

The Ghost of National Superannuation

Emily Millane

LLB, BA Arts (Hons) University of Melbourne

**Crawford School of Public Policy
College of Asia and the Pacific
Australian National University**

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Statement of originality

This study has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis.

A handwritten signature in black ink, appearing to read 'Emily Millane', written in a cursive style.

Emily Millane

ABSTRACT

The thesis uses the case study of Australian superannuation to examine the conditions for systemic policy change. It tells the history of a modern reform. Long-running debates about superannuation policy have led to the system that Australians know today. A narrative of superannuation emerges, showing that it was a product of long-term institutional continuities, more than existing narratives would suggest.

The theory of historical institutionalism is brought to bear to argue that the introduction of Australia's national superannuation system was the evolution of a welfare system whose architecture was established around the time of Australian Federation. Occupational superannuation had existed in Australia since the 1840s, old age pension schemes were introduced in NSW, Victoria and Queensland in the 1890s, and the Commonwealth Old Age Pension was introduced in 1908.¹

The thesis traces the history of debates about public pension financing and the eventual pivot towards Australia's unique state-mandated, private superannuation system based on defined contributions. Throughout this history, the thesis considers the cross-cutting themes of gender coverage, influences on policy makers and risk. The thesis is arranged around the points in time when the introduction of a national superannuation system was considered and legislated by Australian governments. It moves through the 1890s during the old age pension debates; the 1920s and the Royal Commission on National Insurance and National Insurance legislation introduced by the Bruce government; the 1930s and the *National Health and Pensions Insurance Act*, passed but never implemented by the Lyons government; the 1970s and the Whitlam government's proposal for national superannuation, and then, finally, the introduction of the modern system in 1992 under the Keating government's "Superannuation Guarantee."

After years of opposition, following World War II the Australian Labor Party changed its policy to support contributory pensions. The policy rhetoric towards this change began after World War II. Occupational superannuation was radically reconceived and remodelled by labour reformers between the 1970s and the early 1990s, creating a new pathway of policy development and "layering" new elements so that the institution

¹ *Invalid and Old-Age Pensions Act 1908* (Cth).

would serve a broad working constituency. During the term of the Hawke and Keating governments, there was a “critical juncture” in superannuation policy but incremental change was occurring too. This points to the limits of institutional theory, in which different modes of change are said to occur at different points in time.

The history of superannuation policy is drawn into the present by looking at the period between the introduction of the Superannuation Guarantee in 1992 and 2019. It focuses on the changes in respect of “choice of fund,” arguing that heavily politicised debates over choice over superannuation fund were the result of the decision to create a private system of superannuation. The Choice of Fund legislation in 2005 and the MySuper reforms in 2013 that deal with the choice of superannuation fund are examples of policy “layering” and “displacement,” reflecting the power struggle between the Labor Party and the conservative parties to control financial flows in the system. This struggle was one which labour actors set themselves up for by establishing superannuation within an industrial framework debate rather than as a government scheme.

Why does systemic policy change happen when it happens? Why does reform go in one direction rather than another? Why do political parties introduce policies that their predecessors opposed in the past? These are the fundamental questions with which this thesis grapples.

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List of Interviewees

Bill Kelty

Paul Keating

Bill Hayden

Garry Weaven

Race Mathews

Iola Mathews

Keith Hancock

David Ingles

Marie Coleman

Phil Gallagher

Ian Silk

Michelle Grattan

Greg Combet

John Hewson

Andrew Podger

Peter Martin

Greg Sword

Mike Keating

Vince Fitzgerald

Eva Cox

Ross Gittins

Glenda Korporaal

Fred Chaney

Bernie Fraser

Julie Smith

Chris Foster

Alanna Foster

Susan Ryan

Greg Smith

Michael Easson

Daryl Dixon

Don Grimes

Don Russell

Michael Rice

A former member of EPAC

Two former ACTU officials and federal government ministers

List of Abbreviations

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
ACTU	Australian Council of Trade Unions
ADF	Approved Deposit Fund
AIC	Australian Industrial Court
AIRC	Australian Industrial Relations Commission
ALP	Australian Labor Party, also the “Labor Party”
AMP	Australian Mutual and Provident Fund
AMIEU	Australasian Meat Industry Employees Union
AMWU	Amalgamated Metal Workers’ Union
ANZ	Australia and New Zealand Bank Limited
APRA	Australian Prudential Regulation Authority
ASFA	Association of Superannuation Funds of Australia
ASIC	Australian Securities and Investments Commission
ASPFA	Association of Superannuation and Provident Funds of Australia
AUST	Allied Unions Superannuation Trust
ATO	Australian Taxation Office
AWE	Average Weekly Earnings
AWU	Australian Workers’ Union
BCA	Business Council of Australia
BIRP	Building Industry Recovery Procedures
BLF	Builders Labourers Federation
BNZOPA	Bank of New Zealand Officers’ Provident Association
BUS	Building Unions’ Superannuation Fund
BWIU	Building Workers’ Industrial Union
CAI	Confederation of Australian Industry
CBA	Commonwealth Bank of Australia
CLR	Commonwealth Law Reports
CPD	Commonwealth Parliamentary Debates

CPI	Consumer Price Index
CSR	Colonial Sugar Refinery
CSS	Commonwealth Superannuation Scheme
EPAC	Economic Planning and Advisory Council
ETU	Electrical and Trades Union
FEDFA	Federated Engine Drivers and Firemen’s Association
FSPU	Federated Storemen and Packer’s Union
FWC	Fair Work Commission
GST	Goods and Services Tax
ISR	Income Security Review
ITAA	<i>Income Tax Assessment Act 1915 (Cth)</i>
LIFA	Life Insurance Federation of Australia
LRBA	Limited Recourse Borrowing Arrangement
LUCRF	Labour Union Co-Operative Retirement Fund
MAWE	Male Average Weekly Earnings
MLC	Mutual Life Company
NAB	National Australia Bank
NDIS	National Disability Insurance Scheme
OECD	Organisation for Economic Cooperation and Development
OPDU	Operative Painters and Decorators Union
NSCI	National Superannuation Committee of Inquiry ²
NUW	National Union of Workers
PAYG	Pay-as-you-Go taxation
PC	Productivity Commission
RBL	Reasonable Benefit Limit
RSA	Retirement Savings Account
SG	Superannuation Guarantee
SERF	Stevedoring Employees Retirement Fund
SERPS	State Earnings-Related Pension Scheme

² Also the “Hancock Inquiry.”

SIS Act	<i>Superannuation Industry (Supervision) Act 1993 (Cth)</i>
SMSF	Self-Managed Superannuation Fund
SRF	Seafarers Retirement Fund
STE	Superannuation Tax Expenditure
SWPS	Social Welfare Policy Secretariat
WEL	Women's Electoral Lobby

Chapter One: Introduction

In industrialised societies today, no new pension plan starts with a clean slate. Decades of accumulated rights, expectations, anomalies and inequities are inherited.

– Richard Titmuss, 1969³

Depending on who you speak to, superannuation is one of the great Australian social reforms, a colossal swindle of workers' wages, or somewhere in the vast space in between. The system of compulsory retirement savings that was introduced by the Keating Labor Government in 1992 has produced a national savings pool of \$2.9 trillion.⁴ With this amount of money comes a multiplicity of issues and interest groups. How much is enough superannuation? Should people be allowed to take their superannuation as a lump sum? What is the best type of fund? How should superannuation be taxed? Is superannuation good for women? These are a just a few of the issues concerning superannuation that exercise the minds of those in government, academia and the media. Industry lobbyists have loud voices in the policy arena too. It is little wonder that most Australians have only a superficial understanding of the system that they are compulsorily brought into when they enter employment.⁵ It is also little wonder that many choose to tune out.

This thesis argues that the “reform moment” of the 1980s and early 1990s is properly understood only in the context of previous, unsuccessful forays into national superannuation. A longer historical lens shows that modern superannuation was the evolution of long-term welfare structures, radically reconceived. The development of superannuation since the introduction of the “Superannuation Guarantee” in 1992⁶

³ “Superannuation for All: A Broader View,” *New Society*, February 1969, p.315.

⁴ Australian Prudential Regulation Authority (APRA), “Quarterly Superannuation Performance Statistics,” June 2019, available from https://www.apra.gov.au/sites/default/files/quarterly_superannuation_performance_statistics_june_2019_0.pdf.

⁵ In its recent review of the superannuation system, the Productivity Commission (PC) found that “many Australians have a good broad knowledge of the superannuation system” but that “many lack the detailed understanding necessary for effective decision making. Low financial literacy is observed among a sizeable minority (about 30 per cent) of members”: PC, *Superannuation: Assessing Efficiency and Competitiveness*, Report No.91 (Canberra: Productivity Commission: 2018), p.56.

⁶ The Superannuation Guarantee, or “SG” is a compulsory percentage of an employee’s ordinary earnings which their employer must pay to a complying superannuation fund. The Superannuation

has been a process of incremental change concerning who has power over a huge, financialised system.

Superannuation introduced a second “pillar” to the retirement income system, and it took until a very late point in the development of the Australian welfare state for this to occur. Until 1992 there was remarkable stability in the institutions of old age welfare in Australia. Income in retirement was derived from private savings and a need-based age pension, introduced in 1908 and funded from general revenue. Some workers were members of private occupational pension schemes run by their employers or, in the first half of the 20th century, had some welfare provision through their membership of a Friendly Society. From the introduction of the Superannuation Guarantee in 1992, this changed so that nearly all Australian employees would have a pot of funds, their own savings, to augment the Age Pension. Such a fundamental change to the pension system makes the case study of superannuation a fertile ground from which to understand the conditions for change, and the particular course change has taken.

In contrast to other systemic reforms in Australian social and economic policy, there is scant historical analysis of the development of national superannuation policy. This is despite there being a sizeable literature on the operation of modern superannuation policy and some histories of superannuation from political and industrial perspectives.⁷ The Goods and Services Tax (GST), introduced in 2000, and the Medicare health system, introduced in 1984,⁸ are examples of systemic policy change that have been studied to provide lessons about the conditions for policy reform.⁹ Scholars have begun to write the history of the National Disability Insurance Scheme (NDIS), introduced in 2013, from an institutional perspective.¹⁰ Looking at the development of superannuation policy is a means to understand not only why

Guarantee was introduced by the *Superannuation Guarantee (Charge) Act 1992* (Cth) and the *Superannuation Guarantee (Administration) Act 1992* (Cth).

⁷ See, for example, Mary Easson, *Keating and Kelty's Super Legacy: the Birth and Relentless Threats to the Australian Superannuation System* (Redland Bay: Connor Court, 2017); Bernard Mees & Cathy Brigden, *Workers' Capital: Industry Funds and the Fight for Universal Superannuation in Australia* (Melbourne: Allen & Unwin 2017).

⁸ Originally introduced as Medibank in 1975 under the Whitlam Government.

⁹ See, for example, Richard Ecclestone's study of the introduction of the GST in *The Thirty Year Problem: The Politics of Australian Tax Reform* (Sydney: The Australian Tax Research Foundation, 2004). On the introduction of Medicare, see Anne-Marie Boxall and James A. Gillespie, *Making Medicare: the Politics of Universal Health Care in Australia* (Sydney: New South Publishing, 2013).

¹⁰ Gemma Carey, Adrian Kay and Ann Nevile, “Institutional Legacies and ‘Sticky Layers’: What Happens in Cases of Transformative Policy Change?” *Administration and Society* 51, vol.3 (2019): pp.491-509.

superannuation itself came to exist, but also to draw some conclusions about the nature of policy change and stasis in Australia.¹¹

This thesis engages with a significant reform introduced by the Australian Labor Party but it is a wider study than the machinations of Labor politics alone. As the literature review in the next chapter discusses, the history of superannuation is conventionally located within Labor history and the reforms of the Hawke (1983–1991) and Keating (1991–1996) governments. There is a natural tendency to want to study the actors most proximate to a reform in time, but historical support for national superannuation was found elsewhere too. In fact, until the post-World War II period, Labor opposed contributory pensions. Prior to that, “Labor’s notion of the welfare state focused on the principle of income redistribution from general taxation revenue and a rejection of the ‘contributory principle’ for pensions.”¹² The post-war rhetoric of contributory pension financing by the Labor Party was followed by its proposed introduction of a national contributory scheme in the 1970s. The thesis argues that Labor’s support for a broad-based, occupational pension system would have been unlikely without the party’s earlier adoption of contributory pension financing.¹³

Research Questions

This is a thesis in public policy that uses history to understand a major policy reform. A distinguishing feature of the study lies in this approach, lacking in much analysis of the Australian superannuation system. It asks: why does Australia have its superannuation system? Undertaking an analysis of the history of Australian superannuation means considering why Australia has its system of superannuation and why it did not adopt superannuation in another form: a public contributory pension, or social insurance, so common in other developed countries. Like Australia, eight other members of the Organisation for Economic Cooperation and

¹¹ In recent years there has been an ongoing public discussion about the capacity of Australia’s institutions to produce policy reform, particularly in the area of taxation. See, for example, John Daley, “If We Can’t Legislate Superannuation Changes Let’s Forget About Reform,” *Australian Financial Review*, 5 September 2016; John Hewson, “If Politicians can’t Reform the Tax System, We Need an Authority That Can,” *Sydney Morning Herald*, 28 February 2018.

¹² Boxhall and Gillespie, *Making Medicare*, p.24.

¹³ Creighton has described the Labor Party’s introduction of a privately managed superannuation scheme as a “great irony of Australian history.” He asks, “[H]ow could a party that once spurned contributory insurance have so heartily endorsed a new privatised version?” Adam Creighton, “We All Must be Capitalists Now: the Strange Story of Compulsory Superannuation in Australia,” in William Coleman, ed. *Only in Australia: the History, Politics and Economics of Australian Exceptionalism*, (New York: Oxford University Press, 2016), p.194.

Development (OECD) have mandatory defined contribution pensions, managed privately.¹⁴ However only in Australia and Chile is this combined with a means-tested public pension. Australia's retirement income system is not internationally typical.

Consequently, from the central thesis question there are three sub-questions:

1. *Why didn't Australia adopt a national (public) superannuation system?*
2. *Why was a private, occupational superannuation system introduced in 1992?*
3. *What are the consequences of the decision to introduce a private, occupational superannuation system?*

The story of Australian superannuation is bound up with the history of social insurance in Australia and why it failed, continually. This is a complex history, and it has been necessary to “select and simplify...rationally guided by the purposes of the investigation.”¹⁵ The thesis answers its questions through considering the occasions when Australian federal governments debated or introduced national superannuation schemes – firstly, during the age pension debates at the turn of the twentieth century; secondly, at the time of the first contributory social insurance proposals in 1913, 1928 and 1938; thirdly, the scheme of superannuation proposed by the Hancock Committee of Inquiry in 1976; fourth, the period when state-mandated, occupational superannuation was introduced, 1983 to 1992; and fifth, the period of modern superannuation 1992 to present. The bulk of the thesis is devoted to the first two sub-questions, covering the period up to the introduction of the Superannuation Guarantee in 1992. The third sub-question is dealt with in a final chapter that covers the period between 1992 and the present.

Concepts used in this thesis

This thesis is concerned with the development of Australia's national superannuation policy, its evolution towards a national system of superannuation. The concept of “superannuation” itself has changed over time, and now means something quite different from what it did when the first superannuation schemes commenced in the mid-19th century. This section discusses the use of the term “superannuation” in the thesis and the related concepts of “pensions” and “retirement.” It also outlines the

¹⁴ OECD, *Pensions at a Glance 2017* (Paris: OECD Publishing, 2017), p.102.

¹⁵ Hugh Stretton, *Australia Fair* (Sydney: UNSW Press, 2005), p.61.

meaning of “policy” as it is used in the study.

Superannuation

The shifting meaning of “superannuation” reflects its transition from a policy of social security to one of industrial welfare. Accordingly, the thesis uses the term “national superannuation” to refer to a government scheme of superannuation, and “occupational superannuation” to refer to private, employment-based superannuation schemes. A fuller explanation of terminology is used when there may be ambiguity about the form of superannuation being described.

The occupational form of superannuation that commenced in Australia in the mid-19th century is the basis of superannuation policy today. But up until the 1970s, the idea of a national superannuation scheme was understood as a policy of government social insurance. The proposals for a “national superannuation scheme” during the first part of the 20th century that are charted in this thesis were proposals for a government scheme of contributory social insurance that included provision for the aged. For example, introducing the National Insurance Bill in 1928, Treasurer Earle Page argued that

the practice of insurance should be applied not only in respect of such casualties as death, fire, ship-wreck, and accident, but also to those other more insidious, but no less serious, casualties of sickness, invalidity, and senility, which affect our social organization and, in the absence of due provision, cause untold suffering.¹⁶

The Lyons government’s National Health and Pensions Insurance Act of 1938 contemplated old age pensions being paid to insured men aged 65 and over, and insured women aged 60 and over, and who had made the requisite number of contributions.¹⁷ The Chifley government’s National Welfare Fund, established in 1945, explicitly referred to a “superannuation scheme,” but it was to be financed by an income tax increase rather than employee contributions.¹⁸ Tax increases were a way to contain inflation, just as the government-union Accord in the 1980s used the

¹⁶ Earle Page, Treasurer, Second Reading Speech, National Insurance Bill 1928, Commonwealth Parliamentary Debates (CPD), House of Representatives, 14 September 1928, p.6746.

¹⁷ Section 74, *National Health and Pensions Insurance Act 1938* (Cth).

¹⁸ The tax increase was achieved by lowering the tax-free threshold from £156 to £104: Parliamentary Library, *The National Welfare Fund* (Canberra: Commonwealth of Australia, 1985), p.1.

promise of superannuation as deferred wages to contain wage-driven spending and price inflation.

The re-categorisation of superannuation policy from a policy of social security to one of industrial welfare began in the 1970s and was cemented during the 1980s. During the 1970s, several factors coalesced to change the meaning of superannuation in public policy. These were the failure of the Whitlam government's national superannuation scheme; industrial disputes over the right to workplace superannuation; and the growth of industry-wide occupational superannuation funds. As Melanie Nolan has argued, "In the absence of a national superannuation scheme in Australia, occupational superannuation schemes...flourished, setting a future pathway that was difficult to alter."¹⁹ This process of re-categorisation is discussed in detail in Chapter 5.

From 1984 onwards, the Labor Party adopted a position of explicitly supporting occupational superannuation in its platform. References to superannuation in the ALP's policy platform sections on old age welfare gradually disappeared during the course of the 1980s. The ALP then introduced a national scheme of state-mandated, occupational superannuation through the Superannuation Guarantee legislation in 1992. This model of superannuation is still the system Australia has today. While the form is the same as early superannuation schemes, the difference is that Australia's occupational superannuation system is now mandatorily payable by employers on behalf of their employees and it applies to workers not previously covered by private occupational superannuation. The percentage of superannuation payable was also mandated at the introduction of the Superannuation Guarantee, starting at 3 per cent of wages and legislated to rise to 9 per cent by 2002–03.²⁰

¹⁹ Melanie Nolan, "Super' Debates within the Antipodes? Explaining Differing New Zealand and Australian Retirement Policies in the late Twentieth Century," *Australian Journal of Politics and History* 62, no.3 (2016): p.447.

²⁰ Section 20, *Superannuation Guarantee (Administration) Act 1992*. In 2012, the Gillard Labor Government legislated to increase the rate of the Superannuation Guarantee from 9 per cent to 12 per cent by 2019. It is currently 9.5 per cent, however, after having been frozen by the Abbott Liberal–National Government in 2014. The Superannuation Guarantee is currently scheduled to increase to 12 per cent in 2025: section 19(2) *Superannuation Guarantee (Administration) Act 1992*

Pensions

The concept of a “pension” refers to a regular income payment to provide support in circumstances where a person is not earning income. There are public and private pensions in the area of retirement income. Since 1908, Australia has had a public pension for old age that provides a basic level of income to prevent poverty. In 1947 the “Old Age Pension” was renamed the “Age Pension.” Accordingly, the “Old Age Pension” is used for references to the pension up to 1947, and the “Age Pension” for references to the pension after. The Age Pension is the “first pillar” of Australia’s retirement income system.

There are various types of pension in the private sphere, including employer pensions, industry-wide pensions and self-managed pensions. Although heavily regulated and subsidised by tax concessions, superannuation in Australia is a private benefit, capable of being taken as a lump sum or a pension. The tax treatment of superannuation has changed from encouraging lump sum payments, through a very low concessional rate of tax introduced in 1915, to the concessional treatment of pensions, encouraging the use of pensions to promote “income smoothing” over a person’s lifetime. Since 2007 superannuation pensions taken after a person turns 60 have been tax - free.²¹

To further complicate matters, pensions in both public and private spheres may be on the basis of “defined benefits” or “defined contributions.” In Australia, the public Age Pension has always been a defined benefit, that is, the government guarantees a level of pension benefit, payable for life. As a consequence, government bears the risk of providing retirement income. Private superannuation schemes were historically based on a defined benefit model, with the employer bearing the actuarial risk of funding an employee’s pension for life. Most superannuation funds are now funded on a defined contribution model, where the amount of superannuation contributed is stipulated through legislation and through which the individual bears the investment and “longevity” risk of outliving their savings.

Finally, pensions may be universal, means-tested or provided through social insurance. Universal pensions are paid to all citizens irrespective of their own means,

²¹ *Tax Laws Amendment (Simplified Superannuation) Act 2007* (Cth), section 280-30.

such as the case of New Zealand. Means-tested pensions like Australia's Age Pension target public spending by assessing the individual's income and/or assets and reducing payments, the more means a person has. Pensions may also be paid under a social insurance model. Social insurance is a model of pensions based on individual contributions. It is for this reason that social insurance is a "contributory" model of pensions. The German old age pension, introduced through the *Old Age and Disability Insurance Law* of 1889, was the first earnings-based social insurance system to insure "substantial numbers of workers."²² Social insurance is based on proportional payroll tax from which the government pays individual benefits.²³ Social insurance schemes can cover many areas of incapacity, such as sickness, unemployment and old age. National superannuation is a public contributory pension that falls within the social insurance model.²⁴

Retirement

Retirement and income have always been indissolubly linked.²⁵ Prior to the commencement of the first government pension systems in the late 19th and early 20th centuries, those with means were able to work less, and indeed they could elect whether to work at all. People who did have to work for a living would often rely on family, particularly younger relatives, for support as they aged. The late 19th century saw the emergence of ideas concerning poverty and charity which were influential in the development of the age pension. According to Pat Thane, the idea that the state owed a responsibility to people in the period of life after they ceased paid work was initiated in the 1870s by English clergyman, Canon William Blackley. He had become concerned about the numbers of old people who were in poverty because they could no longer work for a living.²⁶ Blackley was followed in the 1890s by English social researchers such as Charles Booth and Seebohm Rowntree, who examined the social construction of poverty. They showed that men's wages were too low to save for old

²² David M. Cutler and Richard Johnson, "The Birth and Growth of the Social Insurance State: Explaining Old Age and Medical Insurance Across Countries," *Public Choice* 120 (2004): p.97.

²³ Georges Casamatta, Helmuth Cremer and Pierre Pestieau, "Political Sustainability and the Design of Social Insurance," *Journal of Public Economics* 75 (2000): p.343.

²⁴ T.H. Kewley, "Superannuation or Selective Benefits?" *The Australian Quarterly* 44 no.2 (1972): pp.79-80.

²⁵ Pat Thane, "The History of Retirement," in Gordon L. Clark, Alicia H. Munnell and J. Michael Orszag, eds. *The Oxford Handbook of Pensions and Retirement Income* (Oxford: Oxford University Press, 2006), p.36.

²⁶ *Ibid.*, p.41.

age, but women had even less opportunity to provide for themselves or pay into a contributory scheme due to lives spent attending to the needs of others.²⁷

Government provision for the aged in Australia has always been an anti-destitution measure rather than a form of income maintenance. Australia's Commonwealth constitution in 1901 contained the power to legislate for "invalid and old age pensions."²⁸ The *Invalid and Old Age Pensions Act* passed by the federal parliament in 1908 was non-contributory, means tested and funded out of general revenue. Eligibility for the pension was based on a number of qualifying factors, including having reached the age of 65. The eligibility age was reduced to 60 years for women in 1910, on the grounds that they tended to become "incapacitated for regular work at an earlier age than men."²⁹ Again, the language describing eligibility demonstrated the intent of the Old Age Pension as a post-work anti-poverty measure. However much there had been a shift towards state acceptance of its responsibility for the aged, it was intended to be very limited.

It would not be until the post-World War II era, influenced by rising affluence and the development of the British welfare state, that income maintenance and retirement became connected in Australian public policy. The idea that retirement income should bear some relationship to a person's pre-retirement income grew, and with it the perceived need to supplement the existing Age Pension. With public finances having taken a battering during the war, the Chifley Labor government advocated a contributory superannuation scheme rather than an increased Age Pension so as to improve retirement income adequacy. A national superannuation scheme was not introduced during the post-war decades, but from this time onwards, superannuation came to be recognised among policy makers as a mechanism to lift retirement incomes.

Since the introduction of the Superannuation Guarantee there has been continued debate about its role in old age welfare, and the degree of state versus private provision for income in retirement. Former Prime Minister Paul Keating, often described as the "architect" of superannuation, argues that superannuation should

²⁷ Marian Sawyer, "Andrew Fisher and the Era of Liberal Reform," *Labour History* 102 (2012): p. 76.

²⁸ Section 51xxiii.

²⁹ T.H Kewley, *Social Security in Australia, 1900-64* (Sydney: Sydney University Press, Sydney, 1973), p.75.

supplement the Age Pension.³⁰ The Liberal – National Turnbull government in 2016 sought – unsuccessfully – to introduce an objective for superannuation as being “to supplement or *substitute* the Age Pension.”³¹ As the superannuation system matures, and more Australian workers have superannuation savings accumulated from the start of their working lives, private savings will increase and the role of superannuation in retirement incomes will gain greater significance. That said, there is a debate at present about the degree to which superannuation is reducing reliance on the public Age Pension and, consequently, the merit of increasing the rate of compulsory contributions.³²

Public Policy

The thesis examines the development of Australian superannuation policy. The Oxford Dictionary defines public policy as “the principles, often unwritten, on which social laws are based.” The thesis looks specifically at the principles reflected in national superannuation policy which the major political parties have introduced, or sought to introduce, in parliament. In this regard, the thesis is a political study of a major public policy as well as being an historical one.

The thesis uses public policy as a lens through which to study changing ideas about old age welfare, as an indicator of political and philosophical views held within the major parties about the role of the state. Public policy contains ideas, but it does not refer to an expression of ideas alone. So, in public policy there is a connection between ideas and power, how ideas gain currency in political debate and, in the setting of this thesis, how they assume national significance. Daniel Béland’s work on ideas and policy change has argued for a focus on ideas that have political currency

³⁰ Keating commented in a 2016 interview with the ABC that, “the system was built for the vast majority of people needing to rely on the age pension – with superannuation savings augmenting the pension”: ABC Fact Check, “Was Superannuation Designed to Get People off the Pension?,” 3 March 2016, available from <https://www.abc.net.au/news/2015-11-18/fact-check-was-super-designed-to-get-people-off-the-pension/6923582>.

³¹ Superannuation (Objective) Bill 2016, emphasis added.

³² Modelling by the independent national think tank, the Grattan Institute, has found that the average Australian worker retiring today can expect a combined superannuation and Age Pension of at least 91 per cent of their pre-retirement income: John Daley, Brendan Coates, Trent Wilshire, Owain Elmslie, Jonathan Nolan and Tony Chen, *Money in Retirement: More than Enough* (Melbourne: Grattan Institute, 2018). The Grattan Institute’s findings have been contested: see, for example, David Knox, *A Review of Grattan’s Work on Super. Verdict: Very Misleading* (Melbourne: Mercer, 2019); Michael Rice & Nathan Bonarius, *What is the Right Level of Superannuation Guarantee?*, Rice Warner Presentation to the Actuaries Summit, 2-4 June 2019.

and the proponents of those ideas.³³ A further discussion of the theoretical approach to public policy is in Chapter 2.

Methodology

The thesis uses a single historical case study of Australian superannuation policy between 1842 and 1992 to answer its central question and first two sub-questions, and between 1992 and 2019 to answer the third sub-question. The periodisation of the thesis gives a bird's eye view of superannuation policy development over a long sweep of time. This is a unique approach to Australian superannuation and to the broad subject of policy change, often studied by taking discrete case studies and looking at them in close detail.³⁴ It gestures to this history of the “longue durée”³⁵ by stepping back to consider policy and the ideational shifts governing it over a long period of time. What are the long-run forces that stimulate policy change, and in one direction over another? How do these long-run forces interact with more immediate considerations and conditions?

The primary reason for adopting a single case study, historical thesis is because the central thesis question and its sub-questions are “why” questions that merit an explanatory methodology. The thesis evaluates the historical evidence in a single case study in order to develop a credible account of why Australia has the superannuation system it does. The case study of this thesis is messier, more complex than “large n” studies because it is the single case study of a large policy. As a result, the thesis does not take a scientific or mechanical approach to its research questions. Over such a long expanse of time it is virtually impossible to separate out different influencing factors, especially when they overlap. Recent institutionalist literature has stressed

³³ Daniel Béland, “Ideas and Institutions in Social Policy Research,” *Social Policy and Administration* 50, no.6 (2016): pp.734-750.

³⁴ In both history and political science there has been a move away from considering small periods of time in minute detail and towards a consideration of longer time periods, and connections between historical phases. In political science, historical institutionalists have argued for a greater attention to long-term processes: Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton, N.J.: Princeton University Press, 2004); Theda Skocpol & Paul Pierson, “Historical Institutionalism in Contemporary Political Science,” in I. Katznelson & H.V Milner, eds. *Political Science: State of the Discipline* (New York: W.W. Norton), pp.693-721.

³⁵ The approach associated with the Annales school of history, which looks beyond more “traditional” timespans, for example of crises or economic cycles, and instead looks at change over a long horizon: David Armitage and Jo Guldi, *The History Manifesto* (Cambridge: Cambridge University Press, 2014), p.16. The history of the longue durée often takes in many hundreds of years or even millennia, and in this sense the timespan of this PhD is a short version of it.

the “complexity, ambiguity and multiple effects of institutions over time.”³⁶ The thesis deals in what Hecló describes as “that difficult but perhaps rewarding middle zone – between the large questions with no determinate answers and the small questions of tiresome and often insignificant conclusiveness.”³⁷

The long time frame of the thesis necessitates a relatively more superficial examination of each point in time. There are events, points of view and perhaps most importantly, nuances which this type of history cannot hope properly to capture. This is why the thesis is limited to the development of a single policy. A comparative study over such an expanse of time would have been a much larger task, beyond the confines of a PhD. It would not have permitted the same depth of analysis of superannuation policy in relation to other institutions of old age welfare over time, critical to one of the key arguments of the thesis: that a national superannuation scheme was not successfully introduced because of existing institutions of old age welfare. The thesis does, however, provide the basis for fruitful comparative studies of national superannuation, occupational superannuation and public pension policy.

The specific unit of study is Australian superannuation policy through its history and three cross-cutting themes are addressed. These themes are gender coverage, influences on policy makers, and risk. By including these themes, the approach taken has produced insights that feed into a wider discussion about the changing shape of the Australian welfare state. Contributory pension financing was a feature of early national superannuation proposals, and it was the Labor Party that primarily opposed it. Its acceptance of contributory financing would become central to the success of the modern system. The gender implications of a contributory pension system based on wages have been raised at every juncture since national superannuation was first proposed. What is different to the proposal in the 1970s is that there is no progressive redistribution of taxation that might benefit women; the flat tax on superannuation has a regressive effect on those with lower incomes, the majority of whom are women. The theme of risk is traced through each period – the judgments about who should bear risk for income in retirement, as reflected in national policy.

³⁶ Daniel Béland, *How Ideas and Institutions Shape the Politics of Public Policy* (Cambridge: Cambridge University Press, 2019), p.10.

³⁷ Hugh Hecló, *Modern Social Politics in Britain and Sweden: From Relief to Income Maintenance* (Yale: Yale University Press, 1975), p.16.

When history is used as an explanatory tool in public policy there can be a sense that it explains everything and it explains nothing. Every act, every omission, every relationship or economic event, indeed every policy reform, is capable of being explained by the sequence of events that went before. As political scientist James Mahoney has noted about the concept of historical path dependence, it is often defined as “little more than the vague notion that ‘history matters’ or that ‘the past influences the future.’”³⁸ Where history is most powerful in answering this charge is in its engagement with contingency, with pathways that are taken because of particular historical circumstances and an exploration of counterfactuals.³⁹ Hugh Stretton observed that there are particular qualities that historians bring to analysis of public policy: their capacity to weigh hard and soft data, to see wholes as well as parts, to acknowledge the contingent as well as the predictable in human affairs, and to be critical of the values which influence the making of policy, including their own.⁴⁰ This thesis is itself an argument for the role of history of public policy, not confined to narrow questions of “necessary” and “sufficient” causes.

The narrative of this thesis shows the importance of sequencing for the evolution of superannuation policy.⁴¹ With the Age Pension and private savings forming the basis of retirement income policy, it became very complex to try to introduce a social insurance pension which would be layered on top of it. When national superannuation was rejected in 1979 by the Fraser Government, there was a conscious move by leaders of the union movement to pursue industrially what could not be achieved politically.⁴² In dealing with these questions of contingency, of what led to changes in the course of superannuation policy, the narrative approach is distinguishable from description, or mere storytelling. The latter would document the evolution of superannuation policy, but without the same emphasis on “why change?”. Narrative analysis has “the obvious

³⁸ James Mahoney, “Path Dependence in Historical Sociology,” *Theory and Society* 29, no.4 (2000): p.507.

³⁹ As Mahoney argues, “...path dependence characterizes specifically those historical sequences in which contingent events set into motion institutional patterns or event chains that have deterministic qualities”: *Ibid.*, p.507.

⁴⁰ Hugh Stretton, “The Botany Bay Project: Historians and the Study of Cities,” *Historical Studies* 19, no.76 (1981): pp.430-9 cited in Graeme Davison, “Paradigms of Public History,” *Australian Historical Studies* 24, vol.96 (1991): p.15.

⁴¹ Sequencing is a foundational element of historical institutionalism: Skocpol & Pierson, “Historical Institutionalism in Contemporary Political Science,” p.700. This is discussed further in Chapter 2 in setting out the theoretical framework of the thesis.

⁴² Christine St Anne, *A Super History. How Australia's \$1 Trillion+ Superannuation Industry was Made* (Melbourne: Major Street, 2012), p.17.

strength of allowing the analyst to show sensitivity to detail, process, conjecture and causal complexity.”⁴³

The following Chapter 2 sets out the bodies of literature used in this thesis to grapple with this challenge. The theoretical framework it sets out is historical institutionalism and within this body of theory, path dependence. In its use of the concepts of “critical junctures” and “path dependence,” contingency is also paramount in historical institutionalism.⁴⁴ The thesis focuses on long-term institutional features and short-term factors that precluded national superannuation being introduced until the Superannuation Guarantee. It also acknowledges the role of pragmatism in the policy process, that superannuation policy was often not the result of a consistent development of principles but a political response to circumstance.

While this is not a comparative thesis, international influences over pension policy are woven into the narrative because they were woven into the process of policy development itself. International ideas about pension adequacy, living standards and principles of economic management have all featured in the development of Australian superannuation. So too, the campaigns by international movements such as the corporate model of pension fund management advocated by Swedish trade unions. Comparative studies are very useful for drawing out similarities and differences across systems, but are less capable of drawing out the same level of detail about the unique processes of change as a single case study does. Comparative studies about Australian superannuation have also been undertaken, a substantial amount of which compares the retirement income systems of Australia and New Zealand.⁴⁵ A large body of literature considers the Australian pension system from a broader comparative

⁴³ James Mahoney, “Nominal, Ordinal and Narrative Appraisal in Macrocausal Analysis,” *American Journal of Sociology* 104, no.4 (1999): p.1168.

⁴⁴ Giovanni Capoccia & R. Daniel Kelemen, “The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism,” *World Politics* 59, no3 (2007): p.343.

⁴⁵ *The Politics of Retirement Savings Taxation: a Trans-Tasman Comparison* (Sydney: CCH, 2010). See also Lisa Marriott, “Innovation in Retirement Savings Policy: The New Zealand Experience,” *Journal of Comparative Policy Analysis* 12, no.2 (2010): pp.197 – 212; Helen Hodgson and Lisa Marriott, “Retirement Savings and Gender: An Australasian Comparison,” *Australian Tax Forum* 28, no.4 (2013): pp.725-752; and Nolan, “‘Super’ Debates within the Antipodes?,” pp.435-451.

perspective.⁴⁶ Driven largely by Esping-Andersen's work, a subset of the comparative welfare literature examines Australia's welfare state "typology" comparatively.⁴⁷

The thesis is not a scientific causal account of why the Australian superannuation system is the way it is. What the design foregoes in terms of scientific rigour, the thesis gains in terms of rich historical detail about Australian superannuation policy and more broadly about the nature of policy change. As Collier and Mahoney observe, studies of cases selected on the dependent variable, in this case national superannuation policy, are "ideal for digging into the details of how phenomena come about for developing insights. They identify plausible causal variables."⁴⁸ Furthermore, while there is a risk of overestimating the importance of explanations discovered in this case study, the complexity which a single case study allows can lead to invaluable insights that may serve as the basis for investigation into a broader set of observations.⁴⁹

Sources

The primary sources used in the thesis are archival material, legislative and parliamentary primary material and a set of 45 semi-structured elite interviews. The thesis also drew on a large body of secondary literature. These are outlined here in turn.

The archives used for the thesis were the Australian Council of Trade Unions and the Michael Easson collection at the Noel Butlin Archives Centre, Australian National University; the National Archives of Australia; the Records of the Australian Labor Party Federal Secretariat and Records of the Australian Labor Party Parliamentary Caucus at the National Library of Australia; Records of the Australian Labor Party Victorian Branch at the State Library of Victoria; Records of the Liberal Party of

⁴⁶ See, for example, Peter Saunders, *Welfare and Inequality: National and International Perspectives on the Australian Welfare State* (Melbourne: Cambridge University Press, 1994); Francis Castles and Christopher Pierson, "A New Convergence? Recent Policy Developments in the United Kingdom, Australia and New Zealand," *Policy & Politics* 24, no.3 (1996): pp.233-245; Peter Whiteford, "The Australian Tax-Transfer System: Architecture and Outcomes," *Economic Record* 86 (2010): pp.528-544.

⁴⁷ Gøsta Esping-Andersen, *Three Worlds of Welfare Capitalism* (London: Princeton University Press, 1990) and critiques such as Francis Castles and Deborah Mitchell, "Worlds of Welfare and Families of Nations," in Francis Castles, ed. *Families of Nations: Patterns of Public Policy in Western Democracies* (Dartmouth: Aldershot, 1993), pp.93-128.

⁴⁸ Barbara Geddes, "How the Cases you Choose Affect the Answers you Get: Selection Bias in Comparative Politics," *Political Analysis* 2 (1990), p.149.

⁴⁹ David Collier and James Mahoney, "Insights and Pitfalls: Selection Bias in Qualitative Research," *World Politics* 49, no.1 (1996), p.88.

Australia Federal Secretariat at the National Library of Australia; the Keith Hancock Collection at Flinders University; Records of the Federated Storemen and Packers' Union and the William Landeryou Collection at the Baillieu Library, University of Melbourne. The archival material used in these archives included policy platforms, internal correspondence, committee papers, minutes of meetings and speeches. The sources of this material included political parties, government, the media, civil society organisations and personal collections. I was very fortunate to be given access to the private papers of former Prime Minister Paul Keating; Michael Rice; Race Mathews; Julian Disney; Eva Cox and George Megalogenis.

Being concerned with an issue of national policy, the thesis naturally refers to a substantial amount of legislative and parliamentary primary material. This includes bills and legislation, Hansard, case law, press releases and media coverage of legislation.

The 45 interviews conducted for the thesis were with current and former senior politicians, political advisers, union leaders, business leaders, civil society leaders, public servants, academics and journalists. It was particularly useful to interview the Prime Minister who introduced the Superannuation Guarantee, Paul Keating. Prior to his death in May 2019, an approach was made to former Prime Minister Bob Hawke for his role in the development of superannuation policy through the government-union "Accord" process. Approaches were also made to former Prime Minister John Howard, for his role as Treasurer in the Fraser Government that ultimately rejected the national superannuation scheme proposed by the Whitlam Government; to former Treasurer Peter Costello; and to former Labor Senator Nick Sherry who was closely involved in the "choice of fund" debates. Unfortunately, neither Mr Howard, Mr Hawke, Mr Costello nor Mr Sherry were available for interview. An approach was also made to Gough Whitlam's speechwriter, Graham Freudenberg, for his recollection of Whitlam-era superannuation, but Mr Freudenberg's ill health at the time prevented the interview taking place.

Finally, the thesis draws on a broad secondary literature, both in terms of time and breadth of subject matter. One of the challenges was to engage with secondary literature across a very long period of time. This has meant taking a bird's eye view of the period from the middle of the 19th century through to 2019, while zooming in on

certain periods. The areas of secondary literature cover domestic, international and comparative pension policy literature; economic policy; taxation history; Australian politics; ALP and union history; and the specific literature on superannuation. Within these subject areas there was considerable diversity of sources, including academic literature; “grey” policy literature such as reports by governments and think tanks; policy reviews and submissions to government inquiries.

Structure of the thesis

The thesis contains seven chapters following this introduction.

Chapter two performs two functions. First, the chapter examines the literature on Australian superannuation and the period of Labor politics in which the modern superannuation system was introduced. It shows that there is an acknowledgment of historical foundations for modern superannuation policy that extend back beyond the election of the Hawke Government in 1983, but little analysis of any earlier period. Likewise, the links between the earlier period and 1983 onward receive little attention. It therefore situates the thesis as filling this conceptual and empirical gap. Second, it outlines the theoretical framework of the thesis, historical institutionalism. The chapter sets out the theory and recent debates within historical institutionalism about the nature of policy change, particularly as it applies to pension policy. It then establishes how the theory will be used in the thesis: to argue that the development of superannuation policy up to 1992 owes much to the path dependency of the existing institutions of old age welfare in Australia, and that incremental changes to superannuation policy since 1992 reflect power struggles within the private system.

Chapter three focuses on secondary and archival material to examine the principles of pension policy from the time of the first colonial age pensions up until the end of World War II. It examines the first, unsuccessful attempts to introduce a national superannuation scheme in 1913, 1928 and 1932.

Chapter four explores the post-war move towards income maintenance in retirement income policy, and the rhetorical “contributory turn” of the Australian Labor Party in pension policy. It then examines the principles that underpinned the scheme of national superannuation proposed by the Hancock Inquiry, commissioned by the Whitlam Government.

Chapter five explores the treatment of the Hancock Inquiry by the Fraser Government and other institutions of state. It also examines the interrelationship between the rejection of the Hancock Inquiry and the upswing in industrial activity around occupational superannuation.

Chapter six begins in 1983, when national superannuation was still a policy of the new Hawke Government. The chapter then examines the way that the idea of superannuation changed from being a policy of social insurance to an industrial policy. It shows that the fundamental elements of the modern superannuation system evolved out of existing occupational superannuation schemes, a fundamental difference from superannuation as social insurance. The chapter concludes in 1992 with the introduction of the modern superannuation system under the “Superannuation Guarantee.”

Recalling the theoretical framework set out in chapter two on policy layering and drift, **chapter seven** then examines superannuation policy since the introduction of the Superannuation Guarantee since 1992. It argues that the Superannuation Guarantee established its own path dependency, from which modern debates about “choice of fund” stem. It examines these debates to highlight examples of policy “layering” and “drift” since 1992.

Chapter eight is the conclusion.

This is a thesis which seeks to contribute, in some small way, to our understanding of a significant social and economic reform. In its approach, this thesis is also an argument for the role of history in public policy. At a moment in local and international politics where so little seems to make sense, memory matters most.

Chapter Two: Literature Review and Theoretical Framework

This chapter outlines the four bodies of literature which are used in the thesis. Firstly, it examines the existing literature on the history of Australian superannuation. Secondly, and connected with the first body of literature, the chapter looks at the treatment of economic reforms by the Hawke (1983 – 1991) and Keating (1991 – 1996) governments and considers the arguments about the way those reforms relate to Labor tradition. Third, the chapter introduces historical institutionalism as the theoretical framework of the thesis, and within it the concepts of path dependency, critical junctures and incremental change. Finally, the chapter locates the formation of Australian superannuation within the literature on welfare state change, applying the theoretical concepts introduced in section three and presenting a visual depiction of the theoretical argument taken up in subsequent chapters.

Australian superannuation

For one of the most significant social policy reforms in Australia’s history, there are few studies of the formation of Australian superannuation. There are even fewer studies that place Australian superannuation in its long-term historical context. The basic point made by this thesis is that Australian superannuation has a longer history than is commonly understood, with roots in long-standing welfare state institutions.

By way of contrast, there is a large body of academic and public policy literature concerning superannuation policy and directions for reform.⁵⁰ The focus on superannuation since the Superannuation Guarantee was introduced is to be expected but only affirms the importance of historical studies that ask how and why the scheme came into being. In recent years, superannuation has featured regularly in the national media as the subject of tax and regulatory change. Moreover, as the pool of savings has grown, questions have arisen over its objective.⁵¹ It is not uncommon to read stories about the “ever shifting goalposts” that legislators impose

⁵⁰ See, for example, Hazel Bateman, “Regulation of Australian Superannuation,” *Australian Economic Review* 36, no.1 (2003): pp.118-127; Jim Minifie, Tim Cameron & Jim Savage, *Super Savings*, Grattan Institute Report, No. 2015-1, April; and Rafal Chomik & John Piggott, “Australian Superannuation: The Current State of Play,” *The Australian Economic Review* 49, no.4 (2016): pp.483-493.

⁵¹ In March 2016 the conservative coalition government under Prime Minister Malcolm Turnbull introduced a bill to legislate an objective of superannuation as being “[T]o provide income in retirement to substitute or supplement the Age Pension”: see Treasury Discussion Paper, 9 March 2016. This legislation was blocked in the Senate.

on the sector.⁵² Superannuation has also been a political battleground. Most recently, the Morrison Coalition government announced after the May 2019 election that it will hold a review of the retirement income system during the term of the current parliament, including over the process of allocating members to funds.⁵³

Nicholas Morris has examined the implications of increasing complexity in the private superannuation system. As he argues, superannuation policy has suffered from “stop-go” effects of a short electoral cycle and the tendency of incoming governments to overturn policies initiated by their predecessors.”⁵⁴ This is evident in the discussion in Chapter 7 of this thesis. Morris has also noted, like this thesis does, that

Australian superannuation policy reflected developments in Europe, the UK and the US, and in particular ideological struggles between those who believed in public control and administration, and those who believed in the primacy and efficiency of markets.⁵⁵

Over the past decade there have been a handful of histories published on the creation of Australian superannuation. In *Workers' Capital* (2017), Bernard Mees and Cathy Brigden have written a labour history of “industry” superannuation funds and the union campaigns for universal superannuation coverage.⁵⁶ Their self-described focus is on “the industry-union superannuation movement, its origins, achievements and

⁵² See, for example, Noel Whittaker, “Super Goalposts Shift Again,” *Newcastle Herald*, 15 October 2015, p.19; Fiona Reynolds, “Why shift goal posts on retirement?” *ABC News*, 29 May 2009; and Scott Pape, “Goalposts in superannuation game keep shifting,” *Herald Sun*, 29 September 2012.

⁵³ John Kehoe & Phillip Coorey, “Retirement Incomes Face Review,” *Financial Review*, 24 May 2019. The Productivity Commission recommended a review into the retirement income system in its 2018 report, *Superannuation: Assessing Efficiency and Competitiveness* (Canberra: Productivity Commission).

⁵⁴ Nicholas Morris, “The Cost of Complexity: Australian Superannuation,” (PhD diss., University of New South Wales, 2014), p.70.

⁵⁵ *Ibid.*, p.70. See also Nicholas Morris, *Management and Regulation of Pension Schemes: Australia – A Cautionary Tale* (London: Routledge, 2018)

⁵⁶ Bernard Mees & Cathy Brigden, *Workers' Capital: Industry Funds and the Fight for Universal Superannuation in Australia* (Crows Nest: Allen & Unwin, 2017). The survey data on superannuation coverage is patchy until 1974, when the Australian Bureau of Statistics (ABS) conducted its first national survey of superannuation coverage. As at February 1974, 29 per cent of employed persons were covered by superannuation, with coverage in public administration and defence highest, at 72 per cent, and agriculture and primary industries the lowest, at 6 per cent: ABS, *Survey of Superannuation*, Reference no.42, February 1975; ABS, *Year Book Australia 1974*, cat. no.1301.0; Kai Swoboda, “Major Superannuation and Retirement Income Changes in Australia: a Chronology” (Canberra: Parliamentary Library, 2014), available from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/SuperChron#_Toc382309882.

present-day challenges.”⁵⁷ They argue that union campaigns for occupational superannuation rights and the formation of the first industry funds in the late 1970s laid the foundations for industry-based superannuation and subsequently, the system that was legislated in 1992. Mees and Brigden devote some time to old age welfare policy and the “pre-history” of superannuation policy, as it existed prior to the 1980s. In their characterisation, Australia had a “lopsided welfarism” up to the introduction of the Superannuation Guarantee, with a means-tested Age Pension and superannuation coverage “largely restricted to the wealthiest employees.”⁵⁸

This thesis concurs with much of *Workers’ Capital*, but theirs is a labour history of superannuation, whereas this is a history of the development of national superannuation policy. The thesis is primarily concerned with explaining policy continuity and change and uses theoretical explanations to do this. As a result of its theoretical grounding, the thesis uses a longer time frame to engage with concepts of long-term stasis and change. It argues that the unsuccessful attempts to introduce national superannuation throughout the 20th century are critical to understanding why the system was introduced in 1992. In the context of a longer history in which national superannuation was continually rejected, the significance of the shift to occupational superannuation as the basis for national policy in the 1980s is only amplified.

Keating and Kelty’s Super Legacy by Mary Easson (2017) is an oral history of superannuation policy under the Hawke and Keating governments. The study is based on her 2014 Master’s thesis and relies on interviews with union leaders and Labor parliamentarians. Easson places a large degree of emphasis on the roles of former Prime Minister Paul Keating and union leader Bill Kelty in the success of superannuation in 1992. The author is a former member of the Keating government herself, and her objective is to document the achievements of that government rather than to provide an empirical study of superannuation. As Chapter 6 of this thesis notes, Keating and Kelty were undoubtedly two of the critical actors – if not the critical actors – in the immediate period before the introduction of the Superannuation Guarantee, but Easson’s book does not consider the role of institutions. As Mees and Brigden note, neither Easson’s book nor Christine St

⁵⁷ Mees & Brigden, *Workers’ Capital*, p.5.

⁵⁸ *Ibid.*, pp.10-12.

Anne's *A Super History* (2012) are written as a history of industry superannuation, let alone the politics of superannuation policy more broadly.⁵⁹

St Anne's *A Super History: How Australia's \$1 trillion+ Superannuation Industry was Made* also looks at the industrial and political origins of the Superannuation Guarantee.⁶⁰ She uses interviews to record a narrative of the individuals and groups that made the modern superannuation system. The way St Anne periodises her study falls into the conventional focus on the Hawke and Keating governments and of Labor history – her timeline of Australian superannuation commences in 1983 when the “Hawke government commits in principle to occupational superannuation. Reform of Australia's superannuation begins.”⁶¹

In its evidence, *A Super History* gestures to the connections between national superannuation as a policy and later reforms, but these are gestures only. In Shaw's interview with union leader and former federal Labor leader Simon Crean, he recalled that after the rejection of superannuation proposed by the Whitlam government (1972 – 1975), “[T]he unions, which I was part of, developed a strategy that if we can't win it [a national superannuation scheme] legitimately through the political process we will pursue it industrially.”⁶² Similarly, Hawke government Treasurer and later Prime Minister Paul Keating stated that because the government “pursued superannuation occupationally” he did not propose a government fund. He also noted that in some industries, people already had superannuation, implying that this made a national fund a less attractive policy option.⁶³ The rejection of national superannuation and the pursuit of broader occupational superannuation coverage were inextricably connected, and explain why Australia has a private system of superannuation and not a government scheme.

Rhonda Sharp and Diana Olsberg's approaches are closest to the one taken in this thesis. Sharp points to the “countervailing history of a system of employment-based, or occupational welfare in Australia” as one of the forces contributing to the demise of

⁵⁹ Ibid., p.4.

⁶⁰ Christine St Anne, *A Super History: How Australia's \$1 trillion Superannuation Industry was Made* (Melbourne: Major St Publishing, 2012).

⁶¹ Ibid., p.98.

⁶² Ibid., pp.17, 19.

⁶³ Ibid., p.78.

national superannuation as an idea in the 1980s.⁶⁴ As sections three and four of this chapter set out, this thesis focuses on the legacies of the institutions of old age welfare to make its argument that national superannuation became a more difficult proposition, the longer that the 20th century wore on and as occupational superannuation schemes proliferated.

Olsberg's doctoral dissertation, "Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia's National Retirement Income Regime" (1992), looks at union involvement in Australia's retirement income policy during the term of the Hawke government (1983 – 1991).⁶⁵ Retirement income policy during the period was, Shaw argues, a "neo-corporatist continuum" where policy was the result of "informal negotiations, factional deal-making and autocratic decision-making" which were hallmarks of Australia's "managerial and post-industrial neo-corporatism."⁶⁶ Given this argument, her analysis naturally focuses on the government-union agreements made from 1983 onwards, the "Accords." Shaw argues that original union demands for superannuation arose when direct wage increases were not possible, in the context of high inflation and unemployment.⁶⁷ As a result, superannuation as a form of deferred wages took hold as an idea, and this was reflected in the Accords. As this thesis will argue, there was a confluence between the economic conditions favouring a deferred wages model of superannuation and the recognition of labour leaders that national superannuation could not be pursued "politically," but could be pursued "industrially." This argument is taken up in Chapter 6 of this thesis.

Olsberg draws on institutional theory to explain the development of Australia's national retirement income policies. The period to which Olsberg applies this analysis is from the beginning of the 20th century until 1983. Drawing on the work of Castles, Shaver and others, she argues that institutional features ensured the continuity of

⁶⁴ Rhonda Sharp, "The Rise and Rise of Occupational Superannuation under Labor," *Journal of Australian Political Economy* 30 (1992): p.29.

⁶⁵ The thesis was written under Olsberg's maiden name: Diana Shaw, "Trade Union Participation in Public Policy-Making: The Rise and Demise of Australia's National Retirement Income Regime" (PhD diss., University of New South Wales, 1992). Her thesis was subsequently published as *Ageing and Money: Australia's Retirement Revolution* (Sydney: Allen & Unwin, 1997), however the theoretical discussion of neocorporatism does not form part of the book. *Ageing and Money* provides an overview of the Australian superannuation system, its implications for men and women, and the particular effects of a privatised scheme.

⁶⁶ *Ibid.*, p.211.

⁶⁷ *Ibid.*, p.165.

Australia's national retirement income policies up until the 1980s. These institutional features included the centralised system of wage regulation; the system of compulsory conciliation and arbitration which mediated between capital and labour; a closed economic system based on trade tariffs; and a rigid labourist tradition where unions were reliant on the ALP for social wage benefits.⁶⁸ While proposals for a national superannuation scheme were unsuccessful before World War II, the emergence of national superannuation as a post-war policy of the Whitlam government she attributes to a recognition of the inequities in occupational superannuation.⁶⁹

Finally, Lisa Marriott has carried out a comparative analysis of the retirement taxation regimes in Australia and New Zealand.⁷⁰ Looking at the period between 1982 and 1992 in both countries, Marriott argues that ideas were a "key dimension" in shaping the different pathways of retirement savings taxation. Melanie Nolan has used institutional theory for a comparison between the same countries, focusing specifically on superannuation policy and the different pathways of policy that commenced in the 1970s.⁷¹ Both Marriott's and Nolan's work has been used at various points in this thesis.

The "Hawke-Keating era" and Labor tradition

It was ultimately the Hawke and Keating Labor governments of the 1980s and 1990s that would conclusively reject a national superannuation scheme and introduce a national occupational one. Australian superannuation is most commonly situated within the set of economic reforms introduced by these governments. Three strands of the "Hawke-Keating literature" have most bearing on the development of superannuation. Firstly, the literature shows that the Hawke and Keating governments were responding to economic conditions, self-consciously seeking to manage the economy differently from the Whitlam government by exercising public spending restraint. Secondly, key actors within the Hawke and Keating governments and in the union movement were acting with a high degree of pragmatism in

⁶⁸ Ibid., p.125, 127.

⁶⁹ For example, greater access to superannuation. Olsberg notes that those provided with superannuation were usually (male) management staff: p.115.

⁷⁰ Lisa Marriott, "The Politics of Retirement Savings Taxation: A Trans-Tasman Comparison" (PhD diss., Victoria University of Wellington, 2008).

⁷¹ Melanie Nolan, "'Super' Debates within the Antipodes? Explaining Differing New Zealand and Australian Retirement Policies in the late Twentieth Century," *Australian Journal of Politics and History* 62, no.3 (2016): pp.435-451.

supporting an occupational superannuation model through the mechanism of superannuation as deferred wages. Thirdly, there is a question as to whether superannuation continued or departed from Labor tradition.

The Hawke and Keating governments adopted a different economic orthodoxy to previous Labor governments. The Hawke government was elected at a time when monetarism dominated as an economic theory, having risen to prominence with the election of the Thatcher government in 1979 and the Reagan administration in 1980. A corollary of this was the deregulation of many areas of government. The economic agenda of the 1980s and 1990s was focused on reducing inflation, restraining wages, tariff cuts, micro-economic reforms to increase economic growth, the shift to an enterprise bargaining wages system and an associated campaign to reduce Australia's consumption and increase its savings.⁷² Superannuation spoke to a number of these elements of the economic reform agenda – reducing inflation, restraining wages and increasing Australia's savings, all through deferred wages. Former federal shadow treasurer Chris Bowen has written that the decision by the Keating government in 1991 to introduce legislation for compulsory universal superannuation authorised the “political revolution building on Hawke government policy,” and, for the Labor Party, “involved an intellectual transition from retirement welfarism to compulsory self-provision through the share market.”⁷³

Social security also departed from the universalism of the Whitlam period. In 1978 the Fraser government began the retreat from a short-lived period of welfare universalism through freezing the rate of pension paid without an income test to those aged 70 or over.⁷⁴ The Hawke government then introduced an assets test in 1985.⁷⁵ In his book *The Australian Moment* (2012), George Megalogenis argued that Keating's primary motivation in legislating the Superannuation Guarantee was to reduce dependence on the Age Pension by the time the baby boomer generation began to retire.⁷⁶ In *The End of Certainty* (1992), fellow journalist Paul Kelly had

⁷² Paul Kelly, *The End of Certainty: Power, Politics and Business in Australia* (St Leonards: Allen & Unwin, 1992), p.201.

⁷³ Chris Bowen, *The Money Men: Australia's 12 Most Notable Treasurers* (Melbourne: Melbourne University Press, 2015), p.144.

⁷⁴ Dale Daniels, “Social Security Payments for the Aged, People with Disabilities and Carers 1909 to 2010” (Canberra: Parliamentary Library, n.d.).

⁷⁵ *Ibid.*

⁷⁶ George Megalogenis, *The Australian Moment: How We Were Made for These Times* (Melbourne: Penguin, 2012), p.242.

also made this point, noting that for Keating, the Age Pension would not suffice as the main “pillar” of retirement income, and that “historians will be shocked to realise that universal superannuation had its origins in centralised wage fixation.”⁷⁷

A body of literature has developed around the question of whether the Hawke and Keating governments built on a progressive tradition, adapted for changing economic conditions, or whether their reforms were part of a “neoliberal” or “economically rationalist” agenda.⁷⁸ It is an uncontroversial observation that the reforms of the 1980s and 1990s represented a shift by Labor governments to market-based policies. These governments have attracted characterisations of being “economically rationalist” or “neoliberal,” abandoning the post-war welfare state.⁷⁹ On retirement income policy specifically, Karimi has argued that

neoliberal pressures for welfare state restructuring steered Australian social policy on retirement income towards consolidating state-mandated, privately managed provision of retirement income and revising an intrusive, means-tested retirement pension system.⁸⁰

The precise “neoliberal pressures” are not well articulated by Karimi; nor is there an acknowledgment of other more proximate reasons Australia adopted its state-mandated employer scheme,⁸¹ including the pre-existence of Australian occupational schemes which provided a model for government policy.

⁷⁷ Kelly, *The End of Certainty*, p.145.

⁷⁸ Graham Maddox, *The Hawke Government and Labor Tradition* (Melbourne: Penguin, 1989); Graham Maddox & Tim Battin, “Australian Labor and the Socialist Tradition,” *Australian Journal of Political Science* 26, no.2 (1991): pp.181–196; Carol Johnson, *The Labor Legacy: Curtin, Chifley, Whitlam, Hawke* (Sydney: Allen & Unwin, 1989); Haydon Manning, “The ALP and the Union Movement: ‘Catch-All’ Party or Maintaining Tradition?” *Australian Journal of Political Science* 27 (1991): pp.12–30; and Joe Collins & Drew Cottle, “Labor Neoliberals or Pragmatic Neo-laborists?: The Hawke and Keating Labor Governments in Office, 1983–96,” *Labour History* 98 (2010): 25–37.

⁷⁹ See, for example, Rob Watts, *The Foundations of the Welfare State* (Sydney: Allen & Unwin, 1987); Peter Beilharz, Mark Considine & Rob Watts, *Arguing about the Welfare State* (North Sydney: Allen & Unwin, 1992) and Rob Watts, “‘Running on Empty’: Australia’s Neoliberal Social Security System, 1988–2015,” in Jennifer Mays, Greg Marston & John Tomlinson, eds, *Basic Income in Australia and New Zealand: Perspectives from the Neoliberal Frontier*, pp.69–91 (Basingstoke: Palgrave Macmillan, 2016).

⁸⁰ Sirvan Karimi, *Beyond the Welfare State: Postwar Social Settlement and Public Pension Policy in Canada and Australia* (Toronto: University of Toronto Press, 2017), p.161).

