ASFA Research note: Payday Super

- ASFA supports the Government's proposed Payday Super regime, which will require employers to pay their employees' superannuation contributions at the same time as salary or wages.
- Payday Super will make it easier for employees to keep track of their superannuation contribution payments – and so will help reduce the incidence of under-payment and non-payment of compulsory superannuation contributions.
- For employees, the incidence of under- and non-payment of compulsory contributions tends to be higher for younger, blue-collar workers: around 70% higher for those aged 20 to 24 compared with those aged 60-64, and more than double for those working in trades compared with white-collar professionals.
- Under- or non-payment of compulsory contributions can have an extremely detrimental impact on retirement outcomes: for a 30-year-old on average wages, one year of missed contributions would mean around $25,000 less at retirement at age 67.
- For most employees, the frequency of SG contributions will increase to align with wages. For 25-year-old on average wages throughout their career, receiving super fortnightly instead of quarterly will mean being around $5,000 better off at retirement.

Payday Super, when introduced, will require employers to pay their employees' compulsory super contributions – or Superannuation Guarantee (SG) contributions – at the same time as salary or wages. Currently, employers are required to pay SG contributions only quarterly, regardless of the frequency of salary or wage payments.

The Australian Government is currently considering the settings for the Payday Super regime – including its implementation date – prior to introducing draft legislation before Parliament.

1. Payday Super will bring significant benefits

Over time, Australian workers will increasingly benefit from the introduction of Payday Super.

Most notably, Payday Super will help reduce the incidence of under-payment and non-payment of SG contributions. For affected workers, under- or non-payment of SG contributions means – all else being equal – lower super balances at retirement.

Extended periods of under- or non-payment of SG contributions have an extremely detrimental impact on retirement outcomes: for a 30-year-old on average wages, one year of missed contributions would mean around $25,000 less at retirement at age 67; five years of missed contributions would mean more than $100,000 less at retirement (see Section 3 for more detailed figures).

At the system level, higher retirement savings will, over time, reduce reliance on the Age Pension and help ease pressure on government finances. By boosting retirement outcomes – particularly for lower income and vulnerable workers – Payday Super will deliver long-term benefits not only for individuals, but for society as a whole.

More generally, for the majority of Australian workers, Payday Super will increase the frequency of SG contribution payments. By itself, more frequent contributions will have a small, positive impact on workers' super balances at retirement (see Section 4).

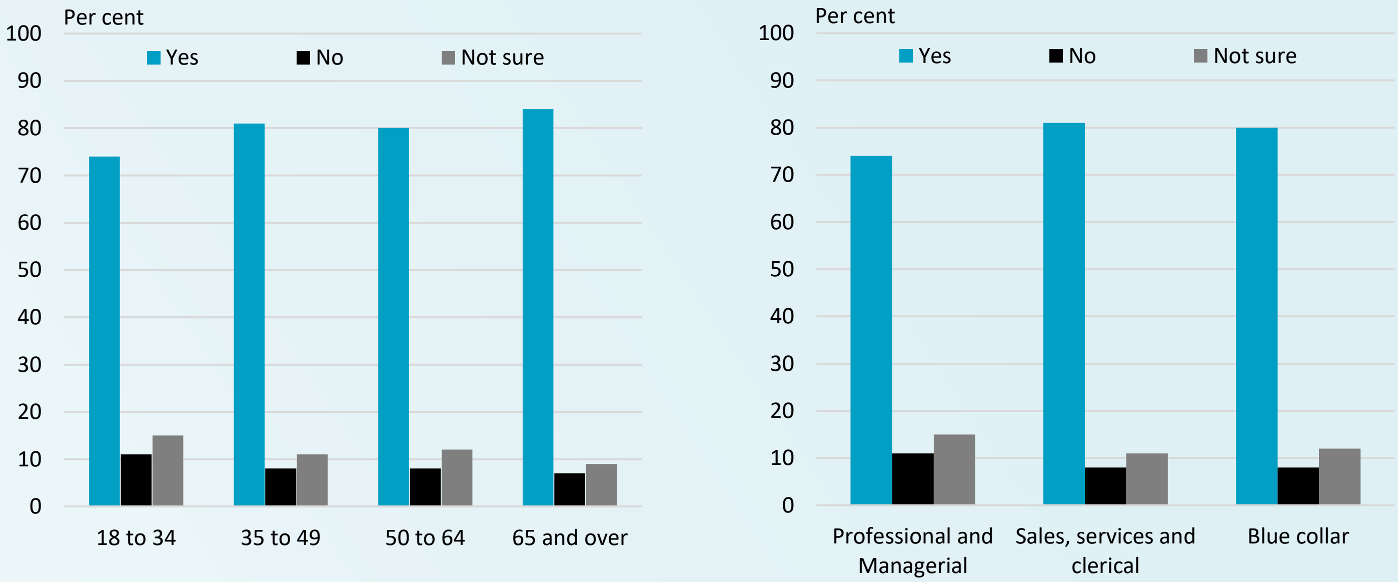
2. Public support for Payday Super is high

