely impact of the proposed changes shows that the combined impact of the proposed insurance changes will result in more than 3.7 million Australians who are currently insured via their superannuation product losing that insurance. These changes will only further add to Australia's serious underinsurance problem.

Many Australians are not sufficiently engaged with their superannuation or have the skills to make informed decisions in their best interests. The financial literacy rates amongst young Australians in particular are unacceptably low. Most of the people affected by the new policy may not be sufficiently engaged to opt-in or make appropriate and timely decisions. The entire Superannuation Guarantee framework is an attempt to counter the market failure from myopia. Decisions to provide the ATO with the power to automatically consolidate superannuation accounts are a recognition that consumers are not sufficiently engaged. It is this lack of engagement that will result in unacceptably low opt-in rates, even when it is clear the member would benefit from doing so.

The removal of such large numbers from the existing insurance pool will inevitably result in the remaining pool within the group insured being charged a higher fee and/or provided with less insurance cover.

Insurance within super is a private and public good that must be balanced against the primary purpose of superannuation which is to provide a dignified retirement for participants in the system. Appropriate changes to ensure the goals of the superannuation system and its members are protected should be applied in a manner that does not cause disproportionate harm to significant numbers of participants in the system.

The proposed changes overreach and do cause significant harm to certain participants in the system; in particular, women, members employed in high-risk occupations, those with dependants and those with a mortgage. Over 67 per cent of members who are expected to lose insurance cover as a result of the proposed changes have a mortgage, dependants or are employed in a high-risk job.

Whilst supporting the intent behind the protecting superannuation package, ISA proposes constructive amendments which will mitigate the adverse impacts of the package.

3.1 Insurance within superannuation is on balance a social good

Rice Warner estimates that 71% of death cover, 88% of total and permanent disablement and 59% of income protection coverage in Australia is provided through superannuation[3].

In many instances the provision of group insurance through superannuation is the only cost effective means insurance can be provided to many workers, especially those employed in high risk industries. Insurance within superannuation has played a significant role in reducing Australia's estimated level of underinsurance.[4]

[3] Rice Warner; Submission to Treasury April 2016 http://www.ricewarner.com/wp-content/uploads/2016/04/Objective-of-Superannuation-The-Treasury-2016.pdf

[4] . http://www.ricewarner.com/insurance-through-superannuation/ and https://assets.kpmg.com/content/dam/kpmg/au/pdf/2017/default-group-insurance-superannuation-review.pdf

More than 80 per cent of insurance premiums collected from superannuation fund members are returned as insurance payouts to members and beneficiaries. This compares to approximately 50 per cent of premiums being paid as claims in the retail insurance market.[5]

Recent reviews of group insurance within superannuation have highlighted the cost effectiveness and economic and social benefits of insurance through superannuation.[6]

There is variation in the nature and level of default group insurance cover offered in superannuation and in the insurance premiums charged by each superannuation fund. The variations are a function of the type and level of insurance offered, the demographics of the funds' membership, including gender and occupation, all of which are factors that impact the risk associated with the group insured.

Rice Warner estimates that the average cost of insurance within superannuation over a working life to 65 is less than 1 per cent of salary and slightly over 1 per cent in higher risk industries.[7] The affordability of insurance within superannuation is a consequence of the benefits inherent in a large group being insured with risk and costs spread over the group. Change which forces a reduction in the size and risk in the group will increase costs to the remaining members in the group.

3.1.1 Benefits of group insurance within superannuation

Group insurance via superannuation provides significant benefits to members and society. Without insurance via their superannuation most Australian's would not have insurance, which would impose a burden on the budget and may cause significant personal loss and distress for superannuation fund members and their beneficiaries.

Group insurance through superannuation provides:

- Greater insurance coverage for a larger proportion of the Australian population, thus helping to reduce Australia's well-documented underinsurance issue.
- Improves access to insurance for people in high-risk occupations who may otherwise not be able to obtain insuranc cover;
- Higher levels of insurance benefits are paid through group insurance compared to government safety net social security benefits, thus allowing people to take better care of their family and dependants in the event of death or disability;
- 80 per cent of group insurance premiums are paid back to members in claims, with 12 per cent spent on expenses and commissions. By comparison, 50 per cent of individual insurance premiums are paid back as benefits and 40 pe cent are spent on expenses and commissions;
- Flexibility to dial insurance up or down or opt-out of insurance cover;
- A lower cost and minimal need for underwriting compared to individual insurance held outside superannuation;
- Income protection benefits offered under default insurance disqualify recipients from claiming a full Disability Support Pension, representing a significant saving to the public purse;

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[5] APRA – Quarterly Life Insurance Performance database – December 2016 (issued 14 February 2017).

[6] Rice Warner Insurance through superannuation and KPMG default group insurance review Op. cit.

[7] Rice Warner Op. Cit.

- Income Protection benefits save the government between $3 - $4.2 billion over 10 years in terms of claims on the Disability Support Pension[8]; and
- Tax on insurance payments benefit the public purse by $2.9 billion over 10 years, outweighing the costs of tax concessions provided to group insurance in superannuation.

3.1.2 Millions of Australians to lose insurance cover

Those superannuation members who will lose insurance cover as a result of proposed changes fall into three categories; inactive members; members under the age of 25 and those members with an account balance of less than $6,000.

ISA's analysis of ABS data shows the impact of each of the proposed changes and their combined effect to be far reaching. It also shows that very high proportions of the affected populations have enhanced needs for insurance.

Most people would consider that you have an enhanced need for death and disability insurance if you:

- have dependent children or a spouse,
- have a mortgage;
- have a job with a high risk of mortality or injury;
- are older and have debts;
- have a disability implying that your ability to recover economically from further trauma is diminished;
- are self-employed and have a business risk as well as family risks, and
- are retired and your ability to recover economically from trauma is diminished.

All of these risks may be enhanced if you are a woman, because the capacity of your family and you to recover is limited by lower wage prospects.

The only one of these characteristic which does not have direct measurement on the ABS 2015-16 Survey of Income and Housing (SIH) is having a high risk job. But the ABS SIH does have useful classifications of occupation and industry and Safe Work Australia has published spreadsheets of mortality per 100,000 employees by both occupation and industry.[9] Using these spreadsheets, ISA has defined those high risk jobs as people working in an industry or occupation where there over ten deaths per 100,000 employees over the period 2012 to 2016. This compares to a mean death rate of 8.4, which itself is biased upwards by very large death rates for timber workers, fishers and farmers. This loss of default cover is an unacceptable risk to these members.

