Superannuation
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When I introduced the Superannuation Guarantee in 1992, raising it at the rate of 1% of wages for each year until 2001, there was a cacophony of business voices and critics arguing, that Australia, emerging from a recession simply could not afford it.

That the advent of the Superannuation Guarantee would lift costs and slow job growth.

In fact, none of these things happened.

The profit share in GDP increased markedly over the period 1992-2001 driven by the reforms of the 1980s and 1990s as at the same time we saw linear growth in employment and strong real wage growth.

The very same arguments are being put today by the same kind of critics about the legislated rise in the Superannuation Guarantee by half a percentage point of wages next year, slowly moving up at that rate, to two and a half percentage points by 2025.

The argument that is now being put, erroneously, is that in a period of static real wage growth, any upward shift in the Superannuation Guarantee will cost workers immediate disposable income.

This is demonstrably untrue.

There has been absolutely no increase in mandatory superannuation contributions under the Superannuation Guarantee since 2013, yet in the seven years since, real average compensation per employee, has not risen a jot. The link between super and disposable wages has been broken. In fact, over those seven years, compensation has fallen by 1.7%, despite labour productivity rising by 9.5% over the period. In other words, the employers pocketed all the labour productivity, distributing none of it to wages or to superannuation.

What it has shown is that no employer is going to voluntarily increase cash wages in lieu of any unpaid increase in the Super Guarantee. They haven't done it and they won't be doing it.

Indeed, and because employers have pocketed the 9.5% of labour productivity, yet distributed none of it to wages, a 0.5% annual increase in the Superannuation Guarantee between now and 2025 is completely affordable. In fact, the annual increases are so small, in economic terms, you could miss them in the blink of an eye.

What is new is the notion that because the current recession is induced by the COVID-19 virus, the Australian economy has lost the capacity to recover and grow. If we keep our nerve and play to our strengths which include an expanding and dynamic pool of superannuation assets, the Australian growth engine will fire again. As it always has. It is no accident that stock markets around the world have already priced recovery into current market valuations.

But were employees to lose the extra 2.5% of legislated superannuation, they would lose that income for the rest of their working lives, because they are certainly not going to get it in wages or somehow recover it later.

Yet the prospect of that measly and cautious 0.5% increase in super to a workforce on flat wages is being opposed by a cacophony of conservative voices, orchestrated by the Liberal party.

This week, the chairman of AMP, David Murray, gave a stern and stentorian warning saying a half point increase to super would be 'economic madness'.

Because, he said, 'there is a trade-off between the [superannuation] contribution rate and job security'. In other words, people might be laid off if their wages were to increase by half a percentage point, bearing in mind the same people have had no real wage increase at any time in the last seven years.

Leaving the foreboding aside, the chair of AMP, with its record, is hardly the pulpit to be dispensing thunderbolts at ordinary Australians battling to keep but a fraction of their own productivity.

But this week, David was not alone in beating the hollow drum of alarm about a half point rise in the super guarantee disrupting our recovery potential.

Chris Richardson, of Deloitte Access Economics, was in on the game too.

He went on to tell us that any further increase in the Superannuation Guarantee may not be 'smart play' – arguing that even higher modest payments to super will lead to slower wages growth. And he says this knowing full well, that with not a skerrick of an increase in super going to workers over the last 13 years – there has been zero commensurate real wage growth over the same period.

As an econometrician, Richardson is aware that in the days of high real wage growth between 1993 and 2013, an increase in superannuation was likely to have had an impact on wages taken as cash. But he knows that that is not the case now. That the context is completely altered. We are living in a world where we have lost the capacity to translate productivity growth into real wage growth.

That in a period of static wage growth, an increase in the legislated Superannuation Guarantee is the only way ordinary working Australians will have returned to them, but a sliver of the labour productivity that they have provided – productivity that companies have been banking over the last seven years.

If the nation had taken the view of Richardson or more broadly, that of David Murray, in respect of the factor shares and superannuation, the country would not now possess a pool of savings bordering on $3 trillion; $3,000 billion, or pro-rating that sum, $230,000 per working person. It simply wouldn't be there.

I don't mind economic commentators or critics and I've probably had more of them than anyone else on the public landscape, Richardson included – but none of these people ever built anything. That is, other than their own reputations and bank balances.

The paucity of imagination runs rife and yet when someone puts their hands up for ordinary working people, who have nothing to trade but their time, to give them a lift in later life, the contumely visited upon them by the self-appointed capital police, is relentless.

The whole campaign against the firmly legislated modest increase in the Superannuation Guarantee has been orchestrated by the *Australian Financial Review* and the wilful Grattan Institute.

Commentators like Chris Richardson and David Murray, whether they realise it or not, are pawns in a wider game to sprag the Superannuation Guarantee, emanating deep from within the Liberal party. And not simply sprag the extra 2.5%, but the compulsion which underlies it – the mandate, which makes the whole system viable.

The key message is this: in a period of flat to negative real wage growth, the only likely avenue to any real, though modest, increase in compensation is via the prospective increase in the Superannuation Guarantee Charge.

No ducking or weaving or high jinx by the *Financial Review* or any of its accomplices will change this salient economic fact.

If business, or the government, opts to rob ordinary Australians of the sliver of labour productivity they have well-earned and which, by legislation, is theirs, it will descend to a brutal fight over income shares of the kind we last saw in the 1970s.