



# Fixing unpaid super

Fact Sheet | August 2024



## Making our world-class super system better

- Australia’s superannuation system is one of the most effective retirement schemes in the world, covering around 90% of employees and with median balances of around \$200,000 for those nearing retirement.
- With this success also comes a responsibility to keep improving the system to ensure its benefits are enjoyed by as many Australians as possible.

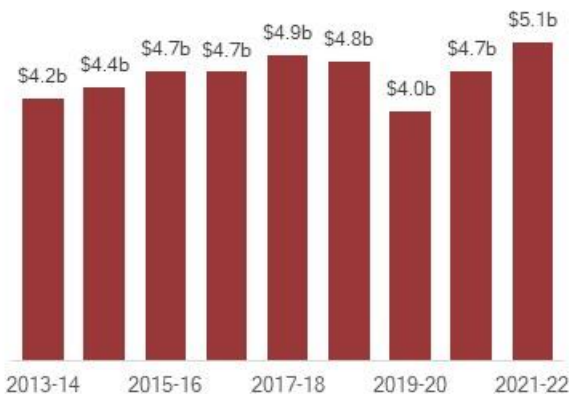
## What’s unpaid super

- Unpaid super is when a worker receives less than their full superannuation entitlement on time or is not paid their super at all - either unintentionally or deliberately.

## How big is the problem

- Super Members Council (SMC) modelling shows that:
  1. In a year, 2.8 million Australians missed out on \$5.1 billion in super (2021-22)
  2. Over 9 years, Australians missed out on \$41.6 billion (ending 30 June 2022)
  3. The average affected worker missed out on \$1,800 in super in a year - which can mean more than \$30,000 less in retirement savings for a typical worker, and
  4. The problem is getting worse with Australians losing more money at a higher average

Figure 1. Total amount of unpaid super by financial year



Source: SMC analysis of ATO 2% sample file, 2013-14 to 2021-22

## Vulnerable employees the most affected

- Those in insecure work, lower-income earners, migrants, and younger workers are most likely to be affected. Lower paid women are acutely affected. Workers in these groups often face broader inequities, which can be exacerbated and extended to retirement if they are not paid their super.

## It’s not just employees who suffer

- Unpaid super creates an unfair playing field for business, with employers who pay their workers’ entitlements on time and in full undercut by those who don’t.
- Unpaid super also risks eroding confidence in the super system and its ability to provide the strongest retirement for millions of Australians.

## What’s the cause

- A key driver of unpaid super is payments of super are misaligned with payments of wages.

## What’s being done about it

- Government has committed to introducing a payday super scheme. This reform can significantly reduce the scale and impact of the unpaid super scourge.
- Government has also announced more funding and targets for the ATO to improve compliance.
- However, details are yet to be provided about how these promises will be implemented.

## What needs to happen next

- **Implement payday super legislation in full and on time** - The Australian Government must ensure its commitment is enacted in legislation and passed in this term of Parliament. This will allow the ATO, businesses and super funds to prepare for a smooth transition before it is implemented on 1 July 2026.
- **Improve ATO enforcement** - Set ATO targets for the amount unpaid super recovered, the amount of enforcement actions taken, and make greater use of Part 7 penalties for intentional or systematic non-compliance, as well as imposing criminal penalties under wage theft legislation where applicable.
- **Extend the Fair Entitlements Guarantee** - the Government should include super in the workers compensation scheme of last resort in cases of insolvency.