Appendix A discusses the methodology of the ISA population analysis using ABS data.

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[8] KPMG Default insurance in superannuation Op. Cit.

[9] Follow the links in https://www.safeworkaustralia.gov.au/statistics-and-research/statistics/fatalities/fatality-statistics-industry and https://www.safeworkaustralia.gov.au/statistics-and-research/statistics/fatalities/fatality-statistics-occupation

3.2 Removing insurance from inactive members

ISA's analysis of ABS data also shows that the removal of insurance from members of the Australian workforce who are not active in the workplace for over 13 months would remove insurance from 1.8 million Australian workers.

The definition of inactive used by ISA when analysing the ABS data includes workers who have had a duration of 13 months of unemployment or no work activity for over 56 weeks or 13 months, but excludes all people: who

- were eligible for the superannuation guarantee in their last pay period;
- who made a salary sacrificing contribution to superannuation; and
- received a pension payment from a superannuation fund or who had received a lump sum superannuation payment in the previous two years.

The method of calculation is intended to avoid potential duplication and is considered conservative.

Using this definition, the age and gender distribution of the estimated targeted population is shown in Table 1.

Table 1: Estimated Number of Economically Inactive People with a Superannuation Balance in 2015-16

Numbers			
Age of person	**Male**	**Female**	**All**
15 to 19	23,950	20,579	44,530
20 to 24	49,944	36,604	86,548
25 to 34	129,454	178,668	308,122
35 to 44	168,607	261,602	430,209
45 to 54	221,419	223,230	444,649
55 to 64	178,454	175,914	354,368
65 and over	70,935	63,812	134,747
All	842,763	960,409	1,803,172
Gender Split	46.7%	53.3%	

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File.

The proposed changes are unnecessarily broad in their application and will disproportionately and adversely impact certain demographics within superannuation funds.

Further analysis of the data shows that over 75 per cent of those impacted are over the age of 35 and 75 per cent of the total affected have dependants. The data shows that over a quarter of a million women between the ages of 35 and 44 will be declared inactive. Ninety per cent of these women have dependants.

Table 2: Targeted inactive population for insurance changes - Percentage with an enhanced need for insurance

Reason has enhanced need for Insurance	Labour Force Inactive
Has dependants %	**76.0%**
Has a mortgage %	**37.4%**
Has a high risk job %	**21.3%**
Has a mortgage, dependants or high risk job: unduplicated %	**83.7%**
Is self-employed %	**37.6%**
Has a disability or long term health condition %	**29.9%**
Is retired and age 55 or more %	**15.4%**
Is age 35 or over %	**75.6%**

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File.

The proposed measure to remove insurance from inactive accounts affects more women than men, particularly those women in the child raising years of 25 to 54.

For the total target group of both men and women, 76% have dependants, 37% a mortgage, 21% a high risk job, and 84% have one or more of these top three needs for insurance. Other notable factors increasing need for insurance are self-employment (38%) and being over 35 (76%).

Table 3: Women targeted to lose default insurance due to economic inactivity

Age of person	% with kids	% with husbands	% with kids and/or husbands	Estimated Number
15 to 19	0.0%	3%	3%	20,579
20 to 24	43.8%	45%	54%	36,604
25 to 34	80.1%	77%	89%	178,668
35 to 44	83.5%	83%	92%	261,602
45 to 54	57.1%	79%	85%	223,230
55 to 64	11.3%	84%	85%	175,914
65 and over	2.2%	71%	71%	63,812
All	54.8%	77%	84%	960,409

Table 3 shows the proportion of women with dependants by age. Women aged 35-44 in the target group have an 84% probability of having child dependants, women aged 25-34 an 80% chance.

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16 Confidentialised Unit Record File.

3.3 Removing insurance cover for members under 25

The proposal to remove insurance for members under the age of 25 will disproportionately impact certain cohorts of members. ISA is strongly of the view that the proposed measures will have a negative impact on many members of the workforce who are under the age of 25 and are employed in high-risk industries and/or have dependants and mortgages.

People under 25 have mostly not reached the child raising stage. But they are starting a career and are likely to be in a high risk job while doing so.

Table 4: Estimated number of people under age 25 with a superannuation balance in 2015-16

Age of person	Male	Female	All under 25	Probability of High Risk Job
15 to 19	143,721	155,793	299,513	29.6%
20 to 21	176,836	181,731	358,566	27.0%
22 to 24	297,625	295,769	593,394	26.1%
All	618,181	633,292	1,251,473	27.2%

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16 Confidentialised Unit Record File.

Table 4 shows that the full target population slated to lose insurance is 1,251,500 people, with 593,400 in the 22 to 24 age group where serious career building starts. The probability of working in a high risk job declines only slightly as people age, being 30% for under 19s, and 26% for 22 to 24 year olds, and 27% across all under 25s with a super balance.

Table 5: Targeted population under age 25 for insurance changes - Percentage with an enhanced need for insurance

Reason has enhanced need for Insurance	Lose insurance as under 25 years and has super
Has dependants %	**15.9%**
Has a mortgage %	**3.2%**
Has a high risk job %	**27.2%**
Has a mortgage, dependants or high risk job: unduplicated %	**38.7%**
Is self-employed %	**0.0%**
Has a disability or long term health condition %	**8.1%**
Is retired and age 55 or more %	**0.0%**
Is age 35 or over %	**0.0%**

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16 Confidentialised Unit Record File.

Table 5 shows the full set of the enhanced need for insurance factors for the group. Of the group, 39 per cent have a high risk job, dependents or a mortgage.

This proposed reform will see more than 1.2 million younger workers excluded from insurance cover. It is not expected that any sizable percentage would provide a written opt-in request to their fund. KPMG[10] have estimated that as few as 2-10 per cent of superannuation members will be sufficiently engaged to opt-into insurance if the opt-out provisions were removed. It is expected that for younger members the opt-in rate is likely to be closer to the 2 per cent rate.

ISA supports a change to the automatic or default insurance cover arrangements for younger members. However, any change should ensure that younger members with insurance needs are protected. Given the level of disengagement of members of all ages within the system this protection must be offered on a default or opt-out basis.