⁸¹ See Podger’s discussion of the pragmatic reasons for state-mandated superannuation policy, which he marks out as an omission in Karimi’s study (2017, p.590).

Writing in 1983, at the start of the Hawke government, Adam Graycar saw occupational superannuation within the “privatizing mood of the 1980s.”⁸² Social security spending went from 7 per cent at the start of the Hawke government to a peak of 8.1 per cent of GDP in 1993 during the recession under the Keating government.⁸³ On the other hand, the Hawke and Keating governments increased targeting of social payments such as the Age Pension and family allowances. Castles has written that the return to welfare targeting has certain characteristics of a “Third Way” reform, “being designed to reallocate the costs of increasing pension provision upon labour market actors, leaving the state to guarantee provision for those with low incomes.” Stebbing and Spies-Butcher describe it as the “neo-liberal approach of confining state action to assisting those most in need.”⁸⁴

Even among those whose interpretation is that the Hawke and Keating governments evinced, through their policies and rhetoric, a neoliberal or economic rationalist agenda, superannuation tends to be marked out, along with Medicare, as being a significant social reform in the Labor tradition.⁸⁵ Schulman writes that Medicare and superannuation were the exceptions to the rule that national social policy in the 1980s was “generally reactive rather than proactive.”⁸⁶ Maddox observes that social advances made with the signing of the Accords, including superannuation, would “at least open up the possibility of more social reform and more political – flowing from the industrial – democracy.”⁸⁷

Some of the literature emphasises the considerable changes to the economy as a result of the reforms of the Hawke and Keating governments. These reforms were, in turn, responses to stagflation at the end of the 1970s. In *The End of Certainty*, Kelly argues that the 1980s was a decade in which the ideas and institutions by which Australia was governed were redefined. He observes that the origins of the union-

⁸² Adam Graycar, ed, *Retreat from the Welfare State: Australian Social Policy in the 1980s* (Sydney: Allen & Unwin, 1983), p.8. The form of occupational superannuation which was the subject of Graycar’s discussion was private occupational superannuation on which the union-government “Accords” were later based.

⁸³ Peter Whiteford, “Social Security and Welfare Spending in Australia: Assessing Long-Term Trends,” TTPI Policy Brief, 1/2017, Table A.1, p.32.

⁸⁴ Adam Stebbing & Ben Spies-Butcher, “‘Universal’ Welfare by Other Means? Social Tax Expenditures and the Australian Dual Welfare State,” *Journal of Social Policy* 39, no.4 (2010): p.587.

⁸⁵ Graham Maddox, *The Hawke Government and Labor Tradition* (Melbourne: Penguin, 1989) and Jason Schulman, *Neoliberal Labour Governments and the Union Response: The Politics of the End of Labourism* (New York: Palgrave MacMillan, 2015).

⁸⁶ Schulman, *Neoliberal Labour Governments and the Union Response*, p.75.

⁸⁷ Maddox, *The Hawke Government and the Labor Tradition*, p.38.

government Accord lay in a reconsideration by the political and industrial wings of the labour movement after the Whitlam failure, writing that, “the Accord arose directly from the failures of Whitlamism...under Hawke the Accord harnessed the potential of the unions to help Labor’s economic management.”⁸⁸

What is far clearer than any “neoliberal” agenda is that occupational superannuation was a highly pragmatic policy. Rather than a dramatic shift in policy as a result of ideological change, it was more a question of what was deemed to be economically possible.⁸⁹ Superannuation policy under these governments saw these administrations being adaptive to challenges and opportunities, something which Bongiorno sees as a longer-term Australian pattern.⁹⁰

Despite the absence of a “neoliberal” agenda, the intention was to shift risk for retirement on to individuals. This was, Elizabeth Humphrys notes, part of a global trend and institutionalised the role of the private sector in the retirement income system.⁹¹ The Australian unions did not, however, “appear to seriously consider the consequences of shifting retirement risk onto workers.”⁹²

Historical Institutionalism

Historical institutionalism has guided the interpretation of the evidence, but also underpins the way the thesis is organised as an historical narrative. It is one of the three “new institutionalisms” which emerged in the 1970s and 1980s, placing institutions at the centre of explanations of continuity and change.⁹³ At its highest level, historical institutionalism explores how historically contingent political institutions and policy legacies affect the policy-making process.⁹⁴ Institutions are said to limit the range of possible political choices at any given time, and to have a

⁸⁸ Kelly, *The End of Certainty*, p.61.

⁸⁹ Ashley Lavelle, “Social Democrats and Neo-Liberalism: A Case Study of the Australian Labor Party,” *Political Studies* 53 (2005): p.755, 758.

⁹⁰ Frank Bongiorno, *The Eighties: The Decade that Transformed Australia* (Melbourne: Black Inc, 2015): p.304.

⁹¹ Elizabeth Humphrys, *How Labour Built Neoliberalism: Australia’s Accord, the Labour Movement and the Neoliberal Project* (Leiden, Boston: Brill, 2019), p.150.

⁹² *Ibid.*, p.151.

⁹³ Along with rational choice institutionalism and sociological institutionalism: Peter Hall & Rosemary Taylor, “Political Science and the Three New Institutionalisms,” *Political Studies* 44, no.5 (1996): pp.936-957.

⁹⁴ Daniel Béland, “Policy Change and Health Care Research,” *Journal of Health Politics, Policy and Law* 35, no 4 (2010): p.617.

determinative role in shaping the contours of what comes next. Historical institutionalism is distinguishable from rational choice institutionalism, with its acceptance that individual decision-making can be observable in isolation from the context in which decisions are made. Historical institutionalism, with its focus on the role of time-contingent events, necessarily adopts a contextual approach. It also differs from sociological institutionalism in that the latter foregrounds the role of extra-institutional factors such as culture, class conflict or interest group power in influencing change.⁹⁵

Historical institutionalism has multiple implications for policy study, including by paying attention to long-term policy processes because of a conviction that existing explanations are inadequate.⁹⁶ This thesis began from such a conviction. Through the lens of historical institutionalism, the introduction of superannuation in 1992 is the product *both* of institutions that were established in the late 19th and early 20th centuries, and the reforms of labour actors from the 1970s onwards.

The theoretical framework of this thesis is set out in Figure 1. Before explaining that framework, the chapter presents a discussion of the concepts the framework uses.

Institutions and time

The non-negotiable elements of historical institutionalism are institutions and time, and how time changes institutions. So, what are institutions? Hecló observes that many, if not most, experts seem to agree that institutions “have to do with creating and enforcing rules.”⁹⁷ There are different approaches to, and often a lack of clarity around,⁹⁸ what qualifies as an “institution” within and between institutional schools. Historical institutionalists tend to define institutions as organisations and the rules or conventions of those organisations, such as the rules of a constitutional order or

⁹⁵ Hall & Taylor, *Political Science and the Three New Institutionalisms*, p.950; Daniel Béland & Jacob Hacker, “Ideas, Private Institutions, and American Welfare State ‘Exceptionalism’: the case of Health and Old-Age Insurance, 1915–1965,” *International Journal of Social Welfare* 13 (2004): p.42.

⁹⁶ Paul Pierson and Theda Skocpol, “Historical Institutionalism in Contemporary Political Science,” in I Katznelson & HV Milner, eds, *Political Science: State of the Discipline* (New York: W.W. Norton, 2002).

⁹⁷ Hecló, *On Thinking Institutionally*, 2008, p.47.

⁹⁸ As Immergut notes, the term “institution,” like “political behaviour” is not particularly definitive and can encompass just about anything: Ellen M. Immergut, “The Theoretical Core of the New Institutionalism,” *Politics and Society* 26, no.1 (1998): p.6.

conventions governing trade union behaviour.⁹⁹

Studying long-term policy development enables us to understand why it was that a particular form of superannuation became Australia's modern system. Historical institutionalism emphasises developments over time in order to try and develop a general theory of change and stasis that overcomes period effects. Critically for this thesis, there was a long-standing assumption by governments and policy elites during one historical period that any national superannuation scheme would be a government one. This assumption was fundamentally challenged from the late 1970s, when it began to be accepted within the labour movement that superannuation was a means of receiving wages by other means. In this way, superannuation policy started its march towards being a state-mandated, private occupational scheme based on defined contributions. Another changing effect is prevailing economic theory. Up until the 1980s, Keynesian economic theory created a focus on full employment. By the 1980s, the focus was on wage restraint in the context of double-digit inflation, which Pusey has situated within the rise of economic rationalism.¹⁰⁰

Critical junctures, path dependence and path reaction

Historical institutionalists have tended to stress continuity over change through the interrelated concepts of "critical junctures" and "path dependence." Critical junctures are instances where a set of conditions arise that permit significant institutional change, situations where "the structural (that is, economic, cultural, ideological, organizational) influences on political action are relaxed for a relatively short period," where the range of options open to political actors expands and the import of their actions is greater.¹⁰¹ Wars, revolutions or economic crises are examples of exogenous occurrences that may act as trigger points for institutions to change. So, for example, Richard Eccleston has argued that "in the first half of the twentieth century when the cornerstones of Australia's national tax system were laid, the state was responding to national crises – the Depression and the World Wars."¹⁰² An

⁹⁹ Hall & Taylor, "Political Science and the Three New Institutionalisms," p.943.

¹⁰⁰ Michael Pusey, *Economic Rationalism in Canberra: A Nation Building State Changes its Mind* (Melbourne: Cambridge University Press, 1991).

¹⁰¹ Giovanni Capoccia & R. Daniel Kelemen, "The Study of Critical Junctures: Theory, Narrative, and Counterfactuals in Historical Institutionalism," *World Politics* 59, no3 (2007): p.343.

¹⁰² Richard Eccleston, *The Thirty-Year Problem: The Politics of Tax Reform* (Sydney: The Australian Tax Research Foundation, 2004, p.21.

analytic narrative history such as this thesis is one of the ways to study critical junctures, those moments when change becomes possible.¹⁰³

Path dependence, by contrast, is focused on institutional stability. It posits that as time passes, an existing institution generates increasing returns that act to confirm its existence.¹⁰⁴ In the sphere of public policy, path dependency suggests that policies which have been in place for long periods of time are unlikely to be radically altered. Path dependence focuses on the persistence of particular institutional patterns or outcomes.¹⁰⁵ It has been used by Australian scholars as a means to explain the relative stability of the Australian welfare state, for example why the Age Pension has remained substantially the same since its introduction in 1908.¹⁰⁶

However as Myles and Pierson argue, there is a need to be alive to “naïve versions of institutionalism that stress inertia and stability” when big shifts have taken place, and continue to take place, in systems of retirement provision.¹⁰⁷ The introduction of occupational superannuation in 1992 as Australia’s second pillar of retirement income policy was one such big shift. The existence of occupational superannuation schemes was a continued institutional impediment cited by policy makers to the introduction of a national superannuation scheme. It was, for example, cited by the dissenting member of the Whitlam government’s *Inquiry into National Superannuation*. A discussion of the intersection of path dependence and welfare state literature is set out in the next section of this chapter.

Path reaction is a development of path dependency that stresses the importance of immediate push and pull factors in explaining change. While path dependency is characterised by *self-reinforcing sequences*, path reaction is characterised by

¹⁰³ Ibid., p.355.

¹⁰⁴ Paul Pierson, *Politics in Time: History, Institutions, and Social Analysis* (Princeton: Princeton University Press, 2004). As Henry Farrell describes in his overview of the institutional literature, leading institutional scholar Paul Pierson and his colleagues writing in 2000 “looked to mathematical work by Irish economist Brian Arthur (1994) to come up with an account of institutional change based on the notion of path dependence”: Henry Farrell, “The Shared Challenges of Institutional Theories: Rational Choice, Historical Institutionalism, and Sociological Intuitionism,” in Johannes Glückler, Roy Suddaby and Regina Lenz, eds. *Knowledge and Institutions* (eBook: Springer, 2018), p.33.

¹⁰⁵ James Mahoney and Kathleen Thelen, *Explaining Institutional Change: Ambiguity, Agency and Power* (New York: Cambridge University Press, 2010), p.6.

¹⁰⁶ Andrew Podger, David Stanton and Peter Whiteford, “Designing Social Security Systems: Learning from Australia and Other Countries,” *Public Administration and Development* 34, no.4 (2014): pp.231-250.

¹⁰⁷ John Myles and Paul Pierson, “The Comparative Political Economy of Pension Reform,” in Paul Pierson, ed, *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2001), p.308.

reactive sequences.¹⁰⁸ Path reaction reveals that reforms may have taken particular turns as a direct response to, and a pull away from, the policies of the immediate past. Heclo has applied the concept of path reaction in his pioneering studies of comparative pension systems. As he describes it,

[I]n modern social policy, the tie with the past was more profound. Here, perhaps to an exceptional degree, what reformers hoped for was a function of what they were reacting against.¹⁰⁹

Like path dependency, path reaction still works with the idea that there is a considerable impact of policy inheritances upon the substance of policy-making. Heclo describes the “moving, reacting, social process” of social policy.¹¹⁰ Similarly, this thesis examines the Australian superannuation system as the product of long-running, path-dependent forces but also the way that policy has taken particular turns as a direct response to political decisions of the immediate past.

As part of this framework of considering more immediate factors in policy change, the thesis looks at influences on policy makers. Fiscal deficits, and conditions such as high inflation and wage growth, have all fed directly into decisions by policy makers on superannuation and pension policy. Prevailing economic ideas such as Keynesianism or monetarism have also featured in how policy has responded to economic conditions. The idea of a national government superannuation scheme during the Whitlam period was influenced by post-war welfare state ideas in Britain. By way of contrast, state-mandated, privatised superannuation emerged during a period when the Labor side of politics was recasting the role of the state in the provision of welfare, as well as making a broader move towards deregulation and privatisation of state industries.

¹⁰⁸ James Mahoney, “Path Dependence in Historical Sociology,” *Theory and Society* 29, no.4 (2000): pp.58-59.

¹⁰⁹ Hugh Heclo, *Modern Social Politics in Britain and Sweden: From Relief to Income Maintenance* (New Haven: Yale University Press, 1974), p.46.

¹¹⁰ *Ibid*, p.64.

Unsuccessful policy change

Superannuation reform was successful in the 1980s and 1990s because it was a private, defined contribution occupational system of superannuation that was being proposed. Examining instances where superannuation policy was unsuccessfully implemented sheds light on why policy reform was successful. We need to consider those “near misses” where “change has not occurred and re-equilibrium is the order of the day, where permissive conditions allow for the possibility of change but the status quo reasserts itself and no change occurs.”¹¹¹ So the thesis looks at the instances when proposals for the introduction of a federal superannuation system came up throughout history. Examining the cases where it was not successful, and where Australia’s pension pathway “returned to equilibrium” with only the Age Pension and limited occupational superannuation schemes, is important in understanding why change happened when it eventually did.¹¹²

Incremental Change

A final approach to policy change within historical institutionalism that is used in this thesis is gradual change. Modes of gradual change are a response to traditional historical institutionalism, with its focus on cases of abrupt, large-scale change referred to as “critical junctures” or “punctuated equilibria.” Change is not always radical. Often, change occurs by increments. Moreover, incremental change can lead to substantial change over time.¹¹³ Changes which may appear to be small, and sometimes imperceptible, can lead to substantial change over time.¹¹⁴ So, for example, a series of apparently minor changes to a piece of legislation over time can mean that a law applies quite differently to when it was first introduced. Likewise, a policy that was interpreted one way by one government can be interpreted and applied differently by a subsequent administration.

¹¹¹ Alastair Stark, “New Institutionalism, Critical Junctures and Post-Crisis Policy Reform,” *Australian Journal of Political Science*, vol.53, no.1 (2018): p.36.

¹¹² *Ibid.*, p.352.

¹¹³ Kathleen Thelen, *How Institutions Evolve: The Political Economy of Skills in Germany, Britain, the United States and Japan* (Cambridge: Cambridge University Press, 2004); Kathleen Thelen and Wolfgang Streeck, eds, *Beyond Continuity: Institutional Change in Advanced Political Economies* (Oxford: Oxford University Press, 2005); Jacob Hacker, *The Divided Welfare State: The Battle over Public and Private Social Benefits in the United States* (Connecticut: Cambridge University Press, 2012).

¹¹⁴ James Mahoney, “After KKV: The New Methodology of Qualitative Research,” *World Politics* 62, no.1 (2010): pp.120-147.

The argument of the “incrementalists” is not that critical junctures do not produce change, but rather that critical juncture theory has limits in its explanatory power. Still, there remain moments of substantial or systemic policy change for which the explanatory tool of critical juncture theory is useful. While incremental change and conventional historical institutionalism refer to different modes of change, they are unified in their attention to time, and the effect of timing on change.

The incremental processes of “displacement” and “layering” are two concepts of change that assist in explaining changes to superannuation policy. Displacement refers to the removal of existing rules and the introduction of new ones; layering is the introduction of new rules on top of or alongside existing ones. Layering differs from displacement because it does not introduce wholly new institutions or rules but amends, revises or adds to existing ones.¹¹⁵ Displacement and layering are two of the four modes of gradual institutional change proposed by Mahoney and Thelen; the other two being drift and conversion.¹¹⁶ As Van der Heijden has observed, a key limitation of incremental change theory is the “lack of clarity and precision around the concepts and a tendency to describe institutional change rather than evaluate it.”¹¹⁷ This thesis uses the theory firstly to show how fundamentally incremental change reshaped occupational superannuation and, secondly, the effects of incremental change on superannuation since the modern system was introduced. Who is covered by superannuation and the risk that individuals bear are two of the recurring themes in this thesis that are used to evaluate the system over time.

Structures and processes

There has been what Farrell describes as a “conventional divide” within historical institutionalism between institutions as *structures* and institutions as *processes*.¹¹⁸ On the one hand, there are legal and political institutions that structure nation states and societies: constitutions, the judiciary or the parliament. On the other, there are changing sets of rules at many social levels. Kay has noted that the conceptual

¹¹⁵ Ibid., p.16.

¹¹⁶ Ibid., p.15, drawing on Wolfgang Streeck and Kathleen Thelen, *Beyond Continuity*.

¹¹⁷ Jeroen van der Heijden, “Studying Incremental Institutional Change: A Systematic and Critical Meta-Review of the Literature from 2005 to 2015,” *Policy Studies*, Vol.45, No.3, pp.550-551.

¹¹⁸ Henry Farrell, “The Shared Challenges of Institutional Theories, p.32. Farrell describes institutions as structures as “vast, enduring and solid patterns of social organisation at the level of the nation state, shaping more particular forms of political and social behaviour” and institutions as processes as “rules, procedures or policies that change over time.”

distinction between a “policy” and an “institution” means that scholars may “proceed by analogy from institutions to policy” as the subject of theoretical interrogation. He cites several “levels” of policy, including a policy system.¹¹⁹ National superannuation policy is at the same level of policy, leading as it has to a national superannuation system. As Myles and Pierson put it, “[W]hile the discussion has often focused on formal institutions, extensive policy arrangements also become fundamental institutional frameworks, creating rules, constraints and incentives for future political action.”¹²⁰

This thesis is formed around an analysis of national superannuation policy analogous to an institution itself. Superannuation policy has been a “rule structure designed under particular historical circumstances,” which “shapes pathways for the subsequent development of ideas, interests, and interactions among state and societal actors.”¹²¹ As discussed in the Introduction, within the frame of “superannuation policy,” the particular focus is on the ideas contained within the policy, the philosophical approach behind it. The interplay between ideas and institutions, and its effect on political outcomes, is a fundamental approach of historical institutionalists.¹²² *Béland* argues that to study explanatory ideas rigorously, researchers must first provide clear definitions of the ideational factors they seek to explore while, simultaneously, distinguishing them from other types of explanation such as institutional ones. To do this, *Béland* suggests that scholars should study how ideas existing prior to the enactment of a reform shaped its actual content, instead of starting from the ideas embedded in the reform after its adoption, and simply assuming that they shaped its content beforehand.¹²³ Indeed, ideational

¹¹⁹ Adrian Kay, “A Critique of the use of Path Dependency in Policy Studies,” *Public Administration* 83, no.3 (2005): p.556.

¹²⁰ Myles and Pierson, “The Comparative Political Economy of Pension Reform,” p.312.

¹²¹ Hugh Hecló, *On Thinking Institutionally* (Boulder, CO: Paradigm Publishers, 2008), p.49; Daniel Béland, *How Ideas and Institutions Shape the Politics of Public Policy* (Cambridge: Cambridge University Press, 2019).

¹²² Hall & Taylor, 1996, p.7. Ideational institutionalists, who are part of the branch of sociological institutionalism, have emphasised the importance of ideas in processes of institutional change, with the bulk of this literature “more interested in explaining ideational change itself rather than addressing when and how changes in ideas affect institutional change”: E.A Koning, “The Three Institutionalisms and Institutional Dynamics: Understanding Endogenous and Exogenous Change,” *Journal of Public Policy*, 36, no.4 (2016): pp.639-664. Within the focus on ideational change, these scholars have foregrounded the role of elites – politicians, the media and lobbyists – in shaping ideas, and the importance of having ready audiences for ideas.

¹²³ Daniel Béland, “Ideas and Institutions in Social Policy Research,” *Social Policy and Administration* 50, no.6 (2016): p.742.

forces can either favour significant policy change or reinforce existing institutional paths.¹²⁴ The thesis takes up *Béland's* call to look at ideas before and after reform periods, arguing that the changing meaning of “superannuation” contained in government policy had a determinative impact on policy reform.

The changing idea of “superannuation” shows how time is critical in understanding directions of policy, that superannuation policy is what Heclo calls an institution capable of being studied as “*time-factored phenomena*.”¹²⁵ The changed idea of superannuation was not, however, sufficient to create a new system of superannuation. *Béland* writes that

narrative stories can play a key role in problem definition while failing to pave the way to the adoption of the particular policy solution they are associated with because existing institutional configurations and the powerful political actors they enable stand in the way.¹²⁶

“National superannuation” as an idea had currency, enough for it to be proposed by both sides of politics through the course of the 20th century. But the existing institutions of old age welfare and constituencies around them made it increasingly difficult to create a new government scheme of superannuation. It was because superannuation was recast as an occupational issue that the institution of occupational welfare could be used as the basis for the successful introduction of Australian superannuation. These are small, but important distinctions in explaining the reasons for policy change.

¹²⁴ Daniel *Béland*, “Ideas and Social Policy: An Institutionalist Perspective,” *Social Policy and Administration* 39, no.1 (2005): p.15.

¹²⁵ Heclo, *On Thinking Institutionally*, 2008, p.54.

¹²⁶ Daniel *Béland*, “Narrative Stories, Institutional Rules, and the Politics of Pension Policy in Canada and the United States,” *Policy and Society* 38, no.1 (2019): p.4.

Actors and institutions

Another area of debate within historical institutionalism is the influence of political actors versus the institutions they are embedded in: which one is more important in explaining change? This thesis traces the development of superannuation policy, but the role of policy actors along that timeline is central to its narrative. The basic reason for focusing on superannuation policy is that political behaviour “occurs in the context of institutions and can only be so understood.”¹²⁷ The policy options which political actors regarded as being open to them were shaped by policies of the immediate past as well as long-standing institutions of welfare, and the distinct Australian approach to welfare established around Federation.

The thesis also focuses on superannuation policy and its relation to other institutions of old age welfare because the role of political actors in its development has been foregrounded in the existing literature.¹²⁸ The reforms which introduced a national system of occupational superannuation were, so the argument goes, the result of a political deal made by a small group of elite political actors in the 1980s and early 1990s. Some of the literature that focuses on political leaders during that period has been critiqued for its tendency towards hyperbole.¹²⁹

How the thesis employs theory

Having set out the relevant bodies of literature and the concepts within them, this section of the chapter explains how they are operationalised in the thesis.

¹²⁷ Immergut, “The Theoretical Core of the New Institutionalism,” p.6.

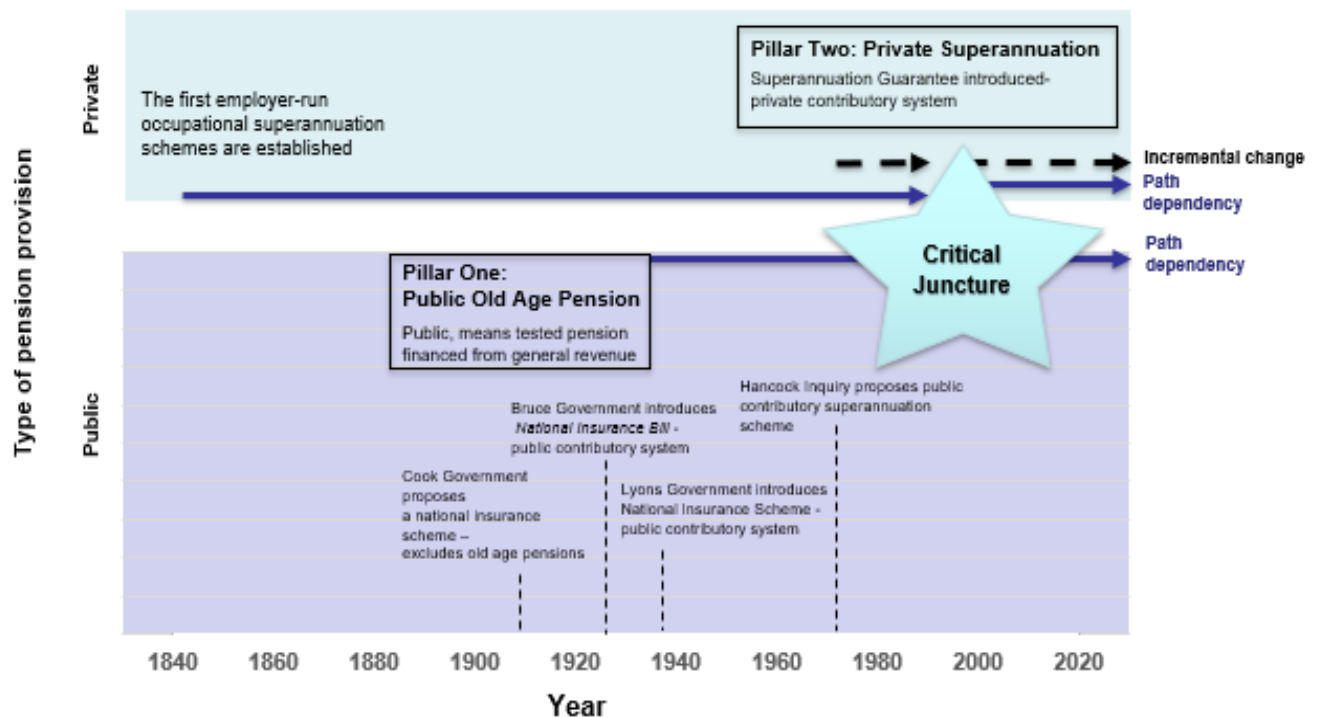
¹²⁸ See, for example, Easson, *Keating and Kelty’s Super Legacy*; Mees & Brigden, *Workers’ Capital*.

¹²⁹ According to political scientist Robert Manne, Paul Kelly’s *The End of Certainty* argued that Treasurer and later Prime Minister, Paul Keating and ACTU leader Bill Kelty “did not merely form a powerful partnership, they formed the most remarkable partnership between a Labor leader and a union chief”: Robert Manne, “The Insider,” *The Monthly*, 2009 available from <https://www.themonthly.com.au/monthly-essays-robert-manne-insider-paul-kelly039s-quotthe-march-patriotsquot-2020>.

The Development of Australian Superannuation Policy

Figure 1 shows the development of superannuation policy as explained by the theoretical framework of the thesis. The discussion of the framework that follows here is chronological.

Figure 1: theoretical framework



Early beginnings: from pre-Federation to World War II

The first institutions of old age welfare were established in the mid-19th and early 20th centuries. These institutions were occupational superannuation, first established by the Bank of New South Wales in 1842, and the public Old Age Pension in 1908. Colonial old age and invalid pension schemes were also introduced in Victoria, New South Wales and Queensland, superseded by the Commonwealth legislation. Occupational superannuation and the old age pensions predated the first proposals for national superannuation, taking on a significance that would become evident when proposals for national superannuation arose. In 1913, 1923 and 1938 conservative governments sought to introduce a government scheme of social insurance, the last two of these including an old age “superannuation” element. None of these schemes was successful but in 1938, a scheme of social insurance was in fact

passed by the parliament but later abandoned. At least at the level of official party policy, the ALP opposed these schemes of public superannuation, preferring to bolster the Old Age Pension financed from general revenue.

The Post-War era of national superannuation

On the face of it, the decades following World War II do not appear to have much significance in the narrative of Australian superannuation. However, it was during this period that the ALP accepted contributory pension financing, with the establishment of the Chifley government's National Welfare Fund in 1945 based on a social security "contribution." There was then one further attempt by government to introduce a national superannuation scheme: the Whitlam Labor government (1972–1975). It was as a result of this "contributory turn" that the Labor Party looked at introducing a national superannuation scheme under the Whitlam government. The complexity of introducing a government scheme of superannuation on top of occupational superannuation schemes was one of the reasons why a government scheme was ultimately rejected in 1979 by the subsequent Fraser Coalition government.

The late 1970s to the introduction of the Superannuation Guarantee in 1992: a critical juncture with antecedents of incremental change

This thesis confirms recent critiques of the "overly static" nature of historical institutionalism, where change is *either* incremental or path-departing.¹³⁰ The way historical institutionalism has developed has seen the two modes of change develop with insufficient consideration of their relation to each other, overlooking incremental changes on either side of a critical juncture.¹³¹ It was in the period from the late 1970s that the institution of occupational superannuation became central to superannuation policy reform. Unions bargained for a right to occupational superannuation, reconceiving the way that this old institution of old age welfare operated. As well as the union campaigns, it was because of the failure of the Whitlam government to introduce a national superannuation scheme that the trade union movement encouraged the spread of occupational superannuation. At an institutional theoretical level, what was occurring during this period was incremental

¹³⁰ Stephen Bell and Hui Feng, "Rethinking Critical Juncture Analysis: Institutional Change in Chinese Banking and Finance," *Review of International Political Economy* (August 2019): pp.1-23.

¹³¹ *Ibid.*, pp.2-3; Stark, *New Institutionalism, Critical Junctures and Post-Crisis Policy Reform*, p.27.

change which would lead to a critical juncture of superannuation policy in the 1980s: incremental change and “big bang” change were interconnected.

Certain permissive conditions existed for a radical reconception of old age welfare, including economic conditions and new approaches to economic management. At the same time, incremental changes were occurring, including the displacement of rules that held that occupational superannuation was the defined benefit “promise,” restricted to a certain class of employee. The Old Age pension constituted the sole “pillar” of old age welfare up until the introduction of the second “pillar” of private, occupational superannuation in 1992.

The post-Superannuation Guarantee Era: incremental change

The period since 1992 has seen various examples of incremental change to Australian superannuation. Stebbing and Spies-Butcher have studied displacement and layering in the taxation of superannuation, where changes have made superannuation highly concessional for high income earners, mainly men.¹³² This thesis uses the example of superannuation fund choice to operationalise policy “displacement” and “layering,” arguing that fund choice is a debate concerning power in the superannuation system. Fund choice is also the product of the ALP having introduced a private system of superannuation – individuals would not have to choose their own superannuation fund if that fund was one government fund.

The Welfare State

This section sets out the literature on welfare state formation and change as it is brought to bear in the thesis. As this chapter has already discussed, this is not a comparative thesis but especially in the area of pensions, of welfare state formation and change, the international literature is highly relevant. The thesis draws on Australian and international welfare state literature to argue that superannuation, properly understood, should be situated in the broader context of old age welfare and pension policy. As a result, path dependence is a framework that assists in explaining why occupational superannuation and the Age Pension remained the institutions of old age welfare for so long, and why national superannuation was an idea competing

¹³² Stebbing & Spies-Butcher, “‘Universal’ Welfare by Other Means?”

with those institutions for a role in old age welfare. The unique features of Australia's "wage earners' welfare state"¹³³ are discussed as part of this argument.

Superannuation as part of the welfare state

Although superannuation in both its public and private occupational forms is funded through some proportion of workers' wages, it is a component of retirement income and, therefore, the welfare of the aged. There are precedents in the institutional literature for considering private and public forms of welfare together and for workplace benefits to be considered social welfare. Superannuation is a form of social welfare and, just as much as superannuation made through private provision by individual funds, it is a public concern. Writing in 1958, Richard Titmuss argued that workplace benefits – or occupational welfare – were a category of social policy, just as much as public spending and provision.¹³⁴

Drawing on Titmuss in his seminal work on social benefits in the United States in 2012, Jacob Hacker has argued that private pension benefits ought to be brought within policy debates about social security benefits. Hacker contends that private benefits, called "401(k) accounts" in the United States, are "critical to the overall welfare of those who enjoy them, and should be considered together with government benefits."¹³⁵ Although 401(k) accounts are private savings, in the private realm of welfare, they are taxed concessionally so are effectively encouraged by the state. These savings, together with any social security benefits provide the fullest picture of the social welfare of citizens, more accurate than government benefits alone.

The operational parts of the Hacker thesis are the US social security payment and private pension schemes. These translate to Australia's age pension and universal occupational superannuation, respectively. Each pillar of the retirement income system has its own "policy path," but they are each part of the system which delivers

¹³³ The term was popularised through Francis Castles' *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890–1980* (Sydney: Allen & Unwin, 1985).

¹³⁴ Titmuss, *Essays on the Welfare State*.

¹³⁵ Hacker, *The Divided Welfare State*. In the Australian context, Stewart and Ingles have pointed to the need for greater coherence in retirement tax and transfer rules, which currently contradict each other. They argue that, "the tax system encourages savings, while the public pension system does the opposite:" David Ingles and Miranda Stewart, "Reforming Australia's Superannuation Tax System and the Age Pension to Improve Work and Savings Incentives," *Asia and the Pacific Policy Studies* 4, no.3 (2017): p.418.

overall welfare benefits of the aged. In addition, private pensions are very much dependent on the state, in the sense that they are regulated by it and often subject to tax concessions. Recent contributions to the theoretical literature have highlighted the importance of considering “social policy by other means.”¹³⁶

These observations about the interrelationship between state and private welfare apply in the case of superannuation in Australia. The public Age Pension, together with superannuation and any other private savings, provides the total level of income for an individual in retirement. While the pension is clearly a form of government welfare, superannuation is within the realm of social welfare too, despite not being a government payment. As well as providing retirement income in old age, superannuation is a government-subsidised industry, subject to heavy government regulation. Superannuation tax concessions, the subject of much concern and debate in public policy and the media, are the second-largest area of Treasury’s tax expenditure, representing \$37.3 billion in 2019.¹³⁷ Superannuation funds are also high regulated, with strict duties around conduct being in members’ “best interests.”

Developments in one part of the age welfare system have often directly led to developments in another. For example, the proposed abolition of the pension means test was a critical factor in the decision by the Whitlam Government also to propose a national superannuation scheme: it was a way to finance pension universalism. Much more recently, changes to the Age Pension means test which increased the “taper rate” at which payments are reduced after reaching certain asset limits have had the perverse outcome of providing an incentive to retirees to draw-down on their superannuation more quickly to retain their pension eligibility.¹³⁸ Where this thesis makes its unique contribution is to show how national superannuation and universal occupational superannuation are part of the one story.

¹³⁶ Daniel Béland, “Varieties of Social Policy by other Means,” *Journal of Comparative Policy Analysis* 21, no.3 (2019): pp.306-311.

¹³⁷ Treasury, *Tax Benchmarks and Variations Statement 2018* (Treasury: Commonwealth of Australia, January 2019). As Treasury notes, there are different methods of measuring superannuation tax expenditure. The “revenue foregone” method that Treasury uses simply measures the difference in revenue between the existing concessional level of taxation and the revenue that would be produced by imposing tax at the benchmark level. It does not incorporate behavioural responses to the reduction or removal of the variation to the tax benchmark: p.2.

¹³⁸ Ingles and Stewart, “Reforming Australia’s Superannuation Tax System and the Age Pension to Improve Work and Savings Incentives,” pp.428-429.

Universal occupational superannuation directly followed the most recent attempt by government to introduce national superannuation. Importantly, one directly followed the other not merely in terms of time, but the introduction of universal occupational superannuation was contingent on national superannuation being rejected. As a result, (public) national superannuation and (private) occupational superannuation followed distinct policy paths, intersecting in the 1980s when superannuation became a wages issue. Andrew Scott has observed that the transition to a wages policy, and the provision of superannuation by privately run funds, including industry-based schemes involving unions, was an innovative approach which led to better, more lasting outcomes than were achieved by the Whitlam government.¹³⁹

Australia's industrial model of welfare

The industrial model of welfare in Australia is critical to the explanation for policy change in this thesis. The institutions of the Australian welfare state established around the start of the twentieth century are based on minimal pensions to alleviate poverty, augmented by industrial welfare. More important than the extent of Australia's welfare measures established around the start of the twentieth century, according to economist Ted Wheelwright, was

the form they took, which set the pattern for at least the next half-century. The aim was to provide only a safety-net for those outside the labour market. Thus, benefits were non-contributory but subject to a means test. The main thrust of policy was to provide mechanisms for employment such as protection, providing a living wage through the arbitration system.¹⁴⁰

Frank Castles, in his pioneering work on industrial welfare in Australia, has observed that European social democratic parties believed that market inequalities could not be fundamentally altered at the source, but could only be transformed by state redistribution via taxation and transfers. By way of contrast, he argues, the Australian labour movement at the beginning of the twentieth century was “more

¹³⁹ Andrew Scott, *Running on Empty: 'Modernising' the British and Australian Labour parties* (Annandale: Pluto Press, 2000), p.227.

¹⁴⁰ Ted Wheelwright, “World Economic Crises and the Welfare State in Australia,” in Richard Kennedy, ed. *Australian Welfare: Historical Sociology* (Melbourne: MacMillan, 1989), p.32.

sanguine that the state could be brought to bear directly on the wage mechanism.”¹⁴¹ As a result, the early Australian welfare state assumed a more confined role in society. John Murphy writes that “the age pension and state arbitration of the minimum wage, initiated first in New Zealand and then taken up in Australia, have been said to owe much to influential liberal ideas about the ethical role of the state.”¹⁴² Another reason both Castles and Ian McLean cite for Australian welfare exceptionalism is that in the late nineteenth century, even during the 1890s depression, Australia was probably the richest country in the world in terms of per capita income.¹⁴³

Australia has a long history of mandating that employers pay citizen benefits including, for example, sick pay,¹⁴⁴ and later at the national level, long service leave and paid holidays.¹⁴⁵ The 1907 *Harvester Judgment* set the standards for a “living” wage. Prior to this, in 1904, the Commonwealth Court of Conciliation and Arbitration was created to settle disputes between unions and employers over wage disputes. At the same time that Australia had set a minimum wage as a method of determining an acceptable standard of living, European countries were opting for a welfare system that replaced wages when necessary.¹⁴⁶ As a result of Australia’s industrial welfare institutions, Castles has argued that

overseas criticism of Australian social policy was substantially misplaced...Australia had created a welfare state ‘by other means’ than those utilised in Europe, and that it was far from obvious that Australian welfare outcomes were inferior to those in most European countries.¹⁴⁷

¹⁴¹ Francis Castles, *The Comparative History of Public Policy* (Cambridge: Polity, 1989), p.68.

¹⁴² John Murphy, *A Decent Provision: Australian Welfare Policy 1870–1949* (Farnham: Ashgate, 2011), p.33.

¹⁴³ Castles, *The Comparative History of Public Policy*, p.70; McLean, *Why Australia Prospered*, p.113.

¹⁴⁴ A decision of the High Court in *Amalgamated Society of Engineers v Adelaide Steamship Co Ltd* (1920) 28 CLR 129, known as “the Engineers case,” in which Justice Higgins accepted the proposition that, for workers receiving weekly wages, it was the employer’s duty to provide for a number of paid sick days in a given year: Francis Castles, “Australia’s Institutions and Australia’s Welfare,” in F. Castles & G. Brennan, eds, *Australia Reshaped: 200 Years of Institutional Transformation* (New York: Cambridge University Press, 2002), p.44.

¹⁴⁵ *Ibid.*, p.689).

¹⁴⁶ Ken Buckley & Ted Wheelwright, *No Paradise for Workers. Capitalism and the Common People in Australia, 1788–1914* (Melbourne: Oxford University Press, 1988), p.12.

¹⁴⁷ Castles wrote in 2001 that the industrial relations reforms of the 1990s (wage deregulation), and measures taken by the Howard Government such as further restricting the powers of federal arbitration tribunals, limiting the role of the unions and further shifting the focus of bargaining to the enterprise level, together meant that the claim that Australia’s welfare state “by other means” was no longer tenable. He also cites the increased policing of welfare recipients, which began under the

Those “other means” that Castles refers to were the wages system comprising wage arbitration and the minimum wage.

Taking the elements of industrial welfare into account, Castles argues that the categorisation of the Australian welfare state as being a “liberal” welfare state, providing a small degree of public benefit, is not accurate.¹⁴⁸ Australia’s “traditional approach” to welfare was based primarily on a guaranteed minimum wage, with wage levels seen as the key to successful social policy.¹⁴⁹ Accordingly, Australia’s social expenditure levels have been “doubly residual” as a result of focusing on the minimum wage: residual in being focused on the needs of the less well-off, and residual in being ancillary to the wages system.¹⁵⁰ Interestingly, it was Esping-Andersen himself who categorised Australia as a liberal welfare state, yet who also argued that assessing the adequacy of welfare requires a broader “integrated approach” to determining pension adequacy. There is a need, he argued, to consider different forms of welfare and different strands of provision within pension types – for example, corporate, public and private superannuation schemes.¹⁵¹

Why welfare states change, and how

There is a substantial body of international theory on the formation of welfare states and different modes of welfare state change. Pension systems, once installed, create what Pierson calls “policy feedbacks” that have an impact on future action.¹⁵² Pension policy is regarded as one of the areas most prone to “path dependence.” Myles and Pierson, for example, argue that pension policy is a “*locus classicus*” for the study of path-dependent change.¹⁵³ Castles has written that for those who see social security development as largely shaped by institutional inertia or path dependency, Australia constitutes arguably the best example.¹⁵⁴ The Old Age Pension, introduced in 1908,

Hawke Government, as a part of the dismantling of the Australian welfare state: Francis Castles, “A Farewell to the Australian Welfare State,” *Eureka Street* 11, no.1 (2001): pp.29-31.

¹⁴⁸ Other “liberal” states include the English-speaking countries of New Zealand, the United Kingdom, the United States and Canada.

¹⁴⁹ Francis Castles, “The Institutional Design of the Australian Welfare State,” *International Social Security Review* 50, no.2 (1997): p.31.

¹⁵⁰ C. Pierson & F. Castles, “Australian Antecedents of the Third Way,” *Political Studies* 50 (2002): pp.44-45.

¹⁵¹ Robin Blackburn, *Age Shock: How Finance is Failing Us* (London: Verso, 2006), p.80. This was an approach advocated by Esping-Andersen.

¹⁵² Pierson, 1994.

¹⁵³ Myles and Pierson, “The Comparative Political Economy of Pension Reform,” p.306.

¹⁵⁴ Francis Castles & John Uhr, “The Australian Welfare State: Has Federalism Made a Difference?” *Australian Journal of Politics and History* 53, no.1 (2007): p.101.

was means tested and funded from general revenue, establishing a different policy trajectory from the social insurance models that would become the norm in Britain, the United States and much of Europe.¹⁵⁵ The logic of path dependency holds that with these foundations in place, and fundamentally unchanged over the course of the twentieth century, it was increasingly unlikely over time that any substantial change to the system, such as the introduction of contributory social insurance, would be successful.

The thesis argues that occupational superannuation introduced a seismic shift in Australia's age welfare system, but it did so through continuing welfare structures that had existed in Australia since the 19th century. While national superannuation has followed its own "policy path" as a road not followed, it also laid certain foundations for the state-mandated occupational scheme that was introduced in 1992. So, rather than a dismantling of the Australian welfare state, a national system of occupational superannuation was a "refurbishment" of it.¹⁵⁶ The failure of national superannuation is bound up with the success of universal occupational superannuation. The introduction of a national system of occupational superannuation extended the existing wages system to provide another employer-provided benefit under the concept of the "social wage." It also affirmed the critical importance of decent wages, with superannuation contributions, and therefore a retiree's lump sum, being calculated as a percentage of one's pay.

Occupational welfare acted as an institutional impediment to the adoption of national superannuation and as the basis for the system legislated in 1992. It was this "neighbouring institution" which acted to block change in the early decades of the

¹⁵⁵ John Murphy, "Path Dependence and the Stagnation of Australian Social Policy Between the Wars," *The Journal of Policy History* 22, no.4 (2010): pp.452-3). The exception to this is in Denmark, which introduced an income-tested age pension in 1891 and in 1964 it began to gradually abolish the income test, arriving at a universal age pension in 1970: Johansen 1986, p.296).

¹⁵⁶ Francis Castles, "The Wage Earners' Welfare State Revisited," *Australian Journal of Social Issues* 29, no.2 (1994): pp.120 – 145; Francis Castles & I. Shirley, "Labour and Social Policy: Gravediggers or Refurbishers of the Welfare State," in Francis Castles et al, *The Great Experiment: Labour Parties and Public Policy Transformation in Australia and New Zealand* (St. Leonards: Allen & Unwin, 1996), pp.88-106. This terminology is common in assessments of the modern welfare state. For example, Mendes refers to the "retrenchment" or "renovation" of the Australian welfare state under the Howard government: "Retrenching or Renovating the Australian Welfare State;" Pierson has queried whether the post-war welfare state has been "dismantled": Paul Pierson, *Dismantling the Welfare State? Reagan, Thatcher, and the Politics of Retrenchment* (New York: Cambridge University Press, 1994).

twentieth century¹⁵⁷ and would also be the domain which permitted its creation. As Castles has written

[B]y itself, the growth of private superannuation in Australia is not a particularly interesting phenomenon, illustrating only that market alternatives emerge when public provision is weak. However, what happened is illustrative of a standard pattern of Australian policy development by which pressures from non-covered workers and from their organized representatives have led the State to mandate that what was once provided by some employers should be provided by all.¹⁵⁸

The thesis builds on these existing theoretical debates in its argument that the modern superannuation system became possible *through* the rejection of superannuation as a form of contributory social insurance. In so doing, it does not argue that institutions are the sole causal explanation of the adoption of superannuation in 1992, far from it. Occupational superannuation provided the institutional basis for the Australian superannuation system, but there were many factors operating to propel this development over time. As Esping-Andersen has cautioned, when analysing social policy regimes, we should “abandon the hope of finding one single powerful causal force for the direction of policy-making, and rather identify salient interaction effects of contextual factors.”¹⁵⁹ In this regard, the thesis is alive to those more immediate push and pull factors influencing public policy, including the influence of key actors and economic conditions.

Conclusion

This chapter locates the thesis within four areas of literature which are germane to its concerns. These bodies of work suggest that rather than there being a “critical juncture” which radically altered superannuation policy in the 1980s and 1990s, there was a burst of policy development which hinged on a changing idea of “superannuation” and its location within wages policy. This changing idea, and the

¹⁵⁷ Murphy, “Path Dependence and the Stagnation of Australian Social Policy Between the Wars,” 2010, p.452.

¹⁵⁸ Castles “The Institutional Design of the Australian Welfare State,” pp.32-33).

¹⁵⁹ Ibid., pp.99-100. He also writes that, [A]lthough contemporary political economy sometimes still clings to the belief in absolute truths, the comparative and historical method that today underpins almost all good political economy is one that reveals variation and permeability: Esping-Andersen, *The Three Worlds of Welfare Capitalism*, p.12.

reasons behind it, will be traced in the following chapters. The next chapter of the thesis examines the formation of early institutions of old age welfare in Australia and the initial unsuccessful attempts to introduce national superannuation. It covers the period 1840 to 1945.

Chapter Three: The Early History of Australian Old Age Welfare and the Initial, Abortive attempts at National Superannuation

Thomas Kewley, in his landmark study of social security in Australia, devotes a section to “some abortive proposals” between 1913 and 1939.¹⁶⁰ Among these were three early proposals for a national insurance scheme in 1913, 1928 and 1938. The era of what Kewley describes as “endeavour rather than achievement,” of which the initial proposals for national insurance were a part, had followed a particularly robust period of social policy development in Australia around federation, in which it was described as an antipodean “social laboratory,” along with New Zealand.¹⁶¹ The introduction of some of the world’s first old age pensions was part of the reason the two countries were regarded in this positive light.¹⁶² Why were Australia’s Commonwealth Old Age and Invalid Pension¹⁶³ introduced in 1908, and efforts to introduce social insurance for old age, unsuccessful in the decades that followed? How did these forms of government welfare interact with existing and developing occupational superannuation schemes? And what did the newly established Australian ecosystem of old age welfare mean for future superannuation policy development?

This chapter returns to the beginnings of old age welfare in Australia, arguing that these early institutions set the course for a dual system of old age welfare split along public and private lines. The dual system comprised a means-tested government old

¹⁶⁰ T.H. Kewley, *Social Security in Australia: the Development of Social Security and Health Benefits from 1900 to the Present* (Sydney: Sydney University Press, 1973).

¹⁶¹ New Zealand and Australia were described by English social reformers as an antipodean social laboratory, in large part because they were early adopters of old age pensions (New Zealand in 1898 and the Australian Commonwealth in 1908), and of state arbitration of the minimum wage (New Zealand in 1894 and Australia in 1904): see John Murphy, “The Poverty of Liberalism: the First Old Age Pensions in Australia,” *Thesis Eleven* 95 (November 2008): pp.33-47.

¹⁶² According to Castles, the idea of Australasia as the site of social experimentation tended to be used by overseas commentators and featured four main areas: the early adoption of institutions of representative democracy including the secret ballot; labour relations, including arbitration and the minimum wage; the state as provider of social welfare and the strength of the industrial and political wings of the labour movement. Castles notes that one of the most vocal “local” proponents of the idea of a “social laboratory” was New Zealander William Pember Reeves, minister for labour in the 1890s, who wrote *State Experiments in Australia and New Zealand* (1902): Francis Castles, “Social Laboratory,” in Graeme Davison, John Hirst and Stuart Macintyre, eds. *The Oxford Companion to Australian History* (New York: Oxford University Press, 2003), Oxford Reference.

¹⁶² Notwithstanding that in some schemes, employees also made contributions

¹⁶³ Referred to in this chapter as the “Old Age Pension.”

age pension at a meagre level for most of the aged population, and occupational superannuation benefits for the fortunate few who were eligible for a workplace scheme. Occupational superannuation was first established by large firms in Australia in the mid-1840s, preceding the introduction of old age pensions by the colonies and subsequently the Commonwealth around the turn of the century.

Firstly, the chapter examines the nature of, and reasons for, the development of occupational schemes. The purpose of sketching out the nature of these early schemes is to show the long roots of occupational welfare in Australia, however limited their coverage of the workforce was.¹⁶⁴ This long history of occupational pensions itself does not tell us much about why the institution persisted or why it is the institution on which Australia's modern system of superannuation is based. When the development of occupational superannuation is considered alongside national superannuation and the public age pension, however, it becomes evident that the institutions had a bearing on each other. In the second half of the twentieth century, occupational superannuation, together with other forms of private welfare, inhibited the development of national superannuation.

The chapter then looks at the debates around the first old age pension schemes, and issues of contributory financing. New South Wales (1900)¹⁶⁵, Victoria (1900)¹⁶⁶ and Queensland (1908)¹⁶⁷ all introduced old age pension schemes before the Commonwealth Old Age Pension scheme came into effect in 1909, replacing the colonial schemes. A national, fair age pension featured prominently in the federation debates of the 1890s and was incorporated in section 51 of the constitution as among the Commonwealth's powers.

Finally, the chapter looks at those three, abortive efforts to introduce a government social insurance scheme, the last two examples of which included provision for retirement income. It examines the reasons why those schemes were unsuccessful and how this set a difficult pathway for national superannuation in the future. As

¹⁶⁴ The first official government survey of superannuation coverage did not take place until 1974 however other estimates suggest that private occupational superannuation was not widespread. Mauldon's survey of 76 private companies published in 1931 with organised welfare plans found that 14 had life insurance, pensions and superannuation funds and 11 had provident and/or distress funds: F.R.E. Mauldon, "Cooperation and Welfare in Industry," *Annals of the American Academy of Political and Social Science* (November 1931): p.186 cited in Balnave, "Industrial Welfarism in Australia," p.63.

¹⁶⁵ *Old-Age Pension Act 1900* (NSW).

¹⁶⁶ *Old Age Pensions Act 1900* (Vic).

¹⁶⁷ *Old-Age Pensions Act 1908* (Qld).

John Murphy observes, had the attempts to introduce a contributory social insurance system succeeded, this would have constituted shifting from one “path” to another.¹⁶⁸ There was, however, nothing inevitable about the continued failure of national superannuation through the later stages of the twentieth century. Similarly, Murphy also notes that it was far from inevitable that the early adoption of aged pensions in the Australian colonies based on a means test and funded from general revenue would mean that this was still the model of welfare used by the middle of the twentieth century.¹⁶⁹

Evidence emerges during the period covered in this chapter that bears on the issue of path-dependent processes, demonstrating the usefulness of the concept and its limits. As Murphy observes, the mere fact of the Old Age Pension coming into existence did not preclude the adoption of a contributory pension scheme. Nor did the rejection of contributory social insurance of itself make its adoption harder at later points in time. Indeed, as the last section of this chapter shows, such a scheme was introduced into the parliament in 1928 and passed by it ten years later. Russel Ward, in his history of Australia, argues that the early legislative achievements of the Commonwealth parliament “fixed the broad lines of developments along which Australian society has moved ever since.”¹⁷⁰ In the longer history of superannuation that this thesis deals with, it was also the public and private division of old age welfare established during this early period that would remain fixed. What would change is that superannuation policy shifted from being a concern of public welfare to an industrial matter.

The chapter examines the positions of the major political parties on pension financing. Traditionally, the Labor Party showed an allegiance to general revenue financing, which acted as a strong force in favour of retaining the Old Age Pension rather than replacing it with a contributory superannuation scheme. The conservative parties tended to favour contributory pension financing. This position was, however, not without complexity, as discussed in the third section of this chapter concerning the three failed proposals for national insurance.

¹⁶⁸ John Murphy, *A Decent Provision: Australian Welfare Policy, 1870 to 1949* (Farnham: Ashgate Publishing, 2011), p.4. It would have also put Australia on a path of contributory social security taxation seen in many European countries, in the United Kingdom and in the United States.

¹⁶⁹ *Ibid.*, p.4.

¹⁷⁰ Russel Ward, *Australia* (Sydney: Ure Smith, 1967), p.119.

The chapter draws attention to who was and who was not covered by occupational superannuation, by the newly established old age pension schemes, and by the proposed schemes of national superannuation. Aboriginal people and “Asiatics” were explicitly excluded from the first old age pension schemes. In the early part of the twentieth century, legislative means of excluding non-whites from particular forms of employment were adopted at state and federal levels, such as the restriction of Commonwealth mail contracts to “white labour.”¹⁷¹ However, labour force participation in transport industries may have provided some coverage under occupational superannuation schemes for a few Aboriginal men and women.

Likewise, women were often explicitly excluded from occupational superannuation schemes, or excluded by virtue of their not holding senior positions or regular work upon which these schemes were conditional. This also applied to the working classes, the self-employed and those with patchy employment patterns, a significant proportion of the workforce due to the seasonal character of much labour.¹⁷² Contributory pension schemes discriminated against women, the low-paid, the self-employed and casual workers because of the wage-benefit nexus that favoured men with highly-paid, regular work. As the chapter discusses, these issues of coverage were identified in early pension debates and around the initial proposals for contributory social insurance. The same issues of coverage persisted throughout the twentieth century, and into the operation of the modern system of superannuation despite its “universal” character.

¹⁷¹ Gillian Whitehouse, “Justice and Equity: Women and Indigenous Workers,” in Joe Isaac & Stuart Macintyre, eds. *The New Province for Law and Order: 100 Years of Australian Industrial Conciliation and Arbitration* (Cambridge: Cambridge University Press, 2004, p.210.

¹⁷² This is documented in Jenny Lee and Charles Fahey, “A Boom for Whom? Some Developments in the Australian Labour Market, 1870–1891,” *Labour History* 50 (1986): pp.1-27. Almost all industries were affected by seasonality, with the possible exception of those working on the Australian railways: p.10.

The first occupational superannuation schemes

Only very limited social security was provided by the colonial governments of the nineteenth century. Rather, welfare centred upon labour conditions of the male working population.¹⁷³ The dominant mode of support for people unable to provide for themselves was through benevolent societies and charitable asylums, sometimes with the support of the colonial authorities.¹⁷⁴ A degree of welfare was provided through occupational provident funds or superannuation schemes, though their coverage was not broad. Directed at wealthier classes, Australian life houses such as AMP employed “insurance canvassers” to sell life insurance and superannuation packages.¹⁷⁵ The purpose here is to describe the existence of private welfare in the pre-federation era that became the institutional basis for superannuation policy in later years.

Australian banks and large private companies were early providers of occupational welfare. The Bank of Australasia established an occupational pension scheme in 1842.¹⁷⁶ The Fund was created for those officers of the Bank incapacitated from further duty. Widows and children of officers were expressly excluded from the benefits of the Fund.¹⁷⁷ The Bank financed the Fund, deducting one thousand pounds from its profits each year.¹⁷⁸ However the scheme was to be short-lived, with the Court of Directors of the Bank abolishing it in 1847 “as the full measure of depression losses emerged.”¹⁷⁹ The next major Australian scheme to emerge was the Bank of

¹⁷³ See discussion in Stuart Macintyre, *Winners and Losers: the Pursuit of Social Justice in Australian History* (Sydney: Allen & Unwin, 1985), p.40-58.

¹⁷⁴ Andrew Herscovitch and David Stanton, “History of Social Security in Australia,” *Family Matters* 80 (2008): p.53.

¹⁷⁵ Shaw, p.105.

¹⁷⁶ In 1951 the Bank of Australasia became the Australia and New Zealand Bank Limited (ANZ). Likewise, in New Zealand, the banks developed occupational schemes during this period. The oldest private occupational scheme was run by the Bank of New Zealand Officers’ Provident Association (BNZOPA) which began operation in 1887: N.C Quigley, *Private Superannuation in the Banking Industry: A Centennial History of the Bank of New Zealand Officers’ Provident Association* (Wellington: Bank of New Zealand Officers’ Provident Association, 1988), p.1

¹⁷⁷ Minutes of Proceedings at a Court of Directors of the Bank of Australasia, 21 April 1842, Court Minutes Volume 4, p.127, ANZ Group Archive.

¹⁷⁸ Ibid. p.126.

¹⁷⁹ S.J. Butlin, *Australia and New Zealand Bank: the Bank of Australasia and the Union Bank of Australia Limited 1828 – 1951* (London: Longmans, 1961), p.95. Butlin appears to be referring to the Australian depression of the early 1840s which saw the first wave of bank failures in Australia: Bryan Fitz-Gibbon and Marianne Gizycki, *A History of Last-Resort Lending and other Support for Troubled Financial Institutions in Australia*, Research Discussion Paper, (Sydney: Reserve Bank of Australia, 2001), p.13.

New South Wales' provident fund in 1862, which was opened with a grant of 5,000 pounds from the bank.¹⁸⁰

In March 1874 the Bank of Australasia established a "Guarantee and Provident Fund."¹⁸¹ The Fund had similar terms to the original Pension Fund, the object being to give officers "the advantage of a mutual assurance of fidelity, and to provide pensions on retirement owing to age and infirmity."¹⁸² The bank supplied the Fund with an initial sum of £6,000.¹⁸³ Thereafter, the Fund was financed by officers' contributions. These kinds of private schemes became common among Australian banks and other large private institutions. Other companies to establish provident and/or superannuation funds during this period include the Australian Mutual and Provident Fund (AMP) (1890), the National Bank and the Colonial Sugar Refinery (CSR) (1890).¹⁸⁴

In the wake of these early private schemes, the first public sector occupational superannuation scheme was established in 1854 in South Australia,¹⁸⁵ followed by the New South Wales (NSW) Police Superannuation and Reward Fund in 1862.¹⁸⁶ Some superannuation schemes existed for blue-collar government employees such as the scheme for NSW railway and tramway officials established in 1910,¹⁸⁷ but these were non-compulsory and the benefits were lower than the other, more privileged white-collar schemes like those of the banks.¹⁸⁸ The NSW State Superannuation Fund was formed in 1919¹⁸⁹ after the agitation of a group of public servants about the need for a government-funded and guaranteed pension scheme, in addition to the Old Age Pension.¹⁹⁰ Benefits in the NSW scheme were related to level of salary but not length of service.¹⁹¹ The scheme was compulsory for all officers, with yearly

¹⁸⁰ Nikola Balnave, "Industrial Welfarism in Australia 1890–1965" (PhD diss., University of Sydney, 2002), p.90.

¹⁸¹ As Robin Blackburn notes, it was common to see large pension providers with names like "Fidelity" or "Prudential," stressing their roots in Protestant ideas of self-help: Robin Blackburn *Age Shock: How Finance is Failing Us* (London: Verso, 2006), p.83.

¹⁸² Bank of Australasia, 40th Annual Report of the Directors to the Proprietors, 23 March 1974, p.2. ANZ Group Archive.

¹⁸³ *Ibid.*, p.2.

¹⁸⁴ *Australian Mutual Society's Officers' Provident Fund Trustees Act 1890* (NSW); Balnave, "Industrial Welfarism in Australia," pp.89, 91.

¹⁸⁵ *Superannuation Act 1854* (SA).

¹⁸⁶ *Police Regulation Act 1862* (NSW).

¹⁸⁷ *Railway Service Superannuation Act 1910* (NSW).

¹⁸⁸ Shaw, *Trade Union Participation in Public Policy-Making*, p.105.

¹⁸⁹ Under the *Superannuation Act 1916* (NSW).

¹⁹⁰ Shaw, *Trade Union Participation in Public Policy-Making*, p.106.

