



**SUBMISSION TO**  
**THE TREASURY, AUSTRALIAN GOVERNMENT**  
**Review of Your Future, Your Super Measures**

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National Secretary-Treasurer



## **About the SDA**

The Shop, Distributive and Allied Employees' Association (the SDA) is one of Australia's largest trade unions with over 210,000 members. Our members work in retail, warehousing, fast food, hairdressing, beauty, pharmacy, online retailing, and modelling.

The majority of SDA members are women (60%, approximately 131,000), under 35 years (57%, approximately 120,000 workers), and low-income. Retail and food services are two of the three lowest industries for median weekly earnings.

The SDA has a long history of advocating on behalf of members. We do this through enterprise bargaining; making submissions regarding Awards and the National Employment Standards to provide a relevant safety net; and through numerous submissions made to parliamentary and government inquiries and other important reviews.

The SDA has 10 policy principles that guide our engagement in these reviews. For a list of these, see Appendix A.

# SUBMISSION TO THE TREASURY, AUSTRALIAN GOVERNMENT

## Review of Your Future, Your Super Measures

### Executive Summary

1. One of the Your Future Your Super measures, the annual performance assessment, is designed in a way that incentivises hugging the index and as such provides a disincentive for investment in housing – in particular because of the period it measures and the way it measures unlisted assets compared to other asset classes.
2. The annual performance assessment also provides a disincentive for investment in other community driven Government priorities for the use of gross national savings to support recovery of the economy, namely: “projects of national importance like large-scale and regional infrastructure projects, affordable housing, seed investment or farm and manufacturing technologies.”
3. The SDA provides in this submission some options for changes to the test. (See paragraph 10.e.ii)

### Direct Answers to Consultation Questions regarding the Annual Performance Assessment:

4. **Question 1:** Does the measurement of *actual return* using strategic asset allocation affect risk-taking behaviour by superannuation trustees?  
**Answer:** Yes, the measurement of actual return changes the risk appetite for investment in long-term assets, including housing.
5. **Question 2:** Does the current set of indices used to calculate *benchmark returns* unintentionally distort investment decisions or reduce choice for members? If so, is there a way to adjust the benchmark indices while maintaining a clear and objective performance test?  
**Answer:** Yes, the benchmark returns distort investment decisions in long-term assets, including housing. The SDA provides in this submission some options for changes to the test. (See paragraph 10.e.ii)  
*(Question 3, no response.)*
6. **Question 4:** What are the longer-term impacts of the performance test on market dynamics and composition? How will these factors impact on long-term member outcomes?  
**Answer:** One longer-term impact of the performance test on market dynamics is that it creates a barrier to investment in housing and a barrier to supporting measures to resolve the housing crisis. With regard to outcomes, at an investment level, investment in housing is linked to long-term returns and to improving the likelihood of affordable housing in retirement. At a strategic level, investment in housing is good for the economy, which results in more jobs and hours of work, and this consequentially increases superannuation guarantee contributions for members.

### Recommendation:

7. Alter the Annual Performance Assessment to remove the incentive to ‘hug the index’ which creates a disincentive to investment in **affordable** housing.

# SUBMISSION TO THE TREASURY, AUSTRALIAN GOVERNMENT

## Review of Your Future, Your Super Measures

### Introduction – New overarching policy settings

8. On Saturday 21 May 2022, Australians elected a new government with a platform of dignity and security in retirement.

The Government policy is that “older Australians have made their contribution to Australia's prosperity during their working lives, continue to make a contribution and deserve to share in Australia's rising community living standards and to live with dignity and financial security in retirement, financed through a combination of adequate superannuation savings, private savings, the age pension and home ownership.”<sup>1</sup>

9. This new policy, a four-pillar approach, contrasts with the policy settings of the previous political regime.

The Retirement Income Review Report, authored by a panel, suggests the reviewers' job was to improve understanding of the system and that one area of confusion was these pillars.