A number of Industry Super Funds[11] have, or are in the process of changing their insurance offering to younger members. They are either:

1. introducing a minimum age at which default cover is provided. For those member under the minimum age insurance is provided on an opt-in basis; or
2. altering the fee and benefit structure to provide reduced rates of cover and costs for younger members.

For these funds the trustees have considered their obligations relating to insurance and have designed their insurance offering with the fund demographic in mind.

3.3.1 Sizable numbers of younger members require insurance

The proposal appears to be based on the misguided assumption that all younger members do not need insurance. This is not the case. ISA analysis of ABS data shows that over 27 per cent of younger workers aged between 15 and 25 or 340,400 employees are engaged in high-risk occupations. Importantly a further 16 per cent have dependants.

Younger members 18-25 are more likely to be involved in a range of insured incidents[12], including road accidents and suicide, with males between the ages of 20-24 being most at risk.[13] These are not insignificant minorities, whose interests would be swept aside as part of a broad-brush blunt approach.

3.3.2 Workers in high-risk occupations and industries require insurance

Additionally, there are certain occupations and industries which are inherently hazardous[14]. It is irresponsible not to protect the interests of workers in those industries. Policy and decision makers have an obligation to ensure that those workers, who by any reasonable measure require automatic insurance, are provided with it.

Apprentices and other younger workers in a range of industries are currently provided with insurance which provides a level of comfort and protection for them and their families.

Statistical details on the occupations and industries with greater risk of mortality are given in Appendix A.

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[10] KPMG; Review of default group insurance in superannuation September 2017.

[11] IndustrySuper Funds being the 16 industry funds associated with ISA.

[12] ABS Cat. 3303.0 Causes of Death Australia 2017 (released September 2017)

[13] For every death by suicide it is estimated that there are as many as 30 people attempt suicide.

[14] High-risk occupations are calculated using a 5 year incidence per 100,000 of 10 or more fatalities.

As shown in Appendix A, Safe Work Australia data clearly demonstrates that some industries are considerably more hazardous than others. An employee is more than 38 times more likely to die at work in the Agriculture, Forestry and Fishing industries than the national average across all workplaces. Working in the road transport (12.5 times more likely to die), mining (8 times) and construction (3 times) industries, employees are considerably more likely to die at work.

A legislator is 137 times less likely to die at work than a forestry worker. A forestry worker regardless of age should have appropriate levels of insurance. A legislator is provided with insurance that arguably they do not need.

Policy in this area must be balanced and accommodate the real and demonstrable need for insurance protection where it exists. Below ISA proposes changes to the measures which are aimed at enhancing the proposed reforms.

3.3.3 Fund members who require insurance will not be able to opt-in

The reforms need to adequately take into account the practical implications of opting into insurance cover (i.e. not automatically being accepted for cover). Ordinarily, where one opts into insurance cover, they are subject to underwriting, which may limit the amount or type of cover the insurer is prepared to offer or refuse cover.

Members who are employed in all industries, whether they be young members or older members seeking insurance coverage prior to reaching the $6,000 account balance threshold will find it difficult to obtain insurance at reasonable and appropriate terms. Trustees may not be able to negotiate terms with insurers that require them to offer opt-in insurance to members in high-risk industries.

3.3.4 Under 22 a more appropriate opt-in age

Nearly 39 per cent of the more than 1.2 million members who will lose their insurance cover as a result of the proposed changes have a mortgage, dependants or are employed in a high-risk occupation.

ISA proposes an alternative age below which opt-in insurance applies to, we suggest insurance opt-in should apply for those below the age of 22 years. Fund members at age 22 (or older) would be automatically provided with insurance. This change, whilst not a complete solution to the problems identified, would strike an appropriate balance as it would reduce the numbers of members with responsibilities that require protection through insurance.

Reducing the age to 22 better aligns with data indicating insurance needs and claims made against policies held by funds on behalf of their members.

3.3.5 Trustees obligations with members in high-risk industries

It is clear that there are differential needs for insurance protection for different cohorts of membership, between and within superannuation funds. There is a demonstrable need to insure certain workers who are employed in high-risk occupations and industries.

There is clear evidence that younger workers are employed in high-risk industries and that it is appropriate that trustees when considering the insurance needs of their members take account of their membership demographics, including the insurance needs of younger members.

Trustees have a strict duty imposed by s52(7) of the SIS Act to consider the appropriateness and affordability of insurance arrangements for their members. In addition RSE licensees must comply with the requirements of the Superannuation Prudential Standard (SPS) 250 Insurance in Superannuation which requires RSE licensees to have an insurance framework.

All trustees have an obligation to provide appropriate types and levels of insurance which do not inappropriately erode retirement savings. Trustees have a duty to consider the insurance needs of their membership as a whole and cohorts within their membership.

Trustees in high-risk occupations have an obligation to ensure that there are appropriate levels of insurance to cover those members.

3.3.5.1 Trustees to apply for approval of insurance strategy applying to younger members

ISA proposes that in circumstances where a trustee can demonstrate that it is appropriate and affordable, that they be permitted, on application to APRA, to provide insurance for younger high-risk members. Such applications, could be made to APRA, which would require the trustee providing the reasons why a younger threshold age is appropriate for the demographic of their fund.

3.3.6 All younger members benefit from TPD

This reform package should not overlook the importance of total and permanent disability (TPD) cover. The commentary and statements regarding proposed changes to remove insurance from younger members have concentrated on the merits of young persons holding life insurance through superannuation. However, it is difficult to envisage circumstances where a younger injured worker would not benefit TPDs.

3.4 Insurance for members with low account balances

The proposal to remove insurance cover for all members with balances of less than $6,000 regardless of age is problematic. This change effectively results in no superannuation fund member being insured until such time as their account balance reaches $6,000.

For a full time employee on the average weekly wage this change will involve a period of well over 11 months prior to their superannuation account balance reaching the $6,000 threshold.

This measure will discriminate against low-income earners; women returning to work and casual and part-time employees who may be employed for several years before being eligible for insurance cover. In excess of 54 per cent of part-time workers are women and in excess of 25 per cent of women are employed on a casual basis.[15]

The policy rationale for this provision within the package is ill conceived. The proposal to remove insurance from workers who have inactive accounts (however defined) is understood. The rationale for provisions which deny insurance to active members is not. Most low account balance members will be swept up in the low account balance inactive consolidation process. The provisions denying insurance to all members until their account balance reaches $6,000 will have negative consequences which are not outweighed by any benefits and cannot be supported.

