



SUPER START TO WORK

Extending the Super Guarantee
to all under-18-year-olds



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ABOUT INDUSTRY SUPER AUSTRALIA

Industry Super Australia (ISA) is a collective body for funds that carry the Industry SuperFund symbol. ISA manages research, advocacy and collective projects on behalf of those funds and their five million members. Our aim is to maximise the retirement savings of all our members.

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Executive Summary

- Under-18-year-old (U18) workers are only entitled to superannuation if they work more than 30 hours per week for the same employer. Because most U18s (92 per cent) work less than 30 hours per week, most miss out on super contributions.
- If eligibility for the Super Guarantee is extended to all U18 workers, ISA analysis shows around **375,000 workers** across Australia would receive on **average \$885 in extra super** contributions in 2023-24. In aggregate, it would amount to an **extra \$330 million** in super contributions in one year.¹
- Extending the Super Guarantee would mean the average U18 would benefit from a **\$2,600 increase** in their super balance by the time they are 18 years old for work they perform. This is projected **to grow to \$10,200** (in today's dollars) by the time they retire on their 67th birthday.
- Removing the 30-hour threshold removes a significant administrative burden for employers. Employers are currently required to monitor which U18 employees exceed the threshold each week, a job made more complex in industries where casual workers are prevalent, and where employers only pay super quarterly.
- Ensuring all U18s earn super makes our super system fairer. Excluding cohorts of workers is discriminatory and affects the integrity of the system. A clear, consistent, and financially rewarding super experience from the start of a working career also sets workers up to trust and engage with the super system later in life.
- Extending super to all under U18s means less reliance on the age pension, and better outcomes for the federal budget bottom line. It is also likely to reduce the incidence of unpaid superannuation, which particularly affects younger, lower-income workers.
- Extending super to all U18s is a natural extension of steps already taken to make the super system more inclusive. While recent changes mean workers no longer need to earn at least \$450 per month to be entitled to super, U18s continue to miss out because of the 30 hour per week threshold.
- Research shows there is almost universal support for the principle of super for all workers.² Eighty five per cent of Australians agree in principle that anyone who does paid work should be entitled to super on top of their pay. Support for this principle is consistent across all demographics.
- Few Australians realise most U18s are missing out on super, with only 22 per cent of people aware of the restriction.³ But when asked whether U18s should be entitled to super on top of their pay, 72 per cent agree.
- To remove this anomaly, the Super Guarantee should apply to all ordinary time earnings received by those under 18 years of age, just like it does for all other employees.



¹ This paper uses unit record data from Household, Income and Labour Dynamics in Australia Survey [HILDA] conducted by the Australian Government Department of Social Services (DSS). The findings and views reported in this paper, however, are those of the authors and should not be attributed to the Australian Government, DSS, or any of DSS' contractors or partners.

² UMR 2022.

³ UMR 2022.

Introduction

When the Superannuation Guarantee was introduced in 1992, certain elements were negotiated into the design to secure passage of the Bill. One such element was that U18s need to work more than 30 hours per week with one employer to be entitled to super.

Discussions at the time suggest the reason for this feature was concern that small super balances would be eroded by fees and insurance, potentially making redundant the collection of super for this cohort.

The world has since moved on and protections are now in place for those with small super balances to reduce their erosion by fees and unnecessary or unwanted insurance cover. Administration and investment fees (including indirect costs) are now capped at 3 per cent per annum for members who have a final balance of less than \$6,000 for their MySuper or choice product in an income year. So even for those who work only a few months across the year, average returns on their balances are likely to exceed the fee cap, meaning balances in an average year will continue to grow rather than be eroded. Also, since April 2020, super funds have not been able to offer insurance automatically to new members if the new member is under 25 years old and their account balance is less than \$6,000.⁴

While the exclusion of some 18-year-olds from the super system may have been deemed appropriate at the time, we also now know more about the cost of excluding certain cohorts from superannuation. As outlined in this report, prohibiting some U18s from receiving superannuation leads to worse retirement outcomes for affected workers. It also means a poor experience with the super system for many young people from the outset of their working lives, which can contribute to a lack of engagement and trust in the super system.