The review explains the confusion, pointing to the fact that “The ‘pillars’ of the retirement income system are commonly seen as being the Age Pension, compulsory superannuation, and voluntary saving (including housing). Some see housing as a separate pillar. Others would add more pillars, such as labour force participation, social transfers in kind and the JobSeeker Payment (formerly Newstart Allowance).”<sup>2</sup>

The Report works within the view that, on the basis of terms of reference drafted under the previous political regime, the pillars as: 1) a means tested Age Pension, 2) compulsory superannuation, and 3) voluntary savings, including home ownership.

The Review report, despite the political view of the day, concluded on the question of pillars that “the most important consideration is whether it is actually operating as a ‘system’.”<sup>3</sup>

### Housing and the Your Future Your Super Annual Performance Assessment

10. The *Your Future, Your Super Measures* impacts the retirement income system, however many pillars it might have, by creating an incentive to “hug the index”. One of the Your Future Your Super measures, the annual performance assessment, provides a disincentive for investment in housing and thus it is not operating as ‘system’ which was – according to the Retirement Income Review Report – “the most important consideration”.

- a. **As Housing is part of retirement income system**, and there has been a decline of home ownership<sup>4</sup>, a decline of rental affordability<sup>5</sup> and the role of the home in security for

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<sup>1</sup> par.95, p.15 ALP National Platform: As adopted at the 2021 Special Platform Conference. Available at <https://www.alp.org.au/about/national-platform> (Last accessed Sep 2022).

<sup>2</sup> p.23, Retirement Income Review: Final Report, July 2020. Available at: <https://treasury.gov.au/publication/p2020-100554> (Last accessed Sep 2022).

<sup>3</sup> .p.26-7, Retirement Income Review: Final Report, July 2020. Available at: <https://treasury.gov.au/publication/p2020-100554> (Last accessed Sep 2022).

<sup>4</sup> “In the past two decades, from 1999–00 to 2019–20, the percentage of Australian households that own their own home decreased from 71% to 66%.” See <https://www.abs.gov.au/statistics/people/housing/housing-occupancy-and-costs/latest-release> (Last accessed Sep 2022)

<sup>5</sup> “Over 1.0 million low-income households were in financial housing stress in 2017–18, based on the 30/40 rule (ABS 2019). Households with low income in the private rental market were more likely to be in housing stress, spending on average 32% of income on housing costs, compared with home owners with a mortgage (29%) or home owners without a mortgage (6.0%)” See <https://www.aihw.gov.au/reports/australias-welfare/housing-affordability> (Last accessed Sep 2022).



aged care has been solidified.<sup>6</sup> This necessitates housing as a focus for superannuation measures.

- b. **There is a housing crisis in Australia.** The crisis is evident across types of housing – from increasing poverty and homelessness<sup>7</sup>, through to increasing rental<sup>8</sup> and to mortgage stress. Mortgage stress is set to increase to nearly 1-in-4 mortgage holders by November 2022.<sup>9</sup> There is also excessive property ownership for unfair tax gains.<sup>10</sup> This housing crisis is also exacerbating issues with jobs and skills.<sup>11</sup> The crisis will not be fixed by one solution – there is a need for a National Housing and Homelessness Plan, which: “helps more Australians to buy a home, helps Australians who rent, and helps put a roof over the head of more homeless Australians.”<sup>12</sup>
- c. **A range of measures are available to Government which would impact the housing crisis**, and many are not in policy areas traditionally associated with housing policy such as homelessness and state-based public housing. These include changes to taxation, urban planning processes and superannuation settings.

On taxation, there have been shifts. The ACT’s 20-year tax reform includes a shift from stamp duty to land tax and exemptions for first homeowners and for off-the-plan properties at affordable prices. Whilst there is some emerging evidence of the desired outcome having been delayed the policy objectives remain sound. The NSW Government is looking to an opt-in scheme for an ongoing land tax instead of stamp duty and advocates are seeking the same in Victoria.