The overwhelming majority of Australians support having SG contributions paid at the same time as their salary or wages.

In recent survey undertaken for ASFA, 80% of respondents supported a policy change that would align SG contributions with salary/wages, while only 8% did not support such a policy change.

Support for Payday Super is high across age cohorts and by broad occupation type – see charts below. In Chart 2, it is notable that support among blue-collar workers is higher than for professionals. As the analysis in the next section shows, blue-collar workers are more likely than professionals to miss out on SG contributions.

Charts 1 & 2: Should SG contributions be paid to employees' super accounts at the same time as wages?*



Source: Survey undertaken for ASFA by Redbridge. * See footnote at end of note for details of survey.

3. Payday Super and the under/non-payment of SG contributions

Payday Super will make it easier for employees to keep track of their SG contribution payments from employers, and so will reduce the incidence of under-payment and non-payment of SG contributions.

It is important to note that Payday Super will not eliminate under- or non-payment of SG contributions: the ATO will still play a vital role in enforcing compliance with the SG regime, as well as educating employers and workers.

Who is most affected by non- and under-payment of SG contributions?

The incidence of under-payment and non-payment of SG contributions differs according to the age and occupation of workers. For employees who are affected by under- or non-payment of SG contributions on *reported* wages, ASFA has derived estimates for relative incidence by age and selected occupation type.

Incidence tends to decrease with age (Chart 3). Using the 60 to 64 age cohort as the reference cohort (black), Chart 3 suggests that incidence is around 70% higher for those aged 20 to 24. The broad trend – of incidence falling by age – is consistent with separate survey data that finds that members' general engagement with their super tends to rise with age.

Incidence differs across occupations (Chart 4), where the available data relates to broad, selected occupational groups. Using 'professional' as the reference occupation (black), Chart 4 suggests that incidence is more than double for those working in trades including laborers.

Note that these data relate only to workers who receive salary or wages that are reported to the ATO. For the broader group of Australian workers, relative incidence for trades workers would be higher – due, for example, to the greater prevalence of mis-representing employees as independent contractors (so-called sham contracting).

Impact on super balances

In circumstances where Payday Super would reduce the incidence of under-payment or non-payment of SG contributions, it would lead to better retirement outcomes.

Table 1 shows the estimated impact of non-payment of contributions on a worker's super balance at retirement, at age 67, for a worker who earns average wages during their career.

- For a 30-year-old worker, missing out on a full year of contributions (at aged 30) means $25,000 less at retirement. Missing out on all contributions during the next 5 years means $116,000 less at retirement.
- For a 40-year-old worker, missing out on a full year of contributions (at aged 40) means $18,000 less at retirement. Missing out on all contributions during the next 5 years means $86,000 less at retirement.