The 30-hour threshold introduces administrative complexity for employers. It means employers are currently required to monitor which U18 employees exceed the threshold each week and pay their super obligations accordingly. This complexity increases when employers are managing a large casual workforce, whose hours can vary week to week. The situation becomes even more complex where employers pay their super obligations quarterly, a frequency that will remain in place up until 1 July 2026.



Unsurprisingly, there is momentum to remove superannuation exclusions and make the system more inclusive. For example, since 1 July 2022 workers no longer need to earn more than \$450 per month to be paid super. Removing that threshold meant about 300,000 part-time and casual workers who did not qualify for super because they did not earn \$450 per month (the majority of whom were women) are now eligible to receive superannuation on their ordinary time earnings. According to Australian Tax Office data, this change has also benefited U18s; a higher percentage are being paid at least some super (26 per cent in 2023 compared with 19 per cent in 2022), while on average U18s receive 32 per cent more superannuation.⁵

Giving U18s the same entitlement to super as other workers is a natural next step and will ensure they can also enjoy the benefits of the super system from the time they enter the workforce. With the Superannuation Guarantee scheduled to increase again from 10.5 to 11 per cent from July 2023, on its way to 12 per cent by 2025, young workers will miss out on the benefits of that and future legislated increases if they are not paid super.

Young workers value the right to super and have successfully fought for superannuation through the enterprise bargaining system. For example, the *Priceline Retail Employees Enterprise Agreement 2021* requires employers to contribute on behalf of all employees, regardless of age or earnings.⁶

⁴ *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019*. One exception is workers in hazardous industries where their fund has elected to apply the dangerous occupation exception.

⁵ Australian Tax Office, Question on notice no. 129, Portfolio question number: AET129, 2022-23 Supplementary Budget estimates.

⁶ See section 25.7 of the *Priceline Retail Employees Enterprise Agreement*, No. 7113 (Fair Work Commission 16 December 2021).

ABOUT THIS REPORT

This report by ISA examines how extending the Superannuation Guarantee to all ordinary time earnings by U18 workers, not just for those who meet the 30 hour per week threshold, would improve members' retirement outcomes and deliver broader social and economic benefits.

It is set out in the following sections:

- **Section 1:** examines U18 workers' current entitlement to the Superannuation Guarantee, and which U18 workers receive superannuation.
- **Section 2:** quantifies just how much the current rules leave younger workers worse off in retirement, and the number of people affected.
- **Section 3:** outlines other benefits from extending super to all U18 workers.



1. Few U18s receive superannuation

WHAT ARE U18S CURRENTLY ENTITLED TO?

The obligation to pay super for employees under 18 years of age arises under the *Superannuation Guarantee (Administration) Act 1992* (Cth) (SGAA). It is also known as the 'Super Guarantee'. While U18s can also be entitled to super through an enterprise bargaining agreement, award or contractual agreement between their employer and a super fund, this report focuses on the entitlement under the SGAA.

Under the SGAA, employers must pay the Super Guarantee on the salary or wages paid to an employee who is under 18 years of age if the employee works for that employer for more than 30 hours in a week.⁷ The employee's earnings are not relevant; from 1 July 2022, the \$450 per month threshold for the Super Guarantee was removed. The number of hours worked is the actual number of hours the employee works in that week – employers cannot average the hours across fortnightly or monthly pay periods. Workers are part-time employees for those weeks in which they work less than 30 hours, and full-time employees for those weeks in which they work more than 30 hours.⁸