The Commonwealth could assist by looking at the GST and the margin scheme, as this impacts the decisions of investors as to whether they choose to invest in schemes to become landlords, that create pathways to ownership and that sell for affordable housing and/or mixed use.

Urban planning is a major social and environmental challenge. There are parts of the inner city which can be medium density to avoid patchy high density living in zones that are not near public transport and there are opportunities to develop areas and bring jobs to them.<sup>13</sup> There are also regional cities that have critical labour shortages, not brought on by needs for skills or migration policies, but brought on by the sheer lack of homes for

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<sup>6</sup> This is a reference to the Refundable Accommodation Deposit (RAD). “For consumers, the disadvantage of the refundable accommodation deposits is that the family home may need to be sold to pay for a RAD. Proceeds from the sale remaining after paying a RAD are treated as an asset in the pension assets test, potentially reducing the pension amount.” See <https://www.health.gov.au/resources/publications/the-role-of-refundable-accommodation-deposits> (Last accessed Sep 2022).

<sup>7</sup> Detailed evidence of this can be found in the final report of the Inquiry into homeless in Australia, released on 4 August 2021. See [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Social\\_Policy\\_and\\_Legal\\_Affairs/HomelessnessinAustralia](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Social_Policy_and_Legal_Affairs/HomelessnessinAustralia) (Last accessed Sep 2022).

<sup>8</sup> “The number of low-income private renters (those in the lowest 40% of incomes) has doubled in number over the past two decades to 2.65 million people and as a cohort most spend more than 30% of their incomes on rent, what is considered to be living in ‘rental stress’” See <https://national.sda.com.au/rentalnation/> (Last accessed Sep 2022).

<sup>9</sup> “The latest Roy Morgan data into the Australian housing market shows mortgage stress is up during 2022 with 854,000 mortgage holders (19.4%) now defined as ‘At Risk’ in July 2022, up 171,000 on a year ago during a period of extensive lockdowns in NSW and Victoria.” See <https://www.roymorgan.com/findings/9078-mortgage-stress-risk-mid-2022> (Last accessed Sep 2022).

<sup>10</sup> Several economists and writers have pointed to the issue of negative gearing. See: <https://mckellinstitute.org.au/research/articles/negative-gearing-reform-has-never-been-more-important-heres-why/>; <https://grattan.edu.au/news/the-great-australian-nightmare/>; or <https://www.crikey.com.au/2022/09/12/jim-chalmers-negative-gearing-capital-gains-revenue/>

<sup>11</sup> For an economic analysis in the context of skills policy, see *Housing Critical: The role of housing in solving critical skill shortages across the regions* (24 August 2022) <https://everybodyshome.com.au/resources/housing-criticalthe-role-of-housing-in-solving-critical-skill-shortages-across-the-regions/> (Last accessed Sep 2022).

<sup>12</sup> p.139 ALP National Platform: As adopted at the 2021 Special Platform Conference. Available at <https://www.alp.org.au/about/national-platform> (Last accessed Sep 2022).

<sup>13</sup> See Urban Development Industry of Australia (UDIA) for some evidence of the challenges of urban sprawl. “The frenetic performance of the national greenfield sector has been a critical component of Australia’s strong economic performance through the pandemic. While this has been great news for market confidence and strengthened a housing-led economic recovery, it is also a warning for Governments for the need to act now to ensure development-ready supply is brought online. Failing to do so, and quickly, will impede the economic recovery and further impact housing affordability.” <https://udia.com.au/research/udia-state-of-the-land-2022/> (Last accessed Sep 2022).

workers.<sup>14</sup> The tendency of landlords to choose short term holiday rentals over tenancies has made this even worse, notably in Brisbane where the Council noticed and responded to the doubled rate of short-term rentals advertised on sites like Airbnb, Stayz and Booking.com.

So far as the role of super, Government policy is clear.