[15] EEH Australia May 2016

It is inevitable that members, regardless of their age, that seek to opt-into insurance before their balance reaches $6,000 will be required to be underwritten by insurers. Current contracts with insurers only require underwriting in limited circumstances. One of those triggers for underwriting requirement can be circumstances where the fund does not provide automatic cover. Workers in high-risk occupations, those with pre-existing medical conditions and smokers will find it difficult to obtain insurance on the same terms as other members of the fund.

Table 6: Estimated number of people with a superannuation balance under $6,000 in 2015-16

Numbers			
Age of person	**Male**	**Female**	**All**
15 to 19	152,627	172,692	325,319
20 to 24	263,689	322,718	586,407
25 to 34	197,503	193,339	390,842
35 to 44	73,729	100,456	174,185
45 to 54	30,448	63,164	93,612
55 to 64	29,907	40,394	70,301
65 and over	14,633	7,844	22,477
All	762,536	900,608	1,663,144
Gender Split	45.8%	54.2%	

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16 , Confidentialised Unit Record File.

Table 6 shows the number of people estimated to have a total balance under $6000 estimated from the ABS SIH data. The estimate is likely to be conservative because of false negatives. For example, a person with a balance of $5000 in one account and $2000 in another should be in the table, but they are not.

Table 7: Targeted population with balances under $6000 for insurance changes - Percentage with an enhanced need for insurance

Reason has enhanced need for Insurance	Has balance but under $6000
Has dependants %	**35.1%**
Has a mortgage %	**12.6%**
Has a high risk job %	**29.0%**
Has a mortgage, dependants or high risk job: unduplicated %	**54.2%**
Is self-employed %	**8.9%**
Has a disability or long term health condition %	**12.7%**
Is retired and age 55 or more %	**0.0%**
Is age 35 or over %	**21.7%**

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File.

Table 7 shows the estimated proportion of the economically inactive population who have an enhanced need for insurance.

The majority of the low balance population, 54%, have either a mortgage, dependants or a high risk job. In terms of notable single factors, 29% have a high risk job, 35% have dependents and 54% are women.

Table 8: Women targeted to lose default insurance due to having a balance under $6000

	Has dependent children or a spouse	Has Children	Numbers of Women
Age of person			
15 to 19	4.1%	0.0%	172,692
20 to 24	15.5%	3.2%	322,718
25 to 34	61.5%	32.5%	193,339
35 to 44	89.8%	82.1%	100,456
45 to 54	86.5%	55.9%	63,164
55 to 64	65.4%	28.1%	40,394
65 and over	51.4%	0.0%	7,844
All	39.0%	22.5%	900,608

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File.

Table 8 shows the family situation of the 900,600 women targeted by the low balance criterion. Of the 100,500 women aged 35 to 44, 82% have children and 90% have children or a spouse. Most of the women aged 45 to 54 have children (56%). The design of the measure hits women raising a family.

3.5 Impact on women

Women are more likely to have broken work patterns, and work in lower paying occupations and be employed on a part-time or casual basis. The consequence of this is that women are more likely to have lower superannuation account balances and be overrepresented in the low account balance cohort.

It is recognised that a very-high percentage of women in the workforce have breaks from the workforce to have children or care for family members and return to work or start a new position sometime later. The leave period women take is impacted by a number of factors, including, leave and leave pay entitlements, income, family support, availability and affordability of childcare and other factors including attachment to the workplace. Studies have shown that women in professional occupations tend to return to work earlier.[16]

[16] CMPO Working Paper Series No. 02/055; Maternity rights and mothers' return to work; Burgess, Gregg, Propper, Washbrook, July 2002

For example, ISA's analysis of ABS data indicates that 92 per cent of women aged 35 to 44 who could lose their insurance as a result of account inactivity have dependants.

3.6 The Full Picture: People Targeted to Lose Default Insurance for One or More Reasons

Table 9: Estimated number of people in one or more of the populations targeted to lose death and disability Insurance

Numbers			
Age of person	**Male**	**Female**	**All**
15 to 19	166,939	179,651	346,590
20 to 24	532,013	532,581	1,064,594
25 to 34	300,988	362,682	663,670
35 to 44	218,721	347,557	566,279
45 to 54	241,202	275,458	516,660
55 to 64	199,297	211,405	410,702
65 and over	82,638	71,102	153,740
All	1,741,799	1,980,437	3,722,236
Gender Split	46.8%	53.2%	

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File.

Table 9 presents the unduplicated count of men and women targeted to lose insurance from the package. There 3.7 million people and a lot more accounts targeted to become uninsured. Of the 3.7 million, there are almost two million women.

Table 10: Targeted population in one or more groups targeted by insurance changes - Percentage with an enhanced need for insurance

Reason has enhanced need for Insurance	Lose insurance for any of the three reasons - unduplicated count
Has dependants %	**53.5%**
Has a mortgage %	**23.2%**
Has a high risk job %	**24.6%**
Has a mortgage, dependants or high risk job: unduplicated %	**67.1%**
Is self-employed %	**19.1%**
Has a disability or long term health condition %	**20.1%**
Is retired and age 55 or more %	**7.5%**
Is age 35 or over %	**44.3%**

Source: ISA analysis of the ABS Survey of Income and Housing 2015-16, Confidentialised Unit Record File

Table 10 gives the unduplicated percentages of the people within the group having an enhanced need for insurance. Of the whole group slated to lose default insurance, 67 per cent have a mortgage, dependants or a high risk job, 53 per cent have dependants, 20 per cent have a disability and 19 per cent are self-employed.

Most of the 3.7 million will not realise that they have lost default death and disability insurance. The vast majority are not engaged with superannuation issues. However the families of those who are injured or killed, will realise why they have no insurance to rebuild their lives.

3.7 Implications for insurance cost and availability for all members

The proposed changes will result in the group being insured within a fund being older and smaller. As the risk increases and group decreases, will result in a significant upward repricing of group insurance within superannuation. It is expected that existing contracts between insurers and funds will be renegotiated and in some instances terminated.