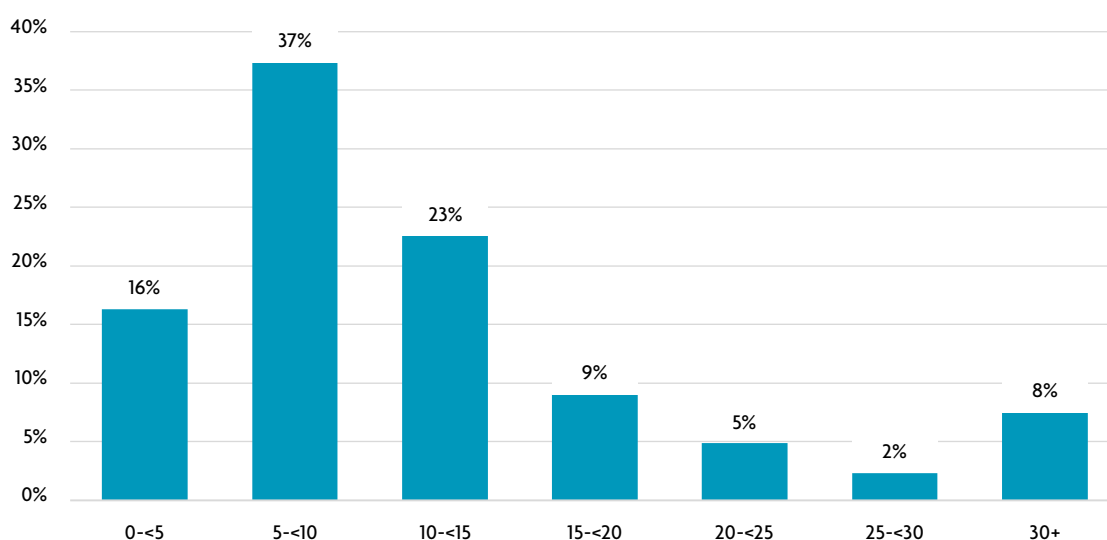
MOST U18S WORK LESS THAN 30 HOURS PER WEEK AND ARE NOT ENTITLED TO SUPER

The vast majority (92 per cent) of U18s usually work less than 30 hours per week in their main job (Figure 1), while three-quarters work less than 15 hours per week, and just over half work less than 10 hours a week, indicating the vast majority are excluded from the legal obligation to receive superannuation for work they perform. The data also show that:

- on average, U18s work 12.1 hours per week in all jobs (median 9 hours) and 12 hours in their main job
- around 10 per cent of young people who are employed have more than one job
- average hours worked increases with age, with 15-year-olds working 9 hours per week in all jobs; 16-year-olds working 11.1 hours; and 17-year-olds working 14.8 hours, and
- the proportion of U18s who report receiving some form of super has been relatively stable since 2002 at around 40 per cent.

FIGURE 1. MOST U18S WORK LESS THAN 30 HOURS PER WEEK

Hours per week usually worked in main job, U18s



Source: HILDA Survey waves 17 to 21.

⁷ The obligation to pay super sits within the *Superannuation Guarantee (Administration) Act 1992* (Cth). Under section 28, the salary or wages paid to a 'part-time employee' who is under 18 are not taken into account for the purpose calculating super obligations. Under section 6, 'part time employee' means a person employed to work not more than 30 hours per week.

⁸ *Superannuation Guarantee Determination* SGD 93/1.

CASE STUDIES – WORKING BUT MISSING OUT ON SUPER

Lucy, 17-year-old waitress

Lucy works at a well-known franchise restaurant brand for approximately 18 hours per week, although this varies. She does not currently receive any superannuation payments. However, many of the staff she supervises are over the age of 18 and so are eligible to receive superannuation. She called the Young Workers Centre (YWC) to enquire about her rates of pay and super as she was confused by the different super entitlements staff were receiving.

Nick, 17-year-old carpentry apprentice

Nick is a school-based carpentry apprentice. Because he is school based, he technically only 'works' two days per week even though he is studying for his apprenticeship at school for the other days. Nick contacted the YWC to understand his entitlements and, despite his full-time apprenticeship, he is not eligible for superannuation.

Source: Young Workers Centre Victoria, real names withheld.