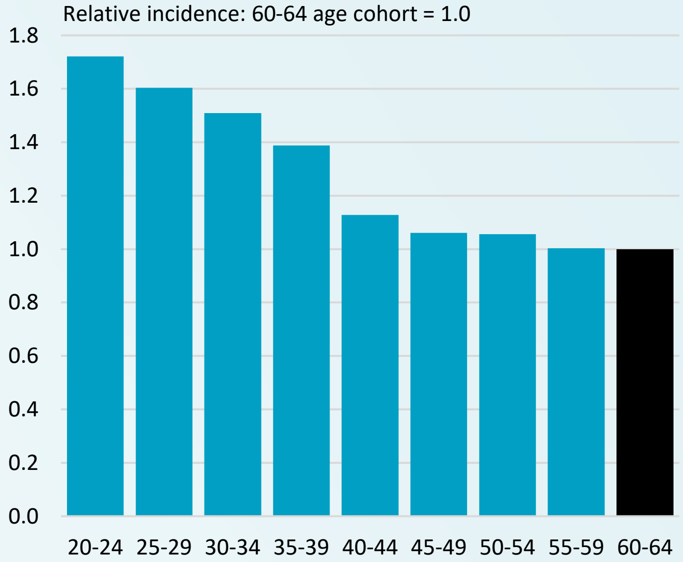
Table 1: Impact on super balance at time of retirement (age 67), from missing consecutive years of SG contributions

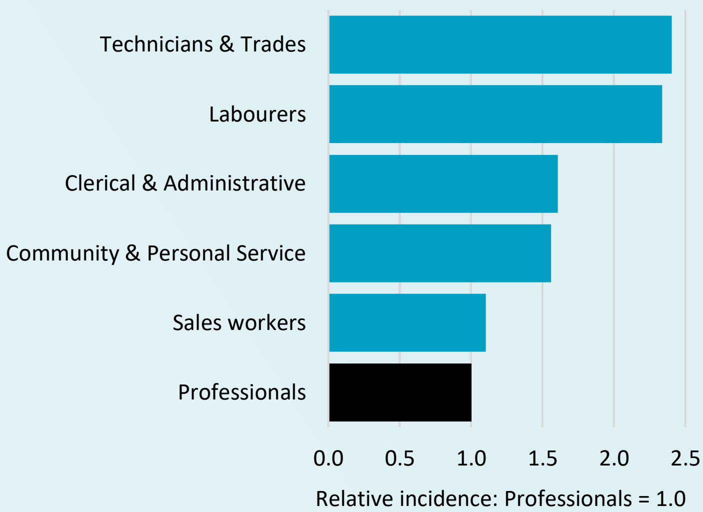
	Age at start of Year 1	
	30 year old	40 year old
Number of consecutive years of missed contributions		
Miss 1 year	-25,000	-18,000
Miss 2 years	-48,000	-36,000
Miss 3 years	-72,000	-53,000
Miss 4 years	-94,000	-70,000
Miss 5 years	-116,000	-86,000

Source: ASFA.

Charts 3 & 4: Relative incidence of under- and non-payment of SG contributions

Black bars represent reference cohorts





Source: ATO and ASFA.

The extent of under- or non-payment of SG contributions

The ATO publishes annual estimates for the 'SG Gap': the difference between actual SG payments made by all employers in Australia, and the theoretical total assuming full compliance by employers. The SG Gap includes the impact of ATO compliance actions – that is, where compliance action led to payment of SG contributions.

The SG Gap provides an indication of the scale of under- and non-payment of SG contributions each year.

For 2021-22, the SG Gap was around $5.2 billion out of a theoretical total of $81.3 billion, or 6.3% of the of the theoretical total. The ATO identifies the key components of the SG Gap:

- Under- or non-payment of SG contributions related to wages that are reported to the ATO. For 2021-22, the ATO estimates this to be $2.6 billion. A small portion of this figure relates to late SG payments – that is, contributions that were paid after the payment window closed for the June quarter of 2021-22.
- Under- or non-payment of SG contributions on unreported wages – which relates to the shadow or underground economy. For 2021-22, the ATO estimates this to be $2.2 billion.
- SG contributions that have been paid by employers, but likely have been mis-categorised as a different type of superannuation payment. For 2021-22, the ATO estimates this to be $0.4 billion.

