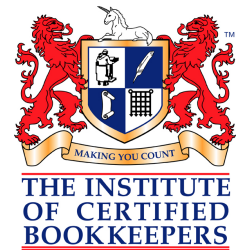


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EXPOSURE DRAFT – PAYSリップ REPORTING of SUPERANNUATION CONTRIBUTIONS

FEEDBACK SUMMARY

For the reasons outlined below:

- 1/ **“We do not believe that the proposed measure will achieve the purpose.”**
- 2/ **“We believe this creates further unnecessary red tape compliance burden”**
- 3/ **“We believe the purpose can be achieved more effectively”**

OUR UNDERSTANDING OF THE PROPOSAL

Require employers to report, on payslips, any information prescribed in the regulations about superannuation contributions. The regulations will in turn require employers to report the amount of superannuation contributions, as well as the date on which the employer expects to pay them.

Commencing 1 July 2012

EXTRACT of context of amendments

1. Some employers fail to pay their employees’ superannuation entitlements....provide greater protection for vulnerable workers.
2. At present employers are required to report (on payslips) either *entitlements* to superannuation *accrued* during the pay-period, or *actual* contributions.
3. at present employees are unable to tell from their payslips whether their superannuation contributions have already been made, or when they will be made. While employers need to report accrued entitlements to superannuation guarantee (SG) contributions on payslips, they do not actually need to make SG contributions until 28 days after the end of the quarter concerned. Employees may be misled by the payslip into thinking that the contribution has actually been paid.
4. The broader measure is designed to require employers to report the date on which they expect to make their contribution. This will improve employer compliance since employers will be making a public (and checkable) statement on their payslips. The measure will also improve the timeliness of information by telling employees when they can check with their fund that their employer has made the contribution.

FEEDBACK

“We do not believe that the proposed measure will achieve the purpose.”

1/ “vulnerable workers” will be provided with a different piece of information about their superannuation entitlements but no further mechanism or effective mechanism to address any apparent non-payment with their employer.

2/ this reporting step does not result in any immediate action by the employee: despite receiving information on every payslip it will only be when the payment date has occurred that they have an action item and then when checked the payment will be for a different amount, creating confusion.

3/ because the employee will be receiving this information every payslip, the information becomes a “normal” item and as there is no response it is therefore more likely to be ignored. There is no positive outcome or action to the employee on most occasions of receiving this information (i.e. 12 out of 13 pay slips for weekly pays there is no action to be taken by the employee)

4/ We do not believe this will create any additional effective mechanism to cause or prompt non-compliant businesses to pay their superannuation obligations. If they don't comply with the obligation now, they are unlikely to implement the reporting change on payslips, if they do, they will report the wrong date, and reporting a date is no more likely to have them pay the entitlement.

5/ We believe that most business will simplify the process and default the “date on which they **expect** to make their contribution” to be reported as the last date of the “required” superannuation payment obligation i.e. the 28th day of the first month following each quarter. This will not necessarily bare any resemblance to the date of payment but it is arguably the “expected” date and may be later than when paid. Hence an administrative burden for all business, that meets the obligation with no useful information being provided.

6/ We believe this measure has the potential to further confuse the employee who will

- a) read a superannuation amount on the payslip with a future payment date and therefore has no ability to check at that time, &/or
- b) read a superannuation amount that relates to that payslip and when they check the amount paid will find a different amount because the contribution paid does not equate to that one payslip but it is for several payslips.

“We believe this creates further unnecessary red tape compliance burden”

7/ We believe this measure will create an administrative burden on all business. Noting that it penalises those business that do already comply and we do not expect will change behaviour of noncompliant business. The compliance burden will increase on all with no positive effect.

8/ Every employer who now seeks to comply must include additional administration steps for each and every payrun (weekly, fortnightly). For each payrun, possibly for each separate employee this measure will require the inclusion of an additional field of information being the date of expected payment. This additional information requiring thought and process for each employee for each payrun, especially if the fund or award requirements are different. (Scenario: If there are 10million employees in Australia and each fortnight the employer must consider and advise the expected date of payment: a process of calculation/estimation and then enter that date a process maybe of 3 seconds each is 8,333 extra administration hours per pay period.)

9/ Businesses who pay superannuation amounts more regularly than once per quarter will now either have additional reporting obligations or only report the “expected” date as the one date of the 28th day of the first month following each quarter, despite paying the superannuation more regularly over the period.

CONCERN

We do not believe the most commonly used software packages providing payroll assistance to business will be able to comply with this measure by 1 July 2012

If they do manage to provide some capacity for employers to comply within the software it will be a process requiring further manual administration by the employers.

As the commencement date is only 4 months away, software companies have historically shown very little ability to effectively implement an efficient process change for business so that the obligation on the employer is minimised or at least efficient. Certainly not able to make a sensible change in such a short period of time

QUESTIONS

Has any research been undertaken on “vulnerable workers” to establish whether the proposed mechanism will produce any behaviour change of that worker in relation to checking the payment of the entitlement?

Has any research been undertaken on “vulnerable workers” to establish whether the proposed mechanism will produce any behaviour change of that worker in relation to following up non-payment of the entitlement with the employer?

Has any research been undertaken on the respective employers to establish whether the proposed mechanism will produce any behaviour change of that employer in relation to either reporting or payment?

Given the significant administrative burden placed on every employer it would seem that a testing and proving process should be undertaken prior to implementing such a change.

“We believe the purpose can be achieved more effectively”

ALTERNATIVE RECOMMENDATION

We understand the intention to be, to motivate employers to pay the superannuation amounts, by creating a reporting obligation and therefore the employees can “see” that their entitlement should have been paid.

We propose a return to the concept that the employers be obligated to provide employees with proof of payment of superannuation obligations at least once per quarter.

This would be a more suitable and effective mechanism of achieving the same result:

From an employers administrative perspective: During the process that employers are undergoing to make the superannuation payments, at least quarterly, the provision of the report to the employee proving payment is not a significant additional burden nor part of a different process.

The expectation of receiving the information can be created once per quarter.

The information provided could cause an action that can achieve a result i.e. the “paid amount” would be immediately checkable.

Each employee would receive this information only 4 times a year and given that it would be provided to multiple employees at the same time, potentially establishing a workplace environment, if not a Australia wide employment environment, where employees receive the information, discuss

the information (at least in concept) and together may establish a trend to check and discuss an approach to an employer if it is found there is a problem with non-payment.

Each employee is advised at the time of employment (maybe as part of the National Employment Standard) that their superannuation entitlements must be paid at least once per quarter and that they will receive notification from the employer when paid.

Government could more easily promote the “check you have received your super” campaign once per quarter, as there is a verifiable action and result.

Maybe each payslip includes a simple text statement “Your superannuation entitlements for this pay will be paid at least quarterly on or before the 28th of July, October, January and April.” However we do not believe the payslip requires any further information.

We also suggest an enhancement to the government superannuation clearing house so that it be able to produce an “Employee Paid Superannuation Statement”. We believe government should implement this report in its own superannuation reporting gateway to help facilitate the purpose of this reform.

Please contact the author if you wish to discuss any aspect of this matter or this submission.

Yours faithfully

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