

3 November 2023

Wendy Hau, Director, Superannuation Access and Compliance Unit
Retirement, Advice and Investment Division
The Treasury
Langton Crescent
PARKES ACT 2600

Via email: PaydaySuper@treasury.gov.au

Dear Wendy,

Re - Securing Australians' Superannuation Budget 2023/2024

Wrkr welcomes the opportunity to provide a submission on *Securing Australians Superannuation ("Payday Super")* and state our strong support for this reform in delivering improved Superannuation outcomes for all Australians and implementing a more equitable and flexible employer compliance approach.

About Wrkr

Wrkr is a leading Australian Regtech business helping employers simplify and streamline workforce compliance from hire to retire. Our products replace paper-based compliance processes to enable employers to meet their payroll, taxation and Superannuation obligations using a simple, sophisticated, and secure digital experience.

Our vision is to make compliance simple for all workers and employers. Today, we are privileged to serve close to 3m working Australians, tens of thousands of employers and some of Australia's largest Super Funds through Superannuation clearing house/gateway, STP sending service provider, payroll disbursements and employee onboarding.

Wrkr has a long history of innovating within the Superannuation space, having been on the journey since the advent of SuperStream. We continue to be immersed in the business digitisation agenda and invest in the future through our involvement in the industry co-design of Australia's most essential digitisation programs.

While our focus will continue simplifying how employers meet their regulatory compliance obligations, we continue to invest in developing our platform to deliver value-added digital services that integrate with employer business systems. An integrated digital ecosystem is critical to providing a digital future that seamlessly works for employers and enables them.

Our Company strongly believes in the opportunity that digitisation presents for improving the employer/worker experience and the flow through productivity benefits that this will deliver to Australian society. We constantly immerse ourselves in the business digitisation agenda and have forward invested through industry co-design of Australia's most essential digitisation programs.

As a provider of digital services that connect employees, employers, Super funds and the government, Wrkr's view is highly relevant to the opportunities, benefits and challenges that the Payday Super reforms will realise.

Payday