Changing the nature and size of group insurance will have a cost implications. Any increase in cost will be spread over the group. For example, lower pricing for younger members will limit account erosion for younger member accounts at the cost of remainder of the group who will have their account balances adversely impacted. In turn this impact will flow onto younger members as they age.

3.8 Carve out where employer pays insurance premiums

There are many instances where employers have arrangements with their employees to pay insurance premiums made within superannuation. It is nonsensical and contrary to the intent behind the proposals if these arrangements are unable to continue.

In the event that trustees are prohibited from facilitating such arrangements employees will be required to contribute with a reduction in account balances, the effect these measures are attempting to avoid.

An exemption from these provisions concerning insurance should occur in circumstances where an employer is paying employees insurance premiums.

4. Schedule 3 - Inactive low balance accounts and consolidation into active accounts

ISA recognises that there are far too many inactive accounts in the system and that it is good public policy and in the member’s best interest to consolidate unwanted inactive accounts into active accounts. It is also recognised that in a compulsory system default mechanisms should ensure that the process of consolidating accounts does not solely rely on member engagement.

Industry funds have long been involved in exercises which have actively matched and consolidated inactive accounts into active accounts held by the same person and continue to do so.

ISA supports measures which provide the Commissioner of Taxation greater powers, including the power to automatically consolidate superannuation accounts.

4.1 What constitutes inactivity?

Superannuation account inactivity is not measured by contribution activity alone. Members can and do engage with their fund on a regular basis during periods of contribution inactivity. An appropriate measure of inactivity should include other clear circumstances where a member provides instructions to the fund, which clearly indicate an expectation by the member that the account is to remain with the fund.

These measures of activity should definitely include circumstances where a member has made a direction to the trustee regarding beneficiaries, either changing or nominating beneficiaries; where a member changes their investment options or where the member changes their insurance, other than where they opt-out of insurance.

Other measures could include circumstances where the member changes personal details, including address, interacts with their account via an application or is provided limited intra- fund advice.

4.2 Replacement of inactivity permanent exclusion with more comprehensive approach

Currently trustees can utilise SIS regulation 1.03A(1)(e) to permanently exclude a member from being declared lost or inactive if the member has indicated by positive act that they wish to continue to be a member of the fund. This positive act is not specified.

The proposed changes announced in the budget are a blunt instrument which will undoubtedly sweep into the inactive pool a considerable number of active low-balance accounts which have not received a contribution for more than 13 months.

ISA proposes a more comprehensive change to matters determining inactivity of accounts. These changes seek to ensure that genuinely inactive low balance accounts are consolidated. Accounts where the member that has not had a contribution made by them or on their behalf for 13 months but has by a positive act indicated that they wish to continue to be a member of the fund would not be declared inactive, for a set period of time. This limited period should be the subject of consultation with the industry.

This change would see the removal of the existing permanent exclusion arrangements (with the exception of those members that have specified in writing that they wish to remain with the fund); and its replacement with a member activity calculation which would see genuinely engaged members who are positively instructing trustees to act on their behalf not being declared inactive for a specified, but temporary, period.

ISA's proposal is a sensible and a more comprehensive approach resulting in correctly identifying inactive accounts. ISA proposes that this change be implemented prior to first unclaimed money day for inactive low-balance accounts on 30 June 2019.

4.3 Period of inactivity

The process of consolidating accounts following a 13 month period of inactivity is problematic. The ISWG code of practice has included a 13 month period to cease insurance payments on the basis that those funds with particular demographics could act to protect their member's interests. Consolidation of accounts following a 13 month period where no contributions have been received will result in the unwanted consolidation of accounts of persons on maternity leave, career breaks and seasonal workers.

Superannuation contribution patterns vary across different industries, unfortunately there are sizable sections of the economy where superannuation payments are regularly underpaid and paid late. These sectors also have a higher proportion of employees in part-time, casual and seasonal jobs. This combination of factors results in a disproportionate impact on low account balance members who have irregular payments into their accounts, but are active fund members.

It is suggested that a non-contribution period of 16 months would result in a better public policy outcome and would not result in a significant decline in the number of funds reported as inactive, but it would ensure a more targeted approach.

4.4 Member's with inactive accounts are not better off if accounts are transferred to the ATO

Most members are not better off if their account balances are transferred to the ATO.

The transfer of inactive accounts from funds, including ERFs, which provide higher net returns than the interest rate applied to the accounts by the ATO is entirely inappropriate.

There should be a mechanism that will ensure inactive accounts are matched with active accounts and until this event takes place the inactive account remains a flagged account within its fund provided the account attract higher net returns than it would if transferred to the ATO.

An analysis of the probable loss of income to superannuation members shows a substantial detrimental and unnecessary impact on account balances.

4.4.1 Transfer of monies to ATO only in circumstances where the member's account would be better off.

It is proposed that auto-consolidation of funds proceed via the direct fund-to-fund transfer unless it is clear that the member's account would be better off at the ATO.

ISA's analysis[17] shows that over a 13 month period members holding inactive accounts would be in total $181 million better off with their inactive accounts remaining with their fund until a match is found. This figure rises to $394 million over 3 years.

Importantly low account balance members in, the on average higher performing, IndustrySuper Funds,[18] would be $241 million better off over a 13 month period and $532 million better off over 3 years than if they were transferred to the ATO.

On the other hand, low account balance members of retail funds over a 13 month period would in total $103 million better off and over 3 years $284 million better off if the ATO's interest rate was applied to low balance inactive accounts.

These figures represent the significant difference between the interest rate applied by the ATO and the average net returns reported by funds for the same period for the 3 years to 30 June 2017.

The average impact on individual accounts can vary significantly. The returns forgone as a result of transferring accounts to the ATO varies depending on the size of member accounts.

The average investment return to a low balance superannuation fund member with an account balance just below $6,000 would lose over a 13 month period would be $285 and $804 over 3 years. Excluding the retail sector the loss increases to $343 over 13 months and $986 over 3 years.

4.4.2 Auto consolidation process continue

It is proposed that funds flag inactive accounts which are then eligible to be matched with an active account held by the same person with another fund. The ATO, having received an inactive member report from funds, would continue to be charged with the responsibility and power to consolidate

[17] ISA analysis of APRA Fund-level Superannuation data, for the three years to June 2017 & SuperRatings Fund Crediting Rate Survey, June 2017 & ABS Consumer Price Index, Australia, March 2018 and number of members with account balance less than $6,000 by sector.