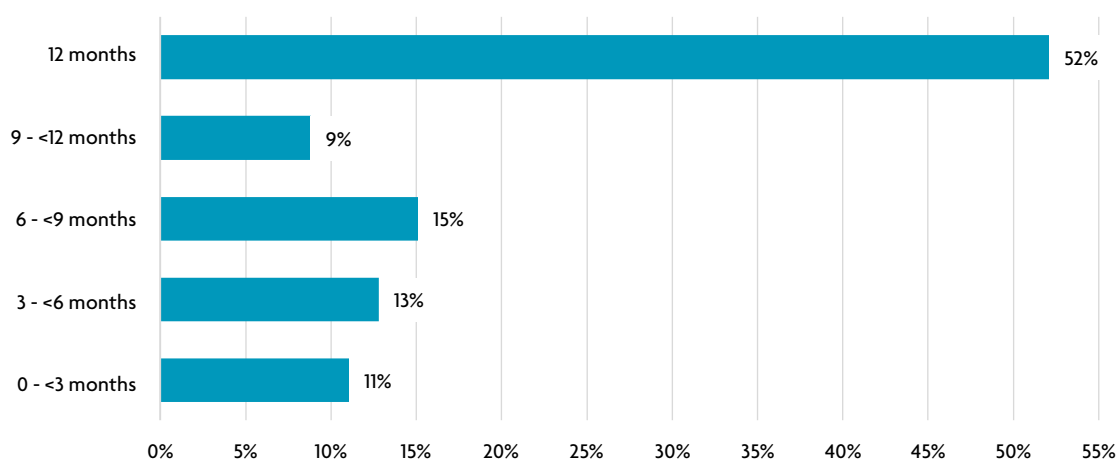
THE MAJORITY OF WORKING U18S ARE IN ONGOING EMPLOYMENT

More than half of U18s work across the whole year, or most of the year (Figure 2). Very few – 11 per cent – work less than three months of the year in temporary summer break or school holiday jobs. This means that most are earning income right throughout the year.

The data show that, contrary to some stereotypes, this cohort is not just working for pocket money in the holidays. Rather, they are committing to ongoing employment throughout the year, for savings and expenditure.

FIGURE 2. MOST WORK ACROSS THE WHOLE YEAR

Per cent of time across the year spent working, U18s



Source: HILDA Survey waves 17 to 21.

