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What Does Payday Super Actually Mean?

There's been a lot of buzz around superannuation since the 2023-24 Federal Budget was announced. One such buzz involves the concept of 'payday super'.

Payday super has been introduced by the government to avoid the discrepancies that those in lower-paid, casual and insecure work often encounter with their superannuation compared to others in more secure positions due to less-frequently paid super.

Employers are currently required to pay the superannuation guarantee of 10.5% on top of employee wages every quarter, even if workers are paid more frequently in fortnightly or monthly pay cycles.

The idea behind payday super is that rather than employers pay their employees their superannuation quarterly, they will be expected to pay it to employees when their pay cycles are run (on 'payday'). This reform is to come into effect from July 2026.

Aligning the payment of superannuation with wages and salaries will increase retirement incomes through greater compounding returns.

For example - a 25-year-old on an average income who currently receives their super quarterly and their wages fortnightly could be up to $6000 or 1.5% better off at retirement

More frequent super payments could also help employers by making payrolls smoother with fewer liabilities building up on their books and making it harder for employees to be exploited by disreputable employers.

Unpaid super is a critical issue afflicting the current superannuation system, with an estimated $5 billion missing from Australian employees.

Currently, Australian employees are vulnerable to exploitation if their employer fails to make the required superannuation contributions.

These workers often rely on ATO intervention to recover lost super. However, the ATO is only able to recover up to 15% of owed superannuation generally.

Another issue that this may lead to some form of an amendment, is the gender gap in superannuation.

Women are often victims of this exploitation of unpaid or missing super due to gaps in employment that may occur, affecting how their superannuation compounds and/or stagnates. This could be from taking time off work for caregiving reasons, the overall pay from their job or even just taking maternity leave.

It is believed that women will likely earn $135,000 less than their male counterparts over their working lives as a result. Payday super could potentially lead to further action regarding the retirement outcomes for women who take time out of the workforce, such as paying super on paid parental leave.

Some employers may face cashflow issues when paying superannuation at the same time as payroll. However, three years of notice has been given to those who may have these issues to adjust their cashflow practices and make arrangements. To avoid compliance issues with the requirements to be instated in 2026, it's best to update payroll systems beforehand.

Not sure where to start? Speak with your trusted business adviser today. We're here to help with the complexities that can arise with payroll.