[18] IndustrySuper Funds being the 16 industry funds associated with ISA.

accounts. Until such time as the ATO finds an active account match the account should remain with the fund where the members' account would on average benefit from higher net returns.

This proposal in no way reduces the ability of inactive accounts to be matched and consolidated or inhibit the ATO's proposed power to auto-consolidate matched accounts. In the interim accounts would receive higher returns until such time as they were matched.

4.4.3 Accounts would transfer to the ATO where returns are higher with the ATO

In circumstances where the low balance inactive account would receive a lower return remaining with the fund than would be attributed to the account by the ATO, the account should be transferred to the ATO except in circumstances where the member has expressed in writing that this not take place.

Member's best interests should drive policy not budgetary considerations.

5. Transitional issues

ISA is of the view that the combined impact of the proposed changes will result in a significant restructure of pricing within the industry with insurance changes being particularly problematic.

In addition the consequential fee changes will require changes to PDSs and other materials and the forwarding to members of significant event notices. ISA has not estimated the cost of these activities, it is expected that they will be considerable. Added to these costs will be the specific obligations contained in the proposals, including the requirement that trustees write to members regarding options concerning their insurance benefits.

Without appropriate transitional arrangements the costs of sudden shocks to the system will be borne by all fund members.

ISA suggests that the proposed changes insofar as they relate to insurance arrangements be delayed until 1 July 2020.

Appendix A

Methodology for Estimates of:
The Population Targeted by the Default Insurance Restrictions, and – What Proportion Need Insurance?

The Bill makes 3 classes of people and accounts ineligible for default insurance unless they opt-in:

- Accounts inactive (receiving no contributions) for 13 months;
- Accounts below $6,0000; and
- Accounts belonging to people under the age of 25.

The Bill provides some protection for existing accounts – it does not apply to existing members under the age of 25 with balances over $6000.

Most people do not understand superannuation and people under 50 have little interest. Most of the people affected by the new policy may not be sufficiently engaged to opt-in. The entire Superannuation Guarantee framework is an attempt to counter the market failure from myopia. The new Government legislation on unclaimed money acknowledges the failure of opt-in by removing consent as a requirement for re-unification of superannuation balances.

So it is reasonable to look at the people who will be impacted by the Bill and whether they have enhanced needs for insurance. This is done in two parts:

1. The size of the total populations targeted by each of the provisions and the provisions in combination;
2. Examining the characteristics of people in the affected population to see if they have enhanced needs for death a disability insurance.

1. The size of the Populations Targeted by the Provisions

Two data sources gives large amounts of information relevant to the targeted populations of people who have superannuation balances. There is not a comprehensive dataset on accounts and the characteristics of people that own them.

The ABS has released the confidentialised unit record file for the **2015-16 Survey of Income and Housing** (SIH). This data is for all people aged over 14 in households and gives extensive characteristic information such as consolidated superannuation balance, gender, age, nuclear family composition ("income unit type"), dependency status, mortgage status, employment status, disability status, occupation, industry, payments from super, and retirement status.

The ATO has selectively released a matched 2% sample file of 2015-16 income year personal tax and consolidated superannuation (MCS) data. The data is confidentialised by removing individual identifiers, by group coding of extreme values and by perturbation of income and deduction amount. This ATO dataset is for people who submitted a tax return relating to 2015-16 and misses economically inactive people and most seniors who do not need to submit tax returns. Characteristics for occupation and industry are very restricted in this dataset and there is effectively no information on children, mortgage status, employment status, disability status, payments from super over age 60, and retirement status.

Table A1 shows that there is a close correspondence between estimates from the ABS SIH dataset and the ATO sample file.

Table A1: Estimates of Target Populations from the ABS and ATO files, 2015-16

	SIH 2015-16	ATO 2015-16
Insurance Policy Area	Persons (millions)	Persons (millions)
Under 25s	1.25	1.50
Under $6000	1.66	1.89
Inactive 13 months	1.80	1.56
Any Reason - unduplicated total	3.72	3.74

Source: ISA analysis of the ABS and the ATO confidentialised unit record files

As expected, the ATO dataset yields estimates of fewer inactive people – because many of them will not need to submit tax returns. The ATO file does yield higher estimates of people under 25 and people whose accounts add to an amount under $6000.

There is no significant difference in the total populations targeted by one or more measures. Both sources give 3.7 million.

The purpose of the current analysis is to estimate proportions of these target populations with an enhanced need for insurance. The ABS Survey of Income and Housing has considerable broader and finer detail than the ATO data. Given that the overall estimates are similar, the ABS dataset has been used for the needs analysis.

2. Characteristics Suggesting Enhanced Need for Default Death and Disability Insurance

Most people would consider that you have an enhanced need for death and disability insurance if:

- You have dependent children or a spouse,
- You have a mortgage;
- You have a job with a high risk of mortality or injury;
- You are older and have debts;
- You have a disability implying that your ability to recover economically from further trauma is diminished;
- You are self-employed and have a business risk as well as family risks, and
- You are retired and your ability to recover economically from trauma is diminished.

All of these risks may be enhanced if you are a woman, because the capacity of your family and you to recover is limited by lower wage prospects.

The only one of these characteristic which does not have direct measurement on the ABS SIH is having a high risk job. But the ABS SIH does have useful classifications of occupation and industry and Safe Work Australia has published spreadsheets of mortality per 100,000 employees by both occupation and industry.[19] Using these spreadsheets, we have defined those high risk jobs as people working in an industry or occupation where there over ten deaths per 100,000 employees over the period 2012 to 2016. This compares to a mean death rate of 8.4, which itself is biased upwards by very large death rates for timber workers, fishers and farmers.

Table A2 gives the Safe Work Australia statistics by occupation.

Table A3 gives the Safe Work Australia estimates by industry.