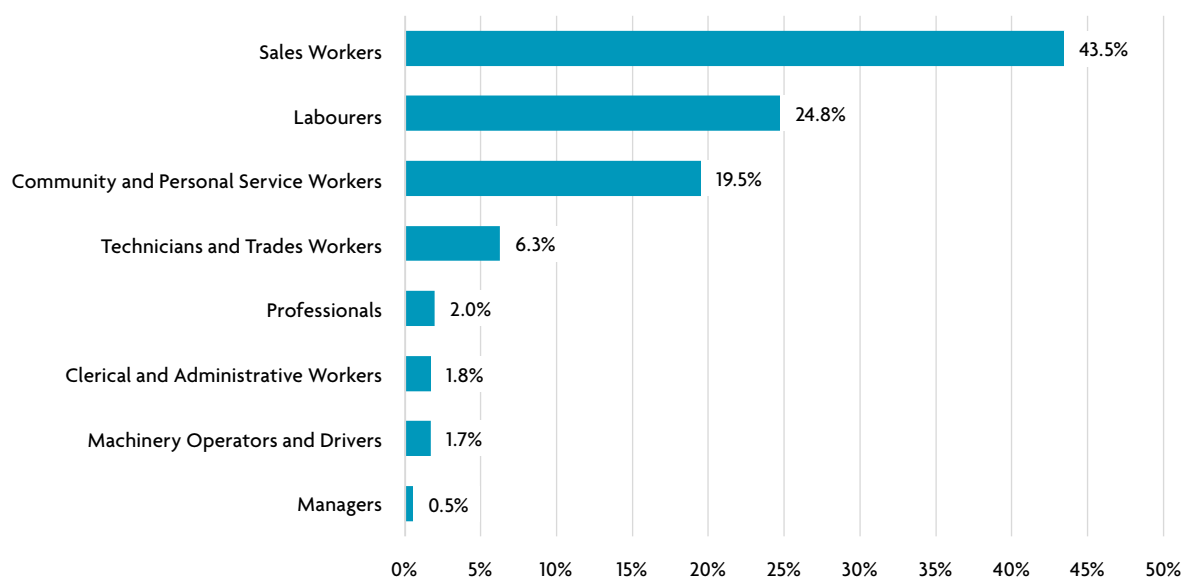


OCCUPATIONS, INDUSTRIES, AND EMPLOYER SIZE

While U18s work in a range of occupations, the data show a substantial proportion work as sales workers (43.5 per cent) and labourers (24.8 per cent) (Figure 3). A further 19.5 per cent work as community and personal service workers.

FIGURE 3. MOST WORK AS SALES WORKERS AND LABOURERS

Occupations of U18 employees



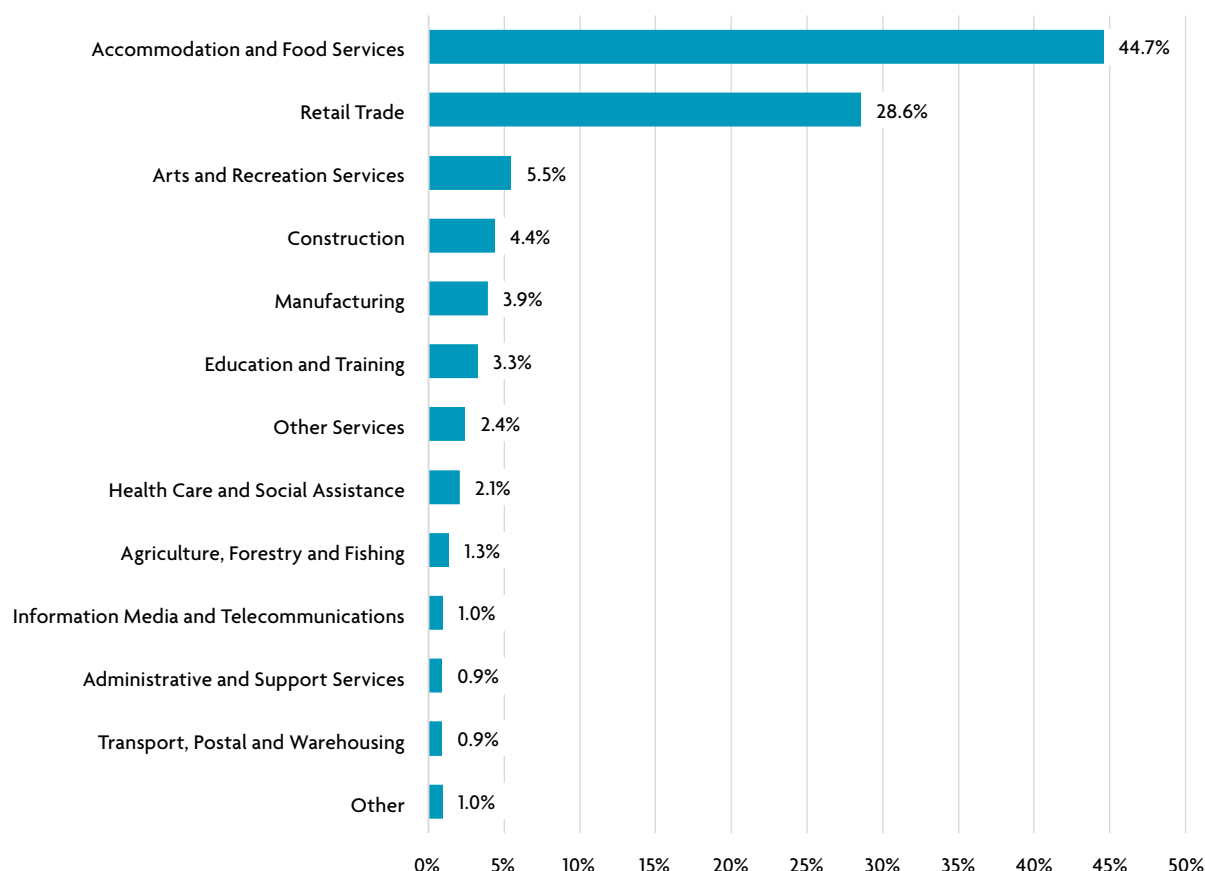
Source: HILDA Survey waves 17 to 21.