¹⁹¹ *Ibid.*, p.106.

contributions calculated on “units” that increased as salary increased. The maximum pension from the scheme was £312 per annum.¹⁹² The Commonwealth public service superannuation scheme was introduced in 1922, a unit-based scheme that paid participants a pension for life.¹⁹³

Blue-collar workers outside of government were commonly excluded from occupational pension benefits, stimulating industrial activity around the issue. Mees and Brigden document the way that this exclusion led to some unions establishing their own self-funded superannuation schemes and organising around the issue of superannuation as industrial right.¹⁹⁴ These self-funded schemes preceded the Old Age Pension; for example the Ballarat fund of the Amalgamated Miners’ Association was established in 1895.¹⁹⁵ Mees and Brigden show that the right to superannuation remained a live issue for blue-collar workers in the early 20th century, but it would not be until 1941 that the right was won by coal mine workers in NSW, with the passage of the *Coal and Oil Shale Mine Workers’ (Superannuation) Act*.¹⁹⁶ They rightly note that the fight for superannuation as an industrial right would be the same approach taken by unions much later in the 1970s (taken up in Chapter 5 of this thesis).¹⁹⁷

Employer-run occupational superannuation schemes provided a way for employers to manage the early industrial workforce. Despite variability in the terms of schemes, a common feature was that employees qualified for pension benefits through continued and faithful service to one employer – a reward for loyalty. On the one hand, pensions demonstrated employer benevolence but on the other, they were a means of minimising staff turnover and limiting labour mobility.¹⁹⁸ As Geoffrey Blainey has written in his history of AMP, the establishment of its scheme in 1890 was “to offer social security to those employees who, caring for a young wife and family, were easily tempted by offers of a higher salary from other insurance firms,” and the long debate about pension schemes was really a debate about “finding a way

¹⁹² NSWPD, *Legislative Assembly*, 18 September 1913, pp.1608-1609.

¹⁹³ *Superannuation Act 1922* (Cth), section 59.

¹⁹⁴ Bernard Mees and Cathy Brigden, *Workers’ Capital: Industry Funds and the Fight for Universal Superannuation in Australia* (Crow’s Nest: Allen & Unwin, 2017), p.19.

¹⁹⁵ *Ibid.*, p.20.

¹⁹⁶ *Coal and Oil Shale Mine Workers’ (Superannuation) Act 1941* (NSW); *Ibid.*, p.22.

¹⁹⁷ *Ibid.*, p.19.

¹⁹⁸ National Superannuation Committee of Inquiry (NSCI), *National Superannuation in Australia – Interim Report of the Committee of Inquiry* (Canberra: Commonwealth of Australia, 1974), p.6.

to retain the AMP's talented young executives in the face of attractive offers.¹⁹⁹ During the period before old age pensions, superannuation was also used to signal the age at which a person should retire.²⁰⁰

Another feature of most occupational schemes that encouraged loyal service was that the amount of pension to which an employee became entitled was commonly calculated as a percentage of their final wages. Therefore, the more senior an employee became, the more pay they earned and the better pension they received. This encouraged workers to stay with the one employer and rise through their ranks, a prospect which in reality was open almost exclusively to male employees who did not have to leave the workforce when they married, as women so often did. It was also a way to discourage industrial action – for example, the CSR Provident Fund, established in 1890, contained a clause that any subscriber who was absent from employment for one week without leave was “deemed to have resigned.”²⁰¹ In another case in 1917, the NSW Railway Superannuation Board decided that strike action by employees constituted “serious misconduct” and that they therefore had forfeited their superannuation contributions.²⁰² The abolition of police pensions in 1906 was one of the factors leading to the 1923 police strike in Melbourne, the *Argus* characterising it as a “bolshevist orgy.”²⁰³

Occupational superannuation schemes took many different forms: funded or unfunded; private, public, or semi-public; firm-level or industry-wide.²⁰⁴ Indeed, this variability remains true of pension schemes today. Early occupational superannuation schemes in Australia were both public and private, and funded by a combination of employer and employee contributions. Overwhelmingly, the schemes

¹⁹⁹ Geoffrey Blainey, *A History of the AMP 1848-1898* (St Leonards: Allen & Unwin, 1998), pp.104, 106.

²⁰⁰ Steven Sass, “The Development of Employer Retirement Plans: from the Nineteenth Century to 1980,” in *The Oxford Handbook of Pensions and Retirement Income*, p.82. The need to manage an ageing workforce was especially so in the absence of an age pension, and therefore an age pension qualifying age that signaled an age for retirement.

²⁰¹ Balnave, “Industrial Welfarism in Australia,” p.99.

²⁰² The NSW Government subsequently stepped in to refund the employees' payments into the superannuation fund: “Superannuation,” *Daily Examiner*, 12 October 1917, p.3; “Strike Aftermath. Superannuation Payments to be Refunded,” *Daily Telegraph*, 16 October 1917, p.4.

²⁰³ Gavin Brown and Robert Haldane, *Days of Violence: the 1923 Police Strike in Melbourne* (Melbourne: Hybrid Publishers, 1998), p.55.

²⁰⁴ Ewald Engelen, “Changing Work Patterns and the Reorganization of Occupational Pensions,” in Gordon L. Clark, Alicia H. Munnell & J. Michael Orszag, eds. *The Oxford Handbook of Pensions and Retirement Income* (Oxford: Oxford University Press, 2006), p.100.

were defined benefit or “defined promise” pensions,²⁰⁵ paying a regular pension for life. Financing these pensions constituted a considerable impost on the revenue of employers. As a result, firms would employ actuaries, whose job it was to calculate the cost of pension liabilities. If there were insufficient funds, the actuary would commonly recommend that the employer contribute more to the fund, so that the defined benefit was guaranteed.²⁰⁶ Actuaries derived a substantial amount of business from occupational pensions, and at various times were voices of opposition to a government system of superannuation.²⁰⁷ In the case of the AMP, policyholders became agitated about the original 1884 scheme because it would risk becoming a “bottomless pit” for the company.²⁰⁸ A new superannuation scheme which was less generous to employees was formed in 1888.

The introduction of federal income taxation under the *Income Tax Assessment Act 1915* (ITAA) established government intervention in what was, until then, a private employment matter and made superannuation a national policy issue.²⁰⁹ The ITAA created a highly concessional means of taxing superannuation. It followed the principles of John Stuart Mill and other 19th century political economists who argued that savings, especially for retirement, should be taxed concessionally.²¹⁰ Employer contributions to superannuation schemes were tax deductible to the employer, and fund earnings exempt from taxation for the fund.²¹¹ For the beneficiary, only 5 per cent of superannuation lump sums were included in

²⁰⁵ Notwithstanding that in some schemes, employees also made contributions as is the case in “defined contribution” pensions.

²⁰⁶ Mees and Brigden, *Workers’ Capital*, p.10.

²⁰⁷ See discussion in Chapter 5.

²⁰⁸ *Ibid.*, p.105.

²⁰⁹ The Commonwealth Constitution contains no superannuation power, so taxation was the means through which the federal government entered the policy field.

²¹⁰ Mill argued for the exemption of savings from taxation on the basis that savings could lead to investment and improvement of the labouring classes: Robert B. Ekelund Jr. and Douglas M. Walker, “J.S. Mill on the Income Tax Exemption and Inheritance Taxes: the Evidence Reconsidered,” *History of Political Economy* 28, no.4 (1996): p.561. Mill also wrote that the principle of equality of taxation “requires that a person who has no means of providing for old age, or for those in whom he is interested, except by saving from income, should have the tax remitted on all that part of his income which is really and bona fide applied to that purpose”: John Stuart Mill, *The Principles of Political Economy* (London: John W. Parker, West Strand, 1848 (1852)).

²¹¹ Borowski, “Risky by Design,” p.751. Borowski argues that the of introduction concessional taxation for superannuation stimulated the growth of superannuation schemes, but this is difficult to ascertain given the absence of official data on superannuation coverage up until the second half of the twentieth century. What is clear is that tax expenditure on superannuation increased from the time of the ITAA, and it remains a current issue for superannuation policy: see, for example, Mark Kenny, “It’s Super Tax Concessions, not Pensions that are Killing the Budget,” *Sydney Morning Herald*, 21 April 2014; John Daley, “It’s Crystal Clear: Super Tax Concessions have Got to Go,” *The Australian*, 12 June 2015.

assessable income, taxed at marginal rates, whereas all pension income was taxed. These tax settings acted against superannuation being used for continuing retirement income. Together with the absence of any preservation requirements, the taxation of superannuation meant that a benefit “intended to cover workers against the risk of a loss of earned income due to retirement actually functioned as something more akin to a concessionally taxed severance pay device.”²¹²

The tax concession for occupational superannuation was essentially the same between 1915 and 1983, when the Hawke government increased the tax on lump sums to 15 per cent for less than \$50,000 and 30 per cent for lump sums in excess of \$50,000.²¹³ The tax changes were brought about primarily because of the need for government revenue (discussed further in Chapter 6). As a practical budget matter, superannuation could not remain so concessional, especially given the growth in occupational superannuation coverage during the 1970s and 1980s. Though the level of tax concessions was reduced, superannuation remained concessionally taxed because the Hawke government, and especially Paul Keating as Treasurer, considered that the government was entering into a “bargain” with workers: foregone wages for future retirement income.²¹⁴ The concessional taxation of occupational superannuation would remain one of its defining, and contentious, features.

Despite the apparent early popularity of occupational funds in larger firms, evidence from the first part of the twentieth century suggests that such schemes were not widespread. Nikola Balnave, for example, points to a 1931 survey conducted by Mauldon which found that, “from the 76 private establishments with organised welfare schemes, 11 had provident and/or distress funds and 14 had life insurance, pensions and superannuation funds.”²¹⁵ A very limited number of Australian provident and superannuation schemes covered female employees and few included manual workers, usually only those earning full adult wages and with a certain length of service.²¹⁶

²¹² Allan Borowski, “Risky by Design,” p.751.

²¹³ These amounts were indexed: Treasury, *Australia’s Future Tax System Consultation Paper Summary*, Appendix B: A History of Superannuation (Canberra: Commonwealth of Australia, 2010), n.p.

²¹⁴ Interview, Paul Keating, Sydney, 21 June 2018.

²¹⁵ Balnave, “Industrial Welfarism in Australia,” p.91.

²¹⁶ *Ibid.*, p.101.

The distribution of superannuation coverage within the workforce was concentrated among salaried male members of white-collar professions. It was common for funds only to be open to salaried “officers” or “staff,” as was the case in the Bank of Australasia’s pension fund, and not “waged” employees.²¹⁷ In addition, employees who left a workplace before reaching retirement age were forced to surrender their accumulated pension, meaning that they subsidised the pensions of those who did get to retirement age, arrangements that favoured senior management.²¹⁸ This feature of occupational pensions meant that not only did women who left the workforce when they married miss out on pensions themselves, but they subsidised the pensions of men.

Another feature of 19th century private welfare were the mutual benefit “Friendly Societies” that provided some level of insurance for those not covered by occupational superannuation.”²¹⁹ These organisations were established to insure against the risks attendant with work and other life events. In practice, the friendly societies only provided a limited range of benefits – longer-term illness, invalidity, old age and unemployment were never adequately covered.²²⁰ As discussed earlier, some workplaces set up their own self-funded schemes, combining union and friendly society activity.²²¹ Australia’s friendly societies were modelled on those established in Britain, financed by the contributions of their members, providing collective self-provision, cultural association and modest insurance against fate.²²² At the turn of the 20th century, the friendly societies covered approximately 7 per cent of the population and 18 per cent of the workforce.²²³ However, being based on subscriptions of members they could provide little assistance for instances of long-term unemployment, illness or old age.²²⁴

Mutual benefit associations did not provide for the whole range of benefits which would come within a comprehensive national insurance scheme, being mainly aimed at partial relief during temporary incapacity and, to a limited extent, towards

²¹⁷ Mees & Brigden, *Workers’ Capital*, p.10.

²¹⁸ *Ibid.*, p.11.

²¹⁹ Pat Thane, “The History of Retirement,” in Clark et al, eds. *The Oxford Handbook of Pensions and Retirement Income*, p.37.

²²⁰ Murphy, *A Decent Provision*, p.149.

²²¹ Mees and Brigden, *Workers’ Capital*, p.19.

²²² John Murphy, *A Decent Provision*, p.48.

²²³ *Ibid.*, p.49.

²²⁴ *Ibid.*, p.50.

assistance during extended periods of invalidity and funeral benefits.²²⁵ As Earle Page, Treasurer in the Bruce-Page Government (1923-29), would later say, the friendly societies covered

practically only the thrifty, or the better-off section of the community who have some surplus earnings. The thriftless, and those whose present necessities are so great that, notwithstanding a desire to make provision for the future, they have not been able to cover themselves, are not provided for.²²⁶

From colonial times, trade unions had provided some welfare benefits to their members. In his study of early worker organisation methods between 1788 and 1850, Michael Quinlan has estimated that around 1.3 per cent of worker organisations were involved in mutual insurance. He notes that such activity gave unions “a sustaining activity that would, unlike strikes, attract approbation in colonial society.”²²⁷

That Australia had developed these institutions of occupational welfare was largely on account of their influence having been established overseas, especially in Great Britain. As discussed above, the AMP’s first pension fund was modelled on a scheme in Scotland. The development of early pensions in Britain has a close resemblance to Australia’s. As Hannah observes, the early decades of the twentieth century in Britain saw two parallel systems of pensions developing: the first was organised by the state, covering the poorest two-thirds of the population, the second by employers, covering a much smaller and more diverse group of employees of “core” firms with internal labour markets and bureaucratic employment features.²²⁸ As in Australia, the British schemes preceded the public pension and Blackburn argues, “have never been entirely eclipsed by it.”²²⁹ In Australia occupational pensions and the age pension would develop along separate policy paths, and would have the effect of “crowding

²²⁵ Royal Commission on National Insurance, *First Progress Report*, 3 March 1925, p.21.

²²⁶ Commonwealth Parliamentary Debates (CPD), House of Representatives, 14 September 1928, p.6747.

²²⁷ Michael Quinlan, *The Origins of Worker Mobilisation: Australia 1788–1850* (London: Routledge, 2018), pp.94, 98.

²²⁸ Leslie Hannah, *Inventing Retirement: the Development of Occupational Pensions in Britain* (Cambridge: Cambridge University Press, 2010), p.29.

²²⁹ Blackburn, *Age Shock*, p.83.

out” the policy area of old age welfare, to the exclusion of national superannuation in the future.²³⁰

The intersection of industrialisation and occupational pensions in Britain is evident, with large employers being more likely to cover their employees with benefits like pensions. The British civil service plan was established in 1859, providing a template for other large employers both public and private. Participation in such plans was limited to white-collar workers; the plans often required employee contributions; and the pension was based on the worker’s salary and years of service. Pensions proved valuable in developing a second employment relationship, this time with blue-collar workers. In industries such as railroads, urban transit and manufacturing, firms employed large numbers of blue-collar workers to operate their capital-intensive, high-throughput operations. In a bid to attract better workers, these employers already paid above-market wages. But this strategy had its limits. Beyond a certain point, employers found they could better achieve their personnel management objectives by providing “industrial insurance” rather than even higher wages.²³¹ As pension schemes spread to other sectors – banking, insurance, manufacturing, retailing and shipping – in the later nineteenth and early twentieth centuries, they were also concentrated on the large firms.²³²

Collective initiatives by workers for explicit provision for old age in Britain were confined to relatively affluent groups such as miners and railwaymen, and were very much the exception rather than the rule.²³³ According to Pat Thane, “[T]he largest exclusively working-class organizations of the period were the friendly societies, which had about 5.6 million members in Great Britain in 1900, when trade unions

²³⁰ John Murphy has argued that wage arbitration, rather than the non-contributory Old Age Pension, created a path dependency that prohibited the development of national social insurance in the interwar years: John Murphy, “Path Dependence and the Stagnation of Australian Social Policy Between the Wars,” *Journal of Policy History* 22, no.4 (2010). The point this thesis argues is that over the longer course of the twentieth century, the complexity of introducing social insurance on top of the growing number of occupational schemes *and* the age pension became an institutional factor that worked against its introduction.

²³¹ Steven Sass, “The Development of Employer Retirement Income Plans: from the Nineteenth Century to 1980,” in *The Oxford Handbook of Pensions and Retirement Income*, p.80.

²³² *Ibid.*, p.21.

²³³ As Hannah notes, “Only one such working man’s society – the Northumberland and Durham Miners’ Permanent Relief Society – appears to have developed successfully an adequate regime of provision for old age in the nineteenth century...it was for many years the largest private occupational pension scheme in Britain in terms of the number of contributing members: there were 140,000 members at the turn of the century, and nearly 4,000 pensions were being paid...and as the local coal industry expanded and wages rose, membership was still growing fast...the majority of miners in the prosperous north-eastern coal fields chose to join: *Inventing Retirement*, p.7.

totalled about 1.2 million.”²³⁴ For the mass of workers without such coverage (and indeed for many in these collective schemes providing only low levels of benefits), staying on the job was normal, accepted practice in old age until incapacity intervened to force retirement.²³⁵

The first old age pensions

By 1890 the affluence of the long boom that followed the coming of the gold rushes had passed into depression. This led to acute unemployment and major strikes among maritime, pastoral and mining workers between 1890 and 1894.²³⁶

Demographically, the Australian colonies were growing older and poverty among the aged was becoming more visible. Between 1891 and 1901 there was a 60 per cent increase in the number of people living in the colonies aged over 65, a rate of growth twice as fast as that of the general population.²³⁷ It was during this time, as a result of the depression, that the incidence of “aged destitution” increased.²³⁸ The poor aged were placed in government-supported asylums, institutions run to give the ill, the destitute and the aged poor places of accommodation. Reflecting the gender imbalance in the population, the majority of aged and infirm asylum inmates were men: while the data is scattered and incomplete, “in the 1870s and 1880s there were more than twice as many male inmates as female at the Melbourne Benevolent Asylum, Dunwich Asylum in Moreton Bay and the Sydney Government Asylums.”²³⁹ The unique factor of Australia’s ageing convict population, most of whom were not deemed deserving of charity, added to the groundswell of calls for state intervention.²⁴⁰

Economic conditions meant that there was greater visibility of poverty among the aged. As a consequence, there was increased acceptance of the notion that support

²³⁴ Pat Thane, “The Working Class and State ‘Welfare’ in Britain, 1880–1914,” *The Historical Journal* 27, no.4 (1984): pp.878-879.

²³⁵ *Ibid.*, p.7.

²³⁶ Stuart Macintyre, *Winners and Losers: the Pursuit of Social Justice in Australian History* (Sydney: Allen & Unwin, 1985), p.xvi.

²³⁷ Brian Dickey, *No Charity There: A Short History of Social Welfare in Australia* (Melbourne: Thomas Nelson, 1980), p.111.

²³⁸ John Dixon, “The Age Pension: Developments from 1890 to 1978,” in Anna L. Howe, ed. *Towards an Older Australia* (St Lucia: University of Queensland Press, 1981), p.64.

²³⁹ Stephen Garton, *Out of Luck: Poor Australians and Social Welfare 1788–1988* (Sydney: Allen & Unwin, 1990), pp.56-57.

²⁴⁰ Pat Jalland, *Australian Ways of Death* (Cary, USA: Oxford University Press, 2002), p.203. See also Andrew Piper, “Beyond the Convict System: the Aged Poor and Institutionalism in Colonial Tasmania,” (PhD diss., University of Tasmania, 2003), Chapter 12.

for the aged was a collective responsibility for the whole community, rather than of individual employers, mutual societies or the help of friends and family.²⁴¹ In Australia during the last quarter of the nineteenth century and especially during the 1890s, “voices were raised with increasing stridency asserting that it was the duty of the State to undertake more positive measures for the welfare of its members.”²⁴² The rise of the trade union movement in the second half of the 19th century and the formation of labour politics in the 1890s “added to the movement for reform.”²⁴³

The limited coverage of occupational pension schemes was also a factor that led to growing calls for a state-provided age pension. As Graeme Davison writes, only when the “rickety fabric of charitable institutions collapsed did the colonies, and later the Commonwealth, offer a niggardly allowance to support the most indigent of the ‘worn-out wealth-creating machines.’”²⁴⁴ Anne O’Brien writes that in the absence of a “poor law” like in the United Kingdom, the colonial charities were “in the anomalous position of having to discern the ‘deserving’ and the ‘undeserving,’ while knowing there was no other institutional assistance for those rejected.”²⁴⁵

The introduction of public pension schemes in Victoria, NSW and Queensland did not extend further across other colonies and this was part of the background to the drive for a national old age pension scheme. The Commonwealth of Australia was inaugurated in 1901, with rudimentary powers in social services but the authority to legislate for old age pensions.²⁴⁶ National taxes were introduced at this time, namely the land tax introduced by the Fisher Labor government in 1910 and, later, with the onset of war, the national income tax by the Hughes government in 1915.²⁴⁷

At each of the junctures when old age pensions were debated and introduced by the Australian colonies and then the Commonwealth, there was debate over and subsequent rejection of contributory financing. Different arguments were advanced

²⁴¹ John Dixon, *Australia's Policy Towards the Aged: 1890–1972* (Canberra: College of Advanced Education, 1977), p.4.

²⁴² Kewley, *Social Security in Australia*, p.5.

²⁴³ Herscovitch and Stanton, “History of Social Security in Australia,” p.53. Labour parties were formed in Queensland and New South Wales in the early 1890s, preceding the formation of the federal party.

²⁴⁴ Graeme Davison, review of *Old Age in Australia: A History*, by Pat Jalland, *The American Historical Review*, 121, no.1 (February 2016): p.228.

²⁴⁵ Anne O’Brien, “Pauperism Revisited,” *Australian Historical Studies* 42, no.2 (2011): p.214.

²⁴⁶ *The Constitution*, section 51 (xxiii).

²⁴⁷ Julie Smith, *Taxing Popularity: The Story of Taxation in Australia* (Sydney: Australian Tax Research Foundation, 2004), pp.49, 52.

for its undesirability. The inadequacies of contributory schemes in terms of coverage has been a consistent theme of superannuation debates ever since.²⁴⁸ Although the split of opinion was not wholly on party lines, mostly it was the Labor Party which opposed contributory pension financing, because it was thought to be “burdensome to the workers.”²⁴⁹ The Labor preference for general revenue financing sought to ensure that the maximum redistributive effect of the social services could be secured.²⁵⁰ Senator for NSW, pensions campaigner John Cash Neild, argued that in any scheme involving voluntary or compulsory contributions, and subsequent investment, “merely the better class of the aged secure help...the overwhelmingly large number of the toilers, the unfortunate, and the decrepit, derive no comfort, no benefit.”²⁵¹ By way of contrast, Anti-Socialist parliamentarian and later Prime Minister, Joseph Cook, supported the Old Age Pensions Bill but with the qualification that,

I rather look upon an old age pension system in the light of a national scheme of insurance in which the insurers are all men who contribute to the upbuilding of the country, and the insured those who need money and take it in the shape of pensions...I regard old-age pensions very much as a form of national annuity given to men who are entitled to demand it as a right, and not as an act of mercy or charity.²⁵²

Rather than an incidental use of gendered language, Cook’s statement tells us something about contributory pension schemes: while given to both men and women, they were a reward for male labour and thrift. His position on national insurance would be same one that Cook later promoted when he became Prime Minister in 1913, discussed further below.

Contributory pensions had been debated and rejected in the colonies of New South Wales and Victoria. New South Wales rejected a contributory pension system, noting

²⁴⁸ See discussion of this issue by the National Superannuation Committee of Inquiry in 1974. For a current discussion, see Senate Economics References Committee, *A Husband is not a Retirement Plan – Achieving Economic Security for Women in Retirement*, 29 April 2016, available from http://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Economic_security_for_women_in_retirement/Report.

²⁴⁹ Ronald Mendelsohn, *Social Security in the British Commonwealth* (London: The Athlone Press, 1954), p.158.

²⁵⁰ *Ibid.*, p.136.

²⁵¹ CPD, Senate, 14 November 1907, p.6017.

²⁵² CPD, House of Representatives, 3 June 1908, p.11953.

concerns that it would leave the unskilled, casual workers, the sick, unemployed and non-working women without coverage.²⁵³ The 1896 New South Wales Select Committee on pensions that preceded the legislation in 1900 found that a compulsory contributory approach to pensions would be politically unacceptable because it would infringe on personal liberties, which would be “objectionable to people of British origin.”²⁵⁴ The 1898 Victorian Royal Commission into Old Age Pensions also recommended a pension scheme financed by general revenue.²⁵⁵ Echoing the New South Wales Select Committee’s emphasis on work, the Victorian Commission recommended that pensions should be paid to the aged poor, and those no longer able to earn a livelihood. In taking evidence the Commission noted that although the matter of government social insurance had been discussed in “every civilized community,” no one had been able to discover a means of collecting it because “as long as men are employed it is easy enough,” but without paid employment the means of collecting was removed.²⁵⁶

The Victorian Commission also recommended a universal age pension which would not be financed by contributions but from one or a combination of a state monopoly on the manufacture of tobacco, an income tax, a land tax and a tax on house rents. The Commission also recommended that every registered friendly society include in its rules provision for a superannuation allowance or pension, to commence after age 60, of at least 5 shillings per week for life.²⁵⁷

To qualify for the pension in Victoria, an individual had to be aged 65; with means below a specified limit;²⁵⁸ be a resident of the colony for not less than 20 years; of good character; and not convicted for drunkenness any more than three times. In New South Wales, an individual likewise had to be aged at least 65; with means below a specified limit;²⁵⁹ a resident of the colony for not less than 25 years; and of good character and a sober and reputable life. Although superseded shortly after its enactment by the Commonwealth legislation, the Queensland Act required pension

²⁵³ Dixon, “The Age Pension,” p.11.

²⁵⁴ Report from the Select Committee on Old-Age Pensions, *Minutes of Evidence*, New South Wales Parliamentary Debates (NSWPD), 1896, p.6.

²⁵⁵ Royal Commission on Old-Age Pensions, *Report on Old-Age Pensions* (Melbourne: Government Printer, 1898).

²⁵⁶ Minutes of Evidence, *Report of the Royal Commission on Old-Age Pensions*, 7 May 1897, p.10.

²⁵⁷ *Report of the Royal Commission on Old-Age Pensions*, 1898, p.xiii.

²⁵⁸ Average weekly income in the six months preceding the pension claim of not more than 8s; and net capital value of property not amounting to £160 or upwards.

²⁵⁹ Income of less than £52 per year; and net capital value of property less than £390.

claimants to be aged 65 or over; with means below a specified limit;²⁶⁰ a resident of the colony for not less than 25 years; of good character; leading a “temperate and reputable” life for the five years preceding the application; and have not deserted their wife or husband and children (as applicable). All of the colonies specified that people must not have purposefully deprived themselves of income or property in order to qualify for the pension. Victoria also required that the person had made reasonable efforts to provide for themselves, or had brought up a family in “decency and comfort.”²⁶¹

Following Australian Federation in 1901, the new Commonwealth government initiated its own Royal Commission on Old Age Pensions, leading to the introduction of the Old Age Pension in 1908. Payments commenced on 1 July 1909. The introduction of the pension was part of an early suite of national reforms that included tariff protection, wage arbitration, the “living wage” and restrictions on immigration under the White Australia Policy. The NSW model of pensions provided the basis for the Commonwealth scheme, in part because of the “political impossibility” of reducing benefits to Victorian levels for New South Wales pension recipients.²⁶² The means test was more stringent in Victoria than in New South Wales and officials there had wider discretion to determine the amount paid to pensioners.²⁶³ The Commonwealth pension was paid to men aged over 65 and women aged over 60,²⁶⁴ financed out of general revenue and set at a maximum of 10s per week, or £26 per annum.²⁶⁵ In today’s dollars, this pension rate equates to around \$3,500 per year.²⁶⁶

For the most part, private occupational pensions were supplementary to public social security because they were excluded from pension means tests. The Commonwealth Old Age Pension legislation excluded private occupational pension income from its

²⁶⁰ £26 per year, diminished by £1 for every £1 earned above £26; and £1 for each £15 of capital value.

²⁶¹ *Old-Age Pensions Act 1901* (Vic), section 8(1).

²⁶² Dickie, *No Charity There*, p.119.

²⁶³ *Ibid.*, pp.116-117; Sawyer, “Andrew Fisher and the Era of Liberal Reform,” p.75. The Victorian pension was also cut to 7s per week in 1901 and further limits placed on applicants, for example requiring pensioners to undertake to sign over their property to the state on demand: Murphy, “The Poverty of Liberalism,” p.43.

²⁶⁴ The eligibility age for women was reduced from 65 to 60 in 1910.

²⁶⁵ *Invalid and Old-Age Pensions Act 1908* (Cth), ss 15(1), 15(2), 24(1).

²⁶⁶ Reserve Bank of Australia, Pre-Decimal Inflation Calculator, available from <https://www.rba.gov.au/calculator/annualPreDecimal.html>.

means test,²⁶⁷ meaning that recipients were not disqualified from claiming the Old Age Pension. Victoria and Queensland also had liberal means tests with respect to private pension income, excluding benefit payments from any registered friendly society, or during illness, infirmity, or old age from any trade union, provident society, or other society or association.²⁶⁸ Only in NSW was the legislation limited, expressly excluding from the means test only sick allowances or funeral benefits from a friendly society, but not private superannuation pension income.²⁶⁹

Such was the drive to have an age pension that it was introduced before the Commonwealth had the necessary tax base to finance it. The Commonwealth scheme enjoyed bipartisan support and was “only held up by lack of Commonwealth finances and the inadequacy of proposals to pay for it.”²⁷⁰ The first-ever federal budget deficit in 1909 was because of the lack of revenue to cover its costs. The introduction of a land tax by the Fisher Labor government in 1910 was in response to this deficit.²⁷¹ As historians such as Macintyre and Ward have warned, it is a mistake to attribute the social security and industrial welfare institutions established at this time to Labor – and the labour movement – alone, but there is also little doubt about the role of Labor in establishing the first institutions of welfare in Australia and the first general taxes to finance them.²⁷² That general revenue financing became the method on which Australia’s federal Old Age pension was financed has much to do with the power of the labour movement at the time. As Ian W. McLean writes, the

strikes and unemployment associated with the depression greatly influenced the agenda and world view of the labour movement in its search for improved working conditions and economic security, a search pursued through enhanced political representation and the creation of new labour-market institutions, especially at federal level.²⁷³

These early institutions of welfare were also based on clear exclusions and a single (male) breadwinner model of household income. The pension schemes in Victoria,

²⁶⁷ *Invalid and Old-Age Pensions Act 1908*, section 4.

²⁶⁸ *Old-Age Pensions Act 1908* (Qld), section 2; *Old Age Pensions Act 1900* (Vic), section 2.

²⁶⁹ *Old-Age Pension Act 1900* (NSW), section 3.

²⁷⁰ Murphy, “The Poverty of Liberalism,” p.75.

²⁷¹ Sawyer, “Andrew Fisher and the Era of Liberal Reform,” p.73.

²⁷² *Ibid.*, pp.137-8; Ward, *Australia*, p.98, 112; Stuart Macintyre, *The Labour Experiment* (Melbourne: McPhee Gribble, 1989), pp.36-38.

²⁷³ Ian McLean, *Why Australia Prospered* (New Jersey: Princeton University Press, 2013), pp.137-138.

Queensland and NSW contained express exclusions based on ethnicity, and prevented Indigenous Australians from applying. Queensland was the most exclusionary, denying the pension to “aliens, Chinese or other Asiatics, Aboriginal natives of Australia, Africa, New Zealand or the Pacific.”²⁷⁴ Victoria excluded “aliens, Chinese or other Asiatics, Aboriginal natives of Australia or New Zealand,”²⁷⁵ and New South Wales excluded “aliens, Chinese or other Asiatics, Aboriginal natives of Australia.”²⁷⁶

As the majority of the poor and destitute aged, women would become the main beneficiaries of the means-tested Old Age Pension. In 1918, the first year the ABS reported the genders of Old Age Pension recipients, 60 per cent of recipients were women, and the majority of those were widowed and single women.²⁷⁷ As Marian Sawer argues, the early gender impact of the Old Age Pension is an important aspect of the masculine “wage earners’ welfare state” which should not be overlooked.²⁷⁸ But the welfare system also centred on the employment of white working men, with the basic wage established on the basis of a sole breadwinner model. Macintyre notes that the political economy of federation-era Australia “systematised and consolidated the privileges of (white) male workers,” and in doing so, it closed off the options for social insurance adopted in other capitalist countries where living standards were enhanced by welfare rather than employment.²⁷⁹ Being based on contributions from wages, schemes of social insurance did, however, replicate differences in income unless there was some element of redistribution.

Some of the evidence presented to the committees of inquiry and royal commissions held on old age pensions during the 1890s and early 1900s demonstrates that there was an early appreciation among policy makers of the gender impact of contributory pension schemes.²⁸⁰ This was derived from British criticisms of the contributory German pension system, that workmen’s wages (on whom the rate of the pension was based) were insufficient to provide for old age and that this was even more the

²⁷⁴ *Old-Age Pensions Act 1908* (Qld), section 7.

²⁷⁵ *Old-Age Pensions Act 1901* (Vic), section 7.

²⁷⁶ *Old-Age Pensions Act 1900* (NSW), section 51.

²⁷⁷ ABS, *Year Book Australia, 1918* Cat.No.1301.0.

²⁷⁸ Sawer, “Andrew Fisher and the Era of Liberal Reform,” p.78.

²⁷⁹ Macintyre, *The Labour Experiment*, p.32.

²⁸⁰ Various inquiries were being held in Britain, Australia and New Zealand on the subject of age pensions during the 1890s and into the 1900s. For New Zealand, see the 1894 *Report of the Old-Age Pensions Committee*; for Britain, see the 1898 *Report of the Committee on Old Age Pensions*, C.8911 and the 1899 *Report of the Select Committee on the Aged Deserving Poor*.

case for women, the majority of the aged poor.²⁸¹ Neild made the case against a contributory pension system because it discriminated against (married) women, arguing that

there is still another and very numerous class for whom personal contribution schemes are not only impossible, but a mockery; and yet this class is the most self-denying and thrifty in the community. I refer to married women. From what source is the wife and mother to derive an income sufficient to meet the personal contribution requisite to enable her to claim an old-age pension?²⁸²

By comparison, evidence taken from Thomas Rhodes, President of the South Australian State Children's Council, warned about the deleterious effect of working women on the financial position of older men. He submitted that

in commercial circles 'cannibalistic' competition provides no place for worn-out or dull-witted men. The position is accentuated by the invasion of woman. She now fills positions which hitherto were largely occupied by elderly men, who, while not absolutely effective, were able to do their required work.²⁸³

Women became eligible for the pension at the earlier age of 60 on the grounds that they tended to become, "incapacitated for regular work at an earlier age than men."²⁸⁴ In addition, within the moral context of a means test that established a "deserving" and a "less deserving" poor, women were much less likely to be considered "undeserving," across their lifetimes, than men.²⁸⁵ Following the Victorian approach, the Commonwealth legislation provided for the same rate of payment for married and single pensioners: differential rates were seen as penalising married couples for living together.²⁸⁶

The development of institutions of industrial welfare during this early period undoubtedly influenced the development of national insurance. Murphy has argued

²⁸¹ Marian Sawyer, "Andrew Fisher and the Era of Liberal Reform," *Labour History* 102 (2012): p.74.

²⁸² *Report of the Royal Commission on Old Age Pensions*, evidence from John Cash Neild, Senior Senator for the State of New South Wales in the Commonwealth Parliament, 11 January 1906. Neild's evidence was largely based on his report, *On Old-Age Pensions, Charitable Relief, and State Insurance*, 1898.

²⁸³ *Ibid.*, 21 August 1905.

²⁸⁴ Kewley, *Social Security in Australia*, p.75.

²⁸⁵ J Roe, 'The End is Where We Start From: Women and Welfare since 1901', in Baldock, C.V. and Cass, B, eds. *Women Social Welfare and the State* (Sydney: Allen and Unwin, 1983), p.3.

²⁸⁶ *Ibid.*, p.75.

that it was less the path dependency of the existing institution of the Old Age Pension that made any effort to introduce national insurance unsuccessful, and more the “neighbouring” institution of wage arbitration, with employers objecting that they would pay both their own and their workers’ contributions through an increased basic wage.²⁸⁷ When this early period is taken in isolation, employer objections do feature as a factor militating against the introduction of national superannuation. However, over a longer timespan the growth of the institution of occupational superannuation would become a more important impediment.

In international terms, Australia’s old age pension was closest to New Zealand’s, being non-contributory, means-tested and funded out of tax revenue. The New Zealand *Old Age Pension Act* of 1898 provided a pension equivalent to approximately 30 per cent of a working man’s wage, and entitlement was restricted as in Australia: to qualify, an individual had to be 65 years of age, a resident for 25 years or more, engage in “sober and reputable living” and have limited assets.²⁸⁸ Most Maori received less than the full rate of the pension, but were eligible, and until 1936 individuals of Asian nationality were excluded.²⁸⁹ Despite early similarities, Australia’s retirement income system diverged from New Zealand’s, with New Zealand under a Labour government adopting a universal age pension in 1938.²⁹⁰

In 1908, the same year as Australia’s Old Age Pension Act, the Asquith government in Britain introduced a means-tested, non-contributory old age pension. The British pension paid five shillings per week after age 70. The “clinching argument” against an insurance scheme, according to Thane, was that the majority of the neediest old people were women and no way could be found to include the great majority of them in a social insurance system. For this reason also, trade unions and friendly societies supported state non-contributory pensions for those unable to afford to join their own mutual funds, including their own wives.²⁹¹ However by 1925 the contributory insurance principle was introduced to old age pensions for those aged 65 to 70 in the

²⁸⁷ Murphy, *A Decent Provision*, p.155.

²⁸⁸ Lisa Marriott, *The Politics of Retirement Savings Taxation: A Trans-Tasman Comparison*, PhD Thesis, Victoria University of Wellington, 2008, p.148.

²⁸⁹ *Ibid.*, p.148.

²⁹⁰ *Social Security Act 1938* (NZ).

²⁹¹ Thane, “The History of Retirement,” p.43.

United Kingdom through the *Widows, Orphans and Old Age Contributory Pensions Act*.²⁹² But the contributory insurance principle was not taken up in Australia.

The initial, abortive attempts at national insurance

This section of the chapter examines the three early attempts to introduce a national insurance scheme with a superannuation element in the first half of the twentieth century: the Cook government's 1913 national insurance proposal; the Bruce-Page government's 1923 Royal Commission on National Insurance and the subsequent National Insurance Bill of 1928; and the Lyons government's 1938 National Health and Pensions Insurance Act. The latter two examples are the focus of this third section, because they included a superannuation component; the first proposal contained no provision for old age. The latter examples were also far more developed, and the subject of greater debate, than the Cook government's proposal, which was never drafted into legislation.

The ageing population in the early part of the twentieth century became a concern for the sustainability of age pension financing, acting as a motivating force behind the early attempts to introduce national insurance schemes. As the federal Royal Commission on National Insurance would later note, in 1912, 34,897 males and 44,174 females, totalling 79,071 persons, were in receipt of the Old Age Pension, being equivalent to 33 per cent of the male population, 31 per cent of the female and 32 per cent of the total population eligible according to age. At the 30th June 1924, the numbers in receipt of the Old Age Pension had increased to 45,117 males and 67,937 females, totalling 113,054 persons equivalent to 34 per cent of males and 32 per cent of females and approximately 33 per cent of the total population at the eligible ages.²⁹³ Life expectancy at birth was 59 for men and 63 for women; at 45 it was 71 for men and 74 for women.²⁹⁴

The three attempts to introduce a national insurance scheme all revolved around one central issue: whether Australia should embrace a contributory social security system of a type that had been adopted in Germany and the United Kingdom. The international influences on policy development are discussed under each example, as are the issues of coverage that flow from contributory schemes. Superannuation was

²⁹² Hannah, *Inventing Retirement*, p.17.

²⁹³ Royal Commission on National Insurance, *First Progress Report*, p.22.

²⁹⁴ ABS, Special Paper: "Life Expectancy," *Australian Social Trends 2011*, Cat.No.4102.0, p.2.

understood as a social security issue, a responsibility of government, and the political positions on contributory financing flowed over from previous pension debates. The three proposals for national insurance were made by conservative parties – the Cook Liberal government; the Bruce-Page Nationalist-Country Party government and the Lyons United Australia Party-Country Party government.

That the three initiatives came to nothing owes less to the path dependency of the existing institutions of old age welfare, and more to unique political and economic circumstances. However, the continued failure to introduce a scheme of national superannuation meant that the Old Age Pension and occupational pension schemes became embedded institutions, more difficult to displace in later decades.

1913

In 1913 the Cook government proposed a “comprehensive” social insurance scheme, but one that only covered the risks of sickness, accident, maternity, widowhood and unemployment. It was a proposal only, with no public inquiries held, nor any legislation developed. As such, the weight to be attached to this proposal, and the level of historical detail about it, are less than for the two proposals which followed. Cook’s proposal had followed the Liberal government’s initial commitment to social insurance under Prime Minister Alfred Deakin, “a commitment reinforced by the Lloyd George-Churchill success in Great Britain in 1911.”²⁹⁵

According to Kewley, it was the debates around the *Maternity Allowance Act 1912* that provoked the major political parties to further develop their positions on the preferable method of financing social benefits. The maternity allowance was paid on a universal basis, to mothers on the birth of their child. Kewley argues that the Liberal Party was conscious that the allowance was electorally popular, and so supported maternity allowances but proposed to include them within a broader contributory insurance scheme.²⁹⁶ Accordingly, the Cook government came to office with a promise to introduce such a scheme. In the event, the government did not attempt to introduce any contributory social insurance scheme, which appears to

²⁹⁵ Rob Watts, “Origins of the Australian Welfare State,” in Richard Kennedy, ed. *Australian Welfare History: Critical Essays* (Melbourne: Macmillan, 1982), p.230. Watts notes that “[P]rogressive opinion within the Labor Party, exemplified by L.F. Giblin, attempted to secure a similar commitment at the 1912 Federal Conference. ALP opinion, however, diverged crucially in respect of the method of financing the scheme...The Labor Party maintained – and would maintain until 1943 – that only those able to pay, that is the wealthy, should pay for social services”: p.230.

²⁹⁶ Kewley, *Social Insurance in Australia*, p.107.

have been because of insufficient parliamentary numbers to proceed with any bill.²⁹⁷ The government was elected with a single seat majority in the House of Representatives and with a Labor-dominated Senate.

Mirroring the earlier old age pension debates, the Labor Party opposed the contributory scheme, but not all Labor members of parliament were hostile to it. Kewley notes that

the general view of Labor members was expressed by J.E. Fenton, the member for Maribyrnong, who said that a contribution to an insurance fund would be ‘all very well’ for a man who had money in his pocket, but while ‘four-fifths of the wealth resides with one-fifth of the population, it is wrong to ask the poorer classes of the community to contribute to any fund of that kind.’²⁹⁸

It is clear that the Cook government was influenced by prior overseas moves to introduce contributory pension schemes.²⁹⁹ The main source of influence was Britain, with the *National Insurance Act 1911* covering health and unemployment, introduced by the Asquith government.³⁰⁰ In September 1910, Australia had been represented by government officials at the international Conference on Social Insurance at the Hague, and was criticised along with British delegates for having introduced a (non-contributory) system of old age pensions, “stigmatized as revolutionary and destructive of the spirit of independence.”³⁰¹ British officials communicated with members of the Cook government, outlining the “scope and machinery” of the British scheme on which the Australian scheme was to be based.³⁰²

The medical fraternity and the friendly societies were prominent voices of opposition to the British legislation, which was fresh in the minds of Australian proponents of a scheme. The friendly societies in Australia also voiced their opposition to any such scheme, arguing that it was unnecessary given the existing benefits they provided.³⁰³

²⁹⁷ Ibid., p.110.

²⁹⁸ Ibid., p.142.

²⁹⁹ See CPD, Governor General’s Speech – Address in Reply, 30 August 1912, p.1027.

³⁰⁰ The other notable international influence was the German pension scheme that had been introduced in 1891. Bismarck’s scheme was both the first national pension, and the first contributory pension scheme, in the world.

³⁰¹ Kewley, *Social Security in Australia*, p.101; Sir John Cockburn, *Report on Conference on Social Insurance at the Hague*, September 2010 (Melbourne: Commonwealth of Australia, 1911), p.1.

³⁰² “National Insurance: Federal Scheme. Preliminary Steps,” *Argus*, 19 September 1913, p.12.

³⁰³ “Insurance – Scheme Opposed,” *Sydney Morning Herald*, 3 October 1913, p.11; “National Insurance Scheme,” *Daily Telegraph*, 23 July 1913, p.4.

Meanwhile, the *Worker* endorsed Senator Mullan's address in reply to parliament that it was "nothing short of a capitalistic device to fleece the workers of the little which they are already getting."³⁰⁴

1928

The issue of contributory pensions for old age was taken up by the Bruce-Page Nationalist-Country Party government. In 1923 it convened a Royal Commission to look at the issue of national insurance for old age, sickness, invalidity and unemployment. The Royal Commission presented an initial progress report in 1925 which covered, among other things, superannuation benefits, two further progress reports and a final report in 1927.³⁰⁵ In 1925 the government also raised the pension from 15s per week provided by the previous Labor government to 17s 6d per week.³⁰⁶

The Royal Commission, chaired by the Nationalist Party Senator John Dunlop Millen, presented the view that existing private superannuation schemes were insufficient to provide for old age. While the Commission did not have official statistics on the numbers of workers covered, it estimated that approximately 140,000 of them were in an occupational superannuation scheme, "the great majority of whom" were public servants.³⁰⁷ It observed that "very few" trade unions had superannuation schemes for their members, and "where such are available they generally provide for a small weekly benefit varying according to the number of years during which contributions have been paid by the member."³⁰⁸ Finally, "numerous government, municipal, banking, financial and other institutions have established superannuation funds for their employees," but benefits were highly variable and depended on the organisation the individual worked for.³⁰⁹

Likewise, the Royal Commission took issue with the limited population coverage of friendly societies, and their limited benefits. Only 524,000 out of a total of 1,648,000 wage and salary earners, or approximately one-third of workers, had made voluntary

³⁰⁴ "Cook's Unemployed Insurance – A Capitalistic Device," *Worker*, 18 September 1913, p.15.

³⁰⁵ The First Progress Report on 3 March 1925 dealt with casual sickness, permanent invalidity, maternity and old age; the Second Progress Report on 30 July 1926 dealt with unemployment; the third Progress Report on 15 December 1926 dealt with destitute allowances; and the Fourth and Final Report on 11 March 1927 covered membership, finance and administration of the proposed scheme.

³⁰⁶ CPD, House of Representatives, 20 August 1925, p.1621.

³⁰⁷ Royal Commission on National Insurance, *First Progress Report*, 3 March 1925 p.21.

³⁰⁸ *Ibid.*, p.21.

³⁰⁹ *Ibid.*, p.21.

efforts to provide for themselves through mutual associations.³¹⁰ The friendly societies had failed “to make any adequate provision for permanent incapacity for work as the result of invalidity or old age.”³¹¹ This was because while the objects of some friendly societies included provision for the establishment of a superannuation fund for aged members, no society provided superannuation benefits aside from some instances of small relief for over-60s.³¹² Finally, the Commission observed that the instances of sickness and accident that the friendly societies did provide some insurance against would likely weigh less on the mind of a wage-earner than the risk of impecunious old age – and superannuation under National Insurance would assist the worker to provide against it.³¹³

The Royal Commission proposed a superannuation benefit of one pound per week, payable to men aged 65 and over, and to women aged 60. The superannuation pension was payable in addition to a person’s existing old age pension. A National Insurance Fund would be established by the government, into which compulsory contributions by all wage and salary-earners over the age of 16 would be made. Their contributions would be deducted from wages, and equal contributions on behalf of those workers would also be made by their employer and the government. Voluntary contributions could be made by the self-employed, and an exemption to compulsory contributions would apply to members of “mutual benefit associations which guarantee, and to those in employment which secures, equal benefits to those provided by the National Insurance Fund.”³¹⁴

The resulting National Insurance Bill was introduced into the federal parliament by Earle Page, the Treasurer, on 14 September 1928. Following the Royal Commission’s recommendation, employees would pay compulsory contributions into a National Insurance Fund. Contributions of one shilling per week in the case of males aged 16 to 65 and sixpence a week until age 60 for females would be compulsorily levied on employed persons engaged under a contract of service, and whose income, unless

³¹⁰ Ibid., p.7

³¹¹ Ibid., p.21.

³¹² Ibid., p.21.

³¹³ Ibid., p.22.

³¹⁴ Royal Commission on National Insurance, *Final Report*, p.6.

derived from manual labour, did not exceed £416 per annum. Employee contributions were to be matched by the employer.³¹⁵

The government referenced international moves towards national insurance and utilised the institutional framework of the British social insurance scheme of 1925. In the bill's second reading speech, Page argued:

[I]n all directions it is being recognized that the beneficent principles and practice of insurance should be applied not only in respect of such casualties as death, fire, ship-wreck, and accident, but also to those other more insidious, but no less serious, casualties of sickness, invalidity and senility, which affect our social organization and, in the absence of due provision, cause untold suffering.³¹⁶

The classic insurance principle of risk pooling would mean that “[T]he man who experiences a long life contributes to the needs of the dependants of another who dies early.”³¹⁷

Departing from the tripartite contributions proposed by the Royal Commission, the national insurance bill provided for equal contributions by employers and employees. Each year, men would contribute £4 16s, and women £2 8s.³¹⁸ Whether or not a person was “employed” and therefore liable to make contributions was defined broadly by the regulations, but subject to several exceptions. The main exception was those earning above £416 per year, other than in manual work, outworkers, employment in service of husband or wife and where remoteness precluded effective working of the scheme.³¹⁹

The upshot of having employer and employee contributions was that the consolidated revenue was to bear none of the cost of the administration of the National Insurance Scheme. Employer and employee contributions were, according to Page, to cover the whole cost of the benefits and administration.³²⁰ Contributions were to be made by employees at a flat rate, with obvious discrimination by gender –

³¹⁵ National Superannuation Committee of Inquiry (NSCI), *National Superannuation in Australia – Interim Report of the Committee of Inquiry* (Canberra: Commonwealth of Australia, 1974), p.38.

³¹⁶ CPD, House of Representatives, 14 September 1928, p.6746.

³¹⁷ *Ibid.*, p.6747.

³¹⁸ CPD, House of Representatives, 19 September 1928, p.6889.

³¹⁹ National Insurance Bill 1928, Regulations Part II.

³²⁰ CPD, House of Representatives, 18 September 1928, p.6771.

it was a regressive impost on workers with those on lower incomes bearing relatively more of the burden of contributions. However, the government argued that the rate of contributions was set so as not to “deprive the man on relatively low earnings of the measures of comfort that are necessary to a reasonable standard of living and health, and thus force the worker below a desirable social standard.”³²¹ The Labor opposition leader, James Scullin, pointed out that the existing old age pension provided a benefit without the need for any such contribution, noting that “superannuation will be 20s. per week with a personal contribution, and the old-age pensions will be 20s. per week without a contribution.” Page responded that while the age pension was paid to old-age pensioners for “nothing,” it was an anti-destitution measure and superannuation under a national insurance scheme was “independent of means.”³²²

While all employed persons between the age of 16 and the superannuation age for their gender were to be insured, there were express and implicit exceptions to coverage. Aboriginal Australians were expressly excluded from the scheme.³²³ Another express exemption was for those in remote localities and individuals – obviously including but not limited to Aboriginal Australians – rendering effective administration of the scheme impracticable.³²⁴ As Sawyer observes, the mobility of the labour force was an additional argument as to why a contributory system would not work when it was considered in the Australian context.³²⁵

The insured would only be paid the superannuation allowance if they had paid two years’ worth of weekly contributions and resided in Australia for 20 years before superannuation age.³²⁶ This requirement had obvious implications for women who left work when they married or did not engage in paid work, and for those who were contract workers. As Page pointed out, “[T]he great majority of women bearing children lead a domestic life.” The entitlements of mothers therefore included the maternity allowance and a wife’s superannuation entitlement.³²⁷

³²¹ CPD, House of Representatives, 14 September 1928, pp.6749-6750.

³²² *Ibid.*, p.6755.

³²³ National Insurance Bill 1928, clause 41(1)(b).

³²⁴ *Ibid.*, p.6757.

³²⁵ Sawyer, “Andrew Fisher and the Era of Liberal Reform,” p.74.

³²⁶ National Insurance Bill 1928, clause 28.

³²⁷ CPD, House of Representatives, 14 September 1928, p.6755; National Insurance Bill, clause 29.

There is evidence, however, that the issue of broader insurance was a priority for women. At the time of the Royal Commission, the National Council of Women of Victoria urged that a woman should be appointed to the Royal Commission because the issue of national insurance was “a matter of vital importance to the women of Australia.”³²⁸ With insurance, and therefore superannuation, contingent on employment, the national insurance bill had not responded to the following observation of the Royal Commission that

married women who are home-workers are stated not to be an insurable proposition, as there cannot be that necessary supervision which operates over women in other employment...special consideration is required with respect to the difficult questions arising in connexion with women who give up work on marriage, as the change in the economic circumstances of the woman which normally takes place at marriage introduces a complication into insurance administration, and often the status of the insured woman after marriage cannot be immediately determined.³²⁹

In 1927 the eleventh conference of the Australian Labor Party had resolved to increase the old age pension. The party during this period was still committed to general revenue financing of pensions, and in favour of its universal coverage as opposed to a national insurance scheme based on employment. As Scullin pointed out in parliamentary debate, the basis of the national insurance scheme was contributions by employees only, so that a person who had never been an employee would only receive an age pension.³³⁰ By way of contrast, Queensland Labor parliamentarian Frank Forde appears to have been an outlier in favouring a scheme of national insurance. In a hint of Labor’s position on the next iteration of national insurance in 1938, Forde favoured the broadest possible coverage, saying “I hope that the time will come when we shall have a scheme of insurance the benefits of which will be enjoyed by every worker in Australia, whether in the Government service or not.”³³¹

³²⁸ Letter to the Acting Prime Minister from the National Council of Women of Victoria, 16 October 1923, Royal Commission on National Insurance, Representations, p.91, A460, E5/8.

³²⁹ Royal Commission on National Insurance, Fourth and Final Report, *Membership, Finance and Administration* (Canberra: Commonwealth of Australia, 1927), p.4.

³³⁰ CPD, House of Representatives, 14 September 1928, p.6755.

³³¹ CPD, House of Representatives, 9 October 1924, p.5462.

Ultimately, the National Insurance Bill was abandoned, for reasons that have been given relatively short shrift in existing literature. Kewley cites the opposition of friendly societies, employers and insurance companies, the difficulty of imposing a system on top of existing state insurance schemes and the defeat of the Bruce-Page government in October 1929.³³² Murphy likewise cites the opposition of the friendly societies, employers and other civil society groups, the defeat of the government, and the Great Depression.³³³ The friendly societies, as an existing institution of old age welfare, acted as a handbrake on the *National Insurance* bill and the superannuation benefits it proposed. A year before the bill was introduced, Bruce noted that whether or not it could be introduced into the parliament depended “to a large extent upon the result of negotiations at present being carried on by the Government with the friendly societies and the British Medical Association,” as the peak body governing Australia doctors at the time.³³⁴ Some friendly societies opposed the bill outright, and other organisations did too, often because they already had occupational superannuation schemes, and did not want their employees to have to pay twice – once into the private fund and once into a public scheme.³³⁵

One of the main areas of contention was the national insurance scheme using “approved societies” for its administration. This formed the basis of institutional opposition by the friendly societies. Insured individuals would need to sign up to an “approved society” from which to make and receive contributions, and in the event they did not nominate any society, their contributions would be allocated to a government “General Approved Society.” Approved societies included existing friendly societies but also other insurance bodies and some unions. The Friendly Societies’ Interstate Conference in November 1928 resolved that the National Insurance Bill provided inadequate protection for friendly societies and that approved societies should eliminate any other body except Friendly Societies and the

³³² Kewley, *Social Security in Australia*, pp.147-149.

³³³ Murphy, *A Decent Provision*, pp.137-38, 152-54. Ingles also cites hostility to it of the friendly societies and the insurance industry, the lack of a guarantee that everyone would be covered, the unwillingness to impose another “tax” on people who might not be able to afford it, the higher priority accorded to meeting the needs of the poorest first, the compulsory aspect, and the removal of such a major financial matter from budgetary control: Roy Forward, *Income in Old Age: is National Superannuation the Answer?* Current Issues Brief No.4 (Canberra: Department of the Parliamentary Library, 1983), pp.8-9.

³³⁴ CPD, House of Representatives, 6 October 1927, p.295.

³³⁵ See, for example, letter from the Chairman of the Associated Banks (Victoria) to the Prime Minister, 12 December 1928, Royal Commission on National Insurance, Representations, p.11, A460, E5/8.

General Approved Society controlled by the National Insurance Board.³³⁶ Friendly societies also wanted an allocated space on the Board, which the bill did not provide for.³³⁷ Finally, the friendly societies were worried about insurance companies moving into their field, for the ostensible reason that friendly societies were largely voluntary and run to benefit members whereas insurance companies existed to make a profit.³³⁸

The opposition by the friendly societies was somewhat ironic given that the concept of “approved societies” in the bill followed the English precedent of utilising existing institutions to administer the scheme.³³⁹ The government wanted to give workers the option of choosing where their contributions would go. Page argued that the bill sought to retain “useful organizations combined with a marked degree of liberty available to the contributor in the matter of selecting the group with which he will be associated, and also to a large extent of selecting the type of control that he prefers.”³⁴⁰

Issues of federalism also bedevilled the national insurance proposal, relevant because of overlapping social legislation of the states with benefits to be provided by the national insurance scheme.³⁴¹ No resolution on the bill was reached at the May 1929 meeting of premiers because of “divergent conditions existing in the various States.”³⁴² Here was an existing institution of government insurance that would need to be substantially redesigned or dispensed with in the event of a national scheme of social insurance being implemented. A questionnaire on the subject was put to the states, but their responses were not received by October 1929, when a federal election ushered in the Scullin Labor government and the Great Depression began.

³³⁶ Notes from Deputation which waited on Senator AJ McLachlan (representing the Prime Minister) from the Friendly Societies’ Interstate Conference on National Insurance, 5 November 1928, Personal Papers of Prime Minister Bruce, p.1, CP 362/2, 49.

³³⁷ Letter to the Prime Minister from the Friendly Societies’ Consultative Committee on National Insurance, 10 December 1928, enclosing resolutions adopted by the Friendly Societies’ Conference on National Insurance, p.15, A460, E5/8.

³³⁸ *Ibid.*, p.3.

³³⁹ CPD, House of Representatives, 14 September 1928, p.6759.

³⁴⁰ *Ibid.*, p.6759.

³⁴¹ Kewley, *Social Security and Health Benefits*, p.148.

³⁴² Premier’s Conference, May 1929, Royal Commission, National Insurance Main File, p.2, A460, A5/8.

1938

The issue of national insurance was not taken up again until the mid-1930s, with the Lyons government returning to the “unfinished business” of the Bruce-Page government’s proposed scheme.³⁴³ The National Health and Pensions Insurance Bill was enacted on 5 July 1938 and a National Insurance Commission established to administer the scheme.³⁴⁴ It seemed, Murphy argues, that

the path of Australian welfare policy had been irrevocably altered and the opponents of the ‘mistake of 1908’ had finally achieved their aim of shifting from a regime based on means-tested benefits funding from consolidated revenue to a contributory insurance model.³⁴⁵

This appearance of a point of “path departure” was deceptive, however, with the scheme being abandoned in 1939. What did this third iteration of national insurance-based superannuation propose, and why was it another instalment in the story of the failure of the contributory model? As Watts notes, the 1938 scheme has become “a footnote to the history of the 1930s.”³⁴⁶ The consequence is that welfare changes in the post-war era have been decontextualised.

The 1938 scheme was to cover old age, sickness, invalidity, and in an addition to the 1928 legislation, medical insurance. Unlike the previous scheme, there was no provision for unemployment insurance. The basis of the scheme would again be contributions, made by employees and with the basic wage set as the basis for the level of contributions.³⁴⁷ Contributions would be made in equal parts by employers, employees and the government – the introduction of government contributions being another change from the 1928 bill, reflecting the earlier Royal Commission recommendation.

The superannuation element of the scheme paid 20s per week to men and 15s to women, with an option for women to make voluntary contributions of sixpence per week and for which they would receive an additional 5s per week (so that their total superannuation benefit was the same as for men). Insured men must have reached

³⁴³ Murphy, *A Decent Provision*, p.183.

³⁴⁴ *Ibid.*, p.189.

³⁴⁵ *Ibid.*, p.189.

³⁴⁶ Rob Watts, “The Light on the Hill: The Origins of the Australian Welfare State. 1935–1945” (PhD diss., University of Melbourne, 1983), p.218.

³⁴⁷ CPD, House of Representatives, 26 May 1938, p.1443.

the eligibility age of 65 and women 60. They also must have been continuously insured for not less than five years immediately preceding that date and have made minimum payments during the three years preceding.

It is curious that for a scheme whose main rationale centred on the rising costs of the Old Age Pension,³⁴⁸ it was also one which required government support in addition to the contributions of employers and employees. Indeed, the requirement for additional government finance was used as a selling point. One government member John Lawson noted that the government would pay more for the scheme per capita in Australia than in Britain as if this was a positive thing – £5 for every insured person as against £3.³⁴⁹ According to Watts, Treasury clearly supported a contributory scheme of old age and invalid pensions, but “the political problem of how to do this without raising a political furore, however, remained the key problem.”³⁵⁰

The 1938 scheme was based upon a report of government commerce minister Sir Frederick Stewart, following a 1935 study trip which he took to Britain.³⁵¹ It was also noted by the government that “in other countries of Europe and in the United States the benefits of national insurance were becoming more and more realised and its scope being extended. Australia is one of the lagging countries.”³⁵² The Australian government was also advised by the Controller of the British system, Sir Walter Kinnear.

Following the British model, Australia’s scheme again made use of the British concept of “approved societies” to administer the scheme, this time including both friendly societies and the unions. The legislation expressly excluded organisations carrying on life insurance business.³⁵³ Even after the scheme was abandoned in 1939, the administrative provisions in the legislation and the approved societies were kept in operation. One opposition senator mused that, “I have a shrewd suspicion that

³⁴⁸ The opposition queried the actuarial basis on which the government argued that pension expenditure would become too high. One Labor MP said, “In order to frighten honourable members into voting for this measure, the Government has told us that in 40 years’ time the pension bill of this country will exceed 36,000,000 pounds. How has that figure been arrived at? A great deal may happen within the next 40 years”: CPD, House of Representatives, 26 May 1938, p.1445.