[19] Follow the links in and

Table A2: Work-related traumatic injury fatalities in Australia, Published by Safe Work Australia

Number and incidence rate of work-related fatalities by occupation (2012 to 2016)

Occupation	Incidence Rate (work-related fatalities by 100,000 workers)					5 year total per 100,000
	2012	2013	2014	2015	2016	
Machinery Operators and Drivers	**10.4**	**8.0**	**8.9**	**9.5**	**8.2**	45.0
Road and Rail Drivers	20.4	14.6	15.4	14.3	14.6	79.3
Mobile Plant Operators	5.4	4.4	4.3	13.1	6.5	33.7
Machine and Stationary Plant Operators	2.9	4.4	7.3	5.0	1.9	21.5
Storepersons	2.6	0.8	0.0	0.0	0.0	3.4
Labourers	**4.2**	**3.6**	**4.4**	**3.4**	**3.4**	19.1
Farm, Forestry and Garden Workers	14.7	11.0	20.0	14.6	12.4	72.7
Other Labourers	3.9	8.3	7.8	4.4	5.9	30.3
Construction and Mining Labourers	8.8	5.2	5.7	5.7	6.6	31.9
Factory Process Workers	4.3	1.6	0.0	1.0	0.0	6.9
Cleaners and Laundry Workers	0.0	0.0	0.4	0.4	0.4	1.1
Food Preparation Assistants	0.0	0.0	0.0	0.0	0.0	0.0
Technicians and Trades Workers	**1.7**	**1.7**	**1.7**	**2.0**	**1.5**	8.7
Construction Trades Workers	3.2	0.8	2.8	3.0	3.2	13.0
Automotive and Engineering Trades Workers	1.1	3.0	2.1	2.3	0.6	9.2
Electrotechnology and Telecommunications Trades Workers	2.6	4.0	3.0	3.3	2.5	15.5
Skilled Animal and Horticultural Workers	0.8	2.5	2.3	1.7	4.1	11.4
Other Technicians and Trades Workers	1.6	1.1	0.5	1.5	0.0	4.8
Engineering, ICT and Science Technicians	0.8	0.4	0.0	0.4	0.4	2.1
Food Trades Workers	0.6	0.0	0.0	0.6	0.0	1.2
Managers	**2.7**	**2.4**	**1.3**	**2.3**	**1.6**	10.2
Farmers and Farm Managers	16.0	19.1	9.1	14.4	12.2	70.8
Specialist Managers	1.2	0.3	0.0	1.2	0.4	3.1
Hospitality, Retail and Service Managers	0.6	0.6	0.6	0.2	0.4	2.5
Chief Executives, General Managers and	0.8	0.0	0.0	1.7	0.0	2.5
Professionals	**0.9**	**0.5**	**0.5**	**0.4**	**0.5**	2.8
Design, Engineering, Science and Transport Professionals	3.9	2.3	2.6	1.6	2.1	12.5
Business, Human Resource and Marketing Professionals	0.2	0.2	0.2	0.2	0.3	0.9
Arts and Media Professionals	3.0	0.0	1.0	2.1	0.0	6.1
Legal, Social and Welfare Professionals	0.5	1.0	0.0	0.0	1.4	2.9
Health Professionals	0.2	0.0	0.0	0.4	0.2	0.7
Education Professionals	0.0	0.0	0.0	0.2	0.0	0.2
ICT Professionals	0.4	0.0	0.0	0.0	0.0	0.4
Community and Personal Service Workers	**0.8**	**1.2**	**1.0**	**0.8**	**0.2**	4.1
Protective Service Workers	5.1	2.7	2.0	0.0	2.1	12.0
Sports and Personal Service Workers	0.6	4.1	2.9	3.2	0.0	10.7
Health and Welfare Support Workers	0.0	2.6	0.0	1.6	0.0	4.3
Carers and Aides	0.2	0.0	0.4	0.0	0.0	0.7
Hospitality Workers	0.0	0.0	0.4	0.7	0.0	1.2
Sales Workers	**0.3**	**0.6**	**0.2**	**0.2**	**0.3**	1.5
Sales Representatives and Agents	1.6	1.1	0.0	0.5	0.5	3.7
Sales Assistants and Salespersons	0.0	0.4	0.3	0.1	0.1	1.0
Sales Support Workers	0.0	0.5	0.0	0.0	0.5	1.1
Clerical and Administrative Workers	**0.3**	**0.1**	**0.2**	**0.1**	**0.1**	0.7
Clerical and Office Support Workers	1.1	0.0	2.2	1.0	0.0	4.3
Other Clerical and Administrative Workers	0.9	0.0	0.5	0.0	0.4	1.7
Numerical Clerks	0.0	0.0	0.0	0.0	0.0	0.0
Inquiry Clerks and Receptionists	0.4	0.0	0.0	0.0	0.0	0.4
General Clerical Workers	0.4	0.4	0.0	0.0	0.0	0.7
Personal Assistants and Secretaries	0.0	0.0	0.0	0.0	0.0	0.0
Office Managers and Program Administrators	0.0	0.0	0.0	0.0	0.0	0.0
All Occupations	2.0	1.8	1.7	1.8	1.5	8.8

Table A3: Work-related traumatic injury fatalities in Australia, Published by Safe Work Australia

Number and incidence rate of work-related fatalities by Industry (2012 to 2016)