That said, the SG Gap does not account for workers who miss out on SG contributions due to 'sham contracting' (workers mis-represented as independent contractors instead of employees), nor the full impact of business insolvencies on the payment of worker entitlements – which includes SG contributions.

4. Impact of more frequent SG contributions

For the vast majority of employees, the frequency of SG contribution payments would increase to align with payment of salary or wages. Table 1 shows ASFA-derived estimates for the proportion of wage and salary earners who would be affected.

Overall, around 90% of employees would see an increase in SG payment frequency, with the most common shift being from quarterly to fortnightly (29% of employees), followed by quarterly to weekly (24% of employees).

Table 2: Proportion of employees for whom the frequency of SG contributions will change

Quarterly to:	Weekly	29
	Fortnightly	24
	Monthly	9
Monthly to:	Weekly	16
	Fortnightly	13

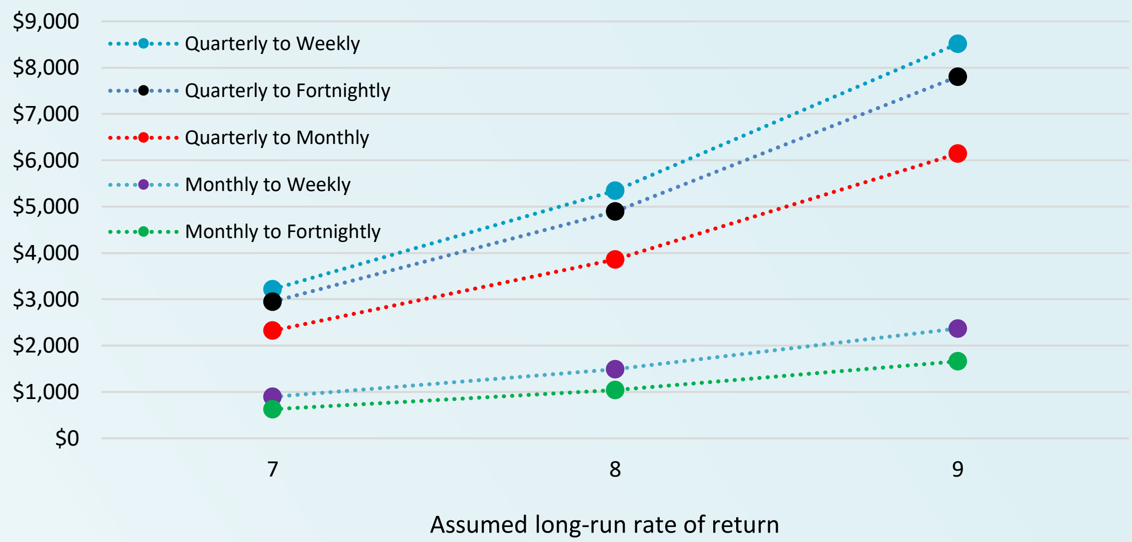
Source: ATO and ASFA.

By itself, more frequent contributions will have a small, positive impact on workers' super balances. With more frequent contributions under Payday Super – all else being equal – employees would benefit more from compounding investment returns, and thus would have higher superannuation balances at retirement.

Chart 5 shows the impact (on super balance at retirement) for a 25-year-old who earns average wages throughout their career, for different assumed long-run rates of return on superannuation investments. For example, for an employee for whom the contribution frequency increases from quarterly to fortnightly, and assuming a long-run nominal rate of return of 8 per cent per annum, the boost to their super balance at retirement would be around $5,000.

**The survey was conducted by RedBridge Group for ASFA, from 10 to 17 March 2025. The sample size was 1,507 Australian citizens aged 18 and older, who were enrolled to vote. Participants were recruited via an online panel.*

Charts 5: Impact of higher frequency of SG contributions on super balance at retirement**



Source: ASFA. ***Taking account of fees, taxes and an assumed inflation rate of 2.75%, the corresponding real returns are 3.2%, 4.2% and 5.1%.*