³⁴⁹ CPD, House of Representatives, 26 May 1938, p.1457.

³⁵⁰ Watts, “The Light on the Hill,” p.107.

³⁵¹ A study trip that Stewart paid for privately: *Ibid.*, p.115.

³⁵² CPD, House of Representatives, 26 May 1938, p.1444.

³⁵³ *National Health and Pensions Insurance Act 1938* (Cth), section 140(1).

there is only one reason why the approved societies are to be kept alive: it would cost the Government more to kill them and pay to them equitable compensation for the crime that has been committed against them, than to allow them to continue.”³⁵⁴ Curtin argued that the bill, by overlapping the field of friendly society activity with that of social insurance, would tend to “discourage young men and women from joining those associations of self-help, thus threatening the continued strength of friendly societies.”³⁵⁵

The Curtin Labor opposition made clear that it was opposed to the scheme on account of its contributory financing. Curtin argued that the bill was unacceptable because, among other things, it sought to “place on a contributory basis the payment of pensions for old-age, invalidity and widowhood, which should be provided as a matter of right without the exaction of individual contributions.” His argument was also based on the fact that the bill provided unequal benefits for men and women, and did not extend medical insurance to the wives and children of contributors.³⁵⁶ Curtin also confirmed that as far as the ALP was concerned, the Old Age Pension was a social rather than an industrial obligation and that the cost of it should be borne entirely by the general taxpayer.³⁵⁷ Here, Labor demonstrated its traditional position in respect of pension financing, though this was not without some shades of complexity. The 1939 ALP platform contained a commitment to national insurance for sickness, accident, life and unemployment insurance though not in respect of old age.³⁵⁸

Other members of the Labor opposition argued that the bill was introduced to shift the incidence of taxation for social services away from the general community to the workers.³⁵⁹ Labor favoured pensions financed from consolidated revenue because it would mean that “all would have paid into a common fund according to their ability to pay.”³⁶⁰ The 1936 progressive federal income tax law had also re-emphasised the principle of ability to pay.³⁶¹ Other parliamentary members of the ALP noted that the

³⁵⁴ Senator Collings, CPP, Senate, 16 June 1939, p.2037.

³⁵⁵ CPD, House of Representatives, 26 May 1938, p.1441.

³⁵⁶ CPD, House of Representatives, 26 May 1938, p.1441.

³⁵⁷ *Ibid.*, p.1392.

³⁵⁸ Platform of the Australian Labor Party, decided at the 15th Commonwealth Conference, Canberra, 1 May 1939.

³⁵⁹ CPD, House of Representatives, 26 May 1938, p.1481.

³⁶⁰ Senator Cameron, CPD, Senate, 16 June 1939, p.2042.

³⁶¹ *Income Tax Assessment Act 1936* (Cth).

demands of industry meant that many workers became old well before the eligibility age for the pension benefit. This meant that for workers in industry, they would have to rely on the Old Age Pension alone.³⁶² The Victorian paper *Labor Call* regularly voiced its disquiet about the proposed scheme, articulating the labour movement's suspicion of the approved societies whose agents "pestered" workers and whose interests were "far from being identical with their likely 'prospects' among the trade unions."³⁶³ Finally, Labor was also critical of the scheme's main omission – unemployment insurance. One Labor MP argued that, "surely a scheme that did not provide for the most important feature in our social life – unemployment – was doomed before it was born."³⁶⁴ He further argued that when Labor formed government, "we shall bring down an all-embracing scheme of national insurance, associated with which there will be no muddle."³⁶⁵

The government, for its part, queried how Labor, favouring non-contributory finance, was going to pay for a liberalised scheme that included unemployment insurance.³⁶⁶ Members also pointed to some of the logical inconsistencies of Labor's arguments, with the member for Gippsland noting, "I found myself unable...to follow the arguments of the Leader of the Opposition...[W]hen he said that the Labor party favoured a non-contributory scheme and then added that it was nevertheless in favour of a system of national insurance he made contradictory statements." Curtin replied that his opposition was to placing services already being paid for out of Consolidated Revenue on to a contributory footing.³⁶⁷ This position was still one step away from outright opposition to contributory financing for social security.

Echoing the 1928 scheme, the 1938 legislation excluded a number of groups expressly and implicitly. Contributions were to be made by employees and excluded classes of worker like outworkers and the self-employed. Aboriginal and Pacific islanders were excluded classes of employees.³⁶⁸ Widows and the unemployed were excluded on account of being outside of the paid workforce. Labor MP Charles Frost argued that

³⁶² Mr Rosevear, CPD, House of Representatives, 26 May 1938, p.1478.

³⁶³ "More National Insurance Blunders," *Labor Call*, 6 October 1938, p.4.

³⁶⁴ CPD, Senate, 16 June 1939, p.2040.

³⁶⁵ *Ibid.*, p.2041.

³⁶⁶ John Lawson MP, CPD, House of Representatives, 26 May 1938, p.1457.

³⁶⁷ CPD, House of Representatives, 25 May 1938, p.1392.

³⁶⁸ *National Health and Pensions Insurance Act 1938*, First Schedule Part II.

The scheme submitted for our approval excludes a vast army of people who are in greater need of security than those who are in regular employment.

Widows and unemployed persons are to be excluded from its benefits.³⁶⁹

Casual workers were, however, included so long as there was “a degree of regularity in their employment,” and “[G]ardeners, and women who help with domestic work, will be included unless they do this work on irregular occasions only.”³⁷⁰

Women’s organisations again mobilised to publicly criticise the gender discrimination in differential access ages and benefit levels between men and women. The Victorian Women Citizens Movement argued that

even though the ideal of equal pay had not yet been achieved, and the wage standard on which the contributions were proportioned differed where woman workers were concerned, it was felt that it would be a retrograde step to have contributions and benefits in the insurance scheme on a different basis for women.³⁷¹

The National Insurance Commission argued that the scheme benefited women because their old age pensions commenced and their contributions ceased five years earlier than men, and they would receive pensions for longer because women lived to older ages. Moreover, it said that the scheme “attempts quite enough in its own field and cannot be expected to be an instrument for altering the relations between the sexes.”³⁷² Members of the executive of the League of Women Electors voiced their disquiet about the scheme’s “unfairness to women.”³⁷³

Among the women’s groups that supported the scheme, it is evident that there was an assumed domestic role for women, with the consequence that the scheme would support women primarily as domestic beneficiaries of their partner’s social insurance. The 1938 Conference of Australasian Women commended placing pensions on a contributory basis but said it “deeply regretted that no provision whatever was made for the great majority of Australian women – the wives and

³⁶⁹ CPD, House of Representatives, 26 May 1938, p.1445.

³⁷⁰ National Insurance Commission, *National Insurance: a Summary of the Principles of the Australian National Health and Pensions Insurance Act 1938* (Canberra: National Insurance Commission, 1938), p.6.

³⁷¹ “National Insurance – Women Demand Equality,” *The Age*, 13 April 1938, p.5.

³⁷² National Insurance Commission, *National Insurance*, p.16.

³⁷³ “National Insurance Discussed,” *The Age*, 26 July 1938, p.4.

mothers who were not in employment.”³⁷⁴ The Conference also took issue with the different rate of benefit payment to men and women. The government argued that women would benefit more from the scheme than they contributed to it, in part because they became entitled to superannuation benefits earlier, at age 60.³⁷⁵ Other government members noted that women could make voluntary contributions to the scheme, which would bring their contributions and pension rate up to the level of men’s.³⁷⁶ These arguments did little to address the way that the wage-based contributory scheme replicated gender differences in wages.

In September 1939, war was declared by the United Kingdom and France and Australia’s involvement was announced. Budget constraints during World War II were a clear factor militating against the continuation of the national insurance scheme. The cost of the revised defence program “threw into focus budget shortfalls of some 3 million pounds and immediately put pressure on the government’s social programs such as the National Insurance scheme.”³⁷⁷ Speaking about estimated government expenditure in 1939 and 1940, the new Prime Minister Robert Menzies reflected that

it would be mere folly for us to pretend that, spending as we are now spending, with all the possibilities that exist in relation to our economy, both external and internal, we can consider these problems in quite the same light as that in which we might have considered them before. The result is that I must introduce into the consideration of the matter an element of uncertainty which, as every honorable member will realize, may produce a postponement of ideas that otherwise, I am quite sure, would have been attractive to honorable members of this House.³⁷⁸

It pained Menzies to make this statement, as one of the staunchest parliamentary advocates of national insurance. He regularly wrote about national insurance in various publications and resigned from Cabinet on 15 March 1939 over its decision not to proceed with contributory pensions.³⁷⁹

³⁷⁴ “Women and National Insurance,” *The Age*, 28 September 1938, p.5.

³⁷⁵ CPD, House of Representatives, 26 May 1938, Mr Lawson, p.1459.

³⁷⁶ Mr Paterson, CPD, House of Representatives, 25 May 1938, p.1393.

³⁷⁷ Anne Henderson, *Joseph Lyons – The People’s Prime Minister* (Sydney: New South, 2011), p.411.

³⁷⁸ CPD, 8 September 1939, p.327.

³⁷⁹ Cabinet decided to substitute a medical service for national insurance: *Advocate*, Mr Menzies Resigns from Cabinet, 15 March 1939, p.7.

By the time of Menzies' prime ministership, the scheme was electorally unpopular and there was opposition to national insurance from within the Country Party–UAP coalition.³⁸⁰ With the onset of war, 1939 was a time of national emergency but also one of “frigid relations” in Cabinet.³⁸¹ The intensifying international situation had divided the UAP, and rural groups argued that the scheme was a burden on employers.”³⁸² The WA Country Party voted against the bill because “the scheme...failed to give any advantages to self-employers,” which included “agriculturalists, pastoralists, graziers, dairymen and other farmers, orchardists and gardeners as well as small shop keepers, dressmakers and others conducting small businesses.”³⁸³ UAP supporters from among the finance groups in Melbourne were also opposed to National Insurance.³⁸⁴ Finally, the British Medical Association, a natural constituent of the coalition, provided one of the key forces of organised opposition to the scheme.

Conclusion

This chapter has established the dual institutional setting with which the remainder of this thesis engages: private occupational superannuation and the public Old Age Pension. There was also the third, elusive institution of national superannuation as part of a social insurance scheme. The purpose of setting out an early history of these three branches of old age welfare is to show where the pathways for the institutions began and would come to influence the shape of superannuation policy in the subsequent, post-WWII period. The biggest continuing question in national superannuation policy in the decades following WWII would be whether to introduce a government-run, national superannuation scheme.

With respect to policy issues, the chapter focused upon the thematic topics of pension financing, coverage of superannuation including with respect to gender and Aboriginal people, and international influences on policy. The chapter established the political differences over old age pension policy. Broadly speaking, there was a political divide in respect of contributory pension financing, with the Labor Party

³⁸⁰ Diana Shaw, “Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia’s National Retirement Income Regime” (PhD diss., University of New South Wales, 1992), p.103.

³⁸¹ Henderson, *Joseph Lyons*, p.422.

³⁸² *Ibid.*, p.412.

³⁸³ CPD, 16 June 1939, p.2039 (Senator E.B Johnston, Senator for W.A.).

³⁸⁴ Henderson, *Joseph Lyons*, p.421.

being against it and the conservative UAP and Country Party in favour. As with nearly all policy issues, however, there were a variety of positions taken within the parties. What emerges from the period between the 1890s and the late 1930s is a more complex position on contributory financing by the ALP, with some evidence of support for the principle that would hint at the “contributory turn” by the party in the post-WWII era (discussed in detail in Chapter 4).

The significance of this early period for the thesis is the different domains in which the institutions of old age welfare were established, and their sequencing. What remained unresolved after this early period was how to bring into existence a new institution of national superannuation on top of the Old Age Pension, occupational pensions and friendly society welfare. Would a national superannuation scheme replace private pension provision? If it was in addition to private pensions, how would workers afford the additional impost on their wages? Would those not in receipt of private pensions receive a higher amount of national superannuation as a redistributive measure? These were big questions, with complicated answers. In effect, national superannuation was a proposal to change the social security program of the Commonwealth Government. The research in the following chapters of this thesis shows that these interaction effects between the existing institutions of old age welfare and proposed national superannuation acted to reinforce existing institutions.

Chapter Four: Labor's shift to contributory pensions

Important developments in national superannuation policy took place during World War II and the subsequent decades. On the face of it, this was another period of stasis with respect to the development of national superannuation. The idea of national superannuation was debated during the war years and subsequent decades, and another public inquiry held in 1973. But it was the Labor Party now that held that inquiry, after introducing the rhetoric of social security “contributions” when it established the National Welfare Fund in 1945. The post-war period was also when taxation measures were used as an anti-inflationary measure, bearing strong resemblance to when superannuation was successfully introduced in the 1980s (discussed in Chapter 6). The foundations had been laid for the Labor Party to propose national superannuation.

This chapter begins where the last chapter left off, with an examination of the debates over national superannuation from 1939 onwards. The focus is on the issue of contributory pension financing and bipartisan commitment to abolishing the pension means test. This is done to demonstrate the connections between the initial, “abortive” attempts at social insurance discussed in Chapter 3 and the subsequent decades. The chapter looks at the advocacy for social insurance by Nationalist and UAP advocates like Frederick Stewart and Robert Menzies. It then examines the shift towards universalism in social security and the bipartisan commitment to abolishing the pension means test, both of which were policy drivers of national superannuation.

The chapter then turns to the international influences during the post-war era that provided intellectual momentum for a national superannuation scheme. The British Labour government had introduced national health insurance in 1945, based on a landmark report by William Beveridge in 1942, *Social Insurance and Allied Services*. The Beveridge report had proposed a system of contributory pensions to protect people against the “predictable crises of their lives,” providing “guaranteed income when illness, disability, unemployment, old age or death deprived a family of the breadwinner’s wages.”³⁸⁵ Two unsuccessful attempts were made at introducing

³⁸⁵ British Commission on Social Justice, *Social Justice: Strategies for Renewal. The Report of the Commission on Social Justice* (London: Vintage, 1994), p.221.

national superannuation by British Labour, the first in 1959. Hugh Pemberton notes that the 1959 election “came to be dominated by the issue of nationalization, with which superannuation had become indelibly linked in the minds of voters.”³⁸⁶ A revised proposal was introduced in 1969, but it lapsed with the defeat of the Wilson government in 1970.

A cross-pollination of thinking occurred during this period, with intellectual exchange occurring between British and Australian academics and politicians including Australian economist Richard Downing and British Labour MP Anthony Crosland. There was a perception among these thinkers, and by Australian political parties, that a prosperous post-war country would have higher expectations about standards of living in retirement. Andrew Scott has observed that there was an “ideological revision” by British Labour and Australian Labor in the post-War era, seeking to appeal to a broader constituency than the working class alone.³⁸⁷ Australians would expect something more than the standard of living offered by the poverty-alleviating Age Pension, the real value of which had been eaten away by high levels of inflation. This acted as an intellectual driver for a national superannuation scheme.

Thirdly, the chapter examines the Whitlam Labor Government’s National Superannuation Committee of Inquiry (“NSCI” or the “Hancock Inquiry”). The Hancock Inquiry was the first public inquiry on national superannuation since the Royal Commission in 1928 and it demonstrated the ALP’s acceptance of contributory pension financing. The Labor Party was committed to national superannuation as a device to abolish the pension means test and thereby expand old age welfare. The idea of social insurance was “in the air,”³⁸⁸ with contributory pension schemes introduced in the United Kingdom and New Zealand. But the proposal for national superannuation was never implemented. Again, superannuation remained elusive in Australia. This is in part explained by the existing model of old age welfare, what Castles refers to as “a clash of principle” between an earnings-related scheme and “the traditional Australian practice of flat-rate benefits according to need.”³⁸⁹ The other

³⁸⁶ Hugh Pemberton, “‘What Matters is What Works’: British Labour’s Journey from ‘National Superannuation’ to ‘Personal Accounts,’” *British Politics* 4, no.41 (2010), p.16.

³⁸⁷ Andrew Scott, *Running on Empty: ‘Modernising’ the British and Australian Labour Parties* (London: Pluto, 2000), p.57.

³⁸⁸ Francis Castles, “Needs-Based Strategies of Social Protection in Australia and New Zealand,” in Gøsta Esping-Andersen, ed. *Welfare States in Transition: National Adaptions in Global Economies* (London: Sage, 1996): p.95.

³⁸⁹ *Ibid.*, p.175.

factors acting against the proposed scheme were its cost and the change of government in 1975.

After the Whitlam government's dismissal in November 1975, the Age Pension would remain the only government provision for the aged, albeit on a more liberalised basis. Whitlam removed the means test for pensioners aged over 75 in 1973, and for those aged 70 and over in 1975. This section of the chapter explores the coverage of the national superannuation scheme proposed under the Hancock Inquiry, in particular the implications of a redistributive pension model for women.

The National Welfare Fund and pension universalism

World War II and its aftermath provided the impetus for both sides of Australian politics to consider the role of the national government in ensuring the welfare of its citizens. As we have seen in Chapter 3, the major political parties were divided over the means of pension financing, with conservative parties proposing contributory social insurance schemes and the ALP favouring welfare financed from general revenue. The establishment of the Chifley government's post-war welfare state saw the ALP adopt a new rhetoric around social welfare financing, setting a pathway for national superannuation policy in the 1960s and 1970s.

The Menzies UAP-Country Party government convened a Joint Parliamentary Committee on Social Services that ran from 1941 to 1946. At the instigation of Frederick Stewart, the bipartisan Committee was tasked with examining the proposal for contributory old age pensions. Sheila Shaver notes that there was an impasse on the Committee between Labor and UAP members in respect of contributory finance, with political circumstances favouring stasis on the issue. She writes that "Menzies' hold on office was slipping, and Labor members had little incentive to compromise a principle central to the Opposition stance."³⁹⁰ The work of the Committee continued after Labor formed government in October 1941, and again it came down against contributory pension financing. Rather, the Committee favoured a system of progressive taxation to finance social security, reiterating its opinion that "the

³⁹⁰ Sheila Shaver, "Design for a Welfare State: The Joint Parliamentary Committee on Social Security," *Australian Historical Studies* 22, no.88 (1987): p.420

income tax finance it had recommended for wartime should be continued after the war also.”³⁹¹

Wartime economic conditions produced the impetus for progressive income taxation on a national scale, which in turn provided the financial basis for national welfare. Uniform national income taxes were introduced by the Curtin government in 1942 as a means of increasing government revenue for defence spending. The extension of Commonwealth taxation was also, as Watts and Kewley argue, an anti-inflation device because it reduced the current spending capacity of taxpayers, in conditions of high employment.³⁹² Chifley, as Minister for Post-War Reconstruction, published a pamphlet in 1943 entitled *Social Security and Reconstruction*, invoking Beveridge’s language to propose a “cradle to grave” social insurance program.³⁹³ The same year, a wartime tax levy was introduced, increasing the rate of income tax and lowering the threshold from £156 to £104 per annum.³⁹⁴

In its first post-war budget in 1945, the Chifley Labor government introduced a self-described “new financial approach” to social services, with the income tax split into two levies, one of which was specifically for social services.³⁹⁵ The “Social Services Contribution” and payroll tax financed the new National Welfare Fund that was established in 1943, from which welfare benefits would be paid.³⁹⁶ Although the National Welfare Fund had an air of contributory social insurance about it, it did not introduce a social insurance system. Contributions to the Fund and benefits paid were not linked – the Australian Constitution prevents earmarking of taxation funds for specific purposes. Indeed, for the first few years of the National Welfare Fund, receipts exceeded benefits paid out.³⁹⁷ Appropriations of social services contributions were made from consolidated revenue each year to finance the National Welfare Fund.³⁹⁸ Figure 2 shows the operation of the Fund between 1945 and 1950.

³⁹¹ Ibid., p.426.

³⁹² Ibid., p.241.

³⁹³ The Hon. J.B. Chifley, Minister of Post-War Reconstruction, *Social Security and Reconstruction* (Canberra: Department of Post-War Reconstruction, 1943), p.1.

³⁹⁴ T.H. Kewley, *Social Security in Australia: Social Security and Health Benefits from 1900 to the present* (Sydney: Sydney University Press, 1965), p.235.

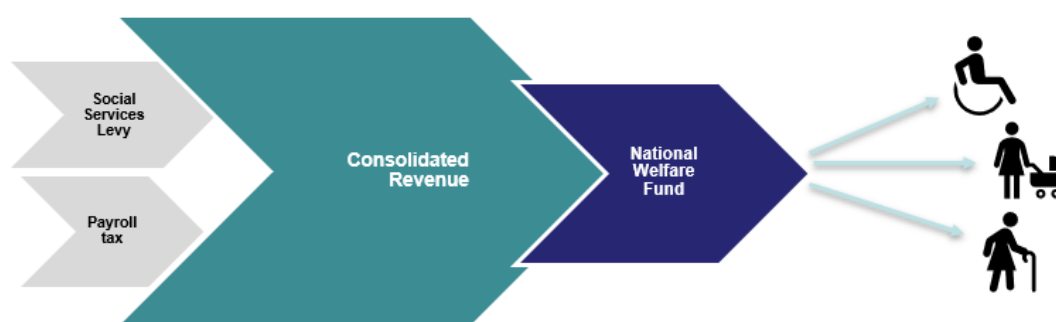
³⁹⁵ Ibid., p.240; *Social Services Contribution Assessment Act 1945* (Cth); *Social Services Contribution Act 1945* (Cth).

³⁹⁶ *National Welfare Fund Act 1943* (Cth).

³⁹⁷ Don Arthur and Michael Klapdor, Parliamentary Library, *Myths of Entitlement: A History of the National Welfare Fund*, Presentation to Australian Social Policy Conference, UNSW, 27 September 2017.

³⁹⁸ *National Welfare Fund Act 1945* (Cth), section 5.

Figure 2: National Welfare Fund



The Social Services contribution was in place until 1950, when the Menzies government merged it with income tax. Further changes in 1952 provided that the appropriation from consolidated revenue “should be equal in amount to the money paid out of the National Welfare Fund,” and “with this move...the Fund ceased to have any direct relationship with tax collections.”³⁹⁹ It was eventually repealed by the Hawke government in 1985 so that all social service payments were made from consolidated revenue. Ronald Mendelsohn is right to note that the National Welfare Fund had “never been entirely independent of general Treasury finance,” and there was never “a direct tie between contributions and benefit.”⁴⁰⁰

These developments suggest that Mendelsohn is rather too emphatic in arguing that the Social Services Contribution and the National Welfare Fund marked the beginning of “a major policy departure” which brought the ALP “much closer to the advocates of a contributory social insurance scheme.”⁴⁰¹ Instead, the post-war welfare state measures brought in by Chifley were nearly all financed by general revenue and based on need. As Castles writes, the Labor government of the 1940s brought in the “standard range of social security schemes – child, unemployment, sickness and widows’ benefits – all, bar the child benefit, were in the traditional selective, ungenerous and flat-rate mould of 1908 and represented an extension of the wage earners’ welfare state, not its supersession.”⁴⁰² With the National Welfare

³⁹⁹ I. Scott, *The National Welfare Fund*, paper for the Education and Welfare Group, Australian Parliamentary Library (Canberra: Commonwealth of Australia, 1985), p.6.

⁴⁰⁰ Ronald Mendelsohn, *Social Security in the British Commonwealth* (London: the Athlone Press, 1954), pp.140-141.

⁴⁰¹ *Ibid.*, p.140.

⁴⁰² Though the government did intend to go further in the area of health. Francis Castles, “Needs-Based Strategies of Social Protection in Australia and New Zealand,” p.95. Note that it was the Menzies Liberal Government that introduced the Child Endowment in 1941.

Fund, the effect was to impose taxation on low income earners “*as though* they were paying social insurance.”⁴⁰³

The rhetorical shift by the Labor Party should not, however, be underestimated. With the National Welfare Fund, the seeds had been sown for the ALP to move towards a contributory framing for social security policy. In 1947, under the Prime Ministership of Chifley, the parliamentary Labor Party was looking at a proposal to introduce a national superannuation scheme. Different models were considered, including overseas forms of superannuation and partial or comprehensive schemes to replace the Age Pension.⁴⁰⁴ Chifley spoke about the high level of private incomes and the scarcity of supplies such as housing, which were considerations that combined to “present a problem of potential inflation.”⁴⁰⁵ Kewley notes that with the “recent ending of hostilities had come a strong demand for reductions in income taxation, the granting of which would have served to accentuate the problem of inflation.”⁴⁰⁶

Another reason the Labor caucus examined national superannuation under Chifley was because the government was attuned to community calls for liberalisation of the pension means test. Since the debates over the Old Age Pension, the conservative side of politics had regarded the means test as a disincentive to save, a discouragement of thrift in the community. The abolition of the means test was therefore in line with the Liberal philosophy of self-reliance.⁴⁰⁷ This moral preference for self-reliance over reliance on the state was driven in no small way by Australian liberalism’s Protestant roots, with its emphasis on personal responsibility.⁴⁰⁸ As Whiteford and Stanton recount, the Coalition introduced a “tapered means test” in 1969, with a 50 per cent rather than 100 per cent withdrawal rate. Then, in 1972, it doubled the pension-free areas.

⁴⁰³ Kewley, *Social Security in Australia*, p.248. Emphasis added.

⁴⁰⁴ In 1947 the Old Age Pension was renamed the Age Pension.

⁴⁰⁵ Quoted in I. Scott, *The National Welfare Fund*, p.6.

⁴⁰⁶ T.H. Kewley, *Social Security in Australia*, p.241.

⁴⁰⁷ Andrew Podger, David Stanton and Peter Whiteford, “Designing Social Security Systems: Learning from Australia and Other Countries,” *Public Administration and Development*, 34, no.4 (2014): p.240.

⁴⁰⁸ John Murphy, *A Decent Provision: Australian Welfare Policy, 1870–1949* (Farnham: Ashgate, 2011) p.132.

Labor members of parliament spoke about the demand for the abolition of the means test from people covered by private superannuation, and about the anomalies created every time the means test was changed.⁴⁰⁹ The government was therefore examining the question of a national superannuation scheme.

Abolishing the means test would mean paying age pensions to more people, specifically those with higher levels of wealth who were previously excluded under the test. Either a government could finance this through higher taxes, a politically difficult proposition under any circumstances, or it could look for other avenues of finance. Having individuals making personal contributions through a superannuation scheme was one of these other avenues, and an attractive one given that the country was facing slower levels of growth and high levels of inflation.

Both the Chifley government and the Liberal opposition under Menzies were working out details of national superannuation schemes to take to the electorate in the 1949 election. Chifley had received “a number of deputations” on the subject, and he took pains to explain to the parliament that any superannuation scheme was “not intended to interfere with private superannuation schemes” or to “interfere with insurance companies.”⁴¹⁰ Investigation by an interdepartmental committee established by the Chifley Cabinet showed that the cost of financing a scheme which would pay pensions to all men and women aged over 65 and 60 years respectively would involve an additional tax levy of around 4d in the pound on all incomes.⁴¹¹ The total cost of a scheme that abolished the means test on pensions was estimated at an additional £40 million per year.⁴¹² At the time, the ALP’s platform provided for elimination of the means test when it became financially viable, but there was no commitment to a national superannuation scheme.

Changes to the pension means test had commenced under the Chifley Government, with increases to the levels of permissible income and property introduced in 1946 and 1948. The abolition of the pension means test and the consequential introduction of a national superannuation scheme continued to be planned by the Menzies Liberal government when it resumed office in 1949. In an election speech, Menzies spoke about the “unjust operation of the means test” and the “penalty it imposes in many

⁴⁰⁹ Senator McKenna, Commonwealth Parliamentary Debates, 22 May 1947, pp.2743, 2752.

⁴¹⁰ (CPD), House of Representatives, 15 September 1949, p.256.

⁴¹¹ “Superannuation as Main Appeal,” *Examiner*, 14 September 1949, p.1.

⁴¹² *Ibid.*, p.1.

cases upon thrift.” He argued that “[W]ithout an all-round contributory system, there are enormous financial barriers to an immediate abolition of the means test.”⁴¹³ The means test was progressively liberalised by the Chifley and Menzies governments. By the middle of the 1950s, around 39 per cent of men over 65 and 42 per cent of women aged over 60 were in receipt of an Old Age Pension.⁴¹⁴ Gough Whitlam’s former private secretary, Race Mathews, recalls that:

The means test became a very hot political issue in the late ‘50s ... it remained a contentious item and Gough was very committed to abolition altogether (of the means test). The question was in what way we could get rid of it without running into this issue of affordability.

During the long period of Coalition governments up until 1972, the idea of a national superannuation scheme received continued advocacy, in particular from William Wentworth, who became Minister for Social Services in 1968. In 1969, the Gorton government introduced a tapered means test, under which pensioners would have their pensions reduced by one-half, instead of the whole, of their means as assessed in excess of the limit which permitted a maximum pension payment.⁴¹⁵ After the Cabinet rejected a national superannuation scheme in 1971, the Treasurer Billy Snedden announced in 1972 that if re-elected, the McMahon government would abolish the means test over a three-year period and that it would hold an inquiry into national superannuation.⁴¹⁶ In December 1972, the Whitlam Labor government came to power with a commitment to abolishing the pension means test by means of a national superannuation scheme.

However welfare groups were not in favour of abolishing the means test. The Brotherhood of St. Laurence favoured its retention and an increased Age Pension equivalent to 40 to 45 per cent of average weekly earnings. Rather than financing the scheme through employers and employees, the Brotherhood regarded taxation as the most equitable form of finance.⁴¹⁷ Likewise, the Australian Council of Social Service

⁴¹³ Robert Menzies, 10 November 1949, available from <https://electionspeeches.moadoph.gov.au/speeches/1949-robert-menzies>.

⁴¹⁴ Calculations from ABS, *Year Book Australia, 1955*, Cat.No.1301.0.

⁴¹⁵ Richard Downing, “The Aged,” in Ronald Henderson, A. Harcourt & R.J.A Harper, eds, *People in Poverty – A Melbourne Survey* (Melbourne: Cheshire, 1970), p.71.

⁴¹⁶ Gough Whitlam, *The Whitlam Government 1972-75* (Melbourne: Viking, 1985), p.359.

⁴¹⁷ NSCI, Transcript of Proceedings, 16 October (Canberra: Commonwealth of Australia, 1973), p.109, Han/NSC/8-15.

(ACOSS), established in 1956, favoured retention of the pension means test because of a concern with income redistribution.⁴¹⁸ While being predisposed to a universal superannuation scheme, ACOSS was concerned as to how such a scheme would be consistent with meeting adequately the needs of those on the lowest incomes.

Some observers noted that the abolition of the means test was potentially a move by both sides of politics towards the swinging voter. Sydney University economist Hugh Pritchard argued that universalism was certainly a move by the Labor Party away from paying pensions only to the poorest in society.⁴¹⁹ He also observed that the prime pressure which led to the Labor Party removing the means test was from “retired or about to retire people in the middle classes who are excluded by the means test from the pension.”⁴²⁰ A journalist with a keen eye for the politics of pension policy wrote in the *Canberra Times* in 1972:

The whole question of superannuation and the means test mainly affects the middle class and is a ‘natural’ Liberal Party issue. Over the years many Liberal back-benchers have taken a strong stand against the means test and tried to persuade their own Government to do something about abolishing it...But the Labor Party stole the issue a few years ago, and under Mr Whitlam has sought middle-class votes from it.⁴²¹

Whatever the motives of Whitlam and his government in moving towards welfare universalism, in the longer history of the ALP the approach would be an aberration.

The international influences over national superannuation

If the greatest practical impetus toward social insurance after the war was containing inflation, the greatest intellectual influence was the social insurance pensions being devised overseas. Robin Blackburn writes that by the early 1970s, there seemed to be a “movement in all advanced countries towards...programmes that would eventually cover all the costs of education, health and retirement.”⁴²² This movement towards

⁴¹⁸ NSCI, Transcript of Proceedings, 22 October (Canberra: Commonwealth of Australia, 1973), p.153, Han/NSC/8-15.

⁴¹⁹ H Pritchard, “The Alternatives in the Government’s National Superannuation Scheme,” Interview 22 August 1974, *Lateline*, ABC National Radio Public Affairs, Melbourne, Han/NSC/A-23.

⁴²⁰ *Ibid.*

⁴²¹ David Solomon, “Means Test Causes Liberal Division,” *Canberra Times*, 27 June 1972, p.2.

⁴²² Robin Blackburn, *Age Shock: How Finance is Failing Us* (London: Verso, 2006), p.77.

social insurance was pronounced in Europe, where “[M]any employer pension plans...failed to survive the war and were largely displaced by public social insurance pensions or quasi-public arrangements negotiated at the national level by the representatives of management and labor and reinforced as a matter of law by the state.”⁴²³

This section of the chapter focuses on the post-war influence of progressive intellectuals and policymakers on their Australian counterparts, leading to the Whitlam government proposing a scheme of national superannuation on its election in 1972.⁴²⁴ A range of international influences were at work in the lead-up to the Whitlam Government’s Hancock Inquiry, but the influence of the British on Australian policymakers at this time was pronounced. The Attlee Labour government, elected in 1945, legislated the key pillars of national insurance, including the National Health Service.

In 1969 a scheme of national superannuation was proposed by British Labour MP Richard Crossman. The scheme was based on the research carried out by a group of academics including Richard Titmuss, Brian Abel-Smith and Peter Townsend from the London School of Economics.⁴²⁵ Britain had a means-tested public pension system that provided only the most basic support to the aged. In the late 1960s, approximately 30 per cent of British pensioners were reliant on supplementary benefits in addition to their basic state pension, a predicament that led to a reconsideration of the pension. The objective of the Crossman scheme was income *adequacy* for pensioners, a break from the notion of subsistence in old age.⁴²⁶

Under the proposed British scheme of national superannuation, all working individuals would make an annual contribution of 6.75 per cent of their earnings; 4.75 per cent would go to national superannuation, and 2 per cent to a national social

⁴²³ Steven Sass, “The Development of Employer Retirement Income Plans: from the Nineteenth Century to 1980,” in *The Oxford Handbook of Pensions and Retirement*, p.78.

⁴²⁴ Important comparative work has been done on the divergent approaches to pension policy taken by Australia and New Zealand during the 1970s: Lisa Marriott, *The Politics of Retirement Savings Taxation: a Trans-Tasman Comparison*, PhD Thesis, University of Wellington, 2008; Melanie Nolan, “‘Super’ Debates within the Antipodes? Explaining Differing New Zealand and Australian Retirement Policies in the late Twentieth Century,” *Australian Journal of Politics and History* 62, no.3 (2016): pp.435-451.

⁴²⁵ Victoria Honeyman, *Richard Crossman and the Welfare State: Pioneer of Welfare Provision and Labour Politics in Post-War Britain* (London: I.B. Tauris, 2009), p.159.

⁴²⁶ Richard Titmuss, “Superannuation for all: A broader view,” *New Society*, 27 February 1969, p.315.

insurance fund.⁴²⁷ Employers would be required to pay a matching contribution of 6.75 per cent from their payroll, so that employer and employee contributions would be the same. The government would provide around 18 per cent of the combined national insurance contributions of employees and employers.⁴²⁸ The scheme also provided for pension portability, and superannuation payable to women. Low-income earners would not be required to make superannuation contributions but could do so voluntarily.

The level of pensions under the Crossman scheme would equate to approximately 42.5 per cent of pre-retirement income for individuals and 55 per cent for married couples, adjusted for price rises every two years. Not only would the new scheme lift the living standards of the aged, it would also provide vertical redistribution across incomes. Titmuss acknowledged the socialist criticisms of earnings-related schemes like that in Germany because of their potential to “endorse and even enhance the inequalities of working life.”⁴²⁹ This objection to the contributory principle also formed part of the Australian Labor Party’s historical opposition to such a scheme.

The Australian economist Richard Downing was a key figure in the transfer of British ideas to Australian policymakers, influencing the ALP to adopt its initial commitment to national superannuation in 1969.⁴³⁰ In an interview for this thesis, Race Mathews cited the influence of the British “two-tier pension system” on the decision to hold a public inquiry on national superannuation.⁴³¹ The chair of the National Superannuation Committee of Inquiry, Keith Hancock, observed that it was the advocacy of economist Richard Downing, whose positions had been strongly influenced by the British, that led to Whitlam adopting superannuation on the ALP’s platform, and holding the Hancock Inquiry.⁴³² The observations of Mathews and

⁴²⁷Great Britain, Department of Health and Social Security, *National Superannuation and Social Insurance: Proposals for Earnings-Related Social Security* (London: HMSO, 1969), p.20.

⁴²⁸ Ibid, p.21.

⁴²⁹ Titmuss, “Superannuation for All,” p.316.

⁴³⁰ Downing made many public interventions on the issue of national superannuation, including to the ALP’s policy committees and national conferences. The adoption of national superannuation on the ALP platform in 1969 directly references Downing’s proposed scheme: Official Report of the 28th Commonwealth Conference of the ALP, 30 July 1969, MS4985, Box 117.

⁴³¹ Interview, Race Mathews, Melbourne, 8 July 2017.

⁴³² Interview, Keith Hancock, Adelaide, 29 May 2017.

Hancock are supported in primary archival material, including in the discussions of Richard Downing's superannuation proposals in ALP records.⁴³³

In 1962 the Melbourne Institute of Applied Economic and Social Research (the Melbourne Institute) was established by Downing, then professor of economics at the University of Melbourne, with Cambridge academic Ronald Henderson as its founding director. Downing held various government and academic positions over the course of his career, notably the Ritchie research Chair of Economics at the University of Melbourne, from 1954 until his death in 1975. Influenced by the work of John Maynard Keynes and later of William Beveridge, Downing was motivated by the redistributive possibilities of economics. The "Melbourne Survey" conducted by the Institute was Australia's first major study of poverty, and the Institute led academic work on this subject and on welfare in the 1960s and 1970s. Academics at the Melbourne Institute would also develop the proposal for a national compulsory health scheme that would ultimately become Medibank.⁴³⁴ Downing provided much of the intellectual force behind the Whitlam government's proposal for a national superannuation scheme; Henderson led the Whitlam government's inquiry on poverty, an inquiry that had commenced under Liberal Prime Minister, William McMahon.⁴³⁵

Downing began advocating for higher pensions in Australia in the 1950s. After periods working for the International Labour Organization and again in Canberra on post-war national income accounting, Downing "revived an earlier phase of social concern" in the late 1950s: he "turned first to the position of the elderly, and their right to adequate support."⁴³⁶ Originally Downing argued in favour of higher pensions financed from general revenue rather than retirement benefits from contributions. He considered it "perfectly possible, especially if benefits are connected to those who prove need under

⁴³³ See, for example Official Report from the 28th Commonwealth Conference of the ALP, Melbourne, 30 July 1969 in which the Economic and Planning Committee refers to Downing's proposed scheme and his 1968 article in the *Economic Record*: National Library of Australia, MS4985, Records of the Australian Labor Party 1917-1997, Box 117.

⁴³⁴ Melbourne Institute, *Our History*, available from <http://melbourneinstitute.unimelb.edu.au/about/history>, accessed 15 August 2017.

⁴³⁵ The Labor Party also considered a scheme of superannuation proposed by R.C. Gates in 1965, but the influence of Downing's proposals is more evident in the development of Labor's thinking on the issue.

⁴³⁶ Nicholas Brown, *Richard Downing – Economics, Advocacy and Social Reform in Australia* (Melbourne: Melbourne University Press, 2001), p.185.

a means test, to pay adequate rates (of pensions) out of consolidated revenue.”⁴³⁷ Those who wanted a benefit greater than the pension rate should provide for it through private superannuation schemes or other private savings. He was opposed to a contributory pension system because benefits were proportional to income, rather than progressive, and suggested the government levy a “tax for (retirement savings) investment.”⁴³⁸

By the mid-1960s, having spent a year abroad reflecting on the problem of old-age poverty, Downing said he accepted he was getting nowhere on increased pensions through general taxation financing.⁴³⁹ He “took note of the obvious world-swing to impressively generous schemes of national superannuation” and worked on the details of a scheme for Australia. The superannuation proposal that Downing put forward in a 1968 article in the journal *Economic Review* was a national superannuation pension, consisting of a government pension and an earnings-related contribution – a “two-pillar” system. Contributions from taxpayers at any one point in time would provide the funds for payment of pensions at that time.⁴⁴⁰ The pension element would be adjusted upwards or downwards depending on a person’s past earnings; as past earnings increased, the proportion of the total pension represented by the Government pension decreased and the proportion represented by the contributory pension increased.⁴⁴¹

The total retirement benefits a person could receive would be capped at one-third above average earnings. The scheme contemplated an increase to the payment for single pensioners and contributions to the scheme would not be required of those earning under \$25 per week.⁴⁴² Retirement benefits would be taxed progressively. Downing acknowledged that his proposal entailed a higher overall level of taxation than the existing 24 per cent of GDP but did not see that higher level as an impediment

⁴³⁷ Richard Downing, “National Superannuation – Means test or Contributions?”, in Kym Anderson, ed. *The Joseph Fisher Lectures 1958*, Volume 2: 1956–2012, (Adelaide: University of Adelaide Press, 2012), p.42.

⁴³⁸ *Ibid.*, p.42.

⁴³⁹ Richard Downing, “National Superannuation,” Address to the Australian Council on the Ageing Annual Conference, Adelaide, 28 September 1971, p.2.

⁴⁴⁰ Department of Social Services (DSS), “Professor Downing’s Preferred Superannuation Scheme,” Paper Prepared for the National Superannuation Committee (Canberra: Department of Social Services, 1971), p.1.

⁴⁴¹ *Ibid.*, p.1.

⁴⁴² *Ibid.*, p.2.

to growth, having regard to the higher growth rates of more highly taxed countries in Scandinavia and Western Europe.⁴⁴³

Pensions, poverty and post-war prosperity

Downing had evidently detected the anxieties of the Australian middle class and increasingly affluent workers about their financial security, during working life and in periods when lack of income featured. A supplemented pension would mean that a generally comfortable living standard would be obtainable by all.⁴⁴⁴ In effect, the standard of “comfort” was some fraction of the one achieved during working life, a significant departure from the Australian idea of pensions being merely protection against poverty. Downing’s biographer, Nicholas Brown, writes:

The middle class had bulked steadily larger in his thinking throughout the 1960s: its ‘unhappy’ materialism; its evasiveness when it came to taxation; its effectiveness as a pressure group in distorting the allocation of wealth. But some kind of truce or reconciliation seemed necessary ... Reluctantly, in early 1968 he reworked the proposals for a national superannuation system he had presented a decade earlier, making a candid shift from the ‘duty’ of redistribution to the need to sustain relativities of status and opportunity into retirement.⁴⁴⁵

Downing’s 1968 proposal formed the basis of the Labor Party’s commitment to national superannuation in its 1969 policy platform, focusing on maintenance of living standards in retirement. This motivation is reflected in Whitlam’s advocacy of superannuation at the time. In 1969, as Opposition Leader, Whitlam pointed to Britain, New Zealand, Canada, Ireland and Sweden as places where income-related pensions meant that citizens were “not faced upon retirement with a traumatic reduction in their living standards.”⁴⁴⁶ This focus on the maintenance of living standards would continue through the 1970s, itself a risk during a time of high inflation. At a lecture in 1974, Downing said he hoped that as people became richer and more secure in their current (working) living standards, they would begin to get

⁴⁴³ Downing, “National Superannuation,” p.5.

⁴⁴⁴ DSS, “Professor Downing’s Preferred Superannuation Scheme,” p.2.

⁴⁴⁵ Brown, *Richard Downing*, pp.241-242.

⁴⁴⁶ CPD, House of Representatives, 19 March 1969, p.642.

“more sophisticated about the advantages of providing adequately against the various contingencies which threaten the maintenance of those standards.”⁴⁴⁷

Downing conceived of state-based superannuation as a universal right and a matter of human dignity, part of a shift in welfare policy towards maintaining quality of life. Writing in the *Canberra Times* in 1971, he argued that “What is wrong with the [pension] system is that it confines itself to a target of removing absolute, stark and austere defined poverty. It bothers itself not at all with human dignity.”⁴⁴⁸ Downing did not believe that instituting national superannuation was revolutionary, noting that conservative governments in Western Europe had such schemes. It was, however, intended to “bring Australian realities a bit nearer to what are now only its myths – its myths of equality and the fair go.”⁴⁴⁹ It became accepted that the Age Pension should deliver some standard of living above poverty.⁴⁵⁰ With their pension payment, people should be able to cover the costs of necessities *and* have some money left over to spend on things such as socialising and leisure.

The 1970s were a time of ferment about Australian living standards and adequacy of income, inflamed by economic deterioration. Productivity levels had slowed worldwide.⁴⁵¹ Inflation levels at home were rising rapidly, from 5 per cent in 1972 to 15 per cent in 1975, following the oil crisis at the end of 1973.⁴⁵² Prolonged full employment was straining wage restraint. Inflation ate into all incomes but had a particularly pernicious effect on those with fixed incomes such as old age pensioners. According to a consumer survey in 1977, inflation was “the nation’s number one concern.”⁴⁵³ The media in the 1970s was awash with articles about the problem of inflation, with headlines such as “Pensions lag in inflation” and “Canberra steps up inflation fight” typical.⁴⁵⁴ Figure 3 is a cartoon of Gough Whitlam dressed in armour and carrying a knife, in front of a two-headed inflation monster, while Bob Hawke, head of the ACTU, is seen feeding the monster from a “national wage” bowl.

⁴⁴⁷ Richard Downing, “Social Reconstruction, Social Welfare and Self-Reliance,” the George Judah Cohen Memorial Lecture, 21 November 1974, University of Sydney, Sydney, p.28.

⁴⁴⁸ Richard Downing, “National Superannuation and Human Dignity,” *Canberra Times*, 22 April 1971.

⁴⁴⁹ Downing, “National Superannuation,” p.15.

⁴⁵⁰ See, for example, B Hughes, “Growing old with dignity,” *The Australian*, 11 December 1974.

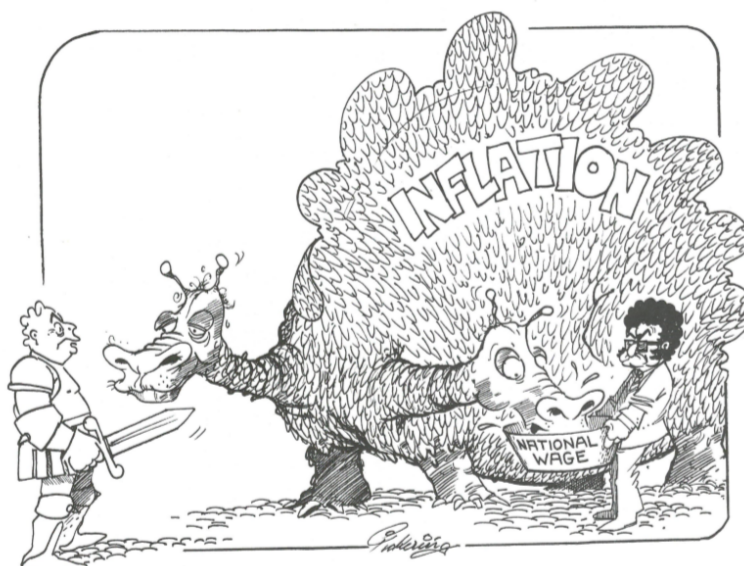
⁴⁵¹ Ian McLean, *Why Australia Prospered* (Princeton, N.J.: Princeton University Press, Princeton, 2014), p.214.

⁴⁵² ABS, *70 Years of Inflation in Australia* (Canberra: ABS, 2018).

⁴⁵³ V Caruso, “Inflation stays as No 1 problem – survey,” *The Australian*, 1 June 1977.

⁴⁵⁴ Michelle Grattan, “Pensions Lag Inflation,” *The Age*, 20 July 1974; Michelle Grattan, “Canberra Steps Up Inflation Fight,” *The Age*, 10 February 1976, Noel Butlin Archives N58 Box 2144.

Figure 3: cartoon of Gough Whitlam and Bob Hawke



Source: Pickering

Comprehensive national poverty statistics were not available at the start of the 1970s, but one estimate based on a Melbourne Institute survey was that 15.2 per cent of the aged were living in poverty.⁴⁵⁵ Income, housing costs, assets and help received from families and other sources were taken into account in making the poverty classification for the aged.⁴⁵⁶ Even with home ownership being taken into account, the same survey found just below 9 per cent of the aged were in poverty.

The Age Pension had been rising in real terms, but there were concerns about it not keeping pace with earnings.⁴⁵⁷ In 1950–51, the single Age Pension was worth 21.6 per cent of Male Average Weekly Earnings (MAWE); by 1970–71, it was worth 18.4 per cent of MAWE.⁴⁵⁸ Key elements of the social security system were coming into question, in particular whether it was adequately countering poverty, its effects on incentives to work and save, and its exclusion of some groups at risk of hardship.⁴⁵⁹ After two decades of relative post-war stability, debate flourished on those who had been poorly served by the (male) “wage earners’ welfare state” including, among others, the elderly on fixed incomes.⁴⁶⁰

⁴⁵⁵ Downing, “The Aged,” p.63.

⁴⁵⁶ *Ibid.*, p.64.

⁴⁵⁷ See, for example, CPD, House of Representatives, 19 March 1969, p.640.

⁴⁵⁸ Kewley, *Social Security in Australia*, p.399.

⁴⁵⁹ Andrew Harscovitch and David Stanton, “History of Social Security in Australia,” *Australian Institute of Health and Welfare – Family Matters* 80 (2008): p.55.

⁴⁶⁰ Nolan, “‘Super’ Debates within the Antipodes?,” p.441.

This was a pivotal period for the Australian welfare state. New ideas were emerging about the role of welfare and the standard of living that welfare should protect. On the one hand, the nation's "long boom" was coming to an end, with its attendant pressures on government to rein in spending. Yet, the boom had created private prosperity. The relative wealth of Australians at this time showed that they enjoyed a standard of living that was not open to their forebears. This was reflected in high levels of home ownership: 52.6 per cent of the population owned a home in 1947; by 1961 some 70.2 per cent of households were owner-occupiers. Consumer culture was fuelled by home ownership, the prospect of having a house full of the latest household appliances, and a new car in the driveway.⁴⁶¹

New levels of private wealth created new expectations of how people would age. Australia's highly targeted old age pension system that provided modest benefits would mean a significant drop in living standards for the new middle class, if it was their sole source of income; that is, unless old age welfare was expanded in some way. In 1972, the McMahon government liberalised the pension means test to increase the level of exempt income and make superannuation pensions and annuities concessional.⁴⁶² Expectations about standards of living were also among the triggers for government to develop a pension system that would provide a standard more akin to that which people had grown accustomed to during their working lives.⁴⁶³

Stuart Macintyre has observed the unfortunate collision of the Whitlam Government's embrace of welfare universalism with the collapse of the economic conditions which might have made that role possible. The crisis in the global monetary system and slower growth in Australia were factors in the abandonment of Keynesianism and the adoption of deflationary measures.⁴⁶⁴ Race Mathews recalled that "the times were more expansive" before the oil shock of 1973.⁴⁶⁵ The Labor Party Spokesman on Health and Welfare, Bill Hayden, remarked in 1971 that "the

⁴⁶¹ Whitwell, *Making the Market*, p.38.

⁴⁶² *Social Services Act (No 4) 1972* (Cth), ss 7, 10, 11.

⁴⁶³ Pat Thane observed a similar phenomenon in post-war Britain: Pat Thane, "The History of Retirement," in Gordon L. Clark, Alicia H. Munnell & J. Michael Orszag, eds. *The Oxford Handbook of Pensions and Retirement Income* (Oxford: Oxford University Press, 2006), p.46.

⁴⁶⁴ Stuart Macintyre, "The Short History of Social Democracy in Australia', *Thesis Eleven* 15 (1986): p.9.

⁴⁶⁵ Interview, Race Mathews, Melbourne, 8 July 2017.

Australian Labor Party believes that welfare benefits and services go beyond merely providing minimal sustenance.”⁴⁶⁶

The Whitlam government’s Hancock Inquiry and the question of a national superannuation scheme

This section of the chapter examines the Hancock Inquiry and its findings as an example of attempted policy change that was ultimately unsuccessful.⁴⁶⁷ It argues that the fact the report of the Hancock Inquiry was handed down under another government is only a partial explanation for why national superannuation was not introduced, despite this being the most common reason cited in existing literature.⁴⁶⁸

The Hancock Inquiry was charged with recommending a model of national superannuation to the government. It was to examine and report on overseas and Australian proposals for national superannuation; existing overseas schemes; the relevance of overseas proposals and existing schemes to Australian needs; the implications of these for the Australian setting; and to make recommendations to the government on a suitable national superannuation scheme.⁴⁶⁹ In undertaking its inquiry, the Committee was instructed to have regard to the Whitlam government’s objective of abolishing the pension means test and increasing the basic rate of the age pension to 25 per cent of MAWE.⁴⁷⁰

The Hancock Inquiry comprised three men: Keith Hancock as Chair, J.B. Wright, a bank official from the Reserve Bank of Australia; and actuary K.J. Hedley. Keith Hancock was an economist from Flinders University, Adelaide. Wright resigned from the Committee in August 1973, when he realised it was “not really an ‘inquiry’ but only

⁴⁶⁶ Bill Hayden, Federal Parliamentary Labor Party Spokesman on Health and Welfare, Address to the Newman Association of Queensland, Duchesne College, 8 July 1971, National Library of Australia, MS4985, Box 119.

⁴⁶⁷ Recent debates in institutional literature have critiqued incremental typologies of policy change as being more useful descriptors rather than for their explanatory power. Van de Heijden and Kuhlmann have argued that “more systematic exploration of stability in situations of organized attempts to change institutions may shed new light on modes of change”: “Studying Incremental Institutional Change: A Systematic and Critical Meta-Analysis of the Literature from 2005–2015,” *Policy Studies Journal* 45, no.3 (2017): p.550.

⁴⁶⁸ This is mentioned by Mary Easson but not fully argued in, *Keating and Kelty’s Super Legacy: the Birth and Relentless Threats to the Australian System of Superannuation* (Redland Bay: Connor Court, 2017), p.150.

⁴⁶⁹ National Superannuation Committee of Inquiry (NSCI), *National Superannuation in Australia – Interim Report of the Committee of Inquiry* (Canberra: Commonwealth of Australia, 1974), p.ix.

⁴⁷⁰ Ibid, p.ix. Although the terms of reference refer to “average weekly earnings” (AWE), Labor policy was to benchmark the pension to 25 per cent of “average weekly male earnings” (MAWE), which is higher than the AWE measure that includes male and female wages: *Labor Party Policy Speech, 1972*, cited in Kewley, *Social Security in Australia*, p.400.

one of many bodies designed to create a grand complex of socialist institutions.”⁴⁷¹ He resigned as an adviser to the Governor of the Reserve Bank for the same reason. Wright was replaced with R.G. McCrossin, general manager of the Australian Development Bank. The clear differences of opinion between Wright and the other members of the Hancock Inquiry were not remedied by the appointment of Hedley, who ended up writing a minority opinion that departed from that of Hancock and McCrossin. Both the Hancock Inquiry’s Interim Report and its Final Report contained majority and minority recommendations.

In an early discussion paper, Hancock set out certain assumptions for the proposed scheme:

1. The National Superannuation Scheme will contain a contributory element.
2. Benefits will bear some relation to contributions.
3. Notwithstanding (2), the Government will subsidize the scheme to ensure a minimum benefit of 25 per cent of average weekly earnings for persons who retire at 65.
4. All benefits will be adjusted for movements in average weekly earnings.⁴⁷²

These assumptions envisaged a typical social insurance model in the European mould, especially with respect to benefits, which would bear some relation to contributions (points 1 and 2). The proposed scheme had a “progressive character in relation to incomes” because contributions would be required only of those people whose income from all sources was above 25 per cent of average weekly earnings.⁴⁷³ Individuals would pay compulsory contributions at a rate of 5 per cent on the amount earned above the threshold.

Three approaches were considered by the Committee in its 1974 Interim Report: a flat-rate superannuation benefit; an earnings-related benefit; and a flat-rate benefit with an earnings-related supplement. It proposed that a flat-rate scheme and a contributory scheme be the two options for further consideration. One of the Committee’s key concerns was the way any new superannuation scheme would interact with the existing private occupational superannuation schemes.⁴⁷⁴ A range of government tax

⁴⁷¹ J.B Wright, “Another step to socialisation,” *The Australian*, 5 May 1975.

⁴⁷² NSCI, *Discussion Paper – Hancock No. 1*, Paper Number 14 (Canberra: Commonwealth of Australia, 1974), pp.1-2, Han/NSC/A-193.

⁴⁷³ *Ibid.*, p.3.

⁴⁷⁴ NSCI, *Interim Report*, pp.3-5.

concessions and exemptions existed to give employees and employers an incentive to participate in occupational schemes. The Committee estimated that occupational superannuation was spread among only 35 per cent of the labour force, and within that 35 per cent “the people who benefit most from the provision of government incentives are those with higher incomes.”⁴⁷⁵ This reflects one of the drivers of the reform effort, to make superannuation available to all workers rather than simply the privileged minority.

The Hancock Inquiry’s Interim Report considered earlier, unsuccessful, Australian proposals for national superannuation, and the reasons they were not implemented. The Committee described the first national proposals by the Bruce and Lyons Governments, in 1923 and 1938, as having been “overtaken by unfavourable economic circumstances – first depression and then war.”⁴⁷⁶ The Committee also noted that the Labor Party criticised the Lyons scheme for its reliance on contributory financing and the failure of the scheme to make provision for the self-employed and dependants of insured persons.⁴⁷⁷

The Final Report of the Hancock Inquiry and its Recommendations

Like the Interim Report, the final report of the Hancock Inquiry had a two-person majority and a one-person minority report. It was divided into two parts: the first being a report on the question of National Superannuation (1976) and the second on the issue of Occupational Superannuation (1977).

Hancock and McCrossin for the majority recommended a two-tier scheme comprising:

1. a universal pension, equal to about 25 per cent of MAWE, payable to all residents aged 65 and over; and
2. a purchased superannuation pension based on a person’s contributions.

The aim was for all people aged over 65 to have a total pension (1. and 2.) equivalent to 30 per cent of MAWE. Individuals whose combined pension produced less than 30 per cent MAWE would have their pensions supplemented by the government.

⁴⁷⁵ NSCI, *National Superannuation in Australia – Interim Report of the Committee of Inquiry* (Canberra: Commonwealth of Australia, 1974), p.35. This estimate pre-dated the first ABS survey of occupational superannuation the same year, which found that 29 per cent of employed persons were covered.

⁴⁷⁶ *Ibid.*, p.38.

⁴⁷⁷ *Ibid.*, p.39.

Pensions would be indexed quarterly by a Pensions Adjustment Index proportionate to MAWE.

The proposed scheme was costly, and this was a factor operating against its introduction. Cost was a key reason that Hedley cited for his dissenting report.⁴⁷⁸ The national superannuation scheme would be financed by a 5 per cent levy on incomes above 30 per cent MAWE, for individuals aged between 19 and 63. However these contributions would only finance around 42 per cent of the scheme, declining over time.⁴⁷⁹

The majority of the Committee noted the difficulty associated with deciding on the right level of pension income, arguing that

any attempt to prescribe a minimum standard must, in the final analysis, reflect a subjective judgment of adequacy. We make no pretense that our recommendation of a minimum pension equal to about 30 per cent of AWE can be supported by reference to objective criteria. In our view, there are no such criteria.⁴⁸⁰

Hedley's minority report recommended a non-contributory flat-rate universal pension, a means-tested supplement and the encouragement of voluntary savings through expanding existing private superannuation schemes. Along with his criticism of the additional tax impost in the majority's proposed scheme, he saw a difficulty in integrating national superannuation with existing private schemes. In particular, there would be a likelihood that employees would cease to contribute to private schemes. This would, Hedley argued, open the way up for schemes to be initiated through "trades union settlements," a prospect "not as attractive as first appears and many would regard it as appalling from an overall community point of view."⁴⁸¹

⁴⁷⁸ Ibid., p.117.

⁴⁷⁹ Ibid., p.10.

⁴⁸⁰ NSCI, *National Superannuation Scheme for Australia – Final Report of the National Superannuation Committee of Inquiry – Part One*, pp.19-20.

⁴⁸¹ Ibid., p.140.

National superannuation and occupational superannuation schemes

Occupational pension plans in Australia continued largely uninterrupted during World War II, and developed what Steven Sass has called, “a symbiotic relationship with government pension programs, tax regimes, and industrial relations initiatives.”⁴⁸² The post-war period saw an expansion in private occupational superannuation schemes, as “[s]hortages of labour in the prolonged period of economic growth of the 1950s and 1960s, and the need for management staff and skilled labour, encouraged employers to provide superannuation as a tax-advantaged incentive to attract and retain employees.”⁴⁸³ Lack of pension “portability” between jobs, the widespread use of lump-sum payments instead of pensions, and potential loss of value of pension payments due to inflation were key issues in the relationship between a national superannuation scheme and occupational superannuation.⁴⁸⁴

Occupational superannuation coverage continued to be linked with firm size. As Nikola Balnave has documented, surveys conducted by the Commonwealth Bureau of Census and Statistics in 1955–56 and 1960–61 showed a correlation between business size and superannuation.⁴⁸⁵ They also indicated the growth in popularity of private superannuation schemes in the post-War period.⁴⁸⁶ The ABS survey of superannuation conducted for the Hancock Inquiry showed that 72 per cent of public servants had superannuation, the highest coverage of any industry. The highest coverage by occupation was miners and quarrymen (62 per cent), followed by professional and technical (47 per cent) and administrative, executive and managerial (47 per cent).⁴⁸⁷ It is estimated that between 50,000 and 55,000 superannuation schemes were in operation in Australia, with the “great majority” being small schemes with fewer than ten members.⁴⁸⁸ Survey work conducted by the Association of Superannuation and Provident Funds of Australia (ASPFA), established in 1963, found that many employers of small numbers of “blue-collar” staff made little or no provision

⁴⁸² Steven Sass, “The Development of Employer Retirement Income Plans: from the Nineteenth Century to 1980,” in *The Oxford Handbook of Pensions and Retirement*, p.78.