Industry	Incidence Rate (work-related fatalities by 100,000 workers) 2012	2013	2014	2015	2016	5 year total per 100,000
Agriculture, forestry & fishing	**17.7**	**18.3**	**13.9**	**18.0**	**14.0**	81.8
Agriculture	13.8	16.5	14.3	16.2	11.6	72.4
Aquaculture	35.1	0.0	0.0	20.4	0.0	55.5
Forestry & Logging	61.9	34.0	14.4	62.5	88.9	261.7
Fishing, Hunting & Trapping	30.5	142.1	46.5	59.9	60.2	339.3
Agriculture, Forestry & Fishing Support Services	45.1	13.6	8.3	18.8	8.8	94.6
Mining	**3.0**	**3.4**	**4.3**	**4.8**	**2.7**	18.2
Coal Mining	2.0	2.0	7.7	4.7	0.0	16.3
Oil & Gas Extraction	6.4	0.0	0.0	0.0	0.0	6.4
Metal Ore Mining	1.1	7.2	6.8	8.9	4.4	28.3
Non-Metallic Mineral Mining & Quarrying	18.1	0.0	13.4	8.4	28.4	68.2
Exploration & Other Mining Support Services	3.7	3.4	0.0	3.8	0.0	10.9
Manufacturing	**1.9**	**1.3**	**1.8**	**1.8**	**0.7**	7.5
Food Product Manufacturing	2.6	1.6	1.0	0.5	0.0	5.8
Beverage & Tobacco Product Manufacturing	0.0	0.0	0.0	3.0	0.0	3.0
Textile, Leather, Clothing & Footwear Manufacturing	2.6	0.0	0.0	2.7	0.0	5.3
Wood Product Manufacturing	2.5	0.0	0.0	0.0	2.5	5.0
Pulp, Paper & Converted Paper Product Manufacturing	6.3	0.0	0.0	7.3	0.0	13.6
Printing (including the Reproduction of Recorded Media)	0.0	0.0	2.6	0.0	0.0	2.6
Petroleum & Coal Product Manufacturing	0.0	12.0	14.2	0.0	0.0	26.3
Basic Chemical & Chemical Product Manufacturing	0.0	0.0	2.1	6.1	0.0	8.1
Polymer Product & Rubber Product Manufacturing	0.0	0.0	0.0	3.2	0.0	3.2
Non-Metallic Mineral Product Manufacturing	2.8	8.4	9.6	6.1	5.8	32.6
Primary Metal & Metal Product Manufacturing	0.0	1.3	2.5	2.9	0.0	6.7
Fabricated Metal Product Manufacturing	5.9	0.0	6.8	4.0	3.3	20.0
Transport Equipment Manufacturing	1.2	1.3	1.2	1.3	0.0	5.0
Machinery & Equipment Manufacturing	3.5	1.7	1.7	0.9	0.8	8.6
Furniture & Other Manufacturing	1.9	1.8	0.0	0.0	0.0	3.7
Electricity, gas, water & waste services	**2.0**	**2.7**	**3.4**	**2.8**	**5.8**	16.6
Electricity Supply	2.9	1.5	3.1	0.0	0.0	7.5
Gas Supply	0.0	0.0	0.0	0.0	0.0	0.0
Water Supply, Sewerage & Drainage Services	0.0	0.0	3.2	0.0	0.0	3.2
Waste Collection, Treatment & Disposal Services	3.8	9.3	6.4	11.6	24.2	55.3
Construction	**3.1**	**2.2**	**3.1**	**3.3**	**3.3**	14.9
Building Construction	1.9	2.2	2.0	2.7	4.7	13.5
Heavy & Civil Engineering Construction	3.0	9.5	6.0	4.0	2.9	25.4
Construction Services	3.7	1.5	3.3	3.5	2.9	14.9
Wholesale trade	**2.2**	**1.9**	**1.5**	**0.5**	**0.0**	6.2
Basic Material Wholesaling	5.5	3.9	1.1	0.0	0.0	10.5
Machinery & Equipment Wholesaling	2.8	1.9	3.0	2.0	0.0	9.6
Motor Vehicle & Motor Vehicle Parts Wholesaling	0.0	3.9	0.0	0.0	0.0	3.9
Grocery, Liquor & Tobacco Product Wholesaling	1.5	1.6	0.0	0.0	0.0	3.1
Other Goods Wholesaling	0.0	0.0	1.2	0.0	0.0	1.2
Commission-Based Wholesaling	0.0	0.0	17.3	0.0	0.0	17.3
Retail trade	**0.4**	**0.7**	**0.0**	**0.3**	**0.3**	1.7
Motor Vehicle & Motor Vehicle Parts Retailing	1.1	0.0	0.0	2.1	0.0	3.2
Fuel Retailing	2.9	0.0	0.0	0.0	0.0	2.9
Food Retailing	0.3	0.5	0.0	0.0	0.5	1.3
Other Store-Based Retailing	0.3	0.8	0.0	0.0	0.2	1.3
Non-Store Retailing & Retail Commission-Based Buying and/or Selling	0.0	5.1	0.0	12.7	6.7	24.6
Accommodation & food services	**0.1**	**0.3**	**0.8**	**0.4**	**0.0**	1.5
Accommodation	0.0	1.9	0.9	0.9	0.0	3.7
Food & Beverage Services	0.2	0.0	0.8	0.3	0.0	1.2

In terms of the ABS Survey of Income and Housing coding, the occupations coded as high risk were:

- Farmers and Farm Managers;
- Design, Engineering, Science and Transport Professionals;
- Construction Trades Workers;
- Electro technology and Telecommunications Trades Workers;
- Skilled Animal and Horticultural Workers;
- Protective Service Workers;
- Sports and Personal Service Workers;
- Machine and Stationary Plant Operators;
- Mobile Plant Operators;
- Road and Rail Drivers;
- Labourers nfd;
- Construction and Mining Labourers;
- Farm, Forestry and Garden Workers; and
- Other Labourers.

In terms of the ABS Survey of Income and Housing coding, the industries coded as high risk were:

- Agriculture;
- Other Agriculture, Forestry and Fishing;
- Agriculture, Forestry and Fishing nfd;
- Mining;
- Wood and Paper Product Manufacturing;
- Petroleum, Chemical, Polymer and Associated Product Manufacturing;
- Non-metallic Mineral Product Manufacturing;
- Electricity, Gas, Water and Waste Services;
- Building, Heavy and Civil Engineering Construction;
- Construction Services;
- Construction nfd;
- Basic Material Wholesaling;
- Road Transport;
- Air and Space Transport;
- Other Transport;
- Rental, Hiring and Real Estate Services; and
- Sports, Recreation and Gambling Activities

2.1 People who are Economically Inactive

The ABS Survey of Income and Housing does not measure SG contributions – it imputes them from wages, part-time status and age. As such, the SIH does not provide a comprehensive measure of active contributions over 12 or 13 months, or even over a quarter. The approach taken to defining this population is to isolate people who have been economically inactive for a long period, and then remove those who have clearly had contribution or payment activity with a fund.

Accordingly, the operational definition of inactive people to be people who had a duration of unemployment over 56 weeks (13 months) or they had no wages in the previous fiscal year BUT:

- Excluding all people who were eligible for the SG in their last pay period;
- Excluding all people who made a salary sacrifice contribution ; and
- Excluding all people receiving pension payments from a super fund or who had received a super lump sum in the last two years.

The numbers imputed from this definition is consistent with the numbers estimated from the ATO sample file, particularly when allowance is made for the fact that many economically inactive people and seniors will not submit tax returns.

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