(*real name withheld)

When it comes to the industries in which they work, most U18s work in either the accommodation and food services (44.7 per cent) or retail trade (28.6 per cent) industries (Figure 4).

FIGURE 4. THE VAST MAJORITY WORK IN ACCOMMODATION AND FOOD, AND RETAIL TRADE

Industries in which U18s are employed



Source: HILDA Survey waves 17 to 21.

While U18s work across a broad range of variously sized business, most are employed by either very small or very large businesses (Figure 5). Most young people are employed in small businesses that have 5-19 employees (29 per cent), with the second-most prevalent employer being large businesses with over 5,000 employees (26 per cent).

The data also show Super Guarantee coverage increases with firm size. Large firms (those with more than 100 employees) tend to pay super for U18s even when not legally required to do so.⁹

When comparing those U18s who are entitled to super and those who are not, the data also show that Super Guarantee coverage tends to increase with union coverage. This is likely related to employer size, with large employers more likely to employ workers who are members of a union.

"I've been working since I was 14 so essentially I've missed out on four years of super."

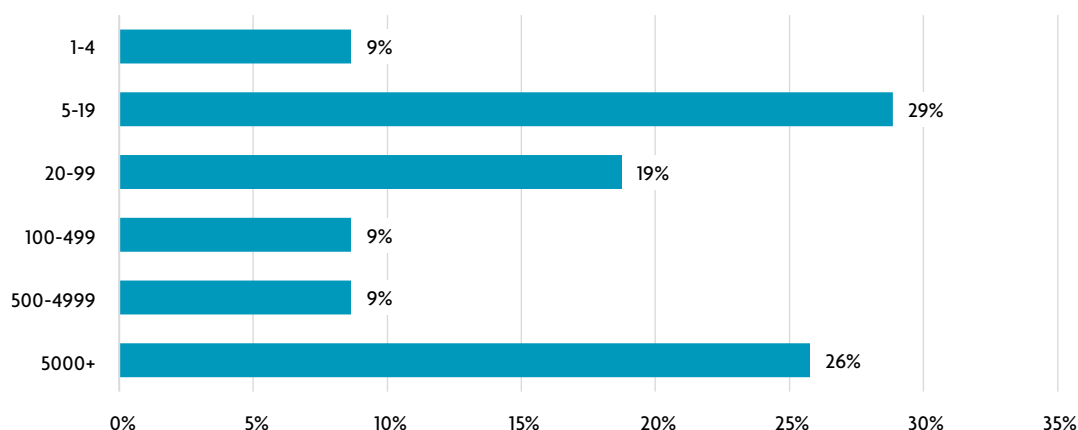
*Courtney France**

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

(*real name withheld)

FIGURE 5. SIZE OF EMPLOYERS IS EITHER VERY SMALL OR VERY LARGE

Firm size of U18 employers (number of employees)



Source: HILDA Survey waves 17 to 21.

EVEN WHEN ENTITLED TO SUPER, YOUNG WORKERS ARE MORE LIKELY TO BE UNDERPAID SUPER

ISA's extensive analysis of unpaid super in *Super Scandalous: How to fix the \$5 billion scourge of unpaid super*¹⁰ shows that young people, particularly those on low incomes, are the cohort most at risk of having unpaid super.

