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## SME employees may take superannuation rise hit

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MELINDA OLIVER

Employees may bear the cost of the new superannuation legislation, as struggling businesses grapple with how to fund the .25% raise to 9.25% implemented on July 1.

A report in *The Australian Financial Review* today said financial advisers are telling small businesses to make their employees cover the new cost, by renegotiating base salaries or cutting into future pay rises.

The report highlighted that employees on total remuneration packages are most at risk, as employees on industrial agreements will likely be protected.

Sydney-based Callaghan Partners director Brad Callaghan agrees that for small businesses, renegotiating salary packages may be a viable solution to funding the cost.

"Employers can't get around the cost, it is the law and you have to pay it. The fines and penalties are large so it is worth complying," Callaghan told *SmartCompany*.

However, he argues the value of retaining quality employees should be taken into account.

"It's a catch 22. Good staff are worth paying for and you want to keep them, otherwise they will go elsewhere to businesses willing to pay the .25%."

Callaghan says that short of raising more revenue, finding the funds to cover the superannuation increase can be a challenge.

"You could raise service fees or product costs, or cut costs elsewhere. Perhaps take a percentage off the marketing budget or somewhere else.

"The priority is retaining good staff."

The revised superannuation legislation will see compulsory employee super contributions rise to 9.25% for the 2013-14 financial year. Scheduled increases will see employee superannuation contributions reach 12% by financial year 2019-20.

[A guide for small business: Legal changes for the new financial year](#)

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