⁴⁸³ Shaw, p.110.

⁴⁸⁴ Department of Social Security, *Selected Papers Relating to National Superannuation*, Paper 9, “Relationship to Private Schemes,” (Canberra: Commonwealth of Australia, 1973), p.2, Han/NSC/1-7.

⁴⁸⁵ Nikola Balnave, “Industrial Welfarism in Australia 1890–1965,” PhD diss. (University of Sydney, 2002), p.92.

⁴⁸⁶ *Ibid.*, p.92.

⁴⁸⁷ NSCI, *Occupational Superannuation in Australia – Final Report of the National Superannuation Committee of Inquiry – Part Two* (Canberra: Commonwealth of Australia, 1977), p.5.

⁴⁸⁸ NSCI, *Interim Report*, p.30.

for their superannuation, whereas it was “more than likely” that they would have made provision for their “white-collar” staff.⁴⁸⁹ In addition, the highly concessional tax on superannuation lump sums, unchanged since 1915, meant that lump-sum benefits “maintained their popularity compared to pensions.”⁴⁹⁰

The Final Report of the Hancock Inquiry contained a second part, dealing with occupational superannuation (1977), with majority and minority sections. The majority saw that occupational superannuation would continue, but that on the basis of there being a national superannuation scheme, limits should be placed on tax-advantaged occupational funds. An occupational superannuation benefit, which, when added to the person’s national superannuation pension, exceeded this standard, would be “overprovision.”⁴⁹¹ Setting the standard for 75 per cent of a person’s pre-retirement wages, the majority of the Committee was “influenced by a desire to avoid any reasonable allegation of parsimony.”⁴⁹² Further, the majority argued that occupational super lump sums should be limited to a value of nine times final salary. In his minority report, Hedley said that no special action was necessary to integrate the flat-rate non-contributory age pension and occupational superannuation. If a national superannuation scheme was adopted, however, “[t]he severe disturbance to individual entitlements and expectations accrued and accruing through occupational superannuation may make some statutory intervention essential.”⁴⁹³

In recommending a national superannuation scheme, the majority noted that most submissions the NSCI received favoured a non-contributory national scheme. They regarded the “preponderance of support for the non-contributory proposal” as coming from groups that had “obvious interests” in maintaining the status quo, “especially occupational superannuation.”⁴⁹⁴ However the majority argued that a national superannuation scheme was needed because it was “unrealistic to suppose that voluntary occupational superannuation could ever achieve anything approaching a full coverage of the labour force.”⁴⁹⁵ Occupational superannuation was a benefit that some

⁴⁸⁹ Association of Superannuation and Provident Funds of Australia (ASPFA), *Superannuation for Blue Collar Employees – Men and Women*, Paper No.7, ASPFA, 1972, p.4, Han/NSC/1-7.

⁴⁹⁰ Shaw, p.111.

⁴⁹¹ NSCI, *Occupational Superannuation in Australia*, p.63.

⁴⁹² *Ibid.*, p.63.

⁴⁹³ *Ibid.*, p.141.

⁴⁹⁴ NSCI, *National Superannuation Scheme for Australia*, p.5.

⁴⁹⁵ *Ibid.*, p.46.

enjoyed, but a national superannuation scheme was required to ensure a decent level of income for all.

The Hancock Inquiry took a contrasting philosophical approach to welfare to that taken by the landmark Henderson Inquiry on poverty. It used an approach of contributions-based welfare, so that individuals would receive state support based on what they themselves could contribute. The Henderson Inquiry disagreed with this approach, and instead used the idea of welfare based on need. Ronald Henderson, the prominent chair of the Inquiry, argued that the Hancock Inquiry did not really consider needs at all, but was preoccupied with the level of contributions to the superannuation scheme.⁴⁹⁶ He acknowledged, however, that the “outdated philosophy” that welfare benefits should be “earned” was imposed on the Committee in its terms of reference.⁴⁹⁷

Superannuation Coverage and Women

The war and post-war period had seen an increase in female employment and women’s coverage by occupational superannuation. Prior to this period, it was the norm for women to leave any paid employment upon marriage, sacrificing whatever pension entitlements they had accrued. Wartime employment of women had seen large firms yield to their demands for superannuation, with the Bank of Australasia the last of the banks to provide superannuation for women in 1943.⁴⁹⁸ In 1965 the *Superannuation Act 1922* was amended to enable married women who were recruited to the Commonwealth Public Service to join the Superannuation Fund or the Provident Fund and to permit single women who continued as permanent officers after marriage to continue as contributors.

Concerns about the impact of income-based contributory superannuation on women were evident in the Interim and Final reports of the Hancock Inquiry. In its Interim Report, the majority went so far as to query whether it would not be simpler to break the nexus between national superannuation and employment, given the way that the employment nexus disadvantaged the self-employed and women outside the paid

⁴⁹⁶ R.F. Henderson, “Criteria for Welfare – Needs or Earnings”, *Institute of Applied Economic and Social Research Reprint Series 46* (1977): p.5.

⁴⁹⁷ *Ibid.*, p.7.

⁴⁹⁸ S.J Butlin, *Australia and New Zealand Bank: The Bank of Australasia and the Union Bank of Australia Limited 1828–1951* (London: Longmans, 1961), p.417.

workforce.⁴⁹⁹ The majority observed, correctly, that low female participation rates in occupational schemes “have much to do with characteristics of superannuation schemes which are not overtly discriminatory but do not fit well with the employment experience of a high proportion of the female population.”⁵⁰⁰ The majority of the Committee therefore argued that the impact of national superannuation on women “must be among the major considerations to be borne in mind in the construction of a scheme.”⁵⁰¹

The misgivings expressed by the Committee regarding gender inequities in social insurance schemes had found earlier expression. As discussed in Chapter 3, during Australia’s Old Age Pension debates in the late nineteenth and early twentieth centuries. It was acknowledged that contributory pension schemes based on wages disadvantaged women, because of the time they spent out of the workforce to have children and to perform (unpaid) domestic work. As Julie Smith observes, “the first social security payments made in Australia were financed from progressive taxation and entitlement was not based on prior financial contributions – the design of Australia’s 20th-century social security system thus acknowledged women as productive citizens who were contributing to building the country’s capital.”⁵⁰²

Opposing views were presented in evidence to the Committee by women’s advocacy organisations about the best way to combat gender discrimination in superannuation. The New South Wales division of the Women’s Electoral Lobby (WEL), first established in 1972, favoured a flat-rate pension scheme and opposed a contributory one. By way of contrast, the South Australian division of WEL supported a partially contributory scheme on the basis that it would create more revenue than under a flat-rate scheme using general revenue,⁵⁰³ and that a contributory scheme would protect against the effects of inflation. It acknowledged that this second issue was not female-specific. The Victorian division of WEL substantially agreed with South Australia on the basis that a universal pension plus

⁴⁹⁹ NSCI, *National Superannuation in Australia – Interim Report of the Committee of Inquiry*, p.6.

⁵⁰⁰ NSCI, *Occupational Superannuation in Australia*, p.8.

⁵⁰¹ NSCI, *National Superannuation in Australia*, p.30.

⁵⁰² Julie Smith, “Paying for Care in Australia’s ‘Wage Earners’ Welfare State’: The case of Child Endowment,” in Miranda Stewart, ed. *Tax, Social Policy and Gender: Rethinking Equality and Efficiency* (Canberra: ANU Press, 2017), pp.161-205.

⁵⁰³ Its reasons for this view are unclear.

voluntary contributions was the best system for people with interrupted careers.

Joan Mullet, from WEL Victoria, went on to argue:

I think the main problem for women in relation to the present superannuation scheme is that if they come back into the workforce – say in their thirties or forties – it is just so expensive for them to buy into the type of scheme that is available to them, and a lot of them don't choose to do it or can't. I know in my case as a married woman working in a State Government Department that until married women were made permanent I couldn't take it out, anyway, and now it is just too expensive to be considered.⁵⁰⁴

In response, the majority agreed with the arguments put by WEL South Australia and Victoria, in favour of a contributory scheme. It implored those concerned to improve the economic and social status of women not to

fall victims to the illusion that a non-contributory scheme, because it pays identical benefits to men and women, contributes more to equality than does the partially contributory scheme recommended in this report. The relative treatment of men and women must be judged in the context of a scheme as a whole (especially the relation between benefits and contributions).⁵⁰⁵

The redistributive nature of the national superannuation scheme proposed by the majority of the Committee would have primarily benefited women, they argued. As the majority of low-income earners, women stood to gain most from the government subsidising those whose pension and superannuation supplement did not reach 30 per cent of MAWE. The other implication was the cost of a redistributive scheme, which the Committee did not resolve. John Hedley, in the minority, argued that women with low earnings histories would be disadvantaged because they would receive only half the benefit from such contributions as they were compelled to make. This was another argument he used in favour of retaining a flat-rate, non-contributory pension with an additional supplement based on needs.⁵⁰⁶

The majority of the Committee also recognised that “the problem of protecting superannuation rights is linked to wider questions pertaining to maternity leave and

⁵⁰⁴ NSCI, Transcript of Proceedings, Evidence to the Inquiry from Women's Electoral Lobby (Vic), 17 February 1975, p.587, Han/NSC/71-79.

⁵⁰⁵ NSCI, *National Superannuation in Australia*, p.31.

⁵⁰⁶ *Ibid.*, p.158.

rights of re-employment,” but these were beyond the remit of the inquiry.⁵⁰⁷ The majority recommended against the apportionment of spousal contributions to women but did say that employers should be encouraged to preserve the benefits of women leaving the workforce who returned to the same employer. It was careful to clarify that this did not mean that superannuation should be paid during absences from the workforce, like maternity leave.⁵⁰⁸

Labour movement views of national superannuation

National superannuation had minimal political or public support in the 1970s. This is reflected in the appearances before the Hancock Inquiry, which demonstrate mixed sentiments towards a national scheme. While the unions and the labour movement were not antagonistic towards superannuation at the time, the idea of superannuation was clearly distinguishable from the industrial relations issue it would become. The Labor Party first adopted national superannuation on its policy platform in 1969,⁵⁰⁹ and the Australian Council of Trade Unions (ACTU) first committed to the introduction of national superannuation in 1975.⁵¹⁰

Mees and Brigden note that it was not until the late 1970s that superannuation was a significant industrial issue. Some union schemes were created beforehand, such as the Stevedoring Employees Retirement Fund (SERF), a co-funded pension founded in 1967 by maritime unions and employers.⁵¹¹ Mees observes that some industrial pension schemes had been won in the 1950s and 1960s, but they were “limited mostly to public-sector workers and the head office staff of the larger private-sector employers.”⁵¹² In part, this is attributable to superannuation not being an industrial issue legally. In the 1952 case of *Hamilton Knight*, the High Court had ruled that the capacity for unions to secure award protection for pensions fell outside of what could be defined as an “industrial matter.”⁵¹³ The majority of the Hancock Committee also noted that there were “few schemes conducted by trade unions or associations of

⁵⁰⁷ Ibid., p.113.

⁵⁰⁸ Ibid., p.113.

⁵⁰⁹ Platform, Constitution and Rules as approved by the 28th Commonwealth Conference of the ALP, Melbourne, 30 July 1969, section XII, p.20. National Library of Australia, MS 4985, Box 117.

⁵¹⁰ Nolan, “‘Super’ Debates within the Antipodes?,” p.447.

⁵¹¹ The Seafarers Retirement Fund (SRF) was established in 1973. In 2009, SERF and SRF merged to become Maritime Super. See Annual Report 2016/17 (Melbourne: Maritime Super, 2017), p.2.

⁵¹² Bernard Mees, “Organizational Mimesis and the Emergence of Industry Superannuation in Australia,” *Journal of Management History* 23, no.3 (2017): p.244.

⁵¹³ Mees and Brigden, pp.26-27.

employers,”⁵¹⁴ and that “in future, trade unions may more commonly than hitherto articulate the aspirations of employees for superannuation coverage and may need to be involved in the design of schemes.”⁵¹⁵

Evidence given to the Inquiry by the ACTU Secretary, Harold Souter, would appear to confirm that the union movement was not mobilised around the issue of national superannuation in the 1970s. He told the Inquiry that there was “quite a divergence of opinion throughout the movement” about superannuation, and it was a matter that had not been the subject of a full debate.⁵¹⁶ Souter acknowledged that the movement had been “strongly opposed to the compulsory superannuation contributory scheme” in 1938, but at the same time reflected that it was “probably anomalous that Australia is one of the most forward nations ... in industrial relations, and the movement has not attempted to come to grips with this matter.”⁵¹⁷

Constrained by the absence of a clear ACTU position on the issue, Souter guessed that the union movement would press for superannuation in the form of a universal flat-rate benefit payable from general revenue, with optional additional superannuation paid for by the workers themselves.⁵¹⁸ This was a position closer to Hedley’s proposed scheme.

In what was to prove a prescient observation by Hancock during Souter’s appearance, he noted that some unions had criticised the employer control of superannuation funds and that the unions themselves could “get into the business of organising industry superannuation schemes,” putting pressure on employers to contribute industry-wide schemes rather than maintain firm-specific ones.⁵¹⁹ One observant life insurer noted that it was “interesting” that while in the past Australian unions had opposed a scheme of superannuation that involved contributions from employees, this objection had not been raised during the Hancock Inquiry.⁵²⁰

⁵¹⁴ Ibid., p.2.

⁵¹⁵ NSCI, *Occupational Superannuation in Australia*, p.27.

⁵¹⁶ NSCI, Transcript of Proceedings, 29 January (Canberra: Commonwealth of Australia, 1974), p.351.

⁵¹⁷ Ibid., p.351.

⁵¹⁸ Ibid., p.355.

⁵¹⁹ Ibid., p.360.

⁵²⁰ P.C. Wickens, “National Superannuation,” Speech to the 89th Session and Second General Meeting of the Insurance Institute of New South Wales, Sydney 9 May 1973, p.10, Han/NSC/1- 7.

Employers supported a flat-rate national superannuation scheme but disagreed with the ACTU that they should have to make contributions.⁵²¹ Hancock recalls that unions did not have much to say about superannuation, but that the actuaries did. He also recalls that those in the life insurance business especially opposed the idea of doing anything more than improving the age pension.⁵²² On release of the final report, the Life Offices' Association characterised Hedley's minority report as most feasible, whereas the majority report would "almost certainly" lead to a switch to a non-contributory basis for most existing superannuation plans.⁵²³ In a prescient article about future issues in superannuation policy, the *Canberra Times* called the Hancock Inquiry a "serious disappointment" because of its avoidance of the "big issues" such as superannuation "portability" – the ability to carry one's superannuation entitlements from job to job.⁵²⁴

Conclusion

This chapter has examined the development of superannuation policy between 1939 and 1976. The National Welfare Fund did not introduce contributory social insurance financing but it showed the preparedness of the ALP to shift its rhetoric at least in a context of high inflation. The same pragmatism would be demonstrated by the Party in the late 1970s and 1980s: managing inflation was also the critical force behind the government-union Accord and the basis of the universal superannuation scheme introduced by the Labor Party, discussed in Chapter Six. Kewley has argued that "the change in Labour [sic] Party policy represented by the new financial approach should not be exaggerated."⁵²⁵ In the longer timeframe of this thesis, the change of position becomes more significant. The seeds of a Labor national superannuation policy were sown during World War II and the decades that followed.

Globally, the post-war decades saw a movement towards social insurance and pension universalism. Currents of thought on pension design flowed between British intellectuals and policy makers, and their Australian counterparts. The issue of pension adequacy became central, with liberal welfare states such as Britain and

⁵²¹ R.G. McCrossin, "Precis of Transcript of Proceedings," Internal Communication of the National Superannuation Committee of Inquiry, 12 March 1974, p.34, Han/NSC/71-79.

⁵²² Keith Hancock, Interview, Adelaide, 29 May 2017.

⁵²³ "Minority Super Report Called Most Feasible," *Financial Review*, 4 June 1976, Han/NSC/34-41.

⁵²⁴ "National Pensions," *Canberra Times*, Editorial, 4 April 1977, p.2.

⁵²⁵ Kewley, *Social Security in Australia*, p.244.

Australia seeking to supplement the basic state pension. This chapter has focused on the policies and transfer of ideas as they influenced Labor Party policy, leading up to the election of the Whitlam government in 1972 with its commitment to introducing a national superannuation scheme.

Finally, the chapter examined the scheme of national superannuation proposed by the Hancock Inquiry. On the face of it, the primary reason the scheme was not implemented was because the report was handed to another government, one which was not committed to national superannuation (see Chapter 5). By the time the Hancock Inquiry's reports were handed down in 1976 and 1977, a new conservative government under Malcolm Fraser was in power. The government rejected the Hancock Inquiry's proposals and established its own Commonwealth Task Force on Occupational Superannuation to consider the role of occupational superannuation in providing for retirement and whether there was a need to revise or impose new standards for schemes. As Hedley surmised,

the completion of ... this report may have been made easier had a firm decision first been made as to the form of national superannuation to be adopted in Australia and were it clear that the decision had such wide support that reversal was unlikely after a subsequent Federal election.⁵²⁶

However, the reasons why the scheme of national superannuation recommended by the Hancock Inquiry was not implemented were more complex than a change of government alone. There were issues that bedevilled the proposal that went beyond party politics. It is questionable that any government would have expended political capital to introduce a costly scheme that did not enjoy wide support. Moreover, there were various other inquiries and reviews competing for government attention. The post-War decades were a period of flux about the role of the state in maintaining incomes, as reflected in the "needs based" approach of the Henderson Poverty Inquiry and the "contributions" approach of the Hancock Inquiry. Race Mathews recalls that, "because of the immense amount of time and energy that went into Medibank (health insurance) the national superannuation thing doesn't really figure very prominently...it was universal health care we were really on about, not universal

⁵²⁶ "National Pensions," *Canberra Times*, 4 April 1977, p.2.

retirement.”⁵²⁷ National superannuation was “one of those grand ideas in the Whitlam mould” but without adequate currency to have any real momentum.⁵²⁸

There was an absence of broader community support for the major change to pension policy that superannuation represented. Some unions were successful in winning superannuation rights in the post-War decades, but there was ambivalence towards a national superannuation scheme. Vested interests in private superannuation among actuaries and the insurance sector also acted against a national superannuation scheme. By the time of the Hancock Inquiry, the existing system of occupational superannuation covered around 30 per cent of the working population.

By the end of the Whitlam government, Australia had a new health insurance scheme but not a national superannuation scheme. Despite a post-War push towards increasing pensions and towards the concept of “income maintenance” in retirement, the idea was still elusive. The next chapter looks at the treatment of superannuation policy during the term of the Fraser Government, 1975 to 1983, arguing that this was when superannuation split off from being a social security policy, as it had remained during the Whitlam era, and was cemented as an industrial issue.

⁵²⁷Interview, Race Mathews, Melbourne, 8 July 2017.

⁵²⁸ Interview, Michelle Grattan, Canberra, 2 May 2017.

Chapter Five: A new pathway of superannuation policy

The term of the Fraser Government, 1975 to 1983, appears to be a period in which Australian superannuation policy stagnated. Prima facie, all that happened was that the Hancock Inquiry was handed down and rejected by government. As former Labor leader Bill Hayden puts it, “national superannuation fell off the radar during the Fraser years.”⁵²⁹ For the purposes of the institutional analysis in this thesis, however, the apparent lack of superannuation policy development in the late 1970s and early 1980s masks the fact that a new pathway began to emerge at this time: occupational superannuation *instead of* national superannuation as the basis for policy development. There is evidence of this new pathway in the positions taken by government, but the seeds of policy change lay in the institutions outside of it. The modern superannuation system established during the critical juncture of the 1980s became possible *through* the rejection of superannuation as a form of contributory social insurance and this process commenced in the 1970s.

A dwindling momentum behind national superannuation led directly to the emergence of union campaigns for occupational superannuation as a workplace right. Following a dispute over the right to superannuation entitlements in the retail industry, the first “industry” superannuation fund was established in 1978, initiating a new pathway for superannuation policy to be based on an occupational model. There was a clear choice for the unions between national superannuation on the one hand, and broader coverage of occupational superannuation on the other. Politics had closed off the path of national superannuation, with Labor out of government. Union leaders were fortified in their efforts to pursue occupational superannuation rights by economic conditions, emergent ideas about how to manage inflation through wages policy, and the prospects of an ageing demography. Despite official policies still supporting national superannuation, the union movement perceived the opportunities in pursuing broader occupational superannuation coverage. This would be the same model that the Hawke and Keating Governments followed, examined in Chapter 6.

The path of national superannuation not taken also embedded the existing institutions of old age welfare. Occupational superannuation would also begin to be reconceived

⁵²⁹ Interview, Bill Hayden, Brisbane, 26 February 2018.

by the labour movement, creating the basis for incremental change to superannuation policy, discussed in Chapter 6. Together with the idea of broader coverage, union leaders introduced new concepts into occupational superannuation to combat its inequities. Superannuation would “vest” in the individual worker. There would be “portability” of superannuation between funds, meaning that workers would be able to keep their superannuation savings when they changed jobs. These new principles of occupational superannuation had particular benefit for women, who often left a workplace after having children, either not returning to paid work or moving to a different workplace afterwards. An old institution was being renewed, crowding out the future policy space for national superannuation. A future implication was that occupational superannuation also set the pathway for a contributory, private system of superannuation with associated risk for individuals.

The chapter uses three narratives to make its argument. Firstly, it examines the rejection of national superannuation proposed by the Hancock Inquiry. It discusses why different institutions of government rejected the proposal for national superannuation to demonstrate that at the level of government, there was already some appetite to pursue occupational superannuation as the basis of national policy. Secondly, the chapter examines the industrial activity around occupational superannuation, including the dispute between supermarket chain Woolworths and the FSPU in 1978.⁵³⁰ The Woolworths dispute is used as an example of how industrial disputes elevated superannuation in national policy debates, and specifically the model of occupational superannuation. By the start of the 1980s, superannuation policy was being recast as an industrial issue.⁵³¹ Mees and Brigden argue that the successes of the industrial campaigns for industry-based superannuation in the 1970s spread superannuation to new groups of workers, albeit in a fragmented way.⁵³² As Stebbing writes, union campaigns for occupational super in the mid-1970s

⁵³⁰ In 1989 the FSPU amalgamated with six other unions to form the National Union of Workers (NUW).

⁵³¹ In a 1980 Superannuation Seminar Booklet, the ACTU described the purpose of its seminar as “to stress the importance of superannuation as an industrial issue”: ACTU Superannuation Committee, ACTU Superannuation Seminar Booklet, 18 April 1980, Series FSPU 1984.0108, Box 179.

⁵³² Bernard Mees & Cathy Brigden, *Workers’ Capital: Industry Funds and the Fight for Universal Superannuation in Australia* (Crows Nest: Allen & Unwin, 2017), p.41.

“paved the way for later transformations of occupational superannuation.”⁵³³

Thirdly, it examines the Labor Party’s position on superannuation in Opposition.

National superannuation: few friends in government

*Hancock was more or less friendless by the time it was considered by Cabinet.*⁵³⁴

The report of the Hancock Inquiry and other proposals for national superannuation were considered in a range of government fora between 1976 and 1983. The governmental bodies looking at national superannuation proposals included committees, departmental groups and interdepartmental bodies. This section analyses the proposals that government considered, revealing that the integration of a contributory national superannuation scheme with existing occupational schemes, combined with the cost of a national scheme, proved to be insurmountable obstacles. The examination of these proposals should not give the impression that this period was one of considerable government activity on the question of superannuation.

Indeed Fred Chaney, Minister for Social Security between 1980 and 1983, recalled in his interview for this thesis that superannuation did not figure as an issue during the time he was responsible for the social security portfolio.⁵³⁵ Rather, the purpose is to show the emphasis of policy was shifting away from national superannuation and towards occupational superannuation.

The official government rejection of the scheme proposed by the majority of the Hancock Inquiry was delivered by press statement of Treasurer John Howard on 12 July 1979. Howard cited cost as the main reason for the government’s decision. The scheme of national superannuation would “involve additional tax on personal income, imposing a heavy burden on middle- and lower-income workers.”⁵³⁶ The government’s rhetoric around avoiding additional tax was not borne out in reality, however, with federal taxation receipts increasing during the term of the Fraser

⁵³³ Adam Stebbing, “Privatising Retirement in a Financialising Market: Risk-shifting and Rent-seeking in Australian Superannuation Policy,” *Academy of the Social Sciences in Australia Workshop on Theorising the Dynamics of Social Service Markets*, Macquarie University, Sydney, 4th to 6th April 2018, p.7.

⁵³⁴ Interview, David Ingles, 26 May 2017, Canberra.

⁵³⁵ Interview, Fred Chaney, Perth, 8 February 2018.

⁵³⁶ John Howard, *Statement by the Treasurer the Hon John Howard, MP: Superannuation*, Press Release No.68, 12 July 1979, p.1.

Government from 22.5 per cent of GDP in 1975–1976 to 24 per cent in 1982–3.⁵³⁷ The government had, however, introduced a new unfunded Commonwealth Superannuation Scheme in 1976 (CSS) that combined the Pension Scheme and the Provident Account set up under the *Superannuation Act 1922* together to benefit new public service employees.⁵³⁸ Forecast public spending on the new CSS, net of employee contributions, was expected to increase from \$454 million 1981–2 to \$6.7 billion in 2051–2.⁵³⁹ This demonstrates the continuing policy distinction between superannuation “for all” and the costly, defined benefit system enjoyed by the public service.

The government’s decision to continue to pursue occupational superannuation policy while dispensing with national superannuation was influenced by the difficulty of integrating the institutions. In his dissenting report on the question of national superannuation, Hedley pointed to the difficulty of integrating a new government scheme with the existing institutions of old age welfare. He argued that there should be “reasonable continuity in the basic principles of social security administration,” and that it was one thing to propose a national superannuation scheme in isolation, but it was “much more difficult to integrate devised schemes, to make them compatible and consistent and to form these into a coherent social welfare whole.”⁵⁴⁰

National superannuation was rejected, but occupational superannuation was kept on the agenda. In 1979 the government established the Commonwealth Task Force on Occupational Superannuation. The Task Force ran from 1979 until 1983, handing down its final report under the Hawke Labor government. It was charged with considering the role of occupational superannuation in providing for retirement and to determine whether there was a need to revise or impose new standards for superannuation schemes.⁵⁴¹ The government also asked the Task Force to examine the question of union involvement in superannuation, an issue which grew in public

⁵³⁷ Australian Government, *Budget 2019-20*, Budget Paper No.1, Statement 10, Historical Government Data (Canberra: Commonwealth of Australia, 2019), p.10-5.

⁵³⁸ Australian Government Actuary, *Commonwealth Superannuation Scheme: A Report on Long-Term Costs* (Canberra: Australian Government Publishing Service, 1982), p.2.

⁵³⁹ *Ibid.*, p.7.

⁵⁴⁰ National Superannuation Committee of Inquiry (NSCI), *National Superannuation Scheme for Australia – Final Report of the National Superannuation Committee of Inquiry – Part One* (Canberra: Commonwealth of Australia, 1976), p.130.

⁵⁴¹ Commonwealth Task Force on Occupational Superannuation, *Final Report of the Commonwealth Task Force on Occupational Superannuation* (Canberra, Commonwealth of Australia, 1983), p.3.

prominence during the 1970s.⁵⁴² The Task Force proposed full vesting of contributions, with benefits capable of being “preserved” in the employer’s original fund, a new employer fund or in an “approved deposit fund” (ADF) and disclosure through mechanisms like annual reporting.⁵⁴³ These recommendations were closer to the approach of the union movement, which was also arguing for superannuation savings to belong to workers, and to be portable between jobs rather being tied to the fund of a particular employer. Remarking on the 1977 social security chapter of the federal Labor platform, Senator Doug Grimes – later Minister for Social Security – argued that the great fault of the country was that “too many workers have no access to a portable superannuation scheme.”⁵⁴⁴

The interdepartmental Income Security Review (ISR) confirmed the Fraser Government’s view that the national superannuation scheme should not proceed. The implication of the ISR’s decision was that “further action was needed to reform occupational superannuation schemes.”⁵⁴⁵ Former public servant Andrew Podger, who worked on the ISR, observed that

while the Fraser Government was never supportive of a government-run, national superannuation scheme, I suspect the work of the ISR and the passage of time following the Hancock Report contributed to a bipartisan view that there was another, better approach to addressing the objective of income maintenance in conjunction with the objective of poverty alleviation.⁵⁴⁶

Marriott notes that the Fraser Government also rejected the proposed Hancock scheme from a philosophical perspective. The compulsory scheme contradicted the Government’s position that individuals should be free to adopt the form of retirement savings that best suited them. In addition, the provision of a universal benefit was not aligned to the Fraser Government’s view of targeting social assistance to those most in need.⁵⁴⁷

⁵⁴² Ibid., p.3.

⁵⁴³ Ibid., pp.7-10.

⁵⁴⁴ ALP, Transcript of the ALP National Conference, 1977, pp.215-216, University of Melbourne Archives, William Landeryou Papers, 1985.0145, Box 17.

⁵⁴⁵ Andrew Podger, *Ian Castles and the Henry Tax/Transfers Review* (Canberra: Academy of Social Sciences, 2012), p.3.

⁵⁴⁶ Ibid., p.8.

⁵⁴⁷ Lisa Marriott, “The Politics of Retirement Savings Taxation: A Trans-Tasman Comparison,” (PhD diss., Victoria University, Wellington, 2010), pp.178-179.

The Fraser Government was concerned by union involvement in occupational superannuation schemes. There was a perception that unions could be engaged in superannuation for ulterior purposes, including “obtaining employer contributions as a means of circumventing wage indexation” and “involvement in lucrative superannuation schemes for reasons that may not be directed at meeting the genuine retirement needs of members.”⁵⁴⁸ These concerns about union control of capital are still evident in present-day debates on superannuation, examined in Chapter 7.

In fact, the government was more concerned about the cost than the incidence of taxation under a national superannuation scheme. The Fraser government had come to power with a deficit of \$3.6 billion.⁵⁴⁹ Analysis of national accounts and budgets by Scotton and Ferber (1980) shows that total government spending was “almost totally immobile” after the increases during the Whitlam years, but that there was growth in social security and welfare spending in the early Fraser years.⁵⁵⁰ There was an overall increase in spending on the Age Pension, rising by 0.5 per cent of GDP between 1975 and 1983.⁵⁵¹ However, because of growing numbers of older people claiming the Age Pension, the increase in spending did not reflect a real increase in the rate of the Age Pension being paid, which fell slightly in real terms.⁵⁵² This was despite the introduction of automatic increases in the Age Pension in 1977. The value of the pension was also reduced by the government’s decision in 1978 to freeze the rates of the income test-free pension for those aged over 78, a decision taken when high levels of inflation ate away at incomes.⁵⁵³

Both sides of politics were committed to addressing high levels of inflation through wage restraint. Wages had risen 26 per cent in 1974–75 under Whitlam. Under Fraser, wages increased by 14 per cent between 1979–1980 and 1981–82, the biggest

⁵⁴⁸ Treasurer, The Hon John Howard, MP and Minister for Industrial Relations, the Hon Tony Street, MP, *Occupational Superannuation*, Joint Press Release No.90, 6 September 1979, pp.1-2.

⁵⁴⁹ This was as low as \$548 million in 1981-82, before trending upwards again towards the end of the Fraser Government, and blowing out to \$7.96 billion in 1983-84: Australian Bureau of Statistics (ABS), *Yearbook 1985*, Cat.No.1301.0, (Canberra: Commonwealth of Australia, 1985), p.496.

⁵⁵⁰ Cited in Adam Graycar, “Retreat from the Welfare State,” in Adam Graycar, ed. *Retreat from the Welfare State* (Sydney: George Allen & Unwin, 1983), p.7.

⁵⁵¹ Peter Whiteford, “Social Security since Henderson,” in *Revisiting Henderson: Poverty, Social Security and Basic Income*, ed. Peter Saunders (Melbourne: Melbourne University Press, 2019), p.98.

⁵⁵² *Ibid.*, p.110.

⁵⁵³ Peter Whiteford and David Stanton, *Targeting, Adequacy and Incentives: Assessing the Australian System of Retirement Incomes*, Paper given to the 9th International Research Seminar on Issues in Social Security, Seminar on Pension Reform, Foundation for International Studies on Social Security and Swedish Federation of Social Insurance, Sigtuna, 15-18 June 2002, p.4.

real wage rises since the Whitlam period.⁵⁵⁴ The Fraser Government passed new industrial laws to restrict “inflationary wage agreements” between unions and employers.⁵⁵⁵ The conservative Institute of Public Affairs warned that “nothing else” would save the economy other than a 4 per cent ceiling on wage increases for twelve months.⁵⁵⁶ The ACTU, meanwhile, offered the government a pause in wage claims in exchange for tax cuts.⁵⁵⁷

With the added element of high inflation eating away at stagnant pension levels, the conditions were ripe for occupational superannuation to become the focus of policy – the Government and Treasury adopted the approach of “fighting inflation first.”⁵⁵⁸ As Shaw notes, Treasury became “intent upon the control of inflation by reducing federal government expenditures and reducing welfare payments.”⁵⁵⁹ This acted against the introduction of a costly government scheme of superannuation and, Shaw argues, was “the beginning of a sustained attack by the co-ordinating departments of federal bureaucracy, particularly Treasury, to corporatise the retirement income system.”⁵⁶⁰

Other evidence supports the view that the cost of the proposed superannuation scheme was central to its rejection by the government. The Social Welfare Policy Secretariat within the Department of Social Service (1978–1986) (SWPS) notes that the most prohibitive aspect of the Hancock scheme of superannuation was its cost.⁵⁶¹ SWPS also noted that the proposal would have created a major transfer of resources to the aged, militating against the consideration of the needs of other groups such as invalids and the unemployed.⁵⁶² Daryl Dixon, who was head of SWPS, observed in his interview for this thesis that there was also a lack of institutional buy-in for national

⁵⁵⁴ Paul Kelly, *The Hawke Ascendancy: A Definitive Account of its Origins and Climax 1975–1983* (London: Angus & Robertson, 1994), pp.99, 103.

⁵⁵⁵ John Jost, Michelle Grattan & Vincent Basile, “Federal Government to Pass Tough New Industrial Laws,” *The Age*, 26 March 1976.

⁵⁵⁶ *The Herald*, “Hold Wage Rises to 4% – IPA,” 23 December 1976.

⁵⁵⁷ V Basile, “Plan for a Pay Pact,” *The Age*, 7 December 1976.

⁵⁵⁸ Ian McLean *Why Australia Prospered: The Shifting Sources of Economic Growth*, (Princeton, N.J.: Princeton University Press, 2012), p.217.

⁵⁵⁹ Diana Shaw, “Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia’s National Retirement Income Regime,” (PhD diss., University of New South Wales, 1992), p.114.

⁵⁶⁰ *Ibid.*, p.114.

⁵⁶¹ Daryl Dixon & Chris Foster, *Social Welfare Policy for a Sustainable Society*, Presentation to the ANZAAS Congress, Adelaide, 1982, p.31.

⁵⁶² *Ibid.*, p.31.

superannuation, particularly from Treasury.⁵⁶³ Likewise, former Labor leader Bill Hayden recalls that “Treasury didn’t think much of national superannuation because of the cost.”⁵⁶⁴

What can’t be won politically can be won industrially

The roots of the union quest to pursue superannuation industrially began with the failure of national superannuation as proposed by the Whitlam Government. Simon Crean says that it meant developing “a strategy that if we can’t win it [a national superannuation scheme] legitimately through the political process we will pursue it industrially.”⁵⁶⁵ Mees and Brigden argue that

a further challenge was how to fund universal superannuation. The employers were opposed to it being funded out of profits and workers were equally opposed to it being funded by wage cuts. Governments were opposed to it being funded out of government revenue, and there were concerns about economy-wide effects. This created a context in which it was only the union and labour movement that could collectively deliver universal coverage.⁵⁶⁶

Union leaders were increasingly “frustrated by the ongoing inadequacy of existing funds and limited coverage.”⁵⁶⁷ There was significant variability of coverage between industries. Further, the superannuation coverage statistics masked the lower effective coverage of the workforce – withdrawal from employment for reasons other than retirement or invalidity resulted in a significant loss of entitlements.⁵⁶⁸ When these issues were not addressed through the creation of a system of national superannuation, there was a vacuum and the industrial movement filled it.⁵⁶⁹ The Hawke and Keating governments followed the pathway created during this period.

The first union superannuation funds emerged at this time. Mees and Brigden argue that unions such as the Federated Storemen and Packers’ Union (FSPU), the Pulp

⁵⁶³ Daryl Dixon, Interview, By Telephone, 20 February 2018.

⁵⁶⁴ Bill Hayden, Interview, Brisbane, 26 February 2018.

⁵⁶⁵ Christine St Anne, *A Super History: How Australia’s \$1 trillion+ Superannuation Industry was Made* (Melbourne: Major Street Publishing, 2012), p.17.

⁵⁶⁶ Mees & Brigden, *Workers’ Capital*, p.42.

⁵⁶⁷ *Ibid.*, p.36.

⁵⁶⁸ National Superannuation Committee of Inquiry (NSCI), *Occupational Superannuation in Australia – Final Report of the National Superannuation Committee of Inquiry – Part Two* (Canberra: Commonwealth of Australia, 1977), p.6.

⁵⁶⁹ Interview, David Ingles, Canberra, 26 May 2017.

and Paper Workers' Federation, and the Australasian Meat Industry Employees Union (AMIEU) effectively "reset the superannuation agenda" by setting up union-controlled funds independently of employers.⁵⁷⁰ The Labour Union Co-operative Retirement Fund (LUCRF) was established in Victoria in 1978 by the FSPU. The state secretary of the FSPU and later a Victorian government minister, Bill Landeryou, believed that the unions concentrated their efforts on improving workers' take-home pay and conditions because of a "pre-occupation with the problems of today rather than planning for the future." Further, "anyone who doesn't believe the industrial issue to dominate the next decade will be the question of benefits which should accrue to workers on retirement is stark raving bonkers."⁵⁷¹

Several industrial disputes in Victoria made occupational superannuation rights a public issue. These campaigns included the waterside workers, the pulp and paper workers and the skin and hide workers.⁵⁷² The most high-profile example of these campaigns was the 1978 dispute between the FSPU and Woolworths over the FSPU's superannuation scheme, LUCRF. Union leader Greg Sword reflected that the dispute brought national focus and attention to the issue of occupational superannuation, recalling that "journalists started taking an interest, the commentariat started to think about super...Woolworths were issuing pamphlets warning of socialism by the back door."⁵⁷³ In her comparative study of Australian and New Zealand retirement tax policy, Marriott draws attention to the FSPU-Woolworths dispute as the event which permanently raised the profile of occupational superannuation in Australia.⁵⁷⁴

Woolworths was concerned about the prospective employer payouts for a scheme which would cover over 50,000 workers. Some 600 members of the Victorian branch of the FSPU went on strike over the right to join LUCRF. It appears that Woolworths conceded the FSPU's claims, while giving it a positive gloss, arguing that the company "provides security for people making the company their career."⁵⁷⁵

⁵⁷⁰ Mees & Brigden, *Workers' Capital*, pp.32-35.

⁵⁷¹ Landeryou quoted in Larry Kornhauser, "Battle for the Funds: Behind the Unions' Superannuation Push," *Australian Financial Review*, 20 March 1979, p.8.

⁵⁷² Mees and Brigden, *Workers' Capital*, p.12.

⁵⁷³ Greg Sword, Interview, Melbourne, 23 October 2017.

⁵⁷⁴ Marriott argues that the dispute, and the ACTU's launch of its superannuation scheme in 1979, contributed to more widespread union involvement in occupational superannuation: Marriott, "The Politics of Retirement Savings Taxation," p.179.

⁵⁷⁵ Robinson et al, "The \$7 billion super battle," p.22.

The FSPU received criticism from various quarters about its motives for entering the superannuation debate. Views on superannuation differed greatly between, and within, the unions. Mary Easson, in her study of superannuation, notes that “many union leaders” had reservations about the pursuit of super in the late 1970s and early 1980s.⁵⁷⁶ Some union leaders preferred wage increases over superannuation entitlements as a deferred wage. To these unions and their leaders, superannuation was a way that the union movement would be sucked further into the capitalist system.⁵⁷⁷

The trade magazine, *Superfunds*, questioned the FSPU’s motives: on the one hand, the union may have truly believed that it would do a better job of retirement provision than employers; on the other, employer contributions and the concept of deferred pay may have been “no more than a device for increasing the pressures brought to bear on employers to extract improved benefits and conditions for union members.”⁵⁷⁸ Consultants Campbell and Cook believed that the objective of the union movement’s leadership was

to gain control over the investment of vast sums of money. From their members’ point of view they also aim to make superannuation a definite form of deferred pay for all their members.⁵⁷⁹

For its part, the FSPU argued for superannuation through an industrial rights framework. Landeryou argued that there was “nothing very complex” about the union attitude to superannuation, being based on “certain elementary principles of human justice, the first among them that superannuation contributions were deferred pay.”⁵⁸⁰ He appeared on ABC Television urging that the private workplace schemes which ripped off individual members should be allowed to “fail and fade by the side.”⁵⁸¹

⁵⁷⁶ Mary Easson, *Keating and Kelty’s Super Legacy: the Birth and Relentless Threats to the Australian Superannuation System* (Redland Bay: Connor Court, 2017), p.53.

⁵⁷⁷ *Ibid.*, p.51.

⁵⁷⁸ “Who will the Storemen Send Packing?” *Superfunds*, No.67, June 1979, p.2.

⁵⁷⁹ Campbell & Cook Consultant Actuaries, *Unions want to Control Superannuation*, Circular to Clients, Melbourne, 1979, p.1, William Landeryou papers, University of Melbourne Archives, Series 1985.0145, Box 26.

⁵⁸⁰ R.C. Palmer & D.J. Solomon, “How the Super Funds Work,” *The National Times*, 7 April 1979.

⁵⁸¹ ABC Television, *The Superannuation Dispute Involving Woolworths*.

Evidence from the 1970s and early 1980s shows that a scheme of national superannuation was still the stated priority for the union movement overall.

Landeryou explicitly stated in an interview that

my preference would be for a Government scheme, a national scheme that was operated in the interests of all citizens. Clearly that is, for me, the best way for it to be done. But in the absence of Government action then I think there will be a proliferation of trade union schemes.⁵⁸²

The perspectives of other groups in society and the national media demonstrate that union involvement in superannuation had become a national issue. A 1978 workforce survey commissioned by insurer Sentry Holdings Ltd showed that retirement plans were regarded by 78 per cent of workers as the most important employee fringe benefit, but only 56 per cent of workers surveyed were covered. Sixty-eight per cent of workers supported union activity in superannuation.⁵⁸³

The model of occupational superannuation that unions were advocating took control away from employers and placed it with employees through the interrelated concepts of vesting and portability. According to Crean, employer organisations did not object to or criticise the union objective of portability. What they did “oppose violently,” however, was the concept that the structure of occupational superannuation demanded the “total vesting of employer contributions in the employee which would make portability a reality.”⁵⁸⁴ One insurer, who had been interviewed on television with Landeryou in 1979, described the FSPU’s proposed superannuation scheme as “a thinly disguised back door entry to socialism.”⁵⁸⁵ Another actuarial firm noted that many employers believed that

⁵⁸² ABC Television, *The Superannuation Dispute Involving Woolworths*, Interview with Bill Landeryou of the Storemen and Packers and Mr Ian Spicer of the VEF, 29 March 1979, University of Melbourne Archives, William Landeryou Files, Series 1985.0145, Box 26.

⁵⁸³ Canberra Survey, *The Superannuation Industry*, 32, no.5 (1979), p.3, Melbourne University Archives, William Landeryou Files, Series 1985.0145, Box 30.

⁵⁸⁴ Simon Crean, Federal Secretary, FSPU, “Superannuation – the Union Viewpoint,” Address to CEDA Forum, 17 March 1980, Noel Butlin Archives, Series N68, Box 1347-1363.

⁵⁸⁵ ABC Television, *The Superannuation Dispute Involving Woolworths*, n.p.

by contributing to a union superannuation fund (on behalf of their employees) they will derive few of the usual advantages, since the bond being strengthened will be that between the employees and the union.⁵⁸⁶

The media seized on the far-reaching implications of union involvement in occupational superannuation schemes. The *Australian Financial Review* reported that the FSPU saw superannuation as a very important industrial issue, “wrenched out of the ordered precincts of actuarial offices and into the volatile arenas of both politics and industrial relations.”⁵⁸⁷ An editorial from the same newspaper went further, arguing that superannuation offered a loophole to wage indexation which could be “exploited by unions and employers to buck wages policy.”⁵⁸⁸ The *National Times* described superannuation as the “new battleground for Australian capitalism,” with employers seeking to encourage employee loyalty, discourage mobility and reward length of service, while the unions regarded existing superannuation schemes as mechanisms for firms to enforce servitude.⁵⁸⁹

In 1978 the ACTU established a committee to look at superannuation policy. The committee was set up “under the prodding” of Peter Redlich, labour lawyer and former State ALP President, and its members included Charlie Fitzgibbon of the Waterside Workers’ Federation, ACTU Vice President Peter Nolan and Assistant National Secretary Bill Kelty.⁵⁹⁰ In advice from Redlich to Kelty in August 1978, Redlich assessed that there was no foreseeable implementation of a national superannuation scheme by the Fraser Government in the medium or long term. In the absence of a national scheme it should, Redlich argued,

be an objective of the labour movement in Australia to ensure that as many trade union members were participating in blue-collar superannuation

⁵⁸⁶ Palmer, Trahair, Owen & Whittle, Consulting Actuaries, “Union Superannuation Funds: Events to March 1979,” Circular to Clients, Melbourne University Archives, William Landeryou Files, Series 1985.0145, Box 30.

⁵⁸⁷ Glenda Korporaal, “The Year the Unions Got into the Act,” *Australian Financial Review*, Survey Section, 24 September 1979, Noel Butlin Archives, Series N58, Box 138-148.

⁵⁸⁸ *Australian Financial Review*, Editorial, 22 March 1979, Noel Butlin Archives, Series N58, Box 138-148.

⁵⁸⁹ Robinson et al, “The \$7 billion Super Battle,” p.22.

⁵⁹⁰ *Ibid.*, p.23.

schemes with the objective that in time, employee or union representation would have equal say on the way the superannuation funds operated.⁵⁹¹

He also noted that Australia lagged behind other Western nations in the acceptance and implementation of blue-collar superannuation schemes.

In 1979 the ACTU Congress then went on to adopt Redlich's proposed approach, making the primary objective the adoption of a national superannuation scheme. If such a scheme were not created, the Congress recommended that unions should either collectively or individually develop superannuation schemes with full portability and vesting.⁵⁹² The ACTU executive developed a trust deed for a national ACTU superannuation scheme and an industrial strategy to initiate a campaign to promote superannuation among employees and employers.⁵⁹³ In 1979, the ACTU executive announced that it intended to establish its own national superannuation scheme, based on the plan negotiated with the Associated Pulp and Paper Mills Ltd.⁵⁹⁴

Minutes of the 1979 ACTU Congress record that it supported

a national superannuation scheme which is portable...if a national scheme is not created, Congress believes that unions should either collectively or individually develop superannuation and labour market insurance for their members.⁵⁹⁵

Any scheme of superannuation needed to be portable and to protect against inflation. By 1981 the ACTU Congress still supported a portable national superannuation scheme, but one which was "non-discriminatory," and it condemned the "existing occupational structure."⁵⁹⁶ Between 1979 and 1981 the wording of the Congress minutes had changed from developing superannuation schemes if a national scheme

⁵⁹¹ Peter Redlich, Advice to Bill Kelty, Assistant Secretary ACTU, re ACTU National Superannuation Scheme, together with Draft Trust Deed, 24 August 1978, p.1, Noel Butlin Archives, Series N68, Box 104.

⁵⁹² ACTU, Materials on Superannuation, May 1980, p.58, Noel Butlin Archives N68, Box 1347.

⁵⁹³ Kornhauser, "Battle for the Funds," p.8

⁵⁹⁴ Alan Kohler, "Union/company fund backed by APPM directors," *Financial Review*, 5 November 1979.

⁵⁹⁵ Minutes of the ACTU Congress, Melbourne, 1979, University of Melbourne Archives, FSPU Federal Office, Series 1984.0108, Box 171.

⁵⁹⁶ Minutes of the ACTU Congress, Sydney, September 1981, University of Melbourne Archives, FSPU Federal Office, Series 1984.0108, Box 171.

was not created, to “co-ordinate and assist unions attempting such schemes.” Early industrial agreements concerning superannuation therefore contained a clause that in the event of a national scheme, (private occupational superannuation) contributions would be transferred to it.⁵⁹⁷

In 1981 the ACTU Congress passed a motion to support the introduction of a national superannuation scheme and to condemn the existing occupational superannuation structure. Further, the motion said that the newly-established ACTU Committee on Superannuation should “develop superannuation policy, co-ordinate and assist unions in attempting to implement such schemes, and co-ordinate a campaign amongst union membership on the issue of superannuation.”⁵⁹⁸ Simon Crean, Bill Kelty, Greg Sword and Charlie Fitzgibbon were members of the committee, and would all play central roles in the development of union superannuation and national superannuation policy in the 1980s.⁵⁹⁹ A scheme of government superannuation was still the aim, but industrial activity around superannuation to protect award-based schemes was being encouraged by the union leadership. Up until 1984, the Federal ALP Platform contained a commitment to national superannuation. This position was, Easson argues, “still rooted in the majority position of the Hancock report – national superannuation through taxation.”⁶⁰⁰

The intellectual, demographic and economic backdrop to the rise of occupational superannuation

As well as the political inertia around national superannuation that industrial disputes responded to, there were other reasons acting in favour of a different approach to pensions. Stagflation, and the forecast of higher numbers of older Australians in the population on the Age Pension, were reasons to consider another approach to pension policy. Labour leaders were influenced by new intellectual approaches concerning the use of wage policy to manage inflation. The cumulative

⁵⁹⁷ Ibid., p.150.

⁵⁹⁸ Minutes of the ACTU Congress, Sydney, September 1981, Social Welfare Policy, Series FSPU 1984.0108, Box 171.

⁵⁹⁹ In 1981 Crean became Vice President of the ACTU, President in 1985 and a federal Member of Parliament 1990 – 2013. Bill Kelty was a research officer at the NUW and later Secretary of the ACTU (1983 – 2000). Greg Sword was General Secretary of the NUW and later National Secretary of the ALP. Charlie Fitzgibbon was general secretary of the Waterside Workers’ Federation, which established its own superannuation scheme in 1967, and later Vice President of the ACTU. Another person in this milieu was Garry Weaven, ACTU Assistant Secretary between 1986 and 1990.

⁶⁰⁰ Ibid., pp.40-41.

effect was the development of labour thinking on occupational superannuation policy.

During the late 1970s the “demographic threat” of an ageing population emerged as a policy issue. Government was increasingly concerned with how to respond to the forecast increasing proportion of the “aged” in the population.⁶⁰¹ Between 1971 and 1980 the population aged 65 and over grew by 28 per cent, with the most rapid rate of increase among the “old-old” aged 85 and over.⁶⁰² Simply having more people on the government-funded age pension was not financially feasible. Former Branch Manager of the Seniors and Means Test Branch at the Department of Social Security, Alanna Foster, recalls that it was “a difficult period post-Whitlam. Ageing of the population became recognized. The idea emerged of a ‘wicked problem’ that we had to do something about to be able to afford it.”⁶⁰³ Former Labor Senator Susan Ryan recalls that in shadow cabinet discussions there was a common view that a contributory state pension scheme along the lines of Germany or France was not viable. She attributes this to emerging evidence about the cost of those schemes within the context of an ageing society.⁶⁰⁴ Marie Coleman, former head of the National Social Welfare Commission 1972 to 75, observes that the need for government to deal with the “demographic time bomb” and the unions saying “do I have a scheme for you!” was a “marriage made in heaven.”⁶⁰⁵

The 1970s saw the beginnings of a changing role for the unions in Australian policy debate, defined by an openness to working with the traditional adversaries of unions: business. This was a force playing into union acceptance of occupational superannuation as an alternative to national superannuation. As one *National Times* article observed, there was the emergence of a “new breed of unionist – well-educated, research-oriented and above all pragmatically searching for growth areas...more interested in the opportunities the capitalist system offers than in blasting its inequities.”⁶⁰⁶ The ACTU, under Hawke’s leadership, was also getting involved in business itself, for example going into partnership with a group of

⁶⁰¹ See, for example, the discussion in Daryl Dixon & Chris Foster, *Alternative Strategies to Meet the Income Needs of the Aged* (Canberra: Australian Government Publishing Service, 1982), p.32.

⁶⁰² G.C. Myers, *Population and Public Welfare Policy in Australia*, p.2.

⁶⁰³ Chris Foster, Interview, Canberra, 12 February 2018.

⁶⁰⁴ Susan Ryan, Interview, Sydney, 14 February 2018.

⁶⁰⁵ Marie Coleman, Interview, Canberra, 19 June 2017.

⁶⁰⁶ Peter Robinson, John Jost, & Richard L’Estrange, “The \$7 Billion Super Battle,” *The National Times*, 7 April 1979, pp.22-23.

independent operators to sell discount retail petrol through the Solo chain of service stations.⁶⁰⁷

Within a context of “consensus politics,” the union movement began to take an interest in issues broader than wage protection alone. The strategy of consensus was developed by the Australian Council of Trade Unions (ACTU) under the presidency of future Prime Minister Bob Hawke. Consensus politics saw the unions acting as partners in government decision-making rather than assuming an adversarial relationship. Hawke told the 1977 ACTU Congress, “[W]e are saying that the resources of the union movement are available to the Government for constructive meaningful consultation.”⁶⁰⁸ He argued union activities should not be “restricted to the pay in [the] pocket” and instead should be concerned with social welfare.⁶⁰⁹

As Nolan argues, social security became a concern of the ACTU during the 1970s. Up until this point, superannuation had not been an area of “union ambition,” as distinct from some overseas jurisdictions such as the US and Europe where “unions were heavily involved in pension funds because of the deferred wage benefits they represented.”⁶¹⁰ There was a recognisable increase in union involvement in social policy debates. ACTU president Bob Hawke admitted that the trade union movement had not engaged in meaningful discussions over social welfare before this time.⁶¹¹ By the end of the 1970s, in the absence of a national superannuation scheme in Australia, occupational schemes flourished, “setting a future pathway that was difficult to alter.”⁶¹²

Views naturally varied, but as a whole the trade union movement considered that the provision of social security or social services benefits was properly the responsibility of government or employers.⁶¹³ It therefore made sense that the default position of the labour movement was to support a national scheme. Notwithstanding the union movement’s efforts to have government provide adequate social security benefits for

⁶⁰⁷ Bob Hawke, Presidential Address, ACTU Congress, South Melbourne, 15 September 1975, p.9, Melbourne University Archives, FSPU Federal Office, Series 1984.0108, Box 173.

⁶⁰⁸ B Donovan, “We want to help – Hawke,” *The Sun*, 14 September 1977.

⁶⁰⁹ Melanie Nolan, “‘Super’ Debates within the Antipodes? Explaining Differing New Zealand and Australian Retirement Policies in the late Twentieth Century,” *Australian Journal of Politics and History* 62, no.3 (2016): p.447.

⁶¹⁰ Robinson et al, “The \$7 billion super battle,” p.23.

⁶¹¹ Nolan, “‘Super’ Debates within the Antipodes?”, p.449.

⁶¹² *Ibid.*, p.447.

⁶¹³ Crean, “Superannuation – the Union Viewpoint.”

working people, by the start of the 1980s the level of provision was, according to Crean, less than satisfactory. On account of this situation, the FSPU took the view that it was no longer adequate to seek protection for its members by government services provided through taxation. Crean argued that “in addition, we must intervene in the private system if we are serious as a union in our concern to protect the interest of our members.”⁶¹⁴

By intervening in the private system of occupational superannuation, the unions also set the pathway for a future policy that was based on a private system of superannuation based on defined contributions. This had the effect of placing greater financial risk on individuals. The occupational pathway of superannuation policy meant that there would be a public Age Pension that formed the basic level of old age income (“Pillar One” of the current system), and a second, private layer (“Pillar Two”) that transferred responsibility to households for financing additional retirement income to supplement the Age Pension by mandating superannuation contributions over a working life.⁶¹⁵ See Figure 1, Chapter 2. It would also mean that Pillar Two of the system was based on an industrial model that excluded groups outside of the paid workforce. Ironically, pursuing greater workforce coverage of superannuation would also lead to future issues of superannuation coverage across the population.

Union leaders were influenced by economic ideas concerning the way wages policy could be used to manage high inflation. As Easson has detailed, union leaders Greg Sword, Simon Crean, Garry Weaven and Bill Kelty were all men who would be critical to the development of superannuation policy. Crean, Kelty and Sword were recruited to the same union, the FSPU, by secretary Landeryou.⁶¹⁶ Kelty and Weaven had studied under Donald Whitehead, a professor of economics at La Trobe University.⁶¹⁷ In his interview for this thesis, Kelty was explicit about the intellectual influence of Whitehead. He was an atypical mentor, having advised the Liberal Party.

Whitehead advocated the use of wages policy as the primary instrument to combat inflation, advocating an institutional agenda that saw wages not in isolation but “as

⁶¹⁴ Ibid.

⁶¹⁵ Stebbing, “Privatising Retirement in a Financialising Market,” p.21.

⁶¹⁶ Easson, *Keating and Kelty’s Super Legacy*, p.14.

⁶¹⁷ Ibid., p.15.

part of a *comprehensive policy* for improving the position of workers.”⁶¹⁸ If the rate of growth of average worker earnings could be limited to the rate of growth in average national productivity, he reasoned, a stable price level would result.⁶¹⁹

Whitehead also argued that Australian unions had succeeded in being judged on their ability to secure increases in money wages rather than rising living standards, and a crucial question was what, if any, changes in union attitudes had been going on beneath the surface.⁶²⁰

Whitehead’s influence propelled the idea that remuneration could be delivered by means other than wages, which later became part of the Accord. In this way, non-wage earnings had a direct role in wages policy, and therefore in managing inflation.

His proposed package would include “comprehensive superannuation arrangements geared to the earnings of the employee during his working life,” with unions involved in the operation of superannuation schemes.⁶²¹ His prescription also advocated formal and regular consultation between the trade union movement and the government of the day, which would be a feature of the Hawke Labor Government.

The ideas about wages policy had an economic imperative: countering stagflation. Along with other industrial countries, Australia was experiencing wage pressures, increasing the appeal of wage trade-offs including for pensions. Superannuation could be a “deferred wage,” used to purchase labour peace as well as political popularity.⁶²² The full-time unemployment rate rose from 1.7 per cent to 5.7 per cent between late 1973 and 1978, and female unemployment rates were higher.⁶²³ At the end of 1976, the Organisation for Economic Co-operation and Development (OECD) predicted that the rise in Australia’s level of inflation would “slow” to around 10 per cent per year.⁶²⁴ During the first year of the Fraser Government in 1976, inflation ran

⁶¹⁸ Donald Whitehead, *Stagflation and Wages Policy in Australia* (Melbourne: Longman, 1973), p.124, emphasis added.

⁶¹⁹ Donald Whitehead, “Wages Policy in the Changing Australian Economy,” LaTrobe University Inaugural Lecture, La Trobe University, Bundoora, 13 October 1969, p.8.

⁶²⁰ *Ibid.*, p.8.

⁶²¹ Whitehead, *Stagflation and Wages Policy in Australia*, p.124.

⁶²² John Myles and Paul Pierson, “The Comparative Political Economy of Pension Reform,” in Paul Pierson, ed, *The New Politics of the Welfare State* (Oxford: Oxford University Press, 2001), p.310.

⁶²³ P.J. Sheehan & P.P. Stricker, “The Collapse of Full Employment, 1974 to 1978” in R.B. Scotton & H. Ferber, eds. *Public Expenditures and Social Policy in Australia: Volume II, The First Fraser Years 1976–1978* (Melbourne: Longman Cheshire, 1980), p.33.

⁶²⁴ *The Age*, “Rate of Inflation to Slow,” 27 December 1976.

at 13.3 per cent.⁶²⁵ While it would drop to 8.2 per cent in 1978–79, it returned to 11.5 per cent by the time of the March election in 1983.⁶²⁶ In 1979 the federal ALP conference noted that

The western capitalist world, including Australia, remains gripped in a prolonged economic malaise, characterized by stagflation, which constitutes the most serious crisis to have faced international capitalism since the Great Depression.⁶²⁷

Within this context, dominant ideas in social welfare policy were drifting away from those of the post-war welfare state, with its emphasis on full employment and welfare universalism. The “key assumption of mainstream Keynesianism that one could trade off inflation for employment and vice versa came painfully unstuck.”⁶²⁸ In 1983, Graycar observed that “what we are witnessing is a retreat in the legitimacy of claims against the state and an attempt to steer more claims in the direction of the family, employers, and the local community.”⁶²⁹ The conditions were ripe for superannuation to be a campaign issue for Australian unions.

The Australian Left took a particular interest in the Swedish pension model, where trade unions had established wage-earner superannuation funds.⁶³⁰ These would be the forerunner to Australia’s “industry” funds, a not-for-profit trust model which provided for equal employer and employee representation on trustee boards. A number of interviewees spoke about the appeal of contributory insurance models, and in particular Sweden. Financial journalist Glenda Korporaal recalls that there was “all this talk about the ‘Swedish Model,’ the social democratic one.”⁶³¹ Don Grimes says he was “always rabbiting on about the need for a proper contributory superannuation scheme in this country like had been introduced in social democratic countries in Europe...I was influenced by the Swedes because of my friendship with

⁶²⁵ Australian Bureau of Statistics (ABS), Consumer Price Index, Cat. No. 6401.0, 1980.

⁶²⁶ ABS, Consumer Price Index, Cat. No. 6401.0, 1983.

⁶²⁷ ALP, National Committee of Inquiry 1979, Report and Recommendations of the National Executive, March 1979, p.5, MS 10508, Box 454.

⁶²⁸ Alan Fenna, “The Economic Policy Agenda in Australia, 1962–2012,” *Australian Journal of Public Administration* 72, no.2 (2013): p.94.

⁶²⁹ Graycar, *Retreat from the Welfare State*, p.2.