In 2018-19, more than 30 per cent of workers aged between 20 and 39 did not receive their full employer contributions. By contrast, 24 per cent of workers aged between 50 and 59 were underpaid super.¹¹

For those few U18s who work greater than 30 hours per week and are entitled to super, they are more at risk of not receiving their entitlement. And unpaid super has a greater relative financial impact on young workers because of the loss of compounding investment returns over the rest of their working lives.

The analysis also shows that the likelihood of being underpaid super increased significantly for lower paid workers, which includes many U18s. For workers earning between \$5,400 and \$24,999 per annum, the probability of being underpaid super is 50 per cent; the probability for workers earning between \$25,000 and \$49,000 is lower, at 31 per cent. This significant difference reflects the fact that low-income earners have less bargaining power and are less likely to notice if their super has not been paid or pursue it if they do.¹²



In terms of workers and occupations, unpaid super generally is most likely to affect Australians of all ages employed in construction, trades and transport, and hospitality and accommodation workers because the work tends to be lower paid and insecure.

¹⁰ Industry Super Australia, 'Super Scandalous: How to Fix the \$5 Billion Scourge of Unpaid Super', 28 October 2021, <https://www.industrysuper.com/media/super-scandalous-how-to-fix-the-5-billion-scourge-of-unpaid-super/>.

¹¹ Industry Super Australia, 7.

¹² Industry Super Australia, 8.

2. Missing out on super leads to worse retirement outcomes

YOUNG PEOPLE ARE WORSE OFF IN RETIREMENT

Industry Super Australia modelling shows that excluding U18s from the super system denies them an important start to their retirement savings.

The lost potential retirement savings from lack of super contributions grows throughout their working lives due to the power of compounding returns. Denying young people these savings reduces their comfort in retirement.

If the Super Guarantee was required to be paid to all U18s, regardless of how many hours they work, how much better off would they be in retirement?

ISA analysis shows that the average U18 would benefit from an **extra \$2,600** in super contributions by the time they are 18 years of age.¹³

This is projected to **grow to \$10,200** (in today's dollars) by the time they retire on their 67th birthday.

THE TOTAL SUPER LOST AND NUMBER OF WORKERS AFFECTED, IS SUBSTANTIAL

Not being paid super for all hours worked while under 18 years of age affects a significant number of people in the economy. ISA modelling shows that the current settings mean that many people right across Australia are missing out on valuable savings for their retirement.

If eligibility for the Super Guarantee is extended to all U18s, around **375,000 workers** across Australia would receive on **average \$885 in extra super contributions** in 2023-24.

In aggregate, this would amount to an **extra \$330 million in super contributions in 2023-24**.



¹³ HILDA Survey waves 15 to 21.

WHAT POLICY CHANGE IS REQUIRED?

To remove this anomaly, the Super Guarantee should extend to all ordinary time earnings by U18 workers, not just to those who work full time. Just like it does for other workers.

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



CASE STUDIES – A POOR INTRODUCTION TO THE SUPER SYSTEM

Beth, 18-year-old apprentice hairdresser

Beth commenced her apprenticeship when she was 16 years old and worked 3 days per week. She mistakenly thought she was meant to be paid superannuation from when she turned 18 but was not sure. When she inquired, she discovered her employer was also unclear about when her super payments would start, so she was forced to seek external advice from the Young Workers Centre (YWC) to clarify her entitlements.

Tracey, 18-year-old medical assistant

Tracey approached YWC just after turning 18 because she was unsure why she had suddenly started receiving superannuation. Tracey worked on a permanent part-time basis for 28 hours a week, meaning that prior to her 18th birthday she was ineligible for superannuation. Tracey was 17 years old when she started her employment. YWC advised Tracey about her correct rates of pay and right to receive superannuation going forward.

Source: Young Workers Centre Victoria, real names withheld.