- i. On 15 December 2021, the statement on “Supercharging Superannuation to Build a Better Future” was made.<sup>15</sup>
- ii. Released in May 2022, the “Statement on Labor’s Economic Plan and Budget Strategy” included that the new Government “will establish an all-of-government framework for facilitating partnerships between super funds and projects of national importance like large-scale and regional infrastructure projects, affordable housing, seed investment or farm and manufacturing technologies.”
- iii. On 22 August 2022, the Treasurer further outlined his three-point plan for superannuation: climate, housing and an investment roundtable<sup>16</sup>. In his article, the Treasurer noted that from 2014 to now, infrastructure has gone from 3.7 per cent of the ‘book’ to 6.6 per cent of the book, whereas residential housing has only gone from 7.4 per cent to 8.5 per cent. That means “the percentage of growth in infrastructure investment has not been matched by what we would like to see in residential housing as well.”
- iv. Summit outcome: “The Government will work with investors, including superannuation funds to leverage greater private capital into national priority areas, including housing and clean energy.”<sup>17</sup>

Not only is the Government policy on the role of Superannuation clear, so too is the need.

- d. **Superannuation also has a part to play in solving the housing crisis because of the material impact on members retirement outcomes<sup>18</sup> and Superannuation can play that role, in part, through investment in housing initiatives.** For example, superannuation funds
  - i. have a role in providing good advice to members about the interaction between the retirement pillars.<sup>19</sup>
  - ii. are investors for their members and should maximise the value of their assets while mitigating risks so that members of the funds get a decent return and good retirement. That good retirement is predicated on a housing system, and the collective assets of those effected by the housing crisis should be leveraged to be part of the solution.
  - iii. are focussed on the long-term, and as such are required to incorporate long-term factors into their investment and ownership decisions. Having an ethical and internal obligation lens, rather than being focussed on short term financial gain assists with a focus on affordable, liveable, environmentally friendly housing.

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<sup>14</sup> See Ibrahim, S., Jackson, S., Lloyd-Cape, M., *Retail in the Regions: Strong Foundations for a Secure Future*. [https://national.sda.com.au/wp-content/uploads/2022/04/Retail-in-the-Regions\\_FINAL.pdf](https://national.sda.com.au/wp-content/uploads/2022/04/Retail-in-the-Regions_FINAL.pdf) (Last accessed Sep 2022).

<sup>15</sup> See <https://www.stephenjones.org.au/media-centre/media-releases/supercharging-superannuation-to-build-a-better-future/> (Last accessed Sep 2022).

<sup>16</sup> See <https://www.afr.com/policy/tax-and-super/chalmers-three-point-plan-to-move-beyond-superannuation-wars-20220822-p5bbrg> (Last accessed Sep 2022).

<sup>17</sup> p.13 *Jobs and Skills Summit September 2022 – Outcomes* <https://treasury.gov.au/employment-whitepaper/jobs-summit> (Last accessed Oct 2022).

<sup>18</sup> p. 121-124, Retirement Income Review: Final Report, July 2020. Available at: <https://treasury.gov.au/publication/p2020-100554> (Last accessed Sep 2022).

<sup>19</sup> See Proposal 5, Quality of Advice Review: Consultation paper – Proposals for Reform, August 2022. Available at: <https://treasury.gov.au/consultation/c2022-307409> (Last accessed Sep 2022).

Arguments against investment in housing by institutional investors are riddled with:

- iv. vast generalisations (such as that the only type of housing that can be invested in is Public Private Partnerships and the nature and longevity of demand),
- v. deeply held assumptions (such as expectations of returns – comparing the returns to premium commercial property rather than say, cash like returns – and the role of investment being solely about being the ‘top’ or ‘ethical’ performer not in the ‘best’ interests of members retirement outcomes which are materially impacted by housing affordability), and
- vi. a culture of self-interest (such as competitive positioning with government, plainly ignoring the change of policy that comes with a new government and continuing to see the pillars as not including housing).

There is already a range of investments in housing by superannuation funds and the Government should prioritise removing cost free barriers to these contributing to the solution to the housing crisis.