⁶³⁰ Andrew Scott, *Northern Lights: The Positive Policy Example of Sweden, Finland, Denmark & Norway* (Melbourne: Monash University Publishing, 2014), p.36.

⁶³¹ Glenda Korporaal, Interview, Sydney, 28 September 2017.

(former Swedish Prime Minister) Olof Palme.”⁶³² Feminist scholar Eva Cox remembers that there was “excitement about unions controlling super funds and doing good things with them...looking at Swedish unions.”⁶³³ In the late 1970s, union leader Greg Sword went on a study tour to Western Europe and the United States. He recalls learning in Sweden about the “cooperative movement” with “no other agenda but an industrial partnership between employers and employees.”⁶³⁴

Australian Labor begins to edge away from national superannuation

Australian Labor continued to support national superannuation during this period, but a closer examination shows that there was some “policy slippage” away from its official position. One reason why the Labor side of politics began to edge away from its support for national superannuation was a fear that the scheme would not be within its exclusive control. As Bill Hayden explained in the mid-1990s, a government superannuation scheme which would boost national savings, fund national development projects and return the long-term bond rate on investments was “good thinking for a young socialist” but not an ambition he still harboured, being “rather more cautious about the political administration of public enterprises.”⁶³⁵

British Labour’s “social contract” had been influential on the Australian labour movement, leading to the Accord.⁶³⁶ The Callaghan Government (1976–1979) had developed an anti-inflationary wages policy under the social contract, under which the unions had accepted a 5 per cent wage increase ceiling in return for social benefits.⁶³⁷ Travelling to the United Kingdom in the late 1970s, a future Hawke government minister had a front row seat to the pressures on the social contract, with massive industrial strikes and high levels of inflation. In their interview, this person recalled that “whereas theirs failed, we could probably do it better. It didn’t dissuade me from

⁶³² Interview, Don Grimes, by Telephone, 1 March 2018.

⁶³³ Interview, Eva Cox, Sydney, 28 September 2017.

⁶³⁴ Interview, Greg Sword, Melbourne, 23 October 2017.

⁶³⁵ Bill Hayden, *Bill Hayden: An Autobiography* (Adelaide: Angus & Robertson, 1996), pp.194-195.

⁶³⁶ Interview, Greg Combet, by telephone, 27 July 2017.

⁶³⁷ *Time Magazine*, “Collapse of a “Social Contract.” Militant Unionists hold the Nation at Ransom,” 2 May 1979

pursuing the course.”⁶³⁸ Then senior ACTU official, Simon Crean, also went on a study trip to the UK, in 1979. He recounts that

[O]ur unions were aligned to those unions in the United Kingdom. It was interesting to see how fragile those events could be...finding the nuances that would effectively balance wages policy with the needs of the country.⁶³⁹

Superannuation therefore began as “a by-product of Australia’s (former) highly centralized system of wage-fixing and...reflected the common international experience at the time of utilizing corporatist social contracts for redesigning pension policies.”⁶⁴⁰

National superannuation policy continued to be developed by some in the Labor Party. In 1982, at the request of leader Bill Hayden, a scheme was developed by Labor’s Social Welfare Committee and the Economics Committee of the Federal Caucus. Led by Chris Hurford, the proposal was known as the “Hurford Scheme.” The Hurford Scheme proposed a two-tier pension system under which the Age Pension would be supplemented by an earnings-related benefit and individual contributions, using the Pay-As-You-Go (PAYG) system. The earnings-related supplementary benefit would be equal to 10 per cent of an individual’s updated lifetime average weekly earnings calculated from the ages of 20 to 65, and would provide a maximum benefit of 13.3 per cent of AWE. According to Hurford, the recognition of weaknesses in the existing system, including limited participation, the fact that many superannuation beneficiaries could still claim the Age Pension, and the lack of portability, were major reasons for advocating a national superannuation scheme.⁶⁴¹

The ALP was committed to national superannuation in principle but it was not settled policy by the time of the March 1983 election.⁶⁴² The first iteration of the Accord, signed in the same year, recognised the “anomalies” in the availability of occupational superannuation benefits and committed to considering “the possible

⁶³⁸ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

⁶³⁹ Christine St Anne, *A Super History*, p.26.

⁶⁴⁰ Myles and Pierson 2001: 306.

⁶⁴¹ Chris Hurford, *Superannuation for Australians*, Statement by Chris Hurford, MP, Acting Treasurer and Minister for Housing and Construction, 26 September 1983, p.2

⁶⁴² Roy Forward, *Income in Old Age: is National Superannuation the Answer?* Issues Brief No.4 (Canberra: Parliamentary Library, 1983), p.7.

role for a national superannuation scheme.”⁶⁴³ However the idea of another income tax levy of 2 per cent besides the already-proposed Medicare levy of one per cent was thought to be not electorally attractive at the time.⁶⁴⁴ The Labor caucus was not sufficiently interested in the Hurford scheme for it to be progressed by the federal opposition. As one Labor front-bencher commented to the *National Times*,

We wouldn't want to be going to the people with a 3 to 5 per cent tax levy to fund such a scheme, as was suggested by Hancock. Labor is also concerned not to unduly antagonize the giant private insurance companies which could be activated against the party in much the same way as the health insurance companies lobbied against Medibank.⁶⁴⁵

The impact of the Whitlam Government's dismissal on the Labor Party and its approach to policy cannot be overstated. It produced a wholesale reconsideration of the way Labor approached public policy and conceived of its role in politics. Don Grimes said that

when we lost in '75, which was an absolute slaughter, and then in '77 when we lost again in a big way, we were wondering if we'd get in in our lifetime. By 1980 we just couldn't make wild promises to bring utopia to Australia.⁶⁴⁶

Speaking at the 1982 federal conference, Hayden argued that “if we cannot handle the economy successfully then we will have no credibility, and if we cannot establish that credibility before the (1983) election we have got no chance of winning government.”⁶⁴⁷ This approach acted against a continued push for national superannuation by the Labor Party, even among its chief supporters like Hayden and Grimes. The Party still retained its support for the idea in principle but lost the momentum behind it as the 1980s dawned.

One of the fundamental tenets of historical institutionalism is that close attention to the sequence of historical events helps to explain why things turned out the way they

⁶⁴³ Australian Labor Party and the Australian Council of Trade Unions, *Statement of Accord regarding Economic Policy* (Accord Mark I), 1983, p.25.

⁶⁴⁴ Forward, *Income in Old Age*, p.9.

⁶⁴⁵ Julie Flynn, “Hayden Revives National Super Scheme,” *National Times*, 4–10 April 1982.

⁶⁴⁶ Interview, Don Grimes, by Telephone, 1 March 2018.

⁶⁴⁷ Bill Hayden, Speech to the New South Wales ALP Annual Conference, Sydney, Town Hall, 13 June 1982.

did. Previous policies create institutional obstacles and also opportunities.⁶⁴⁸ Superannuation could not have taken on the guise it did in the 1980s as a feature of the Accords and been characterised legally as an industrial issue without the antecedents of the 1970s.⁶⁴⁹ Rather, it would have been a second order social security issue, as it had been for most of its history. Superannuation based on social insurance principles was never a top priority.

During the late 1970s and early 1980s the distinct paths of national superannuation and occupational superannuation were cemented. National superannuation was again an elusive proposal that had few supporters. The existence of the Age Pension and occupational superannuation schemes acted as institutional impediments to the introduction of the Hancock scheme. As the Parliamentary Library noted in its 1983 review of national superannuation,

One of the major factors inhibiting moves towards a contributory scheme in Australia has been the opposition of the existing employer-sponsored occupational superannuation schemes. A common view, and one that has a lot to be said for it, is the laissez-faire one that as far as possible such schemes should be left alone to continue as options for those employers and employees who want them, on the ground that the great variety of arrangements they offer is necessary if people are to enjoy freedom of choice.⁶⁵⁰

It would have been hard for a government to convince most income earners that they should pay an additional tax levy or superannuation contributions for something which they got “for nothing” in the form of the Age Pension.⁶⁵¹

In combination with governmental opposition to national superannuation, a set of other institutional factors operated to ensure a continuity of Australia’s age welfare architecture which was not based on principles of social insurance like the proposed Hancock scheme. Shaw cites the following factors: the centralised system of wage regulation, Australia’s low aged-dependency ratio, high home ownership, the

⁶⁴⁸ Daniel Béland, “Policy Change and Health Care Research,” *Journal of Health Politics, Policy and Law* 35, no.4 (2010): p.618.

⁶⁴⁹ See discussion in the following chapter of the 1986 National Wage case and the appeal to the High Court in *Re Manufacturing Grocers’ Employees Federation of Australia; Ex parte Australian Chamber of Manufacturers* (1986) 160 CLR 341.

⁶⁵⁰ Forward, *Income in Old Age* p.13.

⁶⁵¹ *Ibid.*, p.16.

predominance of conservative governments federally and the rigidity of the union movement which had become organisationally and ideologically bound by its reliance upon gaining improvements in wages and working conditions through the arbitration system.⁶⁵² With demography, economic conditions and economic ideas all changing, the union movement would recast its role in superannuation policy.

There was a noticeable upswing of union involvement in superannuation policy development that commenced a process of change where greater occupational superannuation coverage was pursued. The idea of national superannuation began to wither. Labour leaders were refashioning a very old institution. In a case of institutional “layering,” union leaders were imbuing occupational superannuation with new values to favour workers – coverage, portability and vesting. The new concepts the union movement were attaching to occupational superannuation were cases of incremental change, but profound change nonetheless. All three concepts were critical to superannuation being a broad-based entitlement, rather than the preserve of a select few white-collar workers.

The institutional layering that began to take place during the Fraser years also had a particular gender dimension. In the 1980s, campaigns for superannuation coverage included awareness-raising that superannuation was a right belonging to female workers too. This is discussed in detail in Chapter 6. The substantial, basic institutional point was that change was beginning to occur, through remodelling an old institution. National superannuation never had equivalent institutional roots to draw on.

The insurance and actuarial industries were mobilised against change. These two groups were the greatest financial beneficiaries from existing superannuation schemes and stood to lose the most from the nationalisation of the superannuation system. In 1981 the Life Insurance Federation of Australia (LIFA) proposed a different model of public pension and extended occupational superannuation that expanded its own role.⁶⁵³ It would be equivalent to 50 per cent of average weekly earnings for couples and 30 per cent of average weekly earnings for single recipients.

⁶⁵² Ibid., pp.125-127.

⁶⁵³ Rhonda Sharp, “The Rise and Rise of Occupational Superannuation Under Labor,” *Journal of Australian Political Economy* 30 (1992): p.30

Two-thirds of the payment would be means test free.⁶⁵⁴ The 1981 proposal was not pursued.⁶⁵⁵ The perception by business was that unions were seeking to control a pool of “workers’ capital,” a theme taken up again in Chapter 7.

Conclusion

This chapter has mapped out the series of moving parts during 1975 to 1983 that established occupational superannuation as the institutional basis for future superannuation policy. These included turbulent economic conditions, changing ideas about the Australian welfare state, the agenda of the Fraser Government, the difficulty of integrating a new social insurance scheme with existing occupational superannuation schemes, and muted support for national superannuation by government institutions. The Fraser years would be the last time that national superannuation was seriously considered in national policy fora. This becomes evident in the next chapter, covering the term of the Hawke and first Keating Governments, when occupational superannuation became embedded as a union movement cause and eventually the legislated system.

The chapter has argued that shifts in attitude by the labour movement in the 1970s and early 1980s set in train the pathway, with industrial disputes and the creation of “industry” superannuation funds that elevated occupational superannuation on to the national policy agenda. This led to a re-categorisation of superannuation policy by government in the 1980s from being an issue of social security to an industrial entitlement of workers, discussed in Chapter 6. The campaigns for occupational superannuation by the unions took place as a direct response to the rejection of a national superannuation scheme as proposed by the Hancock Committee. Broad-based occupational superannuation was a product of a pragmatic response by the union movement to national policy stasis.

From a long-term perspective, the Hancock Inquiry had contained “the potential for a radical reorientation of parts of the social security system in ways much more attuned to the social insurance model than systems which already existed, especially in advocating government involvement in the provisions of earnings or contribution-

⁶⁵⁴ Life Insurance Federation of Australia (LIFA), Submission to the Federal Government on National Superannuation, September 1981.

⁶⁵⁵ LIFA put forward a different scheme in 1984 involving three tiers: a universal flat rate benefit, a tapered means test and a private occupational component. This proposal was not pursued either.

related benefits.”⁶⁵⁶ The period from 1975 to 1983, however, reaffirmed both the existing principles of Australian social security based on general revenue financing and the strength of occupational superannuation as an supplementary basis for national policy.

⁶⁵⁶ David Ingles, *Financing Social Security: An Analysis of the Contributory “Social Insurance” Approach* (Canberra: Department of Social Security, 1982), p.11.

Chapter Six: Giving up the Ghost

The early months of 1983 were not the 1980s of Australian popular memory, of loose money and gross displays of it. Australia was in deep recession. The Fraser government had set an election for 5 March, with inflation at 11.5 per cent, unemployment at 10.3 per cent, and youth unemployment at 19.1 per cent.⁶⁵⁷ Paul Keating reflected that in 1983 there was no obvious place to look for an answer to Australia's problems. There was an "unattractive choice" that seemed to lie between Reaganism and Thatcherism on the one hand, and a failed model of European Socialism on the other.⁶⁵⁸ The Hawke Labor Government that came to power experimented with a very different economic agenda to Labor governments past. In July 1992, by which time Paul Keating had taken over the Prime Ministership, Australia would have a "universal" system of government-mandated, private occupational superannuation (the "Superannuation Guarantee"). As Adam Creighton notes, that a Labor government introduced a private system of compulsory savings while conservative governments had tried and failed to introduce a publicly funded scheme is a great irony of Australian history.⁶⁵⁹

In the years leading up to the introduction of the Superannuation Guarantee there were three key drivers of change. The first was a reaction by the new Labor government to the policies of the Whitlam Government, a case of "path reaction." Secondly, there was a set of "permissive conditions"⁶⁶⁰ that allowed a critical juncture to occur in retirement income policy, comprising economic conditions, changing demography and the pragmatism of key policymakers. Thirdly, at the instigation of the union movement the very concept and operation of occupational superannuation was being refashioned, exemplifying the profound consequences of policy "layering" and "displacement." In this regard, the chapter confirms recent theoretical contributions which show that "policy layering may also be observed in cases of comprehensive,

⁶⁵⁷ ABS Consumer Price Index, Cat.No.6401.0; ABS Labour Force, Cat. No.6202.0; Allan Borowski, "A Comparison of Youth Unemployment in Australia and the United States," *Monthly Labor Review* Vol.107, No.19 (1984): p.32.

⁶⁵⁸ Paul Keating, *Superannuation in Australia: First Steps, Next Steps*, Background notes for speech to Hedge Funds World Australia Conference, 20 February 2002, Sydney. Personal papers of Prime Minister Paul Keating.

⁶⁵⁹ Adam Creighton, "We Must All Be Capitalists Now: the Strange Story of Compulsory Superannuation in Australia," in William O. Coleman, ed. *Only in Australia: the History, Politics, and Economics of Australian Exceptionalism* (Oxford: Oxford University Press, 2016), p.194.

⁶⁶⁰ Alistair Stark, "New Institutionalism, Critical Junctures and Post-Crisis Policy Reform," *Australian Journal of Political Science* 53, no 1 (2018): p.24.

system-wide policy change as well as incremental change, which traditionally fall into the category of ‘transformative’ change.”⁶⁶¹ Methodologically, this chapter and the last has drawn upon on interviews more than preceding chapters. This is because more of the key actors from this period are alive, and the material was also more recent in people’s memories than that of the 1970s.⁶⁶² The danger is therefore of a well-rehearsed, self-serving narrative that the chapter responds to with the use of other primary and secondary material.

Australia’s system of superannuation was also the result of institutional continuity. The institutional basis for policy change was the occupational pension, dramatically re-characterised from being a form of employer benevolence to select groups, to an industrial right. As outlined in Chapters 4 and 5, some unions had won the right to superannuation in the 1950s and 1960s but it was in the 1970s that industrial activity around superannuation noticeably increased and began to garner national attention. By way of contrast, each proposal for a national superannuation scheme was contemplated as a new government social insurance scheme, an attempt to create a new institution. This is a narrative of the relative strength of occupational superannuation as a policy proposition by virtue of it being an existing institution, and a growing one at that. British historian Hugh Pemberton has written that the British superannuation system was a case of “working with what works;”⁶⁶³ the Australian superannuation system can be considered a case of “working with what was there.”

In making the arguments about policy change set out above, this chapter refutes some aspects of existing literature on the history of Australian superannuation. No doubt, there were individuals and relationships during this period without which the Australian system of superannuation would not have been formed. The campaigns of Australian unions for superannuation coverage were significant. Likewise, the era of change under the Hawke and Keating Labor governments should not be discounted. But these explanations are only partial, discounting the institutional basis for superannuation policy change and the highly pragmatic nature of decisions made.

⁶⁶¹ Gemma Carey, Adrian Kay & Ann Nevile, “Institutional Legacies and “Sticky Layers”: What Happens in Cases of Transformative Policy Change?” *Administration and Society* 51, no.3 (2017): p.15.

⁶⁶² Former Prime Minister John Howard declined to be interviewed about superannuation policy during his period as Treasurer in the late 1970s and early 1980s, given the significant time that had elapsed.

⁶⁶³ Hugh Pemberton, “‘What Matters is What Works:’ Labour’s Journey from ‘National Superannuation’ to ‘Personal Accounts,’” *British Politics* 5 (2010): pp.41-64.

Existing explanations have also contributed to a misapprehension that Australian superannuation was the creation of a few key architects, operating with a fully formed vision about retirement income policy, a vision that did not exist in 1983 or for most of the 1980s. Rather, the introduction of the modern system was the result of a set of conditions producing a significant institutional change, and an industrial campaign to refashion the institution of occupational superannuation.

Given the substantial literature on the Hawke and Keating governments, it is worth stating at the outset what this chapter is not. This is not an examination of labour history or of labour power dynamics. Easson, Mees and Brigden have written histories of superannuation during the period from industrial and Labor government perspectives. Olsberg has examined the processes of political choices, the new structures and dynamic relations which developed between the union movement and institutionalised political authority during the Hawke and Keating governments, as they relate to retirement income policy.⁶⁶⁴ Like Mees and Brigden, Olsberg is ultimately most interested in the role of the unions in retirement income policy. This thesis is distinguishable. It is a study of the reasons why a national system of occupational superannuation was a successful reform and a system of national superannuation was not, using institutional theory to aid in that explanation.

Path reaction: a push away from Whitlam-era superannuation

The push against the policies of the Whitlam Government by the Hawke Government produced a case of path reaction, where policy came to be defined against Labor's immediate past. The Labor government came to office in 1983 with an urge to be defined against the economic policies of the Whitlam era. The perceived economic mismanagement of the Whitlam government loomed over Labor leaders, with some government ministers like Keating and Hayden having lived through the 1975 dismissal as members of the Whitlam government. Morris has observed that "[A]lthough there were moments when the introduction of a publicly-administered scheme seemed possible, the political process proved incapable of implementing one", and this reflects, among other things, the "tendency for successive governments to reject policies by their political opponents."⁶⁶⁵ In the case of Labor in the 1980s, it also

⁶⁶⁴ Diana Olsberg (Shaw), "Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia's National Retirement Income Regime" (PhD diss., UNSW, 1992), p.5.

⁶⁶⁵ Nicholas Morris, "The Cost of Complexity: Australian Superannuation," (PhD diss., University of New South Wales, 2014), p.104.

reflects a rejection of their own political past. Greg Smith, a public servant at the time, recalls that Labor in the 1980s “had a real fear of Whitlam’s economy policy record. They were still keen to pursue a social agenda, but sensibly.”⁶⁶⁶ Brian Toohey, then a Fairfax journalist, recalls that “anything to do with Whitlam they thought was death.”⁶⁶⁷ Similarly, economics journalist Ross Gittins has reflected, “the last thing you were going to do was have a big government institution.”⁶⁶⁸ The historian Frank Bongiorno has observed that the 1980s saw a new way of thinking for Labor, “to question the market was now to risk being ‘branded a fossil of the Whitlam era.’”⁶⁶⁹

The Hawke Government was elected with an official policy of national superannuation based on principles of national insurance, the same as that proposed by the Hancock Inquiry. The transcript of the 1982 federal conference of the ALP shows that there were no amendments to the existing superannuation policy proposed, despite various speakers making remarks on superannuation.⁶⁷⁰ The policy adopted in respect of superannuation was

national superannuation which does not discriminate on the basis of sex or marital status, providing flat rate benefits for all retired persons, with further provision for the purchase of additional benefits through government regulated or sponsored schemes. Ensure that all persons have access to portable superannuation.⁶⁷¹

Ending the recession of 1982–3 was the new government’s primary goal.⁶⁷² A former Hawke Government minister puts it thus:

[W]e had no real clear vision about what to do about super, although there was an ambition to do something over time. But it wasn’t the immediate concern, the concern we had was to get the economy going again.⁶⁷³

⁶⁶⁶ Interview, Greg Smith, Canberra, 10 September 2017.

⁶⁶⁷ Interview, Brian Toohey, Sydney, 28 September 2017.

⁶⁶⁸ Interview, Ross Gittins, Sydney, 28 September 2017.

⁶⁶⁹ Frank Bongiorno, *The Eighties*, p.135.

⁶⁷⁰ Transcript of the 1982 ALP Federal Conference, 5–6 July 1982, Series MS 10508, Box 454.

⁶⁷¹ ALP Policy Platform, as adopted at the 1982 ALP Federal Conference, Series MS10508, Box 454.

⁶⁷² Frank Bongiorno, *The Eighties*, p.42.

⁶⁷³ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

The government sought to achieve this primary goal by microeconomic reform to increase productivity and opening up the economy to international markets.⁶⁷⁴ The union leadership adopted the government line of “putting wealth creation ahead of wealth distribution.”⁶⁷⁵ The Expenditure Review Committee, comprising the Prime Minister and Senior Economic Ministers, “epitomised the discipline of the new government, and its determination not to be seen as reprising the spendthrift ways of the Whitlam era.”⁶⁷⁶ The Government Actuary was warning about the potential size and risk of a fully-funded national superannuation scheme based on contributions.⁶⁷⁷

With national superannuation again rejected in 1979, the thread of occupational superannuation had been taken up by the Fraser government’s Taskforce on Occupational Superannuation. However “Occupational Taskforce proposals from employer and employee organisations” prompted the Hawke government to establish its own working party on superannuation.⁶⁷⁸ It had representatives from the ACTU, the major Australian employer group, the Confederation of Australian Industry (CAI) and officials from Treasury and Finance. The final report of the Working Party in June 1983 focused on improving operational standards of existing occupational superannuation schemes, including portability, vesting, preservation and security of benefits. But any collaboration between the ACTU and the CAI was to be short-lived, with the CAI mobilising to oppose the ACTU’s claim for award-based superannuation in 1985,⁶⁷⁹ discussed later in this chapter. Occupational superannuation would be subsumed by the Accord.

A national superannuation scheme was considered neither a priority nor a live option by any of the key political actors in the 1980s. Keating today describes the Hancock Inquiry’s proposal as “not relevant to my approach.”⁶⁸⁰ Speaking at a Life Insurance Federation of Australia (LIFA) conference in May 1984, Keating noted that the

⁶⁷⁴ Ian McLean, *Why Australia Prospered: the Shifting Sources of Economic Growth* (Princeton, N.J.: Princeton University Press, 2016), p.220.

⁶⁷⁵ Peter Ellingsen, “Not so Simple Simon,” *Age*, 25 July 1987, Butlin Archives, Series Z514, Box 11.

⁶⁷⁶ Bongiorno, *The Eighties*, p.42.

⁶⁷⁷ Australian Financial Review, “Just How Super?” 28 March 1984, National Archives, Series A1209, 1984/734, Part 6.

⁶⁷⁸ The Hon Ralph Willis MP, “Prices and Incomes Policy – A Progress Report on Government Initiatives,” n.d, Papers of Professor Ross Garnaut, Folders Maintained by the ACTU Economic Adviser, M1566, Folder 4.

⁶⁷⁹ See discussion in Olsberg, “Trade Union Participation in Public Policy-Making,” p.188.

⁶⁸⁰ Interview, Paul Keating, Sydney, 21 June 2018. Similarly, in an interview with St Anne, Keating said that the idea of a national superannuation fund “never really came into [sic] the radar”: *A Super History*, p.78.

government was investigating national superannuation but that “the issue is one which I believe must be approached with great caution.” He went on to say that “[I]n the meantime, the government will be pressing on with its program of reform of existing retirement income arrangements.”⁶⁸¹ Nor was there was much interest in a scheme of national superannuation from the union movement. Kelty describes the Hancock Report as being “a sort of Whitlam grand scheme, unfunded...at best, it’s a minor show. It’s just a social service fund, but unfunded.”⁶⁸² The unions feared supporting a new national scheme that would be akin to setting up a new version of Medicare, necessitating a new tax, so that “people are going to say government is on our back.”⁶⁸³ As examined in the previous chapter, Treasury did not support national superannuation, with Deputy Secretary Ted Evans suspicious of a public scheme “at the beck and call of politicians, for their own purposes.”⁶⁸⁴

The role of these key actors is important, and Labor politics mattered very much in the institutional direction superannuation policy took. With Labor in government, the momentum behind occupational superannuation could be built upon politically. As St Anne writes, “[T]he Keating/Kelty relationship played a dominant role in the 1980s during the renegotiations of the Accord agreement between the Labor government and the ACTU.”⁶⁸⁵ It was at the April 1983 economic summit, for example, that Kelty says he came to a “private agreement” with Keating, and so despite the contrary advice by Treasury and the Department of Industrial Relations, Keating agreed with Kelty that the productivity claim of 3 per cent should be converted into superannuation. She writes that “[T]he commitment from Keating gave Kelty further firepower to influence the building industry over converting their pay increase into superannuation.”⁶⁸⁶ Garry Weaven, Assistant Secretary of the ACTU during the 1980s, was also fundamental to the Accord negotiations that brought occupational superannuation onto the national stage. A long list of other critical actors in the union movement was central to superannuation becoming an industrial concern at a national level.⁶⁸⁷

⁶⁸¹ Address by the Hon. Paul Keating M.P., Treasurer, to a Seminar Conducted by the Life Insurance Federation of Australia, 31 May 1984, p.9.

⁶⁸² Interview, Bill Kelty, Melbourne, 29 October 2017.

⁶⁸³ Interview, Michael Easson, Sydney, 14 May 2018.

⁶⁸⁴ Interview, Phil Gallagher, Canberra, 15 June 2017.

⁶⁸⁵ Christine St Anne, *A Super History: How Australia’s \$1 trillion+ Superannuation Industry was Made* (Melbourne: Major Street Publishing, 2012), p.48.

⁶⁸⁶ *Ibid.*, p.51.

⁶⁸⁷ Kelty regards Charlie Fitzgibbon, who led the Waterside Workers’ Federation, as the original pioneer of industrial based superannuation in Australia. Fitzgibbon would later work with Kelty

As Bill Kelty, former ACTU Secretary, says, “there’s a whole lot of people, you take them out, and you don’t get superannuation.”⁶⁸⁸ This thesis focuses on institutional development, and as such it sees the actions of policy reformers within the context of those institutions. But in doing so, the intention is not to discount that there were some critical relationships. The basic argument, though, is that the institution these actors were working with – namely occupational superannuation – has been ignored in the existing literature. The vision of an Australian superannuation system was not crystallised at the start of the Hawke Government. One of the political legacies of the Labor governments in the 1980s and early 1990s has been a wistfulness among the Australian political class for the scale and pace of economic reform during this period, and superannuation is caught up in this tussle.⁶⁸⁹

These responses to the question of national superannuation reflect Labor’s embrace of market-based policies in the 1980s. Just as Labor had a “contributory turn” towards the rhetoric of contributory pensions in the post-war period, as explained in Chapter 4, it was experiencing a “market turn” in the 1980s. Michael Pusey has observed the Hawke government’s “increasingly exclusive commitment to an economic rationalism at odds with the broad thrust of the Australian Labor Party’s policies.”⁶⁹⁰ Olsberg has argued that the choice to pursue a private system of superannuation reflected the Hawke government’s general trend in public policy towards “orthodox monetarism and fiscal restraint, an increasing reliance on market forces, and the acceptance of economically liberal approaches to macroeconomic management.”⁶⁹¹ She also notes that this approach infiltrated the retirement incomes policies of key federal agencies, including Treasury, with “the integration of social policies regarding retirement income into economic planning” exemplifying the dominance of economic

closely on the Accord. The first union campaigns for industrial superannuation were led by Fitzgibbon, Pat Geraghty for the Seamen’s Union, Wally Curran for the Australasian Meat Industry Employees Union (AMIEU) and Chris Northover for the Pulp and Paper Workers’ Federation. Kelty describes them as the “pioneers,” with himself, Greg Sword, Bill Landeryou, Simon Crean and himself as “one step removed,” the next stage of the process.

⁶⁸⁸ Interview, Bill Kelty, Melbourne, 29 October 2017.

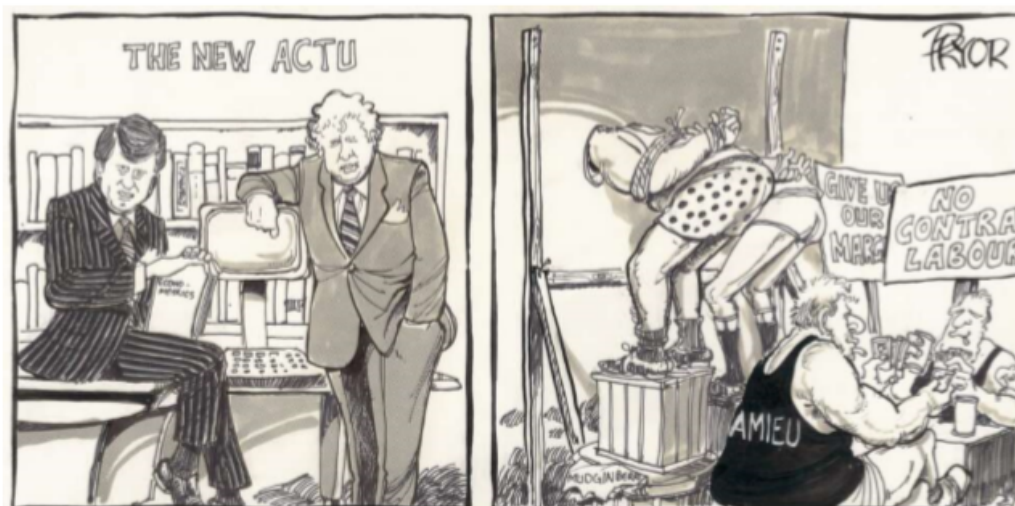
⁶⁸⁹ See, for example, Rhonda Sharp, “The Super Revolution,” in Gerry Bloustein, Barbara Comber and Alison MacKinnon, eds. *The Hawke Legacy* (Adelaide: Wakefield Press, 2009), pp.198-211; Wayne Swan, “The Hawke-Keating Agenda was Laborism, not Neoliberalism, and it is Still a Guiding Light,” *The Guardian*, 14 May 2017 (Swan was Australian Treasurer between 2007 and 2013); Michael Stutchbury, “Australia must Rediscover the Spirit of the Hawke, Keating Reforms,” *Financial Review*, 23 February 2018.

⁶⁹⁰ Michael Pusey, *Economic Rationalism in Canberra: a Nation Building State Changes its Mind* (Cambridge: Cambridge University Press, 1991), p.7.

⁶⁹¹ Olsberg, *Trade Union Participation in Public Policy-Making*, p.169.

considerations.⁶⁹² The ACTU's leaders, having embraced the idea of managing inflation through wages policy, as discussed in Chapter 5, were also depicted as market converts. Figure 4 is a cartoon that shows Simon Crean and Bill Kelty in an office, wearing suits, with a computer and an "econometrics" book, while also beholden to union members with their high demands and poor work ethic.

Figure 4: cartoon of Simon Crean, Bill Kelty and the unions



Source: Pryor.

Another closely related area of policy that manifested the government's reaction against Whitlam era retirement income policy was pension targeting. This cut against the grain of pension universalism which had characterised the Labor government under Whitlam. In 1983 the government reintroduced income testing for those aged 70, and in 1985 they reintroduced the assets test.⁶⁹³ Counterbalancing the reintroduction of tighter pension targeting, the government also raised the single Age Pension rate from 22.7 per cent of (male) average weekly earnings (MAWE) in 1983 to 25 per cent in 1991. The move to increase the rate of the single Age Pension rate was "made easier by restraint in real wages under the Accord."⁶⁹⁴ In February 1984, Hawke declined to commit publicly to a national superannuation scheme.⁶⁹⁵ He did, however,

⁶⁹² Olsberg, *Trade Union Participation in Public Policy Making*, p.177.

⁶⁹³ Peter Whiteford and David Stanton, *Targeting, Adequacy and Incentives: Assessing the Australian System of Retirement Incomes*, Paper given to the 9th International Research Seminar on Issues in Social Security, Seminar on Pension Reform, Foundation for International Studies on Social Security and Swedish Federation of Social Insurance, Sigtuna, 15–18 June 2002, p.5.

⁶⁹⁴ John Quiggin, "Social Democracy and Market Reform in Australia and New Zealand," *Oxford Review of Economic Policy* 14, no.1 (1998): p.86.

⁶⁹⁵ Prime Minister Bob Hawke, response to question, National Press Club, 22 February 1984.

make it clear that superannuation was something the government would “continue to pursue the examination of...within our overall macro-economic policy approach in the area of social security.”⁶⁹⁶

Permissive conditions for change

A new pathway of superannuation policy was initiated during the 1980s. The politics of consensus that Hawke had championed at the ACTU would become central to the development of economic policy during this period. On 11 April 1983, four weeks to the day after the election, the new Prime Minister Bob Hawke rose in the House of Representatives chamber of Parliament House to convene a meeting of government, business, unions and community groups, the landmark Economic Summit. The Summit embodied the politics of consensus during a time of economic and industrial restructuring. Hawke had argued on the election trail that the economic crisis called “not only for a change of policy, but for a change of attitudes – a change of community attitudes, a change of government attitudes and a change of business attitudes – a change from confrontation to co-operation; a change from the politics of division to the politics of reconciliation.”⁶⁹⁷ Former Social Security Minister Brian Howe recalls that under Hawke, there was a sense of the ALP being “open to possibilities not previously open under Whitlam.”⁶⁹⁸

Embodied in the eight versions of the government-union “Accord,” between 1983 and 1996, was the idea of the social wage. Wage restraint was what the unions did for the government; the social wage was what the government did for the unions.⁶⁹⁹ Speaking on Labor’s economic platform in 1982 as shadow minister, Willis outlined four objectives: “full employment; strong but balanced economic growth; minimisation of inflation, and equitable redistribution of income, wealth and economic power.”⁷⁰⁰ He went on to say that it was

clear that we need control of inflation by means other than creating unemployment. We need development of new policy techniques, rather than relying solely on monetary and fiscal policy. In particular we need; development

⁶⁹⁶ Ibid.

⁶⁹⁷ R.J. Hawke, Leader of the Opposition, Address to CEDA Luncheon, Melbourne, 27 February 1983, p.8.

⁶⁹⁸ Interview, Brian Howe, by telephone, 1 May 2017.

⁶⁹⁹ Interview, Michelle Grattan, Canberra, 2 May 2017.

⁷⁰⁰ Transcript of the 1982 ALP Federal Conference.

of a prices and incomes policy ... a closer liaison with the trade union movement in developing economic policy.⁷⁰¹

Industrially, the recession left an imprint on union leaders such as Laurie Carmichael, who would become Assistant Secretary of the ACTU. With workers being laid off with only weeks of pay left, Kelty recalls that there was a sense that “never again can you leave workers in the position where they’ve got nothing.”⁷⁰² Kelty would later locate the origins of the Accord in “the failure of the (Whitlam) Labor Government to survive beyond 3 years and the legacy of unfulfilled expectation the period delivered. The union movement was not sufficiently mature to co-exist with Labor Government.”⁷⁰³

Within the context of high inflation, the Accord was a circuit breaker. Inflation trended downwards during the 1980s, but it was still high by historical standards and in comparative perspective.⁷⁰⁴ The Consumer Price Index (CPI) was on average 10.1 per cent in the 1970s; 8.3 per cent in the 1980s and 2.3 per cent in the 1990s after the adoption of inflation targeting by the Reserve Bank.⁷⁰⁵ The “social wage” that underpinned the Accord was based on the concept that improvements in living standards could be delivered by government services or benefits or by employers outside of wages, in order to contain inflation.

The Accord was a pragmatic response by the government and the unions to economic and demographic conditions which acted, in the theoretical lexicon, as “permissive conditions” for a critical juncture in superannuation policy. The emergence of the superannuation system during the period was as much about solving perceived political and economic problems as it was about an idea of improving retirement incomes for the workers. The government and the union leadership “came to superannuation more or less by accident.”⁷⁰⁶ Andrew Podger, a senior executive in the Department of Finance at the time, reflects that “[B]y the 1980s the window for Hancock (national superannuation) had passed. The Accord offered a different way of

⁷⁰¹ Ibid.

⁷⁰² Bill Kelty, Interview, Melbourne, 29 October 2017.

⁷⁰³ Bill Kelty, *The Accord: Pay Bargaining in Australia*, Paper Presented to a Seminar on The Future of Pay Bargaining in the UK, Congress House, London, 11 April 1991, p.1, Butlin Archives, Series Z700, Box 26.

⁷⁰⁴ McLean observes that inflation between 1973 and 1991 is without parallel in Australian history, since the gold rushes of the mid-nineteenth century and excluding the spike that accompanied the Korean War wool boom: *Why Australia Prospered*, p.227.

⁷⁰⁵ Glenn Stevens, “Inflation Targeting: A Decade of Australian Experience,” *Reserve Bank of Australia Bulletin*, April 2003, p.20.

⁷⁰⁶ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

solving the same issue.”⁷⁰⁷ Creighton is correct in his observation that a path was paved for superannuation through a combination of historical accident, political pragmatism and Australia’s unique industrial relations system. However, his claim that the superannuation system was not produced by any deliberate agitation by social reformers misses the significant incremental changes to superannuation that were, by design, refashioning the institution of occupational superannuation.⁷⁰⁸ These changes, and their limits, are discussed later in this chapter.

The Accord was based on the unions accepting some difficult propositions, most significantly wage containment. In so doing, the unions were aiming to be, and to be seen to be, partners with the Labor government to ensure ongoing union relevance during a period when union density had already started to decline. It had fallen from 51.1 per cent in 1976 to 48.3 per cent in 1982, and the rate of decline would increase throughout the 1980s.⁷⁰⁹ The Accord secured a broad consensus over wages policy and made the ACTU a “vital partner with the government in establishing the structure of economic policy in general.”⁷¹⁰ Simon Crean, ACTU President and the son of the Whitlam Government’s Treasurer, Frank Crean, spoke of the way that the Accord enabled the union movement to position itself for relevance by “ensuring legitimacy as a genuine partner in social and economic reform.”⁷¹¹ The opportunity had been presented to become involved in matters which “not only impact on the equitable distribution of growth but those that determine the nature, direction and extent of growth.”⁷¹² However the ACTU’s strategy had mixed results, with the ACTU at various points claiming that the government had sidelined its demands.

The Accord had its detractors, part of a much deeper tension within the labour movement about the “modernising” of the Labor Party. During the terms of the Hawke and Keating governments there was a particularly vigorous debate both within the Labor Party and among academics about whether the government’s agenda was in line

⁷⁰⁷ Interview, Andrew Podger, Canberra, 1 November 2017.

⁷⁰⁸ Creighton, “We Must All Be Capitalists Now,” p.191.

⁷⁰⁹ David Peetz, “Declining Union Density,” *Journal of Industrial Relations* 32, no.2 (1990), p.198.

⁷¹⁰ Lisa Marriott, “The Politics of Retirement Savings Taxation: A Trans-Tasman Comparison” (PhD diss., Victoria University of Wellington, 2008), p.139.

⁷¹¹ Simon Crean, Presidential Address, ACTU Congress, Sydney, 25 September 1989, Noel Butlin Archives, Series Z514 Box 11.

⁷¹² Ibid.

with Labor tradition.⁷¹³ In some quarters of the Left and the Right, the Accord was seen as a “blueprint for socialism and de facto government by the trade unions.”⁷¹⁴

Following an initial diagnosis of the likely fiscal impact of ageing in the 1970s, the issue continued to occupy the minds of public servants and politicians alike in the 1980s. Marie Coleman, the special adviser to the Social Welfare Policy Secretariat (SWPS), recalls that in the early years of the Hawke government “[t]he panic had started about the ageing of the population,” and the notion of supplementing the public Age Pension with private savings was about “managing the budget” in the face of changing demography.⁷¹⁵ Alanna Foster, former Branch Manager of the Seniors and Means Test Branch at the Department of Social Security, recalls that there was “a feeling that there was this big ageing issue and there was going to be a crisis. That idea of a ‘wicked problem’ coming at us, and we had to be able to do something to afford it.”⁷¹⁶

The implication of more people living further into advanced old age was a projected decrease in the number of working-age Australians, who generated income tax, relative to the numbers of Australians in retirement, who would be reliant on public social assistance. In 1901, 4 per cent of the population was aged over 65; by 1980 9.6 per cent were, and it was projected that in 2011 16.4 per cent of the population would be.⁷¹⁷ Women were living longer than men, with increasing numbers of women living to advanced ages of 85 and over.⁷¹⁸ The concern was shared internationally, with the United Nations holding its first World Assembly on Ageing in 1982. The Vienna International Plan of Action on Ageing, the first international instrument on ageing,

⁷¹³ Peter Whiteford, “Income Distribution and Social Policy Under a Reformist Government: The Australian Experiment,” *Policy & Politics* 22, no.4 (1994): pp.239-256; Andrew Scott, *Running on Empty: ‘Modernising’ the British and Australian Labour Parties* (Annandale: Pluto Press, 2000), p.9 citing, among others Hugh Stretton, *Political Essays* (Melbourne: Georgian House, 1987), Dean Jaensch, *The Hawke-Keating Hijack: the ALP in Transition* (Sydney, Allen & Unwin, 1989), Graham Maddox, *The Hawke Government and Labour Tradition* (Melbourne: Penguin, 1989), Carol Johnson, *The Labor Legacy: Curtin, Chifley, Whitlam Hawke* (Sydney, Allen & Unwin, 1989), Peter Beilharz, *Transforming Labor: Labour Tradition and the Labor Decade* (Cambridge: Cambridge University Press, 1994).

⁷¹⁴ John Burgess, “The Accord, Wages Policy and Social Security,” *Australian Journal of Social Issues* 23, no.2 (1988): pp.130-131.

⁷¹⁵ Interview, Marie Coleman, Canberra, 19 June 2017.

⁷¹⁶ Interview, Alanna Foster, Canberra, 12 February 2018.

⁷¹⁷ ABS, *Census*, Cat. No. 2013.0, 1981 and ABS, *Population by Age and Sex*, 1981, Cat. No. 3201.0, 1981, cited in Adam Graycar, “Ageing in Australia: A Pointer to Political Dilemmas,” Presentation to ANZAAS Conference, Brisbane, April 1981, p.4.

⁷¹⁸ *Ibid.*, p.7.

was endorsed by the UN General Assembly the same year.⁷¹⁹ In September 1983 Acting Treasurer Chris Hurford issued a press release noting that Commonwealth tax expenditure on occupational superannuation was around \$2 billion annually, and that the issue

must be faced, and quickly, by the community, as our ageing population will continue to impose increasing financial burdens on future generations if they are to support today's workers in their retirement.⁷²⁰

Olsberg observes that when the Hawke government was elected in March 1983, revisions to the retirement income system were on the agenda, in part due to ageing population projections.⁷²¹ The government's Social Security Review of 1988 later cited the ageing population as "the fact which has been most influential in shaping public interest in retirement income policy."⁷²² Higher levels of private retirement savings would, in theory, decrease reliance on the Age Pension over time.⁷²³ In 1993 the World Bank released its report, *Averting the Old Age Crisis*. Released in the year after the Superannuation Guarantee was introduced, the Labor government seized on the report to say "yes, that's what we are doing."⁷²⁴

⁷¹⁹ United Nations, *Vienna International Plan of Action*, Department of Economic and Social Affairs, available from <https://www.un.org/development/desa/ageing/resources/vienna-international-plan-of-action.html>.

⁷²⁰ Chris Hurford, Acting Treasurer and Minister for Housing and Construction, *Superannuation for Australians*, Media Release, 26 September 1983.

⁷²¹ Olsberg, "Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia's National Retirement Income Regime," p. 137.

⁷²² Chris Foster, *Towards a National Retirement Incomes Policy: an Overview*, Social Security Review, Issues Paper No.6 (Canberra: Social Security Review, 1988), p.51.

⁷²³ A high proportion of people aged over 67, the current eligibility age for the Age Pension, remain reliant on some level of Age Pension payments, despite the Superannuation Guarantee having been legislated for nearly 30 years. The Superannuation Guarantee is however, forecast to reduce reliance on the Age Pension: Rice Warner, *The Age Pension in the 21st Century*, Paper Prepared for the Financial Services Forum (Sydney: Rice Warner, 2018).

⁷²⁴ Interview, Phil Gallagher, Melbourne, 15 June 2017.

Occupational superannuation: an old dog, with some new tricks

The ACTU had been considering trading off wage increases in return for employer contributions to a national superannuation scheme,⁷²⁵ and this was given impetus by the development of industrial superannuation schemes in the mid-1980s. In 1984 the Building Workers' Industrial Union (BWIU) and the Builders Labourers Federation (BLF) had jointly negotiated the Building Industry Recovery Procedures (BIRP) with building industry employers. Among other things, the BIRP provided for a \$7 per week special allowance, which the Full Bench of the Arbitration Commission determined was in breach of the 1983 wage indexation guidelines in force at the time.⁷²⁶ In that case, the ACTU had emphasised the role of superannuation as a wage alternative, arguing that

[t]he ALP and the ACTU recognise the inherent limits to improvements in the existing welfare system, and the need to develop new alternatives less subject to the vagaries of the annual budget process and conservative cost-cutting. An immediate priority will be consideration of the possible role for a national superannuation scheme.⁷²⁷

Some “innovative thinking” took place within the union leadership as to how to respond, with Kelty proposing to the two unions that the amount of the wage increase under BIRP above the wage indexation level be put into superannuation.⁷²⁸ The BLF initially resisted the ACTU's agreement to a cut in automatic wage adjustments in exchange for tax cuts.⁷²⁹ The idea of trading off wages for superannuation was contentious for unions like the BLF whose industries were cyclical in nature, so that workers would rely on boom years to make “a killing for a house deposit and a retirement nest egg,” rather than saving regular amounts over time.⁷³⁰ Subject to lengthy negotiations, the BWIU and the BLF agreed to the proposal, with the consequence that the building unions and the ACTU were propelled to devise two

⁷²⁵ Letter from Chris Hurford to Kim Beazley re meeting with ACTU Secretary Bill Kelty, 22 December 1983, National Archives, Series A1209, A1984/357, Part 1.

⁷²⁶ Mees and Brigden, *Workers' Capital*, p.48.

⁷²⁷ Quoted in Garry Weaven, *Superannuation: the Great Leap Forward. An Outline of the ACTU's Strategy for the Establishment of Universal Superannuation Coverage*, ACTU, May 1985, p.5.

⁷²⁸ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018; Mary Easson, *Keating and Kelty's Super Legacy*, p.98; Mees and Brigden, *Workers' Capital*, pp.47-48.

⁷²⁹ Humphrey McQueen, *We Built this Country: Builders' Labourers and their Unions* (Port Adelaide: Ginninderra Press, 2011, p.326.

⁷³⁰ *Ibid.*, *We Built this Country*, p.324.

funds in 1984: the Building Unions' Superannuation Fund (BUS) and the Allied Unions Superannuation Trust (AUST).⁷³¹

By the mid-1980s, therefore, it was already quite entrenched that superannuation would be an "industry level system"⁷³² as opposed to something achieved workplace-by-workplace. Olsberg argues that the formation of "industry" funds reflected new patterns of relations between unions and government.⁷³³ Within this context, LUCRF, BUS and AUST provided the model for ACTU and government superannuation policies, acting as "prototypes for the extension of occupational superannuation."⁷³⁴ The ACTU Assistant Secretary, Garry Weaven, claimed that

there is no longer any prospect of dissipating the tide of demand for more and better-quality superannuation...that proportion has now passed through a critical level below which it may have been possible to contain superannuation as a luxury of the privileged few.⁷³⁵

The renegotiated terms of the Accord in 1985 transformed occupational superannuation from being an industrial concern of the union movement to government policy. "Accord Mark II," as it came to be known, gave a policy basis to superannuation as a wage trade-off. This was a critical juncture in superannuation policy, changing its nature and eventually leading to the Superannuation Guarantee. It was used as one of the means to make the Hawke government's economic policy measures more palatable – especially to working-class voters.⁷³⁶ The government was supported by Treasury in its approach, "making the incomes policy, including superannuation...something significant in getting inflation under control."⁷³⁷

Accord Mark II provided for a 2 per cent discount of wage increases from the CPI index increase, as a response to an emerging balance of payments crisis.⁷³⁸ The wage

⁷³¹ Mees and Brigden, *Workers' Capital*, p.54; Interview, Bill Kilty, Melbourne, 29 October 2017; Shaw, "Trade Union Participation in Public Policy-Making," pp.247-254.

⁷³² Interview, Greg Combet, by telephone, 27 July 2017.

⁷³³ Shaw, "Trade Union Participation in Public Policy-Making," pp.138-139.

⁷³⁴ *Ibid.*, p.152.

⁷³⁵ Garry Weaven, *The Great Leap Forward*, p.13.

⁷³⁶ Judith Bessant, Rob Watts, Tony Dalton & Paul Smyth, *Talking Policy: How Social Policy is Made* (Crows Nest: Allen & Unwin, 2006), p.103.

⁷³⁷ Interview, Bernie Fraser, Canberra, 1 December 2017. Fraser was Secretary of the Treasury from 1984–1989. See also letter from Neil Hyden, Acting Deputy Secretary (Development and Taxation), Treasury, 14 October 1986, National Archives, Series A9488, A1986/137 Part 5.

⁷³⁸ Frank Stilwell, "Wages Policy and the Accord," in Greg Mahony, ed. *The Australian Economy Under Labor* (St Leonards: Allen & Unwin, 1993), p.71.

discount, or partial indexation, would apply in the next annual wage case under which wages were set. In return for the wage discount, Accord Mark II provided for tax cuts and a 3 per cent wage increase, payable to workers “not through wages but as occupational superannuation benefits during the 1986–88 period.”⁷³⁹ In practical terms, wages would be paid by a person’s employer to the superannuation fund stipulated in their award so that all workers covered by an award would be paid superannuation. This was made possible through a system of centralised wages. Bill Kelty observes that “the day you got national superannuation is the day we won that.”⁷⁴⁰ Occupational superannuation coverage had lifted from 29 per cent of employed persons in 1974 to 53 per cent in 1982.⁷⁴¹ Leader of the Opposition, John Howard, said that 3 per cent award superannuation gave union leaders the potential to become the “effective economic czars of Australia controlling wealth they never would have dreamed of.”⁷⁴²

On the business side, the director of the Confederation of Australian Industry (CAI), David Nolan, wrote that the situation had “changed dramatically in the past two years,” with superannuation having become “an industrial relations issue inextricably bound up with the other substantive industrial relations issues.”⁷⁴³ The CAI and the Business Council of Australia (BCA) called for the abandonment of negotiations on superannuation in mid-December 1985.⁷⁴⁴ CAI expressed its alarm at unions using the financial leverage of industry superannuation to further their political and industrial goals, to create a union “slush fund.”⁷⁴⁵ By contrast, Professor Fred Gruen from the Australian National University pointed out that some employer-based superannuation

⁷³⁹ Paul Kelly, *The End of Certainty*, p.206.

⁷⁴⁰ Interview, Bill Kelty, Melbourne, 29 October 2017.

⁷⁴¹ ABS, *Survey of Superannuation*, Reference no.42, February 1975; ABS, *Year Book Australia 1974*, cat. no.1301.0; ABS, *Superannuation Australia*, September – November 1982, cat. no.6319.0, July 1974’ Kai Swoboda, “Major Superannuation and Retirement Income Changes in Australia: a Chronology” (Canberra: Parliamentary Library, 2014), available from

https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/SuperChron#_Toc382309882.

⁷⁴² John Howard, Leader of the Opposition, Press Release, “Super Deal Involves Huge Power Shift to Trade Union Movement,” 1 December 1985.

⁷⁴³ Nolan, “Superannuation from the Employers’ Viewpoint,” p.33.

⁷⁴⁴ John Lyons, “Employers Join Forces to Oppose Super Push,” *The Australian*, 10 December 1985, p.1.

⁷⁴⁵ Deborah Hope, “Tight Rein to be kept on Unions Handling Billions,” *The Bulletin*, 17 December 1985, p.39.

funds were used to benefit firms rather than employees, with superannuation being used as a steady source of funds by some in management.⁷⁴⁶

The deal that underpinned Accord Mark II was not uncontroversial: some unions wanted super *and* a pay rise.”⁷⁴⁷ Echoing past concerns of the Labor Party, the Socialist Party noted that workers already paid for the Age Pension through their taxes and would be forced to pay for superannuation in addition to taxes.⁷⁴⁸ By 1986 the effect of the discount on wage indexation was clear, with a 2 per cent cap on wage increases but a 4 per cent CPI increase.⁷⁴⁹

By 1988, 62 per cent of employed persons were covered by superannuation. Notwithstanding this, both coverage and average balances of women remained lower (Figure 4). With the coverage of occupational superannuation growing, it became all the more unlikely that a government scheme of superannuation would be adopted as policy. The Senate Standing Committee on Community Affairs released a report in which it declared that “any attempt to introduce a system of national superannuation would be divisive and needlessly disruptive of existing arrangements.”⁷⁵⁰ This is why the Hawke government did not “come along with this shiny new national superannuation scheme we had worked out,” imposing it from above. Instead, “because the building scheme worked well then the thinking was why don’t we extend this across the board and take any real wage increase and put it into super.”⁷⁵¹

⁷⁴⁶ Quoted in Paul Malone, “The Super Fuss: What’s It All About,” *The Canberra Times*, 19 December 1985, p.14.

⁷⁴⁷ Interview, Susan Ryan, Sydney, 14 February 2018.

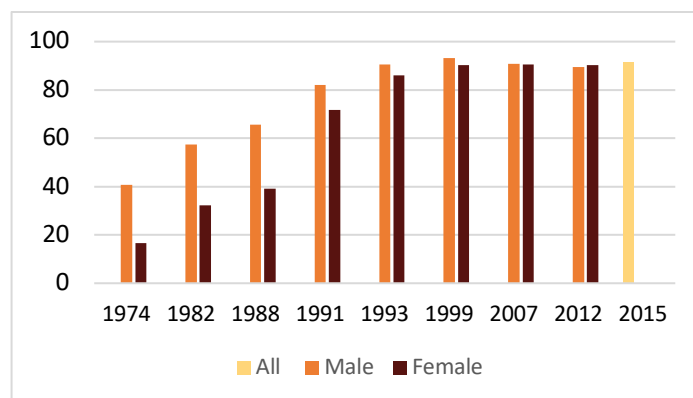
⁷⁴⁸ Socialist Party of Australia, “The Accord Mark II and What It Means,” Statement by the Central Committee Secretariat, n.d., Noel Butlin Archives, Series Z700, Box 4.

⁷⁴⁹ Graham Maddox, *The Hawke Government and Labor Tradition* (Melbourne: Penguin, 1989), p.114.

⁷⁵⁰ Mees and Brigden, *Workers’ Capital*, p.110.

⁷⁵¹ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

Figure 4: superannuation coverage among employees



Source: ABS, Swoboda.⁷⁵²

A union study trip in 1986 helped to further cement the idea of superannuation as a wage trade-off and the need for industry-wide funds. A small group of trade unionists travelled to Western European and Scandinavian countries to look at their treatment of trade and economic issues. The work was led by Carmichael, who advocated the Swedish “tripartite” model that sought to bring together unions, business and government.⁷⁵³ The resulting report published in 1987, *Australia Reconstructed*, argued strongly in favour of the Swedish approach. Echoing Crean’s comments about the Accord process ensuring union legitimacy, *Australia Reconstructed* observed that the involvement of unions in tripartite economic processes had led to better outcomes in terms of the overall economy and the welfare of trade union members.⁷⁵⁴ *Australia Reconstructed* advocated that money wages should not be assessed in isolation but in the context of a broader social wage, taxation, superannuation, the labour market and other economic and social policies.⁷⁵⁵ The report argued that the ACTU’s superannuation campaign should continue in its present form, and that superannuation contributions should “preferably be paid into multi-employer or industry-wide superannuation funds” because these funds encouraged uniformity,

⁷⁵² ABS, *Survey of Income and Housing*, cat.no.6553.0; ABS, *Survey of Superannuation*, Reference no.42, February 1975; ABS, *Year Book Australia 1974*, cat. no.1301.0; Kai Swoboda, “Major Superannuation and Retirement Income Changes in Australia: a Chronology” (Canberra: Parliamentary Library, 2014), available from https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/pubs/rp/rp1314/SuperChron#_Toc382309882.

⁷⁵³ Frank Bongiorno, *The Eighties*, p.286; Transcript, ABC *PM* Program, 29 July 1987, Butlin Archives, Series Z700, Box 41. Carmichael notes in his interview with *PM* that the Swedish refer to their tripartite model as “the third way.”

⁷⁵⁴ ACTU/TDC, *Australia Reconstructed*, p.9.

⁷⁵⁵ *Ibid.*, p.52.

portability and vesting, and allowed more efficient management on a bulk basis of administration, investment and insurance.⁷⁵⁶

Australia Reconstructed was a step along the road to broader union acceptance of superannuation as part of the social wage. The mission members, from unions of the left and right, coalesced around the idea of tripartite politics, and of most relevance for superannuation policy, consensus around the social wage. As Garry Weaven puts it, *Australia Reconstructed* was “part of how you look beyond money wages...how the union movement could move away from wages alone.”⁷⁵⁷ The Shadow Minister for Trade, Ray Braithwaite, was cruder, arguing that the mission “could only be construed as an attempt to buy off union leaders over wage discounting.”⁷⁵⁸ Employer groups such as the Business Council of Australia criticised the mission and proposals for greater union involvement in policy-making.⁷⁵⁹

Finally, a key legal ruling and a balance of payments crisis saw occupational superannuation further cemented as government policy. In 1986 the High Court ruled that superannuation was an industrial matter. A productivity claim, paid through superannuation, had been heard by the Australian Industrial Court (AIC). The employer groups, led by CAI, appealed to the High Court on the AIC’s jurisdiction to hear the claim. The employer groups were opposed to the idea of any additional productivity being distributed to wage earners.⁷⁶⁰ On appeal, the High Court decided unanimously that it was within the AIC’s jurisdiction, superannuation being an industrial matter. This moment was when superannuation policy “came to some sort of coherent whole,” according to former senior Treasury executive, Greg Smith. Mees and Brighden observe that the legal reclassification of superannuation as an industrial matter was one important part of a “series of intersecting industrial and political developments that supported union efforts to win superannuation.”⁷⁶¹

Australia’s balance of payments became a topic of alarm in 1986 following the mini economic crisis that year, specifically the balance on the trade “current account” that

⁷⁵⁶ ACTU/TDC, *Australia Reconstructed*, p.196.

⁷⁵⁷ Interview, Garry Weaven, Melbourne, 13 November 2017.

⁷⁵⁸ Ray Braithwaite, Shadow Minister for Trade, Press Release, “TDC Secretariat/ACTU Jaunt,” 9 October 1986.

⁷⁵⁹ Andrew Scott, *Northern Lights: the Positive Policy Example of Sweden, Finland, Denmark and Norway* (Melbourne: Monash University Publishing, 2014), pp.52, 54.

⁷⁶⁰ Nolan, *Superannuation from the Employers’ Viewpoint*, p.35.

⁷⁶¹ *Ibid.*, pp.42-43.

records the difference between the value of exports and imports. It was the reason behind Keating's declaration on radio on 14 May that Australia was at risk of becoming a "banana republic." With the collapse of the exchange rate, there was a "general understanding" by the unions that there had to be some "rebalancing," a shift back to profits over wage increases.⁷⁶² Ross Gittins, the financial journalist, recalls that the issue of superannuation dovetailed with the concern over the current account deficit, so that one of the ways to increase savings was through superannuation.⁷⁶³ Former Secretary of the Department of Prime Minister and Cabinet, Mike Keating, recalls that there was an "obsession" with the current account deficit, so a program that increased national saving "made a lot of sense."⁷⁶⁴ Having a pool of retirement funds was also a means of boosting Australia's private savings in the context of a perceived balance of payments problem in the mid-1980s.⁷⁶⁵ As the *Australia Reconstructed* document had laid out, strong growth in the national economy induced an increase in imports, with the balance of payments deficit growing from 1.7 per cent of GDP in 1979/80 to 5.9 per cent of GDP in 1985/86.⁷⁶⁶

It might have been a new approach, but the wage trade-off was made possible through a very old institution: occupational superannuation. Keith Hancock was correct when he observed in 1984 that

[t]he gradual spread of occupational superannuation will establish a constituency for the view that national (government) provision should be tailored around it. The contention that the reverse relation should apply, with occupational schemes complementing a national scheme as in many other countries, will have a decreasing chance of acceptance.⁷⁶⁷

It is perhaps on account of the amount of change in superannuation during the 1980s and 1990s that insufficient attention is paid to the institutional continuities. The momentum away from a policy of national superannuation gathered because of the industrial pathway the policy had already taken in the late 1970s. Accordingly, the 1980s saw both "path reaction" against the Whitlam years, and elements of continuity

⁷⁶² Interview, Don Russell, Sydney, 17 December 2018.

⁷⁶³ Interview, Ross Gittins, Sydney, 28 September 2017.

⁷⁶⁴ Interview, Mike Keating, Canberra, 20 October 2017.

⁷⁶⁵ Interview, Phil Gallagher, Canberra, 15 June 2017.

⁷⁶⁶ ACTU/TDC, *Australia Reconstructed*, p.xi.