3. Broader benefits of a more inclusive super system

REMOVING DISCRIMINATION FROM THE SYSTEM

Excluding U18s who work less than 30 hours per week from super is aged-based discrimination. While all other employees enjoy the right to Super Guarantee contributions on their ordinary time earnings, U18s are missing out. Retaining a distinction between full-time work and part-time work is also out of step with employee entitlements more generally.

"I work just as hard as everyone else and am not getting the same benefits put towards my retirement."

*Alicia Richards**

PROMOTING BETTER MEMBER ENGAGEMENT WITH SUPER

Requiring super to be paid to all U18s will normalise the relationship between entering the workforce and earning super. At present, there is confusion around the entitlement to super, meaning many young people lose trust in the super system at an early age.

Expanding the coverage of super to all U18s will create a clearer association between working and earning super for young people. It will help a new generation to become connected to and aware of the benefits of saving for retirement, and more engaged with the superannuation system and their super fund. And it will mean more workers get the benefit of higher retirement income savings.

MAKING SUPER SIMPLER FOR EMPLOYERS, REMOVING ADMINISTRATIVE BURDEN

Removing the rules around the payment of superannuation to U18s would also remove the administrative requirement for employers to facilitate multiple thresholds and implement them.

*(*real name withheld)*

Current thresholds require employers to monitor the weekly hours of U18 employees and apply a superannuation contribution when those hours reach the threshold in any given week. This complexity can be exacerbated when employing a casual workforce, whose hours can change week to week.

Also, while the thresholds are based on weekly hours worked, superannuation is currently only required to be paid quarterly for 4.2 million workers (according to Australian Tax Office data). However, the Government has announced that from 1 July 2026, super will need to be paid at the same time as wages. Regardless, the current U18s exclusion adds significant complexity for employers trying to administer super accurately.

PAYING ALL U18S SUPER WILL HELP ADDRESS THE SEPARATE PROBLEM OF UNPAID SUPER

Unpaid superannuation is an issue that robs millions of Australians around \$4.7 billion in superannuation entitlements each year.

One of the causes of unpaid super is poor business practices by employers, including ineffective administration of their superannuation obligations. This, combined with complicated eligibility requirements for U18s, make it more likely that U18s will experience unpaid superannuation.





Given the administrative effort required from employers to, a) keep track of which employees are under 18; and b) which U18s are working more than 30 hours in any one week, it is not difficult to see why some employers might struggle to accurately meet their obligations to pay super.

There is significant confusion among employers and employees regarding super entitlements for U18 workers. The Young Workers Centre reports that in the year to June 2022, around 12 per cent of contacts made with the centre were regarding superannuation.¹⁴ Young people are often confused about their super entitlements, and many employers do not think they need to pay super for those under 18 years old at all.¹⁵ Anecdotal evidence indicates some employers pay super to all of their U18 employees because they consider it is easier to do so from a payroll and compliance perspective.¹⁶

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

Removing the 30 hour per week threshold for U18s will reduce employers' administrative burden and make it easier for employees to keep track of their super entitlements, which is likely to reduce the incidence of unpaid super among younger people.

REMOVING LABOUR MARKET DISTORTION

Requiring super to be paid for all workers under 18 years of age will reduce the incentive for employers to deliberately structure rosters so that U18 employees fall short of the 30 hour per week threshold. Removing the U18 super anomaly will also remove these distortions in the labour market.

FISCALLY BENEFICIAL

Helping people have more money in their super accounts means less reliance on the age pension, and better outcomes for the federal budget bottom line.

¹⁴ Young Workers Centre, 'Annual Report 2021-22', 2023, 7, https://assets.nationbuilder.com/victorianunions/pages/15036/attachments/original/1676347809/2022_YWC_annual_report_LR.pdf?1676347809.

¹⁵ Meeting with the Young Workers Centre, February 2023.

¹⁶ Meeting with the SDA, February 2023.



Conclusion

The case for paying U18s super just like all other workers is clear. ISA analysis shows changing the rules would mean more money for their retirement and reduced reliance on the age pension.

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

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