- e. **One of the Your Future Your Super measures, the annual performance assessment, is designed in a way that provides a disincentive for investment in housing** – in particular because of the period it measures and the way it measures unlisted assets.
  - i. The annual performance assessment also provides a disincentive for investment in other Government priorities, namely: “projects of national importance like large-scale and regional infrastructure projects, affordable housing, seed investment or farm and manufacturing technologies.”<sup>20</sup>
  - ii. There are a few ways regulation could change to remove the disincentive and retain the focus on improving performance. One option, changing the assumed index for Australian unlisted asset classes, would create the flexibility but it may result in there being few who fail the test (See regulation 9AB.17(7) Items 8, 10 and 16). Changing the Meaning of Benchmark may be a more effective at holding investors to account and pushing up performance (See regulation 9AB.13 (2)). Another option would be to change the Net Ranking formula test period from 8 years to a period more reflective of the time taken for “projects of national importance” to realise their value (See regulation 9AB.23).

- 11. The Your Future Your Super measures created many barriers to delivering on the Government’s commitment to the electorate. Some of which are occurring now: superannuation members are being told a fund has failed a flawed test when objectively the returns are reasonable, members are in funds that are not performing and have no potential merger partners or are engaged in substandard merger discussions due to focus on the test, and members are being excluded from the benefits of investing in the kinds of investments Labor desires because their fund ‘just’ passed and needs to ‘hug the index’.

## Recommendation:

- 12. Alter the Annual Performance Assessment to remove the incentive to ‘hug the index’ which creates a disincentive to investment in **affordable** housing.

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<sup>20</sup> p.8, Statement on Labor’s Economic Plan and Budget Strategy. Available at: <https://alp.org.au/policies/labors-economic-plan-and-budget-strategy>

## Appendix A: Rationale for SDA policy positions

SDA policy is driven by providing value to our members whose work is regulated by a broken industrial framework. We seek an economic system that supports, protects and advances the interests of working people in this country.

Our predecessors built the conciliation and arbitration system which provided the foundations to our nations prosperity over a century ago, it is now our responsibility to build a system for the next generation.

Since the introduction of the Fair Work Act 2009 and subsequent radical changes to the financial and digital context inequality has grown and economic and political power has concentrated in the hands of a few.

We believe that fundamental not incremental change is needed. In contributing to policy, we seek to drive a new system that acknowledges the change that has occurred and will withstand the emerging world of work.

We engage in topics that help us drive this agenda and are guided by ten principles that we believe will create value for our members. Those principles are:

- 1. Address Inequality & Enshrine Fairness**  
Minimum expectations must be set and adhered to.
- 2. Equity & Empowerment**  
All workers must be supported to progress so that no-one is left behind.
- 3. Mobility & Security**  
A socially successful economy must provide opportunity for all, regardless of their background. Systems must be built in a way that support success and adaptation in a rapidly changing world of work.
- 4. Delivering Prosperity & Growth For All**  
A foundation for prosperity and economic growth must be achieved.
- 5. Protection in Work & Beyond**  
Workplaces and the community must be healthy and safe for all workers and their families during and beyond their working lives.
- 6. Workers Capital & Superannuation**  
Workers capital and superannuation must be an industrial right for all workers and treated as deferred earnings designed for dignity and justice in retirement.
- 7. A Strong Independent Umpire**  
A strong, independent, cost effective and accessible industrial umpire and regulator must be central to the future system of work in Australia.
- 8. Protection & Support for Our Future**  
Protecting and supporting our future requires a strong and vibrant retail industry and supply chain providing jobs with fair and just remuneration and contributing to the economy including through skilled workers.
- 9. Work & Community**  
Work is a fundamental human activity that provides for personal, social and economic development. Work as it operates in community must build and protect a balance between life at work and life so that workers can contribute to society through the wider community.
- 10. Institutional Support for Collective Agents**  
Institutional support must provide for collective agents (registered organisations) so that they are recognised, enshrined and explicitly supported as central to the effective functioning of the system.

Details of specific policy positions can be discussed by contacting the SDA National Office.