⁷⁶⁷ Quoted in Kate Legge, "An 80-Year Debate Drones on...and on," *Age*, 27 April 1984.

from the Fraser era. This was not a case of the government explicitly positing an industrial model of superannuation against a national superannuation scheme, but instead of an anti-inflationary strategy through the use of an existing institution, occupational superannuation as deferred wages.⁷⁶⁸ Substantial change was occurring through the mechanism of long-standing institutions. Mees and Brigden's argument that this period represented "a significant break from past practice, rather than incremental change"⁷⁶⁹ is a characterisation that focuses too much on change at the expense of the fundamental importance of old institutions, mentalities and practices.

The modern superannuation system contains some of its particular features because policy makers reconceived an existing model, recalibrating it and evolving it. A scheme like that proposed by the Hancock Inquiry would have been based on social insurance principles, foreign to the existing landscape of old age welfare in Australia. Modern superannuation therefore has elements of large-scale change, but also has "considerable continuity through and in spite of the historical break point."⁷⁷⁰

The wage-superannuation trade-off helped entrench a contributory occupational superannuation system from which a number of concepts flowed. In the nomenclature used in the theoretical literature on institutional change, what occurred to occupational superannuation during the period was a "layering" of new features on to occupational superannuation.⁷⁷¹ These changes would radically alter the coverage and operation of the institution.

Easson argues that the 1980s was a period of policy development happening "on the run", and when "widely-held grievances combined with the right circumstances and interactions among policy actors led to the forging of new policy."⁷⁷² She describes this as a "drift and stab" model, where "issues meander along with the policy players, where some are more interested than others, and where they have a stab at a solution and reset the discussion for everyone else." To the extent that Easson is describing the pragmatism of key actors, she is right. It was not as if the labour movement or the

⁷⁶⁸ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

⁷⁶⁹ Ibid., p.25.

⁷⁷⁰ Wolfgang Streeck and Kathleen Thelen, "Introduction: Institutional Change in Advanced Political Economies," in Wolfgang Streeck and Kathleen Thelen, eds. *Beyond Continuity* (Oxford: Oxford University Press, 2005): p.8.

⁷⁷¹ James Mahoney & Kathleen Thelen, "A Theory of Gradual Institutional Change," in James Mahoney & Kathleen Thelen, eds. *Explaining Institutional Change: Ambiguity, Agency and Power*, (New York: Cambridge University press, 2010), pp.16-17.

⁷⁷² Ibid., p.31.

Labor Party started out with a template of policy development for retirement incomes. But it was also quite clear that concepts like “portability” and “vesting” which had been the subject of industrial campaigns since at least the 1960s were being purposefully affixed to the even older institution of occupational superannuation within a broader setting of superannuation as an economic right.

Policy layering tends to be considered separately from other forms of change. Yet the significant changes to superannuation combined with incremental change in the 1980s to produce “complementary approaches to institutional change.”⁷⁷³ The net result was a new retirement income system. Mahoney and Thelen note that in “transformative, system-wide change,” as in the case of superannuation during the 1980s, “we would expect to see displacement – ‘the removal of existing rules and the introduction of new ones.’”⁷⁷⁴ In the way that superannuation became an industrial matter through the Accord, we see this radical change. This chapter confirms Carey, Kay and Neville’s study that displacement and layering are not mutually exclusive: displacement can be accompanied by layering.⁷⁷⁵ The incremental change mechanisms complemented the policy turning point.⁷⁷⁶

Looking further afield, layering had occurred in Europe with the addition of voluntary supplemental pensions alongside the public system. As Mahoney and Thelen point out, Social Democrats prevented conservatives dismantling public pension schemes, but did not stop the addition of voluntary supplemental schemes.⁷⁷⁷ This is an instructive point of comparison to Australia, where it was Labor as the social democratic party that introduced the supplemental scheme, and a private, compulsory one. It lends weight to the idea that the Party was acting pragmatically in the face of economic conditions, and within the context of an overall shift towards market policies. The Party was also influenced by the unions which were centrally involved in occupational superannuation through industry funds – the building unions, the storemen and packers – reflecting their institutional clout and ideological preferences.

⁷⁷³ Jeroen Van de Heijden, “Institutional Layering: A Review of the Use of the Concept,” *Politics* 31, no.1 (2011): p.10.

⁷⁷⁴ Carey et al, “Institutional Legacies,” p.15.

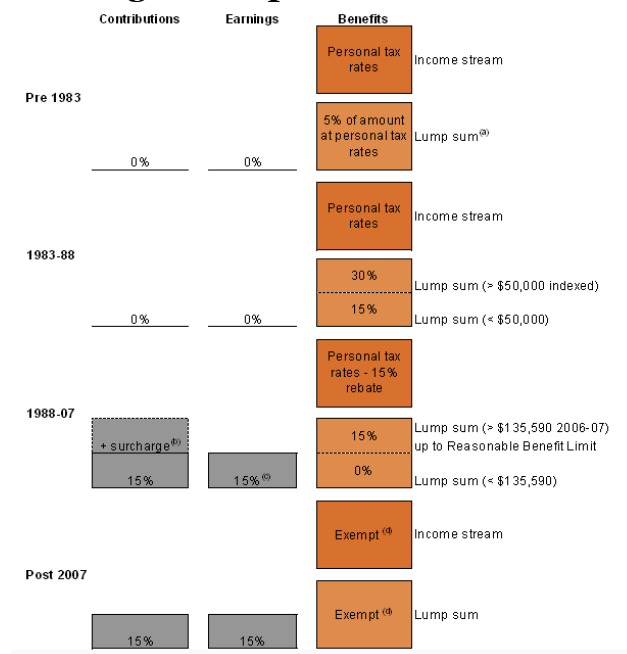
⁷⁷⁵ Ibid.

⁷⁷⁶ Daniel Béland, “Policy Change and Health Care Research,” *Journal of Health Politics, Policy and Law* 35, no 4 (2010): p.621.

⁷⁷⁷ Carey et al, “Institutional Legacies,” p.20.

Changes to superannuation taxation during the 1980s represent an example of incremental policy change. Between 1915 and 1983, only 5 per cent of superannuation lump sums on termination of employment were taxed.⁷⁷⁸ In his first major economic statement in 1983, Keating announced that the full superannuation lump sum was to be included.⁷⁷⁹ For lump sums taken at age 55 or later, the first \$50,000 was taxed at 15 per cent and the remainder at 30 per cent. Lump sums taken below age 55 were taxed at 30 per cent.⁷⁸⁰ In order to “encourage retirees to use lump sum benefits to secure an income in retirement,” payments were made exempt from tax “if converted into a pension or annuity.”⁷⁸¹ Figure 5 shows the changes to superannuation pre and post-1983.

Figure 5: history of changes to superannuation taxation



Source: Treasury, *Australia’s Future Tax System*, Retirement Income Consultation Paper, Appendix B: A History of Superannuation (Canberra: Commonwealth of Australia, 2008).

⁷⁷⁸ Superannuation taken as pensions or annuities were taxed as ordinary income.

⁷⁷⁹ CPD, House of Representatives, 19 May 1983, p.805. This statement is often referred to as the “May 1983 Mini-Budget.”

⁷⁸⁰ Leslie Neilson and Barbara Harris, *Chronology of Superannuation and Retirement Income in Australia* (Canberra: Parliamentary Library, 2010). The change to taxation of superannuation lump sums was made more complex because existing amounts of superannuation were “grandfathered,” so that the pre-1983 component of the lump sum was not contained in assessable income.

⁷⁸¹ CPD, House of Representatives, 19 May 1983, p.805.

New operational standards for superannuation schemes were introduced in 1985, including full and immediate vesting and mandatory portability.⁷⁸² The ability to choose between a company fund or the chosen industry fund of the employee was, Olsberg argues, “the beginning of the attribution of particular public status to the funds, along the lines proposed by the unions.”⁷⁸³ These were all examples of how superannuation policy was becoming an entitlement of workers, managed by private entities, but shaped and regulated by government.

Major changes to superannuation taxation in 1988 laid the institutional basis for continuing equity concerns. The first measure was the introduction of “Reasonable Benefit Limits” (RBLs). A concessional rate of 15 per cent tax would apply on fund contributions, earnings and withdrawals (payouts) of over \$135,390 up to the RBL. Withdrawals of under \$135,390 were tax free. Again, grandfathering of the new rules applied and the transition rules were complex. By way of contrast, in many other countries in which occupational superannuation provided an additional component of the retirement income system, access to favourable tax treatment was conditional upon benefits being paid in pension form.⁷⁸⁴ ACOSS proposed in 1991 that superannuation tax concessions should be replaced with a rebate, with employer contributions and fund earnings taxed as part of an individual’s income. The rebate would be based on a flat amount which could be offset against taxes paid by members on contributions and fund earnings.⁷⁸⁵ None of these proposals were adopted.

The 1988 tax changes also created an incentive for superannuation funds to invest in Australian equities. This is one part of the story of financialisation of superannuation which is further discussed in Chapter 7. Being taxable entities from 1988, superannuation funds became eligible for dividend imputation for Australian companies and shareholders that the government had introduced in 1987.⁷⁸⁶ The system of dividend imputation was created to avoid double taxation of profit (or “taxable income”) in the hands of the company, and then of the shareholder receiving

⁷⁸² Diana Olsberg (Shaw), “Trade Union Participation in Public Policy-Making: the Rise and Demise of Australia’s National Retirement Income Regime,” (PhD diss., University of New South Wales, 1992), p.154.

⁷⁸³ *Ibid.*, p.155.

⁷⁸⁴ Interdepartmental Committee, Report on the History of National Superannuation (Canberra: Commonwealth of Australia, 1984), p.60, National Archives Series A1209, 1984/734 Part 6.

⁷⁸⁵ ACOSS, “Federal Budget Priorities 1991–92,” Submission to the Federal Government, July 1991, p.18, personal papers of Julian Disney.

⁷⁸⁶ *Taxation Laws Amendment (Company Distributions) Act 1987.*

a dividend. For shareholders with a lower tax rate than the company, the tax credit would be the amount of tax on the dividend income, which could be offset against other income of the shareholder. This was an especially beneficial tax reform for superannuation funds, with the rate of company tax being 30 per cent, and the rate of superannuation fund earnings and most withdrawals set at 15 per cent. Superannuation funds that invested in Australian shares therefore received excess imputation credits that could be paid to the fund. Keating himself cites dividend imputation as being a central part of the story of superannuation policy development because of its effect of lowering the cost of Australian capital.⁷⁸⁷

Superannuation as deferred wages cemented a defined contribution system instead of a defined benefit model used in the first occupational pension schemes, examined in Chapter 3. Superannuation schemes would be based on contributions calculated as a percentage of wages, a “defined contribution.” A person would accumulate funds over their working life, producing a lump sum from which they could draw a pension during retirement. Under existing occupational schemes, the employer would pay a specified level of pension (a “defined benefit”) for each year of a person’s retirement so that they were effectively guaranteed a pension for life. In the context of an ageing demography, the government did not want to take on the liability of paying a defined benefit for life, to growing numbers of retirees. This was a continuity with the scheme of superannuation proposed by the Hancock Inquiry.

Employers did not want to assume more risk either. Membership of defined benefit schemes, where employers bore the risk of paying a pension to workers for life, declined for a number of reasons. Employers were unwilling to bear the investment risk of defined benefit schemes;⁷⁸⁸ employees wanted to become members of accumulation funds to benefit from upswings in the share market, and they wanted the flexibility of an accumulation scheme when they changed jobs.⁷⁸⁹ Total workforce coverage of superannuation increased to 54.5 per cent of employees by 1988.⁷⁹⁰ In

⁷⁸⁷ Interview, Paul Keating, Sydney, 21 June 2018.

⁷⁸⁸ Accumulation plans are the only viable ones for small and medium enterprises which, collectively, are the main employers in Australia: Hazel Bateman and Geoffrey Kingston, “Restoring a Level Playing Field for Defined Benefits Superannuation,” Paper presented to the Melbourne Money & Finance Conference, 5 June 2013, p.2.

⁷⁸⁹ Treasury, *Super System Review*, Part Two (Canberra: Commonwealth of Australia, 2015), p.176.

⁷⁹⁰ ABS, Australian Social Trends 1995, Cat.No.4102.8.

1982/83, 82 per cent of members were in defined benefit funds; by 2009 only 2 per cent of members of large funds were purely defined benefit.

However, a private defined contribution model also meant that the risk of losing savings was borne by the individual. The combined effect of the gradual changes to occupational superannuation outlined in this chapter also had the effect of placing greater risk onto individual workers. A private defined contributions scheme meant that individuals were more open to investment risk and to “longevity risk” because they might run out of superannuation savings before they died.⁷⁹¹ As Blackburn notes, however, the defined benefit “promise” under former company pension schemes was only ever as strong as the company offering it.⁷⁹²

In public superannuation schemes, shortfalls could be made up by willing governments, as was contemplated by the majority proposal of the Hancock Inquiry. A research paper by the Parliamentary Library noted that the “defined contributions” system was widely used overseas, but that inflation, unemployment, the ageing of the population and early retirement meant that governments increasingly had to draw from general revenue to bail out pension schemes.⁷⁹³ The vast majority of defined benefit funds are now closed to new members.⁷⁹⁴

Superannuation would be “portable,” so that a person could move their superannuation savings between funds, especially when they changed jobs. Portability sprang from the idea that superannuation belonged to the worker, and that payment should not be contingent on the discretion of an employer. The concept of portability was critical because of changes to the labour market which were already evident in the 1980s. These related to increasingly broken work patterns, on account of growing levels of part-time and casual work. From the early 1980s to the mid-1990s, the proportion of casual employees increased from 13 to 24 per cent of all employees.⁷⁹⁵ As Crean argued in an address to the NSW Labor Council in 1986, portability was

⁷⁹¹ Jacob Hacker has written extensively on the risk shift to individuals through defined contributions pensions in the United States, using an institutional theoretical framework: Jacob Hacker, *The Great Risk Shift: the New Economic Insecurity and the Decline of the American Dream* (New York: Oxford University Press, 2006).

⁷⁹² Robin Blackburn, *Age Shock: How Finance is Failing Us* (London: Verso, 2006), p.79.

⁷⁹³ Roy Forward, *Income in Old Age: is National Superannuation the Answer?* (Canberra: Parliamentary Library, 1983), p.16.

⁷⁹⁴ Treasury, *Super System Review*, Part Two, p.176.

⁷⁹⁵ Geoff Gilfillan, *Characteristics and Use of Casual Employees in Australia* (Canberra: Parliamentary Library, 2018), n.p.

“essential given the structural change facing us.”⁷⁹⁶ The 1988 ALP Platform sought “enhanced flexibility of the workforce by improved vesting and portability of employee entitlements, including by encouraging industry-based superannuation.”⁷⁹⁷ In addition, the Platform stated that superannuation was important for women’s economic independence.

Interrelated with portability was the concept of “vesting,” that superannuation belonged to an individual employee. The idea was that superannuation savings should be accessible to workers when they retired, rather than being contingent on the discretion of an employer.⁷⁹⁸ In other words, superannuation “vested” in the individual worker: it was a pot of money much like a bank account but which could not be drawn until retirement age.

Incremental changes to ALP policy on superannuation

Incremental change was occurring in the development of the ALP’s policy on superannuation between 1983 and 1992. The Social Security section of the 1982 ALP Platform provided that Labor would introduce a “self-supporting, portable *national superannuation* scheme providing entitlements to cover all persons and which could be integrated equitably with existing superannuation schemes.”⁷⁹⁹ By 1984, the Industrial Relations section of the ALP platform, until now silent on superannuation, included the right to join superannuation schemes as a term of employment.⁸⁰⁰ The right to join a superannuation fund was to apply to all workers without discrimination, including without gender discrimination.⁸⁰¹ In 1986 superannuation became part of the Employment section of the platform too, committing to the distribution of “national productivity increases in a manner consistent with increasing employment opportunities.”⁸⁰²

By 1988 the Industrial Relations section of the platform included a new section resolving to “support the spread of superannuation entitlements for all workers

⁷⁹⁶ Simon Crean, President of the ACTU, Address to the NSW Labor Council, 21 February 1986, p.14, Noel Butlin Archives, Series Z514, Box 11.

⁷⁹⁷ ALP, *1988 Platform, Constitution and Rules*, National Library of Australia, Series MS ACC05.091.

⁷⁹⁸ See discussion in Garry Weaven, *The Great Leap Forward*, p.9 where he describes the failure to provide adequate vesting as the “greatest single failing of traditional superannuation arrangements.”

⁷⁹⁹ Australian Labor Party (ALP), *1982 Platform Constitution and Rules*, National Library of Australia Manuscripts, Series MS ACC05.091, emphasis added.

⁸⁰⁰ ALP, *1984 Platform, Constitution and Rules*, National Library of Australia, Series MS ACC05.091.

⁸⁰¹ Pursuant to the *Sex Discrimination Act 1984* (Cth), Australia’s first sex discrimination legislation.

⁸⁰² ALP, *1986 Platform, Constitutions and Rules*, National Library of Australia, Series MS ACC05.091.

through non-discriminatory *employment-based superannuation schemes*.⁸⁰³ At this point still only 61.2 per cent of men and 36.5 per cent of women (or 51.3 per cent of those employed) were covered by occupational superannuation.⁸⁰⁴ Given the patchiness of coverage of some groups of workers, the ACTU believed the priority of policy should be to “gain at least a basic level of cover for all workers and the Government should examine the means by which its commitment to universal coverage will be developed.”⁸⁰⁵ The Social Security section provided that “[T]he financial responsibility for social security should be shared with occupational superannuation, accident and workers compensation, child support and reciprocal agreements. This will ensure that costs are shared more equitably by the community, employers, parents and between countries where applicable.” It also sought to ensure that “the combined effect of pensions and tax concessions for occupational superannuation is fair and progressive, and provides a genuine system of retirement income support.”

A new retirement income policy was launched by the government in 1989, *Better Incomes: Retirement Policy into the Next Century*. It was a landmark document, setting out the government’s approach to retirement income policy for the medium term. Keating’s adviser Don Russell recalls that the Cabinet received *Better Incomes* well in the sense that it was looking beyond the day-to-day macroeconomic issues people had been preoccupied with.⁸⁰⁶ The document set out a package of measures to encourage enhanced saving for retirement through superannuation, to “provide...income as a supplement rather than a substitute for the pension.”⁸⁰⁷

Better Incomes cited the key policy challenges as maintaining the higher standards of living that people enjoyed during their working lives, and managing the cost of an ageing population.⁸⁰⁸ It presented a similar logic for superannuation as Whitlam had, that the post-war “baby boom” generation would expect a higher living standard in retirement than generations before. This was also reflected in the press release for

⁸⁰³ ALP, *1988 Platform, Constitutions and Rules*, National Library of Australia, Series MS ACC05.091.

⁸⁰⁴ ABS, Cat. No. 4102.0, *Australian Social Trends*, 1995.

⁸⁰⁵ Minutes of ACTU Executive Meeting, 23 February 1988, p.5, Noel Butlin Archives, Series Z514, Box 1.

⁸⁰⁶ Interview, Don Russell, Sydney, 17 December 2018.

⁸⁰⁷ Statement by the Treasurer, Paul Keating M.P., and the Minister for Social Security, Brian Howe M.P., *Retirement Income Policy*, Press Release, 15 August 1989, p.2. Personal papers of Paul Keating.

⁸⁰⁸ Minister for Social Security, *Better Incomes: Retirement Income Policy into the Next Century*, Statement by Brian Howe MP (Canberra: Australian Government Publishing Service, 1989), p.19.

Better Incomes, which argued that “if we are to satisfy the legitimate aspirations of future retirees it is imperative that we act now.”⁸⁰⁹ While taxation revenue would be sufficient to support the aged who needed assistance, private savings would be needed for “substantially higher retirement incomes.”⁸¹⁰ Higher private savings would also have the broader economic benefit of funding higher investment levels to underpin economic growth.

Better Incomes guaranteed that the Age Pension would provide a minimum of 25 per cent of MAWE and greater superannuation coverage, including for the self-employed and women. Other measures included changes to the Age Pension means test, making the income test free area tax free, removing income tax on all pensioners from 1995, increasing the rate of the Age Pension and Commonwealth Rent Assistance, and tax deductions for personal superannuation contributions. These changes were to ensure a baseline level of public social support, but also a clear statement about the enlarged role of private savings in the overall retirement income system.

In the increased role it gave to private provision, *Better Incomes* exemplified the Hawke government’s changing position from what Pierson and Castles call a defence of the “welfare state” to the active promotion of the “competition state” through greater superannuation coverage and a residual role for public welfare.⁸¹¹ They also argue that superannuation was classic “third way’ reform,” explicitly designed to reallocate the costs of increasing pensions provision to labour market actors, leaving the state to guarantee provision for those with low incomes.⁸¹² A dual system of private superannuation with a majority of people still drawing some level of Age Pension was a way of lifting retirement incomes, while creating a continuing constituency for the Age Pension, thereby protecting its existence.⁸¹³

A new retirement income system

Ending with the “big bang” of the Superannuation Guarantee in 1992, the period under consideration in this chapter saw the most significant change in Australia’s system of old age welfare since the introduction of the Age Pension in 1908. It added a new

⁸⁰⁹ Statement by the Treasurer, Paul Keating M.P, and the Minister for Social Security, Brian Howe M.P., *Retirement Income Policy*, Press Release, 15 August 1989. Personal papers of Paul Keating.

⁸¹⁰ *Better Incomes*, p.30.

⁸¹¹ Chris Pierson & Francis G. Castles, “Australian Antecedents of the Third Way,” *Political Studies* vol 50 (2002): pp.684, 689.

⁸¹² *Ibid.*, pp.684, 689.

⁸¹³ Interview, Don Russell, Sydney, 17 December 2018.

“pillar” to Australia’s retirement income system, comprising the Age Pension, superannuation and private savings.⁸¹⁴ This last section of the chapter looks at the period in which the new system of superannuation was legislated, and critically assesses issues of coverage and equity using an institutional framework.

At the beginning of the 1990s, the institutional basis for superannuation as an industrial policy had been set but political momentum around a new broad-based system had waned. In the middle of 1990, the proportion of employees receiving a superannuation benefit was still only 53 per cent.⁸¹⁵ By 1991 the ALP’s Platform provided that the terms of employment/wages and conditions should “support the spread of superannuation entitlement for all workers through non-discriminatory, democratically controlled, employment-based superannuation schemes so that all workers will be better able to maintain their living standards on retirement.”⁸¹⁶ Eighty-five per cent of industrial awards included a minimum 3 per cent superannuation contribution and overall coverage was 64 per cent at the end of 1990 but, according to Keating, this was not enough.

The Superannuation Guarantee was a direct response by Keating, Kelty and Iain Ross, the ACTU’s Assistant Secretary, to circumvent the 1991 wage ruling by the AIRC in which it rejected the ACTU’s claim for a further 3 per cent superannuation.⁸¹⁷ Ross had been with Kelty when the AIRC’s decision was announced, and suggested that the government could legislate the superannuation claim, modelling it on an existing “training guarantee levy” in which businesses would be levied with a tax in the event they failed to make superannuation payments.⁸¹⁸

After an unsuccessful challenge to Hawke in June 1991, Keating argued from his position on the backbench that 3 per cent of wages would not buy much superannuation. Moreover, an arguably more pressing need in Keating’s view was to raise domestic saving to lower the Current Account Deficit.⁸¹⁹ He proposed in July 1991

⁸¹⁴ Australia is described as having a “three-pillar” retirement income system: see, for example, Productivity Commission, *Superannuation Policy for Post-Retirement: Volume 1* (Canberra: Commonwealth of Australia, 2015), p.24; Rice Warner, *The Age Pension in the 21st Century*, Paper Prepared for the Financial Services Forum (Sydney: Rice Warner, 2018).

⁸¹⁵ Olsberg, *Trade Union Participation in Public Policy-Making*, p.164.

⁸¹⁶ ALP, *1988 Platform, Constitutions and Rules*, National Library of Australia, Series MS ACC05.091.

⁸¹⁷ If successful, this would have brought total superannuation contributions to 6 per cent.

⁸¹⁸ St Anne, *A Super History*, p.101; AIRC, *National Wage Case*, April 1991.

⁸¹⁹ Paul Keating M.P., *A Retirement Incomes Policy*, Address to the Australian Graduate School of Management, 25 July 1991, p.5. Personal papers of Paul Keating.

a National Retirement Income Scheme based on the Age Pension and a privately funded, occupational “National Superannuation Scheme,” that would ultimately see superannuation increased from 3 per cent to 12 per cent of wages.⁸²⁰ Keating would challenge Hawke again in December 1991, this time successfully.

In June 1992 the new Keating Government reached agreement on its proposal with the Democrats, the centrist minor party that had the balance of power in the Senate. Critically, the Democrats abandoned their support of a national superannuation scheme and switched to support compulsory occupational superannuation.⁸²¹ After six months of negotiations, the Democrats had extracted a number of concessions, including extending the phase-in period for the Superannuation Guarantee to reach 9 per cent and amending the *Industrial Relations Act 1988* to require the AIRC to “take into account in arriving at national wage case decisions increased superannuation contributions made by employers.”⁸²² Sitting on the Senate Committee on Superannuation, established in 1991, the Democrats had recommended that the Government “support increased competition by supporting new entrants” in the superannuation industry.⁸²³ The government, in response, promised to “consider the role of bank account superannuation,” discussed further in Chapter 7. Australia had given up the ghost of national superannuation.

The *Superannuation Guarantee Administration Act* passed the parliament on 1 July 1992. It imposed the “Superannuation Guarantee Levy” on employers by creating a tax penalty where employers failed to make the minimum contributions on behalf of employees, starting at 3 per cent of wages. The Coalition opposed the Superannuation Guarantee, arguing that it would lead to job losses with employers unable to afford the levy. Opposition Leader John Hewson described the Superannuation Guarantee as “just another tax on jobs, just like payroll tax is another tax on jobs.”⁸²⁴ Other groups like the CAI and the Australian Chamber of Commerce and Industry opposed the Superannuation Guarantee, and ACOSS pointed to the inability of those in low-paid

⁸²⁰ Ibid., p.7.

⁸²¹ Ibid., p.113.

⁸²² Neil Blewett, *A Cabinet Diary: A Personal Record of the First Keating Government* (Adelaide: Wakefield Press, 1999), p.151; John Dawkins, Treasurer, *Government and Australian Democrats Agree on Superannuation Guarantee Bills*, Media Release, 16 June 1992; Mike Taylor, “Democrats Get Their Way on Super,” *Canberra Times*, 17 June 1992, p.1.

⁸²³ Superannuation Guarantee Bill, Government Responses to the Issues Raised by the Australian Democrats, n.d, p.6, Personal Papers of Julian Disney.

⁸²⁴ Transcript, Interview with John Hewson, Leader of the Opposition, 3AW Radio, 16 June 1992.

jobs to afford a deferred pay rise in the form of superannuation.⁸²⁵ The result of the “SG” as it is now known, was that by 1993 82.1 per cent of men and 78.2 per cent of women who were employed (and 80.5 per cent of the combined workforce) were covered by superannuation.⁸²⁶

Paul Kelly is both right and wrong when he says that the Superannuation Guarantee was a “political fix.” He writes that there was “no policy analysis, no Treasury White Paper that might be expected of such a sweeping compulsory measure.”⁸²⁷ Indeed there was nothing like the National Superannuation Committee of Inquiry in the 1970s, or the Royal Commission on National Insurance in the 1920s. What Mees and Bridgen describe as the “legislative phase” of superannuation policy in the 1990s was a political response to the limits of an industrial campaign for broader coverage.⁸²⁸ But the concept of the Superannuation Guarantee, of compulsory contributions, was again built on the institution of occupational superannuation and 3 per cent award superannuation, contained in Accord Mark II. What the Superannuation Guarantee did was to give legislative effect to occupational superannuation by making it compulsory for some workers, and to set out a timetable for increases. This also had the effect of excluding some groups in society from the Superannuation Guarantee.

Women were a key group to be disadvantaged by an occupational superannuation model. As they had done in previous debates on national superannuation, women’s groups such as the Women’s Electoral Lobby (WEL) argued against superannuation and in favour of a universal age pension.⁸²⁹ Women were disadvantaged by a system based on wages, on account of their lower average earnings and the time they spent out of the paid workforce caring for children. The same issues applied to carers and those with broken work patterns, an issue that had been raised during Federation-era debates about contributory pensions, discussed in Chapter 3. Between 1990 and 1992, only 42 per cent of part-time employees, of whom more than 80 per cent were female,

⁸²⁵ Mees and Bridgen, *Workers’ Capital*, p.114.

⁸²⁶ ABS, Cat. No. 4102.0, *Australian Social Trends*, 1995.

⁸²⁷ Paul Kelly, *The End of Certainty*, p.146.

⁸²⁸ Including CBUS, that covered the Building Workers’ Industrial Union (BWIU); the Builders Labourers Federation (BLF); the Operative Painters and Decorators Union (OPDU) and the Carpenters and Plumbers unions, and The Allied Unions Superannuation Trust (later Australian Super) that covered the Amalgamated Metal Workers’ Union (AMWU); the Federated Engine Drivers and Firemen’s Association (FEDFA); the Ironworkers, the Electrical and Trades Union (ETU); the Furnishing Trades Union and the Australian Workers’ Union (AWU): Mees & Bridgen, *Workers’ Capital*, pp.43, 57.

⁸²⁹ Senate Select Committee on Superannuation, “Super Guarantee Bills” (Canberra: Commonwealth of Australia, 1992), p.42.

received superannuation benefits.⁸³⁰ The resilience of these problems and concerns about gender differences in retirement incomes is a striking example of path dependency and continuity in itself.

Recalling earlier critiques of the (male) wage earners' welfare state, feminist and founding member of WEL, Eva Cox, characterises superannuation as being part of the whole ethos of the "working man's paradise." The idea, she argues, is that wages are most important. She attributes the decision to have not only an occupational scheme but a *private* scheme of superannuation to the rise of neoliberalism, with Keating in particular a "very early convert to neoliberalism."⁸³¹ Keating as Treasurer, and later Prime Minister, was convinced of the merit of a private system. He wanted individual workers to have something more than wages alone, an opportunity to access markets.⁸³² He told Paul Kelly that

under my model you preserved national savings by taking them off the budget where they would otherwise be spent by ministers. You put them into privately managed super funds where they are preserved until age 60. The real wealth in the world is made in stock markets and the average person never got into them.⁸³³

The disadvantages faced by women in retirement, and especially with respect to superannuation, had been raised throughout the 1980s. This was against a broader institutional context in which gender consideration became much more embedded in policy-making in the 1980s. The practice of gender budgeting commenced in 1983 with the federal Women's Budget Statement, providing government analysis of proposed measures through a gender lens. The practice ceased in 2013.⁸³⁴ The *Sex Discrimination Act* was legislated in 1984, but provided carve-outs for superannuation funds.⁸³⁵

There was a divergence of views about the best way to deal with the gender inequities in superannuation, with the unions and the Labor Party seeking greater coverage,

⁸³⁰ Olsberg, *Trade Union Participation in Public Policy-Making*, p.164.

⁸³¹ Interview, Eva Cox, Sydney, 28 September 2017.

⁸³² Interview, Paul Keating, Sydney 21 June 2018.

⁸³³ Kelly, *The End of Certainty*, p.147.

⁸³⁴ Miranda Stewart, "Gender Neutral Policies are a Myth: Why we Need a Women's Budget," *The Conversation*, 16 March 2016, available from <https://theconversation.com/gender-neutral-policies-are-a-myth-why-we-need-a-womens-budget-55231>.

⁸³⁵ *Sex Discrimination Act 1984* (Cth), section 41B.

while other community groups critiqued the institution of occupational superannuation itself. Mirroring its position during the Hancock Inquiry in the 1970s, WEL opposed occupational superannuation on the basis that it discriminated against women on account of their lower average earnings and time outside of the paid workforce. However on the basis of the Superannuation Guarantee having been legislated, WEL proposed that the government should establish a “Government Superannuation Fund” that would “offer intermittent workers and others who expected to have multiple employers, to select this fund.”⁸³⁶ The ACTU argued that the tax levy was impossible to obtain and that by getting employers to pay for superannuation rather than the government, retirees could have a combination of the Age Pension and superannuation. In 1984 the ACTU established an “Action Program for Women Workers” that included a superannuation component. The focus of the ACTU’s work was on raising awareness and correcting misconceptions, including that women would only receive superannuation if they belonged to a union.⁸³⁷

Better Incomes noted that the shorter time which women spent in the labour force, together with traditionally limited access to superannuation, created reduced capacity to accumulate a significant superannuation benefit.⁸³⁸ In measures to address this, it recommended that people working as few as 10 hours per week would be able to contribute to superannuation and receive a tax deduction. In addition, people would be able to continue to contribute to superannuation for up to two years while outside the paid workforce.⁸³⁹ These proposals could not address the fundamental gender inequality in a wage-based contributory system where women’s wages were lower and their time in the workforce was less.

The Liberal Party’s view aligned more with feminist groups, driven by its opposition to the industrial roots of the Superannuation Guarantee. It proposed that workers be able to put savings into an account in the name of their spouse, whether their spouse was working or not, a practice known as “contributions splitting.” Opposition Superannuation Minister, Senator Richard Alston, argued that “[b]ecause of the Government’s narrow industrial focus, until now superannuation has been confined

⁸³⁶ Senate Select Committee on Superannuation, “Super Guarantee Bills,” p.78.

⁸³⁷ Correspondence with Iola Mathews, Co-Ordinator of the Action Program for Women Workers, 25 October 2018.

⁸³⁸ *Better Incomes*, p.25.

⁸³⁹ *Better Incomes*, p.40.

to the workplace. This artificial limitation constitutes a severe discrimination against some 2 million women outside the paid workforce.”⁸⁴⁰

Through creating a private, defined contribution scheme, the Superannuation Guarantee also institutionalised a transferral of risk from government to individuals for retirement incomes. In 1990, the government also closed the defined benefit CSS.⁸⁴¹ Fees and charges also received attention. The Democrats called on the Treasurer, John Dawkins, to take action to stop high administration fees from eroding superannuation benefits, with Treasury spokesperson, Senator Cheryl Kernot, arguing that

[i]t is one thing to put in place a system of superannuation for all Australian workers and ensure there are proper prudential controls. However, it is also equally important that superannuation contributions are not eaten away by administration fees and charges.⁸⁴²

Complaints about private fund fees have been persistent since the introduction of the Superannuation Guarantee.⁸⁴³

Other community groups were outspoken in their concerns about the risks inherent in the new system. A collection of papers published in the early 1990s by the ACT branch of ACOSS, entitled *The Super Tax Rort*, contained various critiques of superannuation. One paper alleged that the trade union movement and the Federal ALP “sold the lower paid workers down the drain” with the spread of superannuation, with the schemes simply extending the inequalities of the work phase into the post-work phase of people’s lives.⁸⁴⁴ The same paper warned that there was “more than a vague possibility that corrupt people could get hold of money which ordinary workers pay in each fortnight to their super schemes.”⁸⁴⁵ The

⁸⁴⁰ Richard Alston, Shadow Minister for Superannuation, Keynote Address to the Monash University School of Banking and Finance Industry Conference,” Melbourne, 1 December 1992.

⁸⁴¹ Ralph Willis, Minister for Finance, Press Release, “Commonwealth Superannuation Reform Brings Equity, Flexibility and Choice,” 9 May 1990.

⁸⁴² Cheryl Kernot, Democrats Treasury Spokesperson on Finance, Press Release, “Super Fees Reform Urgent,” 20 November 1992.

⁸⁴³ Jim Minifie, Tim Cameron & Jim Savage, *Super Savings*, Grattan Institute Report, No. 2015-1, April.

⁸⁴⁴ John Tomlinson, “The Superannuation Con,” in *The Super Tax Rort*, ACTCOSS Occasional Paper, n.d., p.16, personal papers of Julian Disney.

⁸⁴⁵ *Ibid.*, p.23. This was a prescient comment in light of the revelations of misuse of funds by the financial services industry in the 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

Superannuation Guarantee forced contributions by employees to private entities that have not always managed savings prudently and charge fees of varying levels that come directly out of individual savings, discussed further in Chapter 7. The decision to have a private system also had the effect of creating new career paths for union people in funds management.⁸⁴⁶ A former member of the government's Economic Planning and Advisory Council, established in 1983,⁸⁴⁷ says that "[t]he unions knew that if they controlled industry superannuation funds they would have a greater role in the economy."⁸⁴⁸

The Superannuation Guarantee created its own pathway of policy uncertainty: what exactly was superannuation there to do? Treasurer John Kerin suggested that self-provision should be a foundation of retirement income policy and a key function of the Superannuation Guarantee.⁸⁴⁹ This suggested that superannuation would, one day, replace the first-pillar Age Pension. Keating, by way of contrast, would speak about superannuation as a "viable complement to the pension."⁸⁵⁰ The system which sat underneath the Superannuation Guarantee was quite different from national superannuation, but it was trying to achieve the same end: preventing a significant drop in living standards in retirement. Exactly what level that should be was unclear. It remains unclear in 2019.

Conclusion

The period between 1983 and 1992 saw the emergence of conditions under which a new system of Australian superannuation was introduced. Policy reactivity to the Whitlam government, wage-driven inflation and recession at the beginning of the Hawke government, a novel approach to managing the economy through the Accord process, and policy pragmatism all coalesced to change superannuation policy. There was a critical juncture through which a new system of retirement savings was introduced, but one which occurred together with incremental change. The conditions

⁸⁴⁶ Interview, Brian Toohey, Sydney, 28 September 2017.

⁸⁴⁷ Which became the Productivity Commission in 1998.

⁸⁴⁸ Interview, 27 January 2017.

⁸⁴⁹ Department of Social Security, *Towards a National Retirement Incomes Policy: An Overview*, Issues Paper No.6, Social Security Review (Woden: Department of Social Security, 1988), p.6 and John Kerin, "Superannuation Guarantee Levy: An Information Paper," paper released by the Hon John Kerin, Treasurer of the Commonwealth of Australia, December 1991, p.15 cited in Marriott, *The Politics of Retirement Savings Taxation*, p.201.

⁸⁵⁰ Paul Keating, *Retirement Incomes Policy*, Address to the Australian Graduate School of Management, 25 July 1991, p.5.

present during the 1980s and into the early 1990s were unique, and are not replicable.⁸⁵¹ The claim that this period saw a critical juncture is only fully assessable after the expiration of time.⁸⁵² Consequently, Chapter 7 explores the period after the introduction of the Superannuation Guarantee and up until the present day.

The reforms which were realised, and which ultimately led to the Superannuation Guarantee in 1992 were, to a large degree, the result of institutional continuity. The new superannuation system was built on the institution of occupational superannuation, reconceived. Easson describes this period as “an exit from the previous system and the entire recasting of superannuation policy at a national level.”⁸⁵³ There was, in fact, no previous system, no national superannuation system. Superannuation was recast as an industrial policy, and it was through this recasting that substantial policy reform took place. McLean argues that the policy shifts of the 1980s “represent a point of inflection in a longer historical trajectory rather than a major discontinuity,”⁸⁵⁴ and this applies to superannuation policy as it reformed the institution of occupational superannuation. The incremental changes to regulation and taxation of superannuation, turning it into a private defined contributions system, with portability and vesting, exemplify this story of change and continuity.

The new system transferred risk to individuals, through the adoption of a defined contributions model. Keating describes the defined contributions model as “a grand bargain,” with individuals taking on more risk in return for a concessional rate of tax on their savings, vesting the accumulation in their name and having the funds privately managed.⁸⁵⁵ Occupational superannuation was a wage-based system, delivering higher benefits to higher income groups in both absolute and relative terms on account of benefits being linked to wages.⁸⁵⁶ This would also have been the case under a government system of superannuation based on wage contributions, but the Hancock Inquiry’s proposed scheme also redistributed benefits to lower income

⁸⁵¹ Interview, Former ACTU Official and Hawke Government Minister, Melbourne, 16 August 2018.

⁸⁵² As Capoccia and Kelemen point out, “[T]reating an entire decade as a critical juncture with respect to an outcome observed a century later might be sensible. But it would clearly not be sensible to consider a decade-long period a critical juncture with respect to an outcome observed only one year later”: *Ibid.*, p.350.

⁸⁵³ Mary Easson, *Keating and Kelty’s Super Legacy: the Birth and Relentless Threats to the Australian System of Superannuation* (Redland Bay: Connor Court, 2017), p.37.

⁸⁵⁴ Ian McLean, *Why Australia Prospered: The Shifting Sources of Economic Growth* (Princeton, N.J.: Princeton University Press, 2016), p.223.

⁸⁵⁵ Interview, Paul Keating, Sydney, 21 June 2018.

⁸⁵⁶ Adam Jamrozik, Marilyn Hoey & Marilyn Leeds, “Occupational Welfare: Supporting the Affluent,” in Adam Graycar, ed, *Retreat from the Welfare State* (Sydney: Allen & Unwin, 1983), p.72.

groups. By way of contrast, the taxation of private superannuation was set at a flat rate of 15 per cent on contributions and earnings, meaning that higher income groups pay proportionately less tax. These consequences of the systemic shift in old age welfare will be developed further in the next chapter.

Chapter Seven: The Politics of Superannuation Fund Choice

The thesis has been concerned with how Australia's superannuation system came to be. This chapter looks at what it has become. Chapter 6 showed that national superannuation was decisively rejected by 1992 when a privatised system of mandatory, defined contributions was introduced. In keeping with the focus of the thesis on the introduction of a private superannuation system, this chapter examines one of its consequences: how members choose a superannuation fund. Changes to the Superannuation Guarantee since 1992 have led to a continuing debate that ultimately concerns who controls members' retirement savings. The debate over "choice of fund" is a proxy for the struggle between union-backed industry superannuation funds and other financial institutions for control over the \$2.9 trillion savings pool.

Building on the incremental changes to superannuation discussed in Chapters 5 and 6, an institutional theoretical framework is again used to examine the incremental changes made to the superannuation system by introducing choice of fund. The chapter examines the choice of fund legislation ("Choice of Fund"), first introduced into the parliament in 1997 and finally passed in 2005 by the Howard Coalition Government. Choice of Fund is used as a case study of policy "displacement" and "layering." The chapter then looks at the Rudd-Gillard Labor Government's "MySuper" regime, introduced in 2013 as a response to Choice of Fund. MySuper is treated as an example of policy layering.

In examining the incremental changes effected by Choice of Fund and MySuper, the chapter focuses on the legal changes and also the ideas informing them. This is because the point of analysing incremental change is to explain and evaluate the changes that occurred, rather than simply describing them. It is relatively easy to look at an example of incremental change and to categorise it as one form of incrementalism or another, but this does little to advance our understanding of how we arrived at the policy settings we have today. Béland has called for a focus on ideas to try and resolve this tension, and this focus is taken up in this chapter.⁸⁵⁷ He argues that the relationship between ideas and legislative revision is the most straightforward because "the formal enactment or transformation of public policies typically requires the formulation of

⁸⁵⁷ Most recently, in Daniel Béland, *How Ideas and Institutions Shape the Politics of Public Policy* (Cambridge: Cambridge University Press, 2019) that contains an excellent overview of the literature on the interrelationship between ideas and institutions.

new policy ideas and a construction of the ‘need to reform.’”⁸⁵⁸ He refers to the example of conservatives in the United States during the Reagan administration, who developed a consistent ideological vision that guided the growing marketisation of their public health insurance system, Medicare, through the process of layering.⁸⁵⁹

The chapter contains five sections. Firstly, it establishes the theoretical basis for considering Choice of Fund and MySuper as examples of incremental change. The second section sets out the political context for the Choice of Fund legislation in the period after the Superannuation Guarantee was introduced. Next, the chapter analyses Choice of Fund legislation introduced in 2005 and the debates leading up to it, considering how policy displacement and layering explain the changes introduced. The fourth section of the chapter examines the MySuper legislation, introduced in 2013, drawing out key examples of the policy layering it contained. Finally, the chapter highlights the present-day debates over Choice of Fund, arguing that they reflect the ongoing power struggle between union-backed industry superannuation and bank-owned retail superannuation that arose from a compulsory system of privatised occupational superannuation. The persistent issues of risk and incomplete coverage in the modern superannuation system are highlighted.

Understanding policy change since the Superannuation Guarantee

The Superannuation Guarantee legislation created an institution of compulsory private superannuation from which the choice of fund debate sprang. Before the Superannuation Guarantee, around 80 per cent of employees were covered by privately managed superannuation, but after its implementation, this was extended to all employees (Figure 4). In so doing, the Superannuation Guarantee created its own institutional legacy, setting the terms of the debate over the process of allocating Australia’s retirement income savings. As Hacker observes, actors who wish to change popular embedded institutions in political environments that militate against authoritative reform may seek to shift the institutions’ ground level operations or build new institutions on top of them, among other things.⁸⁶⁰ The Coalition perceived that

⁸⁵⁸ Daniel Béland, “Policy Change and Health Care Research,” *Journal of Health Politics, Policy and Law* 35, no 4 (2010): p.621, 623, 625. See also Daniel Béland, “Ideas and Institutions in Social Policy Research,” *Social Policy and Administration* 50, no.6 (2016): pp.734-750.

⁸⁵⁹ *Ibid.*, p.625.

⁸⁶⁰ Jacob Hacker, “Privatizing Risk without Privatizing the Welfare State: the Hidden Politics of Social Policy Retrenchment in the United States,” *American Political Science Review* 98, no.2: p.244.

changing the way the Superannuation Guarantee operated was politically more feasible than abolishing it altogether. In this way, the Superannuation Guarantee framed the political debates about superannuation policy – the debates covered in this chapter are within the context of the Superannuation Guarantee.

Theories of incremental change assist in explaining the changes brought in under the Choice of Fund and MySuper regimes. Chapter 2 of this thesis set out the theory on incremental change and Chapter 6 argued that the introduction of the modern superannuation system was attributable to new concepts being “layered” on to the existing institution of occupational superannuation. Policy “displacement” is another form of incremental change that refers to the removal of existing rules and the introduction of new ones. This chapter examines how the institution of compulsory superannuation has changed because of displacement and layering. The chapter looks at incremental change *within* the private pension pillar of Australia’s threepillar retirement income system comprising the Age Pension, superannuation and other private savings.

Since the 1980s, award-based superannuation had seen most workers defaulted into an industry superannuation fund. Roughly two-thirds of superannuation members do not choose their fund, and are placed into a default one.⁸⁶¹ Choice of Fund legislation weakened the nexus between a person’s occupation and fund choice, opening the private market for superannuation. Choice of Fund is a clear example of the way that incremental policy change was a consequence of the original decision in the 1980s to establish a state-mandated, private superannuation system. The incremental changes have been partisan, with the Liberal-National Coalition advocating an open market of member choice, and the subsequent Labor government arguing for a form of moderated choice in order to protect the industrial system.

Choice of Fund was a response to the existing web of occupational superannuation schemes and regulations governing them. In a case of path dependency, this limited the set of options available to the Coalition in seeking to change the system along its own ideological lines. In his 1995 pre-election policy speech to the Association of Superannuation Funds of Australia (ASFA), Shadow Treasurer Peter Costello picked up on this theme. He said that “if we were designing a system from scratch we could

⁸⁶¹ PC, *Assessing Efficiency and Competitiveness*, p.82.

design it better...the Government's superannuation policy...has grown out of industrial and political compromises."⁸⁶² He went on to assert that occupational superannuation may have started out as an industrial demand, but when the Keating government decided to spread superannuation more broadly⁸⁶³ it constructed its scheme "on top of the rickety base."⁸⁶⁴

As this thesis has shown, occupational superannuation did not originally start out as an "industrial demand." Costello is right about the modern system being based on existing private occupational schemes with their own rules and operational costs. The consequence was that people who changed jobs would change superannuation funds, often leading to multiple accounts and associated duplication of fees. As a result, Costello argued, the occupational base of superannuation also disadvantaged women, who moved in and out of paid work more over their lifetimes. The only viable option was to take the system that was in place and improve it – a harbinger of the incremental approach to policy change that would take place.⁸⁶⁵

The method of fund allocation determines where compulsory savings are directed and, therefore, who has power in the superannuation system. By the time the Superannuation Guarantee was introduced in 1992, superannuation assets were estimated to be \$148 billion. The legislation contained a timetable for increasing employer contributions to 9 per cent by 2002–03.⁸⁶⁶ This would see progressively more and more funds channelled to superannuation fund managers. The battle for a slice of superannuation between the union-backed industry funds and other financial institutions intensified during the lead up to the 2005 legislation, with a mirroring political battle between the Labor and the Liberal-National Coalition.

The debates about Choice of Fund and MySuper are partly about managing risk for members. Since the introduction of the Superannuation Guarantee the consequences of a defined contribution, privatised system have become clear. The recent Royal Commission on Financial Services uncovered systemic problems with retail superannuation, as well as areas of clear misconduct such as charging members of

⁸⁶² Peter Costello, "The Federal Coalition's Approach to Superannuation," Speech to the Association of Superannuation Funds of Australia (ASFA), 2 November 1995, p.3.

⁸⁶³ Through the *Superannuation Guarantee (Administration) Act 1992*.

⁸⁶⁴ Costello, "The Federal Coalition's Approach to Superannuation," p.3.

⁸⁶⁵ *Ibid.*, p.5.

⁸⁶⁶ *Superannuation Guarantee (Administration) Act 1992*, section 20(3).

funds fees for which no service was provided (“fees for no service”).⁸⁶⁷ MySuper has attempted to apply checks and balances to funds to which members are defaulted if they do not choose their own superannuation fund. But MySuper works alongside the Choice of Fund regime. Around 40 per cent of superannuation assets are in the “choice segment” of the market today.⁸⁶⁸

One of the recurring themes in this thesis has been the groups of people who are covered or excluded by national superannuation policy at any point in time. Choice of Fund and MySuper apply to Superannuation Guarantee payments only. The default fund into which members are placed if they do not choose a fund is also bound by the Superannuation Guarantee. The self-employed, those with low incomes and people outside of the paid workforce, mostly women, are not covered by compulsory superannuation and therefore not the subject of Choice of Fund or MySuper debates. This is a demonstration of the path dependency of exclusion created by the Superannuation Guarantee.

Political context for Choice of Fund

To understand how Choice of Fund altered the superannuation system it is necessary to explain briefly how it worked before. The *Superannuation Guarantee (Administration Act) 1992* (Cth) (the “SG Act”) required that employers pay superannuation to a “complying superannuation fund” on behalf of their employees. For defined contribution funds, the amount of the Superannuation Guarantee Charge payable would be proportionate to the employee’s earnings for any year.⁸⁶⁹ For defined benefit funds, the employer’s level of support was that implicit in the benefits available to employees in the fund.⁸⁷⁰

In practice, the superannuation fund to which the employer paid the employee’s superannuation was determined under the relevant industrial award governing the person’s employment. In the case of there being no applicable award, the employer

⁸⁶⁷ See discussion of case studies including Asgard and BT, which are owned by Westpac, in *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Final Report, Volume 2 (Commonwealth of Australia: Canberra, 2019), pp.257-262

⁸⁶⁸ PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.124.

⁸⁶⁹ Superannuation Guarantee (Administration) Bill 1992, Explanatory Memorandum, p.2. The legislation provided for different percentages of employer contributions based on the employer’s annual payroll. In 1992–93, for a payroll of \$500,000 or less, the contribution was 3 per cent; for a payroll of more than \$500,000, the contribution was 5 per cent.

⁸⁷⁰ Superannuation Guarantee (Administration) Bill 1992, Explanatory Memorandum, p.2.

chose the superannuation fund named in a workplace agreement.⁸⁷¹ This process had displaced the old system of defined benefit pensions, where a worker's savings would be allocated to the company fund. Many industrial awards already offered limited choice of fund, while some allowed an employer and employee to agree on a fund.⁸⁷² In addition, many public offer and industry funds already gave members choice over their investments, but few members took up the option.⁸⁷³

Even before the Superannuation Guarantee legislation came into effect in July 1992, there had been rumblings of opposition over the way that members' savings were allocated to funds. As discussed in Chapter 6, the conservative side of politics was philosophically against the idea of compulsory superannuation, regarding it as an impost on the right of individuals to have control over their earnings. The Coalition was also deeply suspicious of superannuation being intimately bound up with the industrial award system. The growth of "industry" superannuation funds with their ties to the union movement led to concerns about union control of capital.

In a speech to the Association of Superannuation Funds of Australia (ASFA) in 1991, opposition spokesman for superannuation Senator Richard Alston set out the Coalition's views on the Superannuation Guarantee and allocation of funds. The 1986 wage case which gave effect to 3 per cent compulsory superannuation had instituted a system where employers were to pay into "approved" funds that were typically union-sponsored. The union movement, said Alston, had "mounted a fierce campaign with a view to promoting the rapid development of industry funds at the expense of traditional company funds."⁸⁷⁴ It was therefore difficult, he argued, to understand why a national compulsory superannuation scheme did not simply supersede the award-

⁸⁷¹ The SG Act refers to an "occupational superannuation arrangement," an "industrial award," and a "superannuation scheme." Superannuation paid under such an arrangement, award or scheme determined the employee's earnings base on which a person's Superannuation Guarantee was calculated: SG Act ss6(1) and 15.

⁸⁷² Senate Select Committee on Superannuation, *Provisions of the Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002* (Commonwealth of Australia: Canberra, 2002), p.9. The funds listed in awards were decided by the Australian Industrial Relations Commission (AIRC). In 2009 the AIRC became the Fair Work Commission (FWC). The process for listing funds in awards has been subject to criticism and resulted in a declaration by the Federal Court in June 2014 that an expert panel of the FWC that chose the funds was not properly constituted under the *Fair Work Act 2009* (Cth). As a result, the process for listing new funds in awards has effectively stopped: Productivity Commission (PC), *Superannuation: Assessing Efficiency and Competitiveness*, Inquiry Report, No.91 (Commonwealth of Australia: Canberra, 2018), p.529.

⁸⁷³ Senate Select Committee on Superannuation, *Choice of Fund*, 28th Report of the Senate Select Committee on Superannuation (Commonwealth of Australia: Canberra, 1998), n.p.

⁸⁷⁴ Senator Richard Alston, *Security, Dignity and Independence in Retirement – Are we Getting Close?*, Address to the ASFA 1991 National Superannuation Conference, 31 October 1991, p.4.

based system.⁸⁷⁵ Alston also noted that the concept of “complying fund” undermined the necessity of retaining an award-based system, but

this apparent concession is likely to be meaningless while the Government continues to insist that in practice employers will not have any such choice but will be required to adhere to all existing and future award obligations.⁸⁷⁶

The Coalition proposed that superannuation members rather than employers select the fund of their choice. It also proposed that it would be illegal for industrial awards to require contributions to be compulsorily placed in union-sponsored industry funds.⁸⁷⁷ Alston argued that choice of fund legislation would “put a stop to the current practice whereby the Superannuation Guarantee and award contributions are compulsorily put into a union sponsored industry fund, giving it an effective monopoly on workers’ contributions.”⁸⁷⁸

Choice of Fund: policy displacement and layering

The Coalition’s proposal for member choice derived from a faith in the principle of rational and informed consumer decision-making, as evidenced in the Financial System Inquiry (the “Wallis Inquiry”). The Wallis Inquiry was initiated in the early period of the Howard Government (1996–2007) and its report was handed down in March 1997. Treasurer Peter Costello described the Wallis Inquiry as the “daughter of Campbell,” referring the Campbell Inquiry’s report of 1981 which had recommended lifting banking regulation.⁸⁷⁹ The Howard Government commissioned the Wallis Inquiry to do a “stocktake of financial deregulation.”⁸⁸⁰ With respect to superannuation, the Wallis Inquiry focused on the merits of promoting competition between superannuation, with choice of fund by employees one way of injecting competition into the funds market. Another means was the creation of SMSFs, discussed below.

⁸⁷⁵ Ibid., p.4.

⁸⁷⁶ Ibid., p.5.

⁸⁷⁷ Liberal Party of Australia, *Superannuation Made Simple: a Handbook on How Your Super Will Work under Fightback!*, September 1992, p.3.

⁸⁷⁸ Alston, *Security, Dignity and Independence in Retirement*, p.18.

⁸⁷⁹ Peter Costello, Shadow Treasurer, “The Federal Coalition’s Approach to Superannuation,” Address to the Association of Superannuation Funds of Australia, Melbourne, 2 November 1995, p.11; Bryan Fitzgibbon and Marianne Gizycki, *A History of Last-Resort Lending and other Support for Troubled Financial Institutions in Australia*, Reserve Bank of Australia Research Discussion Paper, October 2001, p.60.

⁸⁸⁰ Costello, “The Federal Coalition’s Approach to Superannuation,” p.11.

The Wallis Inquiry recommended that superannuation fund members should have greater choice of funds in the name of promoting increased efficiency in the market. The idea was that maximised choice would increase competition in the sector, with a positive impact on fund performance and fees.⁸⁸¹ Employees would have both choice of fund and the right to transfer their superannuation to any complying fund. Transfer costs incurred in members leaving their existing fund should be “transparent and reasonable.”⁸⁸² The safeguards that would ensure choice were increased competition, member education and consumer protection measures. Member education would cover issues like the rights of members, life cycle needs, and the costs and benefits of exercising choice.⁸⁸³ Consumer protection referred to matters such as good disclosure by funds, regulation of the sales and advice process that included licensing of investment advisers, and proper dispute resolution procedures.⁸⁸⁴

The Coalition’s approach to choice was governed by a belief that there was both a “philosophical justification and a practical need to wind back the more intense forms of prudential regulation and to shift the focus of regulation more to conduct by market participants and disclosure of information.”⁸⁸⁵ Private industry and regulators had the responsibility to ensure that consumers were educated and well-informed.⁸⁸⁶ Choice of fund was also intended to reduce the administrative burden on employers.⁸⁸⁷ In fleshing out the way that Choice of Fund would work, the opposition was almost certainly cognisant of the pitfalls associated with the assumption of consumer education. In written advice to Alston before the Superannuation Guarantee came into effect, actuary Michael Rice had recommended collection of contributions by the ATO be through the payroll system. The ATO would have a list of approved industry funds so that members could be given a choice. Rice suggested that funds issue a prospectus so that members could have “informed choice about the investments of their fund” but conceded that “in practice a majority of the population is financially naïve and will be confused by a prospectus.”⁸⁸⁸

⁸⁸¹ Financial System Inquiry, Final Report (Commonwealth of Australia: Canberra, 1997), p.28.

⁸⁸² Ibid., Recommendation 88.

⁸⁸³ Ibid., p.488.

⁸⁸⁴ Ibid., p.488.

⁸⁸⁵ Ibid., p.16.

⁸⁸⁶ Ibid., p.16.

⁸⁸⁷ Senate Select Committee on Superannuation, *Choice of Fund*, n.p.

⁸⁸⁸ Michael Rice, “Superannuation Industry Funds: Collection of Contributions,” written advice to Senator Richard Alston, 13 May 1991, private papers of Michael Rice.

In 1997, five years after the introduction of the Superannuation Guarantee, the Howard Government introduced a new form of “Retirement Savings Account” (RSAs) as an alternative to superannuation funds.⁸⁸⁹ RSAs were offered by financial institutions such as banks and based on similar defined contribution pension products offered in the United States.⁸⁹⁰ RSAs are low-risk and therefore low-return products that have had minimal take-up, comprising \$1.7 billion of the \$2.9 trillion system in 2019.⁸⁹¹ The government argued that the introduction of RSAs would provide freedom of choice for members between company funds and industry funds.⁸⁹² Some smaller financial institutions still offer RSAs but none of the four major banks do.⁸⁹³

Also in 1997, the government announced legislation to give effect to the choice of fund recommendations of the Wallis Inquiry. The proposed legislation stipulated that employers be required to give all new staff a choice of fund from a list of five or more complying superannuation funds or RSAs nominated by the employer. That list of five funds had to include one RSA, one public offer fund, an industry fund or funds, an RSA provided by the financial institution receiving the employee’s pay, and an in-house superannuation fund. Where the new employee did not nominate a fund or RSA within 28 days, contributions would be made to the fund or RSA chosen by the employer.⁸⁹⁴ Costello argued that, combined with the introduction of RSAs, facilitating greater choice of funds for Superannuation Guarantee and award contributions would increase competition between different savings vehicles, leading to “improved returns and placing downward pressure on fund administration charges.”⁸⁹⁵

The proposed changes to superannuation fund allocation represented an example of policy layering with potentially profound effects. If legislated, choice of fund would

⁸⁸⁹ *Retirement Savings Account Act 1997* (Cth).

⁸⁹⁰ These are known as “401(k)’s,” a reference to section 401(k) of the *Internal Revenue Code 1986* that permits employees to defer income tax on a portion of their retirement savings.

⁸⁹¹ Australian Prudential Regulation Authority (APRA), *Quarterly Superannuation Performance Statistics*, June 2019.

⁸⁹² Senator Richard Alston, fax to Michael Rice, Draft Liberal Party Policy, 13 August 1992, p.4, private papers of Michael Rice. RSAs are accounts held with a financial institution, and so are not strictly “funds” as Alston describes.

⁸⁹³ APRA, *List of Institutions Providing Retirement Savings Accounts*, 11 April 2016, available from <https://www.apra.gov.au/list-institutions-offering-retirement-savings-accounts>.

⁸⁹⁴ Joint Ministerial Statement by Hon. Peter Costello, Treasurer and Hon. Jocelyn Newman, Minister for Social Security, *Savings: Choice and Incentive*, 13 May 1997, p.4. Following parliamentary and community negotiations, the bill that the government introduced in November 1997 differed from the original proposal announced in May by decreasing the choice options from five funds to four, and including a new “unlimited choice” option.

⁸⁹⁵ *Ibid.*, p.4.

effectively remove the industrial basis of occupational superannuation and open business for the banks and other financial institutions. In what was a concession to the idea of choice, the ALP responded by proposing that members not have choice of fund but that they have a number of choices of investments *within* funds. This was, the ALP argued, the “safest way to progress the issue,” without placing additional administrative burden on employers.⁸⁹⁶

Labor drew on international experience to express its concerns about the implications of expanded choice. In the United Kingdom, workers were induced by private advisers giving poor advice, to leave the State Earnings-Related Pension Scheme (SERPS) and transfer to new pension plans that were to their disadvantage.⁸⁹⁷ Between 1988 and 1994, over five million personal pension plans were sold.⁸⁹⁸ The British Financial Services Authority estimated that the cost to people who were mis-sold pensions was over £11 billion.⁸⁹⁹ In Chile, choice of fund had led to individuals being “persuaded to change from fund to fund...with what amounted to bribes, gifts of various kinds – inducements, in order to change the fund to which they belonged.”⁹⁰⁰ The government responded to these international comparisons by noting the different regulatory contexts between those countries and Australia, and pointing to the “key feature statement which will require full disclosure of fees and charges” which would “allow employees to become aware of any circumstances of the adviser in terms of selling the product.”⁹⁰¹ Neither Labor nor the Coalition resolved the issue of how educated in financial matters one could expect a fund member to be.

⁸⁹⁶ Kelvin Thomson MP, Shadow Assistant Treasurer, *Threatening Investment Because of OHS is Fair*, Speech to the Australian Workers Union Conference, Sydney, 18 November 1999.

⁸⁹⁷ The UK’s earnings-based public pension scheme introduced in 1978 to top up the government age pension. It is distinguishable from private workplace or occupational schemes.

⁸⁹⁸ Select Committee on Treasury, *The Mis-Selling of Personal Pensions*, Ninth Report, 17 November 1998, available from <https://publications.parliament.uk/pa/cm199798/cmselect/cmtreasy/712/71203.htm>.

⁸⁹⁹ Ibid. The figure was later updated to £13 billion. In 2018, the United Kingdom dealt with another example of pension mis-selling where around 8,000 members of the British Steel retirement fund gave up their guaranteed pensions for cash lump sums on the advice of private advisers. The FSA’s successor, the Financial Conduct Authority, intervened to halt the advice activities of the private advisers: see, for example, Josephine Cumbo, “British Steel Pension Probe Reveals Key Role of Advisers,” *Financial Times*, 12 October 2018.

⁹⁰⁰ Commonwealth Parliamentary Debates, Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 1998, Second Reading, Kelvin Thomson MP, CPD 16 February 1999, p.2855.

⁹⁰¹ Commonwealth Parliamentary Debates, Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 1998, Second Reading, Julie Bishop, 16 February 1999, p.2865. Labor noted that the Thatcher government in Britain had also endorsed fund choice as being safe, lowering costs and having appropriate safeguards.

The choice of fund regime was introduced during a period in which there was a broader shift towards superannuation as an investment rather than a source of retirement savings alone. This is demonstrated by the creation of new types of superannuation savings vehicles, following the election of the Liberal-National government in 1996. In 1999 a new category of small superannuation fund was established, the “Self-Managed Superannuation Fund” (SMSFs).⁹⁰² These funds would be owned and controlled by individuals or spouse “mum and dad” investors, or small business owners with their own capital to secure and invest. SMSFs would be regulated by the Australian Taxation Office (ATO) rather than the prudential regulator, the Australian Prudential Regulation Authority (APRA).⁹⁰³ This is because prudential responsibility for SMSFs rests with the member-trustees themselves.

The number of SMSFs has grown rapidly. There are now over 1.1 million SMSF members, up from 950,000 in 2013.⁹⁰⁴ The average assets of an SMSF is just over \$1.2 million, an increase of 27 per cent in five years.⁹⁰⁵ The SMSF sector has the most assets by fund type, despite only representing a small proportion of accounts (Figures 6 and 7). There are concerns that SMSFs are being used for wealth management purposes rather than for retirement income saving, and concerns about their exposure to risk.⁹⁰⁶ SMSFs are permitted to engage in activities that other, larger funds are not. This includes “limited recourse borrowing arrangements” (LRBAs) where the SMSF trustee takes out a loan from a third party, any returns from which go to the trustee. This has led to an emergence of tax minimisation practices to take advantage of tax-free funds held in the SMSF.⁹⁰⁷ The member-trustees of SMSFs are responsible for the

⁹⁰² The *Superannuation Legislation Amendment Act (No.3) 1999* (Cth) amended the *Superannuation Industry (Supervision) Act 1993* (Cth) to create a new category of small funds with fewer than five members, SMSFs.

⁹⁰³ The different regulators and forms of data capture between funds has led to challenges in comparing data between SMSFs and other types of superannuation funds. See, for example, the discussion in the PC’s “Fees and Costs,” Technical Supplement 5 to *Superannuation: Assessing Efficiency and Competitiveness*, p.10.

⁹⁰⁴ Australian Taxation Office (ATO), *Self-Managed Super Funds: Statistical Overview 2016–17* (Latest), available from <https://www.ato.gov.au/Super/Self-managed-super-funds/In-detail/Statistics/Annual-reports/Self-managed-super-funds--A-statistical-overview-2016-2017/>.

⁹⁰⁵ Ibid.

⁹⁰⁶ Joanna Mather, “ATO Worried About \$12 billion in SMSF Loans,” *Financial Review*, 19 January 2019.

⁹⁰⁷ Miranda Stewart, André Moore, Peter Whiteford and R. Quentin Grafton, *A Stocktake of the Tax System and Directions for Reform: Five Years after the Henry Review*, Tax and Transfer Policy Institute Paper, February 2015, p.49.

investment strategy of the fund which, in practice, has meant that SMSFs have been a boon for the financial advice industry, with mixed results for the funds involved.⁹⁰⁸

Figure 6: SMSFs have the most assets of any fund type...

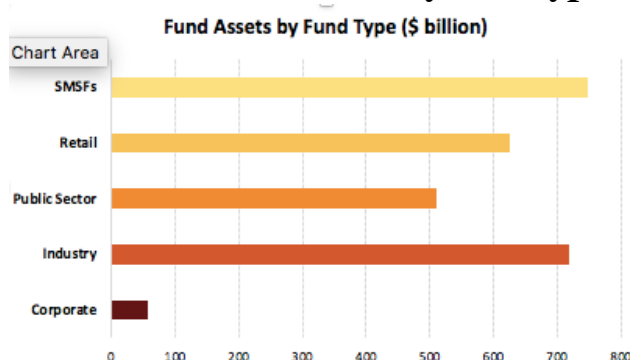
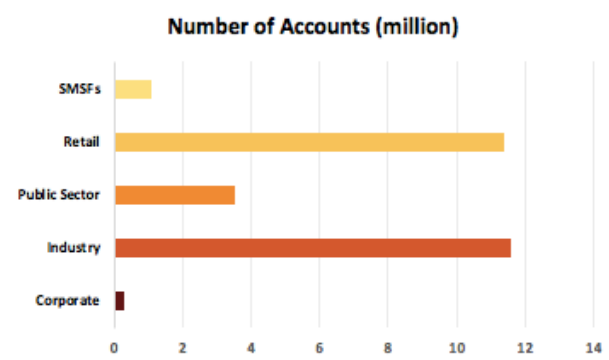


Figure 7: ...despite only representing a small proportion of superannuation entities



Source: APRA (2019).⁹⁰⁹

People have been able to amass these large pools of savings in SMSFs due to taxation and regulatory settings. ATO figures show that nearly 10 per cent of SMSFs have between \$1 and \$2 million in assets.⁹¹⁰ The average SMSF account balance is \$645,000, while the average account balance across non-SMSF funds is \$66,000.⁹¹¹ However there is a wide distribution of balances within age cohorts – average balances rising significantly with age.⁹¹² Changes to superannuation taxation in 2007 made withdrawals of superannuation savings by retirees tax-free, and also introduced a

⁹⁰⁸ See, for example, Australian Securities and Investments Commission (ASIC), 18-19MR *SMSF Advice Needs Significant Improvement*, Media Release, 28 June 2018 and underlying report, Report 575 *SMSFs: Improving the Quality of Advice and Member Experiences* and Report 576 *Member Experiences with Superannuation Funds*, available from <https://asic.gov.au/about-asic/news-centre/find-a-media-release/2018-releases/18-192mr-smsf-advice-needs-significant-improvement/>.

⁹⁰⁹ APRA, *Quarterly Superannuation Statistics*, June 2019, available from <https://www.apra.gov.au/publications/quarterly-superannuation-statistics>.

⁹¹⁰ ATO, *Self-Managed Super Funds: Statistical Overview 2016-17*.

⁹¹¹ APRA, *Annual Superannuation Bulletin*, June 2017 (Published June 2018).

⁹¹² PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.83.

“transition to retirement” option that permitted workers to continue to contribute to superannuation after the fund was in the tax-free “pension mode.” The combined effect of these changes was that individuals were able to make contributions to their fund on which they paid no tax, rather than the ordinary 15 per cent on contributions. Further, until 2016 people could contribute unlimited amounts to superannuation.⁹¹³

The Senate Select Committee on Superannuation

Institutionally, an important feature of the policy landscape during which choice of fund was debated was the existence of the bipartisan Senate Select Committee on Superannuation and Financial Services. It held inquiries, heard submissions and presented reports on a broad range of matters concerning superannuation, including choice of fund. The role of the moderate minor party, the Australian Democrats, was significant in the Committee, with the Democrats initiating its formation in 1991.⁹¹⁴ The Senate Committee produced a report on the implications of choice of fund in 1998, with Labor and Democrat members of the Committee opposing the passage of the legislation. In respect of the rationale behind choice of fund, the Committee heard evidence that there was already “a great deal of competition within the industry, particularly between fund administrators and investment managers, driven by the demand of well-informed trustees.”⁹¹⁵

The report by the Labor Senators noted that removal of superannuation from awards was “in essence, removing an established procedure for determining which default fund should apply and also removes the independent arbitrator, the Australian Industrial Relations Commission (AIRC).”⁹¹⁶ Labor was not opposed to the principle of choice. The Hawke government had publicly expressed its view that employees should have choice of fund.⁹¹⁷ But Labor believed that employees should not be forced to choose, that they had to be able to make an “informed choice,” and that choice of fund should not override industrial awards.⁹¹⁸ The Minister for Revenue and Assistant

⁹¹³ Under the 2016 federal budget changes, this was capped at \$1.6 million over a person’s lifetime.

⁹¹⁴ The Senate Select Committee on Superannuation existed until 2003: Wayne Hooper, “The Senate Select Committee on Superannuation, 1991–2003,” Australian Parliamentary Library, Papers on Parliament No.45, August 2006.

⁹¹⁵ Senate Select Committee on Superannuation, *Choice of Fund*, n.p.

⁹¹⁶ *Ibid.*

⁹¹⁷ “Commonwealth position with regard to Superannuation Issues Raised by the Confederation of Australian Industry in its 1 September Letter to the Arbitration Commission,” Series A9488, 1986/137 Part 6.

⁹¹⁸ Report, p.90.

Treasurer, Mal Brough, described Labor's terms of choice as "not letting the workers of Australia choose." Instead, choice for Labor was really a choice "determined by a union and an industry fund."⁹¹⁹

The Democrats were concerned to ensure that workers were not being made worse off as a result of choice of fund legislation, and that the legislation not be used to undermine industry superannuation funds or to provide unfair advantage for larger financial institutions with their bigger advertising and marketing budgets.⁹²⁰ Labor and the Democrats made very similar observations about the impact of the proposal, with Labor calling it the "the most potentially damaging change to superannuation since the Superannuation Guarantee was introduced."⁹²¹ The Democrats observed that choice of fund legislation was "the most significant change to superannuation since the Superannuation Guarantee" because it sought to "end the characterisation of superannuation as an industrial matter by removing award superannuation clauses and by establishing superannuation arrangements directly between employers and individual employees rather than by collective determination."⁹²² The Democrats also noted, however, that there were problems with the award funds system, including multiple accounts and areas of underperformance.⁹²³

Revised choice of fund legislation was introduced in November 1998 and passed the House of Representatives in 1999, but was defeated in the Senate in 2001. Legislation was again introduced in 2002 and was eventually passed with the support of the Australian Democrats in 2004. The Choice of Fund regime commenced in 2005. The legislation which was introduced in the new parliament in 2002 differed from the original bill in a number of ways, including by providing unlimited choice of fund for employees; a standard "choice of fund" form; the default fund to be selected by reference to an employee's current fund and for new employees by reference to the

⁹¹⁹ Minister Mal Brough, CPD, House of Representatives, 8 December 2005, p.86.

⁹²⁰ Senator Lyn Allison, Australian Democrats, Supplementary Report, *Choice of Fund*, 28th Report of the Senate Select Committee on Superannuation, 1997, pp.98-99.

⁹²¹ Commonwealth Parliamentary Debates, Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 1998, Second Reading, Kelvin Thomson, 16 February 1999, p.2856.

⁹²² *Ibid.*, p.98.

⁹²³ Senator Meg Lees, Leader of the Australian Democrats, *Emerging Issues in Financial Services*, Speech to IFSA, Sydney, 21 September 1999. During this speech, Lees also said to the funds assembled: "If you want a choice regime to take effect, then prove to us that workers will be better off, that costs can be contained, that the high returns of the industry fund trustee's investment decisions will be replicated by workers in their decisions, and that Australia's retirement savings pool will not be eroded."

Commonwealth or Territory award; and by prescribing minimum levels of insurance.⁹²⁴

The legislation established a new process to be followed for choosing a superannuation fund in the SG Act, and in so doing, is an example of institutional “displacement.” The legislation also “layered” other elements into the legislation, including by establishing the “default fund” that an employee would be placed in, should they not exercise a choice. The default fund would be that set out in the relevant Commonwealth or Territory award; in the absence of such a fund, the “majority fund;”⁹²⁵ and in the absence of both, any eligible fund chosen by the employer.⁹²⁶ If the relevant award provided for more than one superannuation fund, the employer had the responsibility of choosing the fund.⁹²⁷

There was evidence at the time the legislation was introduced that contradicted the underlying ideas about individual decision-making. For decades, economic research had shown that individuals did not always make rational choices.⁹²⁸ Even after undertaking education programs such as the one promised by the government, individuals made less than optimal choices, highlighting the need to “ensure that appropriate default options are provided in superannuation funds.”⁹²⁹ In addition, research conducted shortly after the introduction of the legislation suggested that choice of fund would have minimal take-up, with only 7% of people changing funds, and within this group, just 4% changing funds as a conscious act of choice.⁹³⁰ Five years after the introduction of Choice of Fund, a 2010 survey by the Association of Superannuation Funds of Australia (ASFA) found that only 3.5% of respondents had

⁹²⁴ Senate Select Committee on Superannuation, *Provisions of the Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002*, Report, November 2002, available from https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Former_Committees/superannuation/completed_inquiries/2002-04/choice02/report/contents.

⁹²⁵ The “eligible choice fund” to which the employer contributed on behalf of more employees than any other fund: section 32(K)(7), (8), (10).

⁹²⁶ Section 32L.

⁹²⁷ Section 32K(2).

⁹²⁸ See, for example, H.A. Simon, “A Behavioral Model of Rational Choice,” *Quarterly Journal of Economics*, vol. 69, no.1 (1955): pp.99-118.

⁹²⁹ Kerry Brown, Natalie Gallery & Gerry Gallery, “Superannuation Choice: the Pivotal Role of the Default Option,” *Journal of Australian Political Economy*, Special Issue on Superannuation, No.53 (2004): p.3.

⁹³⁰ Ross Clare, “The Introduction of Choice of Superannuation Fund: Results to Date,” *Australian Accounting Review*, vol.16, no.3 (2006): p.9.

changed their superannuation fund in the last year, with the main reasons given relating to poor returns or to consolidate their superannuation accounts.⁹³¹

Analysis of key changes in the Choice of Fund legislation

The key changes to the SG Act made by Choice of Fund are set out below in Table 1. The Choice of Fund legislation introduced many changes and neither Table 1 nor the discussion that follows attempts to canvass all of them. Instead, the focus is on describing the critical changes to the process by which employees’ Superannuation Guarantee contributions were allocated to a fund and explaining those changes using the concepts of policy layering and displacement.

Table 1: Key changes to the fund allocation process by the Choice of Fund legislation

	Original law	Change to law	Effect of change	Mode of policy change
1.	No specification of the process for choosing the fund to which an employer makes contributions for the benefit of the employee.	A contribution to a fund by an employer for the benefit of an employee is made in compliance with the choice of fund requirements if, at the time the contribution is made: <ol style="list-style-type: none"> 1. there is no chosen fund for the employee; and 2. the fund is an eligible choice fund for the employer.⁹³² <p>[Section 32C, SG Act]</p>	Introduces a new process in the existing legislation for employers to make contributions to funds. An employee is given the legislative right to choose a superannuation fund. If the employee does not exercise that right and is covered by an award, the employer allocates the employee’s superannuation to the default fund.	Layering

⁹³¹ ASFA, *Spotlight on Super: Research into Superannuation Fund Member Attitudes* (ASFA: 2010), pp.68-69, cited in Kai Swoboda, “Superannuation Legislation Amendment (MySuper Core Provisions) Bill 2011, Bills Digest No.119, 2001-12 (Canberra: Parliamentary Library, 2012).

⁹³² In other words, the employer’s default fund.

	Original law	Change to law	Effect of change	Mode of policy change
2.	A complying superannuation fund or scheme is a fund or scheme which is a complying superannuation fund for income tax purposes. [Section 7, SG Act]	A fund is an eligible choice fund for an employer if it is a complying superannuation fund; a complying superannuation scheme; a Retirement Savings Account; or funds under which contributions by an employer are presumed under ss24 and 25 of the SG Act. [Section 32D]	Creates the condition of a fund being an “eligible choice fund.” Includes complying superannuation funds within the list of eligible choice funds, and expands the types of funds to which contributions can be made to include Retirement Savings Accounts.	Layering
3.	-	A requirement in a Commonwealth industrial award or a Territory industrial award that an employer make contributions to a superannuation fund on behalf of an employee is not enforceable to the extent that the employer instead makes the contributions on behalf of the employee, in compliance with this Part, to another superannuation fund that is a chosen fund. ⁹³³ [Section 32Z]	Inserts new section overriding Commonwealth and Territory award superannuation.	Displacement

The choice of fund regime established a new procedure for choice of fund by layering a new Part 3A into the SG Act. Until this point, there was no legislated choice of superannuation fund at the federal level whereby employees could determine to which

⁹³³ Funds contained in State industrial awards were deemed by the Choice of Fund legislation to comply with choice of fund requirements: section 32C(8) SG Act.

fund their superannuation contributions were made.⁹³⁴ Instead, the focus of the SG Act and its accompanying legislation, the *Superannuation Guarantee Charge Act 1992*, was to broaden coverage of superannuation in the workforce through imposing tax penalties on employers who did not pay superannuation to employees, and up to a specified level.

The new section 32C introduced a method for choosing an employee's superannuation fund. The SG Act as originally drafted was silent on the procedure for choice of fund. Contributions could be made to any "complying superannuation fund or scheme." The assumption was that the "complying superannuation fund" to which an employer made contributions for the benefit of the employee was established through the workplace bargaining context. All new employees would be given a "choice of fund" form on which they could nominate their preferred superannuation fund. New requirements were introduced around the information that had to be contained in the form, the time by which employers had to give employees the form, and which employees had to return the form. If the employee did not wish to nominate a fund, then on the choice of fund form they could elect to have the employer make contributions on their behalf to the employer's default fund.

The implication of this element of layering was that the power to choose a fund was taken out of the hands of the employer and placed into the hands of the employee. In effect, though, most employees did not exercise their right to choose a fund, demonstrating the critical importance of the default fund. This was a key concern of the MySuper reforms, discussed in the next section.

The new section 32D introduced the concept of "eligible choice fund" into the SG Act. If an employee did not exercise their right to choose a fund then the new section required that the employer contribute on behalf of the employee to an eligible choice fund. This did not remove the existing concept of "complying superannuation scheme or fund" but rather expanded the categories of scheme and fund into which employers

⁹³⁴ Senate Select Committee on Superannuation, *Provisions of the Superannuation Legislation Amendment (Choice of Superannuation Funds) Bill 2002* (Commonwealth of Australia: Canberra, 2002), p.4. Industrial awards often gave the employee the right to choose their own fund, leading some to make the argument that a legislated choice of fund was unnecessary. Notwithstanding this, employee choice was not contained in all industrial awards, meaning that workers could be defaulted into funds that they may not wish to be in, or which underperformed.

could place an employee's contributions. Notably, this list included Retirement Savings Accounts, which only financial institutions like the banks could offer.

The third element of incremental change was section 32Z, which permitted employers to opt out of paying superannuation to funds nominated in Commonwealth or Territory industrial awards. This was a case of institutional displacement. For constitutional reasons, the choice of fund legislation did not apply to employees working under State awards. Nor did the choice of fund provisions override workplace agreements and they would only apply to public sector arrangements to the extent that employer Superannuation Guarantee and award contributions were funded.⁹³⁵ This was a legislative provision of the SG Act that was drafted to override industrial awards, having the effect of placing more power in the hands of employers. From an institutional perspective, it also had the effect of displacing the position of industrial awards as the default mechanism for allocating employees into superannuation funds.

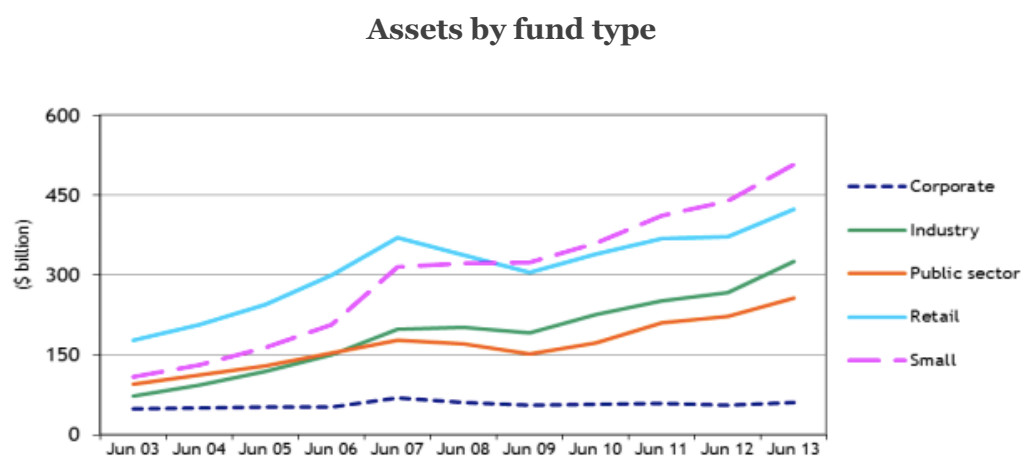
Following the introduction of the Choice of Fund regime in 2005, the retail and small funds sectors increased their share of funds (Figure 8).⁹³⁶ Practices like “vertical integration” were behind this increase, whereby the banks would offer products to employers at a reduced rate, inducing them to choose a default fund from the bank. “Bundling” business loans and superannuation was one example of vertical integration. The outcome of bundling was that employees were presented with default funds that had been selected through a process that was not transparent and which often involved commercial benefit to employers and the banks.⁹³⁷

⁹³⁵ Liberal and National Parties, *Our Future Action Plan*, p.4.

⁹³⁶ APRA, *Annual Superannuation Bulletin*, June 2008 (Canberra: Commonwealth of Australia, 2009), p.6.

⁹³⁷ The government has since passed legislation to ban superannuation fund trustees from using goods or services to influence employers to nominate a superannuation fund as their default fund: *Treasury Laws Amendment (Improving Accountability and Member Outcomes in Superannuation Measures No 1) Act 2019*.

Figure 8: The retail and small funds sectors increased their share of funds after Choice of Fund was introduced



Source: APRA.⁹³⁸

In the late 1990s and early 2000s each of the major four Australian banks acquired wealth management arms,⁹³⁹ with superannuation comprising the largest part of that business. By 2002 over 60% of the retail funds management industry came under the auspices of four major banks, AMP and AXA.⁹⁴⁰ The key motivation for acquiring these wealth management arms was “the opportunity to cross-sell a broader range of financial services to their existing customer base and to gain exposure to the rapidly growing superannuation market.”⁹⁴¹ Concerns emerged about the fees associated with these funds, the lower average returns than to industry funds,⁹⁴² and practices whereby banks would seek to integrate products they offered to businesses in order to be a more attractive default option for employers.⁹⁴³

⁹³⁸ APRA, *Annual Superannuation Bulletin*, June 2013 (Canberra: Commonwealth of Australia, 2014), p.6.

⁹³⁹ In 2001 National Australia Bank (NAB) acquired MLC and the Commonwealth Bank of Australia (CBA) acquired Colonial First State; in 2002, Westpac acquired BT Financial Group; and in 2009, ANZ acquired ING’s wealth management, life insurance and advice businesses in Australia and New Zealand.

⁹⁴⁰ Nicholas Morris, *Management and Regulation of Pension Schemes. Australia – A Cautionary Tale* (Routledge, 2018), p.84.

⁹⁴¹ Theodore Golat, “Banks’ Wealth Management Activities in Australia,” Reserve Bank of Australia Bulletin, September 2016, available from <https://www.rba.gov.au/publications/bulletin/2016/sep/7.html>.

⁹⁴² Anna Fenech, “Retail Funds Underperform all the Rest in Past Decade: APRA,” *The Australian*, 27 July 2007.

⁹⁴³ This is a practice known as “vertical integration.” The practical manifestation of vertical integration is commonly through the interface of an “independent” financial advisor, who is paid a commission by a bank or wealth management group for the sale of that entity’s products.

The entrance of the banks into the superannuation market also produced a shift in mentality amongst industry superannuation funds. The Choice of Fund regime created a “choice market.” This market was less about employees choosing a fund and more about employers’ power to choose any fund, irrespective of the industrial award. Industry superannuation funds responded by increasing their spending on advertising and marketing in a bid to “out-compete” the banks.

Despite the increased competition in the superannuation market, Choice of Fund did not produce the outcomes that its proponents gave as justifications for its introduction. Account fees remained high in absolute and relative terms, consistently 3 percentage points higher than the OECD median expense ratio for private pension fund fees and expenses between 2001 and 2013.⁹⁴⁴ Many people continued to have multiple superannuation accounts.⁹⁴⁵ Finally, Choice of Fund did not address the issues of coverage in the superannuation system. Increased competition for market share in compulsory savings still left the same groups outside of the Superannuation Guarantee as the time when it was introduced. In 2009–10, 69.7 per cent of men were covered by superannuation and the median account balance across all age groups was \$38,800. By way of contrast, 62.5 per cent of women were covered by superannuation and the median account balance was \$22,200.⁹⁴⁶

MySuper: layering

Labor’s concerns about the merits of a choice model of fund selection informed the subsequent set of reforms by the Rudd-Gillard Government (2007–2013). Labor’s rationale was that employees should be free to choose their superannuation fund, but that if they did not exercise that choice, they should be defaulted into a fund that had certain basic features. Labor initiated a review into the governance, efficiency, structure and operation of the superannuation system in 2009 (the “Cooper Review”).⁹⁴⁷ Superannuation contribution levels and taxation of superannuation were excluded from the Cooper Review, those matters coming under the purview of the

⁹⁴⁴ See discussion in Jim Minifie, Tim Cameron and Jim Savage, *Super Sting: How to Stop Australians Paying Too Much Superannuation* (Melbourne: Grattan Institute 2014), p.5.

⁹⁴⁵ Even today, four in ten members have multiple superannuation accounts: PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.84. Holders of multiple accounts pay multiple sets of fees and other features that can diminish savings, such as life insurance fees.

⁹⁴⁶ ABS, *Household Income and Wealth, 2013-14*, Cat.No.6523.0.

⁹⁴⁷ Treasury, *Review into the Governance, Efficiency, Structure and Operation of Australia’s Superannuation System* (Canberra: Commonwealth of Australia, 2009)(the “Cooper Review”).

concurrent review into Australia's Future Tax System (the "Henry Review").⁹⁴⁸ In its review of Choice of Fund, the Cooper Review assessed the operation of the system for members; for instance, whether they were actively engaged in their superannuation or were "passive defaulting members." The assessment would focus on maximising member returns, including through minimising costs and conflicts of interest.⁹⁴⁹

In introducing the concept of choice architecture, the Cooper Review was refuting the underlying assumption of choice, that of the rational and informed investor. The Review found that disclosure to members had failed to achieve its objectives, that

whatever the actual level of engagement and literacy among members, a regulatory model built around detailed disclosure and member choice has not worked for a substantial portion of the member population.⁹⁵⁰

The reason why the choice model had failed was because superannuation operated differently from an open market in which competition would allocate resources efficiently, according to classical economic theory. Superannuation was compulsory and employees would consequently often fail to choose a fund, typically becoming a member of their employer's default fund.⁹⁵¹ Citing ABS evidence, the report found that members often had very limited financial literacy.⁹⁵²

Accordingly, the Cooper Review developed the idea that a compulsory superannuation system like Australia's could not depend on all of its participants having the skills necessary to comprehend complex financial information or being investment experts.⁹⁵³ It proposed the use of "choice architecture," whereby employees would be guided in their choice of fund. The concept was drawn from contemporary behavioural economics, and its philosophy was "libertarian paternalism," the idea that

⁹⁴⁸ Treasury, *Australia's Future Tax System. Report to the Treasurer* (Canberra: Commonwealth of Australia, 2010)(the "Henry Review").

⁹⁴⁹ Cooper Review, Part One, p.v.

⁹⁵⁰ *Ibid.*, p.6

⁹⁵¹ *Ibid.*, p.8.

⁹⁵² The Cooper Review referred to ABS data showing that 46 per cent of 15 to 74 year olds, or approximately 7 million people, would struggle to understand documentation such as job applications, maps and payroll forms: *Super System Review*, Part One, p.8.

⁹⁵³ *Ibid.*, p.4.

the outcomes experienced by inert or disengaged consumers should have inbuilt settings that most closely suit those consumers' objective needs, as assessed by the expert providers of the product or service in question.⁹⁵⁴

MySuper is a superannuation product offered by funds that must contain a set of basic features designed to maximise member returns and minimise fees. The features of MySuper products included a single diversified investment strategy and limits on fees.⁹⁵⁵ Superannuation funds could still offer non-MySuper products, but these were for superannuation outside the mandatory Superannuation Guarantee default fund environment to which Choice of Fund applied.⁹⁵⁶ Superannuation trustees have duties in respect of MySuper products that do not necessarily apply to other products, including minimising costs; increased transparency requirements so members can compare funds; provision of intra-fund advice; simpler communications; and a pension component for retirement.

From an institutional perspective, MySuper was a concept layered on to Choice of Fund, in turn layered on to the Superannuation Guarantee. It was designed by the Cooper Review to “sit within the existing superannuation structures and is based on existing widely offered and well understood default investment options.”⁹⁵⁷ This was achieved by legislation passed in July 2013,⁹⁵⁸ introducing a new Part 2C to the *Superannuation Industry (Supervision) Act 1993* (Cth) and amending the SG Act. The changes to the existing legislation meant that in order to properly qualify as a default superannuation fund that could receive Superannuation Guarantee contributions made by an employer, the fund had to offer a MySuper product.⁹⁵⁹ Employers would be liable for an increased Superannuation Guarantee shortfall if they did not pay contributions for an employee to a fund that offered a MySuper product.⁹⁶⁰

⁹⁵⁴ Ibid., p.9.

⁹⁵⁵ CCH, Guide to MySuper, SuperChoice and SuperStream (CCH: Sydney, 2013), p.16.

⁹⁵⁶ Ibid, p.16.

⁹⁵⁷ Ibid., p.11.

⁹⁵⁸ *Superannuation Legislation Amendment (MySuper Core Provisions) Act 2012* (Cth), *Superannuation Legislation Amendment (Further MySuper and Transparency Measures) Act 2012* (Cth).

⁹⁵⁹ Section 32C(2) SG Act.

⁹⁶⁰ Section 29R(4) *Superannuation Industry (Supervision) Act 1993* (Cth)(“SIS Act”).

Analysis of key changes in the MySuper legislation

Table 2 sets out the changes to the choice of fund regime contained in the SG Act by the MySuper legislation. Like the above section on the Choice of Fund legislation, Table 2 and its discussion describe the key legislative changes introduced by MySuper and explains those as forms of incremental change. The focus is on the way that MySuper changed the choice of fund regime introduced in 2005, working with the institution of the Superannuation Guarantee to build protections around defaults.

Table 2: Key changes to the choice of fund regime by the MySuper legislation

	Original law	Change to law	Effect of change	Mode of policy change
1.	<p>A contribution to a fund by an employer for the benefit of an employee is made in compliance with the choice of fund requirements if, at the time the contribution is made:</p> <ol style="list-style-type: none"> 1. there is no chosen fund for the employee; and 2. the fund is an eligible choice fund for the employer;⁹⁶¹ and 3. the fund complies with the requirements (if any) set out in the regulations in relation to offering insurance in respect of death. <p>[Section 32C, SG Act]</p>	<p>A contribution to a fund by an employer for the benefit of an employee is made in compliance with the choice of fund requirements if, at the time the contribution is made:</p> <ol style="list-style-type: none"> 1. there is no chosen fund for the employee; and 2. the fund is an eligible choice fund for the employer; and 3. a class of beneficial interest in the fund is a MySuper product; and 4. the fund complies with the requirements (if any) set out in the regulations in relation to offering insurance in respect of death. <p>[Section 32C, SG Act]</p>	<p>Introduces a new provision that a MySuper product can be nominated by an employer to comply with choice of fund requirements.</p> <p>This is in addition to existing requirements.</p>	Layering

⁹⁶¹ In other words, the employer's default fund.

	Original law	Change to law	Effect of change	Mode of policy change
2.	-	Conditions are imposed on RSE licensees that are authorised to offer a class of beneficial interest in a regulated superannuation fund as a MySuper product. [Section 29E(6A), SIS Act]	Introduces a new requirement for all RSE licensees to ensure that the governing rules of the superannuation fund that the licensee offers comply with the characteristics of a MySuper product.	Layering
3.	-	A product is a MySuper product if, under the governing rules of the fund, a single, diversified investment strategy is to be adopted in relation to the assets of the fund; all fund members are entitled to access the same options, benefits and facilities. [Section 29TC, SIS Act]	Introduces new requirements and characteristics of a MySuper product which must be satisfied before an RSE is authorised to offer the product.	Layering

The major legislative change introduced by the MySuper legislation provided that employers would comply with choice of fund requirements if they nominated a MySuper product on behalf of the employee for whom the employer was paying the Superannuation Guarantee (change 1). The effect of this section was to require employers to have a default superannuation fund that complied with the MySuper requirements. If an employee did not choose their own superannuation fund, as most did not,⁹⁶² then there would be a set of baseline standards around the fund that the employee was defaulted into. The way that this change was effected was to introduce a new subsection⁹⁶³ which operated in addition to the existing parts of section 32C(2). In so doing, the new subsection was layered into the existing choice of fund regime, becoming another element of it.

⁹⁶² Hazel Bateman, *Retirement Incomes in Australia in the Wake of the Global Financial Crisis*, Discussion Paper 3/10, (Sydney: Centre for Pensions and Superannuation, 2009), pp.10-11.

⁹⁶³ Section 32C(2)(c).

New sections were introduced in the *Superannuation Industry (Supervision) Act 1993* (Cth) (“SIS Act”).⁹⁶⁴ The rules governing the superannuation fund would have to comply with the characteristics of a MySuper product (change 2).⁹⁶⁵ This was another example of policy layering, creating a legal requirement for compliance, introduced as a consequence of the MySuper regime. Characteristics of MySuper products were also set out in the SISA Act (change 3). This section was layered on to the existing provisions of the SIS Act and was a consequence of the introduction of MySuper in the SG Act.

The key institutional implication of MySuper has been to place a safety net for members underneath the Choice of Fund regime. It remains the model of fund allocation today: members may choose their superannuation fund and in the event that they do not exercise that choice, default funds are worked out in the industrial context. Many employers are still required to choose a default fund from those listed in the modern award or enterprise bargaining agreement.⁹⁶⁶ The issue over choice of fund, and especially defaults, remains in contention, reflecting the persistence of the Superannuation Guarantee as the institution that frames the political debates.

As much as it was intended to be a way of minimising fees and risks for non-engaged members, MySuper resides within a compulsory, privatised system in which members do ultimately bear investment risk. The 2018 Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (the “Banking Royal Commission”), found evidence of superannuation funds taking longer than the required time to transfer “old” default funds into MySuper accounts for business reasons.⁹⁶⁷ The government had already given funds five years for the transition. Further, there have been signs that MySuper products themselves are not always providing the best outcomes. The Productivity Commission has found that about 1.6 million member accounts and \$57 billion in assets are in MySuper products that underperformed against conservative benchmarks in the 11 years to 2018.⁹⁶⁸ There is recent evidence to show that superannuation products classified as “MySuper” have

⁹⁶⁴ Section 29TC.

⁹⁶⁵ Section 29E(6A).

⁹⁶⁶ PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.528.

⁹⁶⁷ *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry*, Final Report Volume 2 (Canberra: Commonwealth of Australia, 2019), p.69.

⁹⁶⁸ PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.528.

areas of underperformance.⁹⁶⁹ There is also evidence that the introduction of MySuper products led to additional compliance, product design and systems costs that were passed on through higher fees to members, which partly offset the reduction in asset-based fees resulting from their simpler investment design.⁹⁷⁰

No signs of stopping: the continued debate over choice of fund

The process of fund allocation remains one of the most significant and contested areas of superannuation. Attempts have been made by the conservative side of politics to wind back MySuper and return to the Choice of Fund regime as it existed in 2005. The Coalition Abbott government in 2016 introduced choice of fund legislation, which was not passed by the parliament. The government was committed to developing and releasing criteria to assess the “efficiency and competitiveness of the superannuation system, including the choice and default markets and to develop alternative models for allocating default members to products.”⁹⁷¹ As a result of a review process that commenced under the Abbott government in 2014, the Productivity Commission conducted a review into the allocation of members to superannuation funds. The report was released in 2019. In a return to the original logic behind Choice of Fund, the Productivity Commission was tasked with looking at “alternative models for a *formal competitive process* for allocating default fund members in the superannuation system to products and to develop a workable model.”⁹⁷² It found that MySuper was a “strong step in the right direction” but lacked ways of ensuring that the default option in defined contribution funds was a good deal.⁹⁷³

The Productivity Commission proposed that new employees be presented with a list of ten highly performing funds from which to choose to place their superannuation

⁹⁶⁹ In 2018 the Productivity Commission found that there was wide variation in the default fund segment, with approximately 1.6 million accounts and \$57 billion in assets in MySuper products that underperformed conservative benchmarks tailored to each product’s own asset allocation over the 11 years to 2018. The Productivity Commission said that this finding “suggests that many members are currently being defaulted into underperforming products and could be doing better.” *Superannuation: Assessing Efficiency and Competitiveness* (Commonwealth of Australia: Canberra, 2018), p.52.

⁹⁷⁰ OECD, *Pensions Outlook 2018* (Paris: OECD Publishing), p.84.

⁹⁷¹ Australian Government, *Improving Australia’s Financial System: Government Response to the Financial System Inquiry* (Canberra: Commonwealth of Australia, 2015), p.5.

⁹⁷² PC, *Superannuation: Assessing Efficiency and Competitiveness*, p.viii, emphasis added.

⁹⁷³ Productivity Commission, “How to Assess the Competitiveness and Efficiency of the Superannuation System.” Research Report, (Canberra: Commonwealth of Australia, 2016), p.3 cited in Geoffrey Kingston and Susan Thorp, “Superannuation in Australia: A Survey of the Literature,” *Economic Record* 95, no.308 (2019): p.154.

savings. The “best in show” list would be developed by an independent, expert panel appointed by the government of the day. The panel would assess applications from funds to be named on the list on the basis of the fund’s likelihood of delivering strong long-term outcomes for members. Only MySuper products would be eligible for shortlisting.⁹⁷⁴ The idea behind a “best in show” list was guided by developments in behavioural economics: to support member engagement by “nudging” them towards good products without forcing them to pick one, producing a modified, “simple choice” environment.⁹⁷⁵

Were a “best in show” proposal to be introduced, it would introduce a new competitive process for the default sector. New employees or those without superannuation funds would still be given a choice of fund form, but the form would contain a shortlist of 10 funds from which to choose. Any member who failed to make a choice within 60 days would be defaulted into one of the products on the shortlist, selected via sequential allocation.⁹⁷⁶ The new default system would apply to new employees only, and employees would carry the same fund with them from job to job.⁹⁷⁷ There would also be an option for employees to choose any other superannuation fund or to place their contributions into an SMSF.

The Labor Party and the union movement have fiercely opposed the Productivity Commission’s proposal.⁹⁷⁸ Echoing the original misgivings expressed by Labor and Democrats during the original Choice of Fund debates, the process of allocating members to default funds through “best in show” would decouple fund allocation from the industrial award system. Moreover, the Productivity Commission recommended that terms in enterprise and workplace agreements that restrict member choice would be invalidated.⁹⁷⁹ Labor’s Treasury spokesperson, Chris Bowen, said that the government had “consistently attacked industry funds, despite the fact the

⁹⁷⁴ Productivity Commission, *Superannuation Efficiency*, p.32.

⁹⁷⁵ The term “nudge” is taken from Thaler and Sunstein’s book of the same name that was responsible for popularising behavioural economics: Richard Thaler & Cass Sunstein, *Nudge: Improving Decisions about Health, Wealth and Happiness* (London: Penguin, 2008); Productivity Commission, *Superannuation Efficiency*, pp.31-32.

⁹⁷⁶ Productivity Commission, *Superannuation Efficiency*, p.65.

⁹⁷⁷ Presently, employees must make a choice of fund or be defaulted into one on the commencement of each new contract of employment.

⁹⁷⁸ See, for example, John Kehoe and Joanna Mather, “Productivity Commission Super Report: Labor Slams “Attack” on Union Super,” *Financial Review*, 10 January 2019; David Marin-Guzman and Joanna Mather, “Productivity Commission Super Report: ACTU Accuses PC of ‘ideological fanaticism,’” *Financial Review*, 10 January 2019

⁹⁷⁹ *Ibid.*, p.65.

Commission's report confirms that industry funds are, by and large, the best performers in the superannuation sector."⁹⁸⁰

The responses to the "best in show" proposal demonstrate that the Superannuation Guarantee system has generated more than investment risks for individuals. Informed choice through "best in show" seeks to manage risks for members, but in doing so underlines the point that it is members who bear ultimate risk under the Superannuation Guarantee. To improve transparency, the Productivity Commission recommended that the government require funds to publish "simple, single-page product dashboards for all superannuation investment options."⁹⁸¹ But the Superannuation Guarantee, as an industrial creation, has also generated an ongoing issue of political risk, where superannuation policy is subject to layering, displacement and continuing change.

Along with risk, another continuity in the institution of superannuation has been ensuring coverage and equity. A contributory system based on wage earnings will reflect inequalities in earnings, absent a redistributive element. There are debates about the ways of measuring retirement income adequacy, and whether women's personal retirement savings should be assessed in isolation or as part of household income and wealth. On an individual level, it is clear that the "superannuation savings gap" between women and men continues to reflect the gap in wages. Those on low incomes are also outside of the system, with the Superannuation Guarantee only being paid to people earning over \$450 per month from a single employer. As has been argued throughout this thesis, a contributory, occupational model of superannuation has also excluded those outside the workforce.

Conclusion

The debates concerning choice of fund and who has financial control over superannuation savings have been analysed in this chapter through an institutional lens, focusing on the ideas and politics behind them. The legislative reforms brought in through Choice of Fund by the Howard Government displaced some aspects of the Superannuation Guarantee and layered new elements on to it. The effect was to create

⁹⁸⁰ Eryk Bagshaw, "\$3.8 billion Super Reforms Face Labor Roadblock," *Sydney Morning Herald*, 10 January 2019. Union-affiliated industry funds have performed better overall, despite some areas of underperformance: PC, *Superannuation: Assessing Efficiency and Competitiveness*, pp.7-8.

⁹⁸¹ *Ibid.*, p.68.

a new market of competition amongst private superannuation funds, with funds responding through increases in marketing costs. One would expect to have found that greater competition drove down fund fees but there remained variability in fees charged and the returns on investment. The problems of risk and coverage remain, and complexity has been introduced.

As a response to Choice of Fund, the Rudd-Gillard Labor Government introduced a regime to provide “guided choice” of fund. The MySuper legislation built on the incremental changes introduced by Choice of Fund, further layering a new product in the default section of the legislation that would contain baseline features including minimal fees and transparency requirements. The intention of this change was to safeguard that proportion of members who still did not exercise their right to choose a superannuation fund, so that they were not being defaulted into superannuation products with high fees and low returns. MySuper has made some inroads into bringing down member fees, but even today, there remains variability in fees charged and returns on investment.

The debates over choice of fund membership are deeply political. On the one hand, the Labor Party introduced the Superannuation Guarantee and sees itself as the custodian of the industrial system it is based on. The ALP also has close ties with the union-backed industry funds sector. The Coalition was originally opposed to compulsory superannuation but was aware that as time elapsed, with the savings pool significantly increasing, it was becoming very difficult to unwind. As a result, the Coalition sought to introduce incremental changes designed to foster greater competition amongst funds and to loosen the hold that industry funds had over the market.

Just as occupational superannuation was the institutional basis for the successful introduction of the Superannuation Guarantee, it has also been the basis for its “marketisation.” Adam Stebbing has observed that the Superannuation Guarantee supported the creation of a “super market” in which products are supplied by funds competing with each other to maximise investment returns and market share – a feature which was absent in the old occupational benefits system.⁹⁸² Stebbing argues

⁹⁸² Adam Stebbing, “Privatising Retirement in a Financialising Market: Risk-shifting and Rent-seeking in Australian Superannuation Policy,” *Academy of the Social Sciences in Australia Workshop on Theorising the Dynamics of Social Service Markets*, Macquarie University, Sydney, 4th to 6th April 2018, p.5; Adam Stebbing, “The Devil’s in the Detail: Hidden Costs of Private Retirement Incomes

that the market for superannuation first started to grow with the expansion of industry funds in the late 1970s. Moreover, the Superannuation Guarantee created a government-supported market through making contributions to funds compulsory. The government also supports the private market through tax concessions on fund earnings. The occupational basis of the system's design set up a tension between superannuation savings being allocated through industrial awards or through individual choice.

If anything, debate over choice and control will become more acute as the \$2.9 trillion pool of national savings grows. It is a product of the decision to implement a mandatory, defined contributions private savings system in 1992. The debates over choice of fund would not occur if Australia had a national superannuation scheme into which members were defaulted. No doubt there would still be debates about the investment returns and likely outlays of such a fund, given Australia's ageing population. Institutionally, however, the Superannuation Guarantee set a pathway of political division between those who supported its creation, and those who acquiesced in its existence, but would not be content to allow it to remain within the industrial system.

Policy,” in G Meagher & S Goodwin, eds. *Markets, Rights and Power in Australian Social Policy* (Sydney: Sydney University Press, 2015), pp.115-151.

Chapter Eight: Conclusion

This thesis originated with the ambition of understanding why policy change happens. Australian superannuation was not just any change, but the introduction of a new system of retirement savings and one of the most significant policies to be introduced by the Commonwealth Parliament for many years. Across all age groups, 91.7 per cent of employees are covered by superannuation.⁹⁸³ The pool of savings held in superannuation funds is \$2.9 trillion, and by 2017 was the fourth largest in the OECD as a percentage of GDP.⁹⁸⁴ The key explanation is that large scale change has had long-term institutional roots. Without occupational superannuation, and the institutions of Australia's welfare state that included centralised wages, the private system of superannuation would not exist today. But incremental change has been central too, and has co-existed with "big bang" change.

This concluding chapter draws together the historical insights from the thesis. It organises the findings around the central thesis question and its three sub-questions:

Why does Australia have its superannuation system?

1. *Why didn't Australia adopt a national (public) superannuation system?*
2. *Why was a private, occupational superannuation system introduced in 1992?*
3. *What are the consequences of the decision to introduce a private occupational superannuation system?*

The chapter then looks at areas for future research emanating from the study of Australian superannuation. Finally, it discusses some recent proposals for government-run superannuation in Australia. The idea of national superannuation is not yet dead.

Why does Australia have its system of superannuation?

Using historical institutionalism as its guiding framework to answer the central thesis question meant going back to the origins of the institution of superannuation in Australia. This history starts in the mid-19th century, when the first occupational superannuation schemes were established. The first debates about contributory

⁹⁸³ ABS, *Survey of Income and Housing*, 2015–16, Cat.No.6553.0.

⁹⁸⁴ OECD 2019, <http://www.oecd.org/daf/fin/private-pensions/globalpensionstatistics.htm>.

pension financing occurred in the context of debates about old age pensions in the late 19th century. Until the late 1970s, policy debates and legislation on superannuation concerned a proposed government-run, social insurance scheme.

The sequencing of national retirement income policy was critical. By the early 20th century, occupational superannuation schemes had begun to be formed in large private firms and the Commonwealth Old Age Pension had been established. These forms of occupational and public welfare made the implementation of any government scheme of national superannuation that came afterwards more complex.

Significant changes in political support for superannuation occurred. The Labor Party began a rhetorical shift towards contributory pensions in the post-war era, softening and then abandoning its prior opposition. This was solidified through the Whitlam government's support for national superannuation in the mid-1970s. The institution of occupational superannuation emerged as an option for a national scheme following industrial disputes over superannuation as a workplace entitlement in the late 1970s. This old institution would serve as the basis for the modern superannuation system, superannuation policy having been entirely recast by the ALP as an industrial matter. Working with the institution of occupational superannuation and adapting it produced Australia's modern superannuation system.

The major insight about policy change is that refashioning very old institutions can produce radical change. Old age welfare settings were entrenched in Australia and these were closely related to the (male) wage earners' welfare state. It was most likely that any change which occurred would emerge out of these ways of "doing welfare." In a sense, it would have been more surprising if a social insurance scheme had been implemented, whether a comprehensive one or a specific superannuation scheme for old age. Other taxpayer-funded schemes have been introduced, in health ("Medibank" – now "Medicare" – introduced in 1975 and 1984), and disability (the National Disability Insurance Scheme (NDIS), introduced in 2013). These are not schemes of insurance either, but do serve as comparators of successful policy change.

The thesis also confirms the need for institutional dynamism in order for historical institutionalism to provide a general theory of policy change and stasis. Historical institutionalism has regarded change as either a "critical juncture" of path-departing

change, or incremental change without sufficient consideration of the relationship between the two.⁹⁸⁵ The critical juncture of superannuation policy that occurred in the 1980s had its roots in a policy shift that began to take place in the 1970s, driven by the failure of national superannuation and the emergence of industry superannuation funds. Incremental change also post-dated the critical juncture, with changes to the manner in which members are allocated to funds.

The policy issues anticipated with contributory pension schemes have also exhibited their own path dependency. These issues include the financial risk of defined contribution pension schemes, coverage and exclusions, and retirement income adequacy. From the public debates about pension financing in the 1890s and 1900s, to the proposals for superannuation in the 20th century, right through to present-day debates, the disadvantage women face under contributory superannuation has been raised. Embedding a contributory, industrial model of superannuation means that gender equality in retirement savings is predicated on gender equality during working life: superannuation reflects wage inequalities, and these are gendered. Even in younger age brackets, women have lower superannuation coverage and lower account balances.⁹⁸⁶

Likewise, some workers accumulate little superannuation because of patchy or seasonal work. Some workers do not accumulate superannuation at all, including the self-employed and contract workers. Many workers simply do not receive the compulsory superannuation payments that they are entitled to – the Australian Tax Office has estimated that unpaid superannuation is \$2.8 billion each year.⁹⁸⁷

⁹⁸⁵ Stephen Bell and Hui Feng, “Rethinking Critical Juncture Analysis: Institutional Change in Chinese Banking and Finance,” *Review of International Political Economy* (August 2019): pp.1-23.

⁹⁸⁶ For example, coverage for women aged 25–34 is 83.3 per cent and for men it is 87.7 per cent. The median account balance for women in the same age group is \$23,000 and for men it is \$26,000: Ibid.

⁹⁸⁷ Australian Taxation Office (ATO), *Superannuation Guarantee Gap*, 29 August 2017, available from <https://www.ato.gov.au/Media-centre/Media-releases/ATO-releases-Super-Guarantee-gap-estimate/>. Another estimate is that unpaid superannuation is \$6 billion per year: Industry Super Australia, *Super Scandal: Unpaid Super Guarantee in 2016–17* (Melbourne: Industry Super Australia, 2017).

1. *Why didn't Australia adopt a system of superannuation based on principles of national insurance?*

Central to understanding why Australia has the private, occupational superannuation system it does was the rejection of a national superannuation scheme. Existing institutions of old age welfare provided minimal public support, complemented by concessionally taxed private savings. Like the United Kingdom, Australia was a “liberal” welfare state with a minimal old age pension, but with additional elements of welfare delivered through work – as Castles described it, the “wage earners’ welfare state.” This model of welfare would survive the first debates about whether to introduce national insurance, and the attempts to implement a system in 1913, 1928 and 1938. Opposition to these proposals came from doctors, farmers, insurers, actuaries, and the Labor Party. The idea of a national superannuation scheme would continue to be debated, but not until the 1970s would it be the subject of another national inquiry.

This time, however, it would be the Labor Party that proposed a national superannuation scheme. By the late 1970s, industrial disputes about the “right” to occupational superannuation would set in motion a new pathway for superannuation policy to become an industrial matter. The first “industry” superannuation funds were established at this time. All of this would set the scene for the 1980s, under which the Accord and the “wage trade-off” cemented occupational superannuation as the institution through which superannuation coverage would be pursued. The idea of national superannuation would become an idea from another time, an “irrelevance” to Labor policy makers working pragmatically, and with a preference for market-based policies.

A note also needs to be made about the role of historical accident. It is not the case that there was outright rejection of national superannuation. Legislation for national superannuation was introduced into the parliament in 1928, and separate legislation passed in 1938, before being abandoned in 1939. The Whitlam Government also planned to introduce a scheme, before its dismissal in November 1975. We can only speculate on whether different circumstances would have seen a national superannuation scheme implemented, and how successful it would have been. These instances lend further weight to the argument that path dependency cannot be applied

simplistically: national superannuation was not unsuccessful because it had been unsuccessful before. Again, there were unique circumstances that operated against the introduction of national superannuation in each instance.

2. *Why was state-mandated, occupational superannuation successfully introduced?*

Several drivers of change created the conditions for the modern superannuation system to be introduced. In a case of path reaction, the new Hawke Labor Government came to office in 1983 with an economic approach defined by its difference from the Whitlam era. The idea of a big government scheme was not suited to economic conditions or approaches at the time. Sound economic management was the highest priority for policy makers: superannuation was made into a bargaining tool in the Accord. This was a pragmatic policy response to the high level of inflation, the need to reduce real wages and to bring the economy out of recession at the start of the 1980s. By the mid-1980s, national savings would come to the fore as a key economic issue and again superannuation would be used to answer another economic policy problem because growing numbers of people were covered. Providing a retirement income system, a decent post-work income for all employees, would emerge in the late 1980s as a reason to introduce a broader retirement savings system. Combined, these political and economic circumstances acted as “permissive conditions” for a critical juncture in superannuation policy to take place.

However, the successful introduction of the Superannuation Guarantee in 1992 followed long-term and short-term continuities; it was not a simple break from the past. The old institution of occupational superannuation which had existed since the 1840s was assuming central importance in national policy. The reason it did so was because industrial campaigns around superannuation had started in the 1970s, generating national interest in the issue. These campaigns also gave unions the option of pursuing greater superannuation coverage while still having an official commitment to a government superannuation scheme.

Finally, the system that was introduced in 1992 was also a new version of occupational superannuation. The system introduced compulsory contributions by employers on behalf of their employees to private superannuation funds, whereas the old

occupational pension schemes saw employers managing the contributions of employees and paying them a “defined benefit” for life. Once the move was made away from employer pension funds, employees had to choose where to place their superannuation investments. Under the new scheme, workers would bear the risk of any investment loss. Further, concepts would be “layered” on to occupational superannuation to rebalance it in favour of employees, so that the money they accumulated would be a pot of savings, capable of being accumulated with contributions from different workplaces, and with pauses in contributions if they took time out of the paid workforce.

3. *What are the explanations for the way the superannuation system has developed since the introduction of the Superannuation Guarantee (SG) in 1992?*

The introduction of a private, occupational superannuation system created its own path dependency and has generated its own political battles. A system of private investment required a decision over who would control the funds. The “Choice of Fund” regime in 2005 and the subsequent MySuper regime in 2013 centre on the degree of control that individual members have over their superannuation savings and how they are invested. Choice of Fund was an example of institutional “layering” that changed the method of fund allocation. The legislation also “displaced” other elements of the existing process, by overriding Commonwealth and Territory award superannuation. The MySuper regime, in turn, “layered” a framework of “choice architecture” and introduced low-fee, low-risk superannuation products. As evidenced most recently in the Productivity Commission’s “best in show” proposal for fund allocation, government is trying to manage the risk that individuals face. This may be contrasted with the public Age Pension that provides a guaranteed minimum income for life, although subject to political vagaries.

The continuing debates about choice of fund are, as much as anything else, ideological and political debates for control over the system. These flow from the creation of an industrial superannuation system – the Labor Party regards superannuation as its creation and sees itself as the natural custodian of the system. By way of contrast, the Coalition has always viewed compulsory superannuation with suspicion. Initially antagonistic to its creation, the Coalition has since tried to

influence the system through opening it up to wider competition and delaying scheduled increases to the Superannuation Guarantee.

Future research

This thesis has been a detailed historical study of the development of Australian superannuation policy. There are many directions that the thesis could have taken but which were not possible in order to do justice to a single case study. The institutionalist literature is replete with comparative case studies and the history of Australian superannuation provides a basis for instructive comparative work. This would be a valuable contribution to Australian public policy studies, with its current focus on barriers to policy reform.⁹⁸⁸

Much comparative work has been done on pensions, and welfare systems more broadly. Some of the research is historical but much of it is current empirical analysis. There is, accordingly, fertile ground for comparative institutional studies of the historical development of pension systems. Marriott has carried out a study of the development of comparative retirement taxation systems in Australia and New Zealand. Comparative work between Australia and the United Kingdom is another obvious direction, given the likeness of the two welfare states and the strong influence of the UK on the ideas underpinning Australia's welfare state.

A third area for future research is to further to explore recent theoretical debates around incremental policy change in the context of the modern superannuation system. Stebbing has understood the "financialisation" of superannuation as a process of policy layering which commenced in the 1970s,⁹⁸⁹ and, with Spies-Butcher, has also located the development of superannuation tax expenditures (STEs) in an institutional framework.⁹⁹⁰ This work could be extended upon, bringing it together with other analyses of superannuation fund fees and regulation to assess just how different the superannuation system is today from the one created in 1992.

⁹⁸⁸ Joannah Luetjens, Michael Mintrom & Paul 't Hart, eds. *Successful Policy Reform: Lessons from Australia and New Zealand* (Canberra: ANU Press, 2019).

⁹⁸⁹ Adam Stebbing, "Privatising Retirement in a Financialising Market: Risk-shifting and Rent-seeking in Australian Superannuation Policy," *Academy of the Social Sciences in Australia Workshop on Theorising the Dynamics of Social Service Markets*, Macquarie University, Sydney, 4th to 6th April 2018.

⁹⁹⁰ Adam Stebbing and Ben Spies-Butcher, "Universal Welfare by 'Other Means'? Social Tax Expenditures and the Australian Dual Welfare State," *Journal of Social Policy* 39, no.4 (2010): pp.585-606.

What goes around comes around: the idea of government superannuation

Far from settling superannuation policy, the Superannuation Guarantee established a system that has continued to be the subject of fierce debate. The debates over Choice of Fund have exemplified this, and they are one example among many. Most recently, the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Sector, handed down in February 2019, provided evidence of some of the failings of the superannuation system. The Commission found that there was a number of areas in which private superannuation funds were failing members, including the creation of multiple accounts, the fees for which whittled away member savings. Some funds were found to be spending “not insignificant amounts” to establish good relationships with employers in order to entreat them to nominate the fund as the employer’s default fund. The Royal Commission recommended legislative change to prohibit such “treating of employers.”⁹⁹¹

In light of some of the recent findings about the failings of private superannuation funds, discussion again turned to the prospect of a government-run superannuation scheme. Peter Costello, the former Treasurer under the Howard Government and now the Chairman of Australia’s sovereign wealth fund, the Future Fund,⁹⁹² proposed that a public superannuation fund should be created as the default fund for Superannuation Guarantee contributions.⁹⁹³ This proposal would entail the creation of a contributory government scheme, managed by the Australian Tax Office, where compulsory superannuation contributions are managed by a government fund, unless individuals choose another. The proposal as envisaged would not cover additional private superannuation savings above the Superannuation Guarantee.

Paul Keating has proposed a further option for a government scheme at various times over past decade. The idea is for government “longevity insurance,” to pool the retirement income risks of a longer-living society. Superannuation Guarantee contributions of 12 per cent, combined with the Age Pension, would, Keating argues,

⁹⁹¹ Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry, pp.251-252; Recommendation 3.6.

⁹⁹² The Future Fund was established in 2006 to help meet the Commonwealth’s unfunded liabilities for public service defined benefit pensions. The Commonwealth Superannuation Scheme was closed to new members in 1990.

⁹⁹³ John Kehoe, “Future Fund Chairman Peter Costello wants Government Default Superannuation Fund,” *Financial Review*, 11 February 2019.

provide a decent standard of living up until a person's mid-80s. Thereafter, increasing health and aged care costs begin to eat into income. Keating has therefore proposed a 3 per cent "longevity levy," which would be paid into a government fund, to be drawn on by those in the over-85 age group for specific costs.⁹⁹⁴ He has not publicly addressed the issue of why a public fund is preferable for longevity risk, when he assumes private funds are better placed to manage superannuation contributions for those aged up to 85.

Neither Keating's nor Costello's proposals have garnered much political interest. The Liberal Party was openly considering a government default scheme for superannuation but distanced itself from the proposal ahead of the 2019 federal election. The Labor Party has not demonstrated any appetite for either a government default fund or a government longevity fund. It seems that, for now at least, Australia's major political parties are more occupied with superannuation fund performance and conduct. They are also set for a debate about the level of wages that should be compulsorily paid into private superannuation under the Superannuation Guarantee. Nearly 30 years after the introduction of the Superannuation Guarantee, the questions of efficiency and equity raised by a private, defined contribution, occupational system are many.

⁹⁹⁴ Paul Keating, Interview with Leigh Sales, *ABC 7:30*, 13 November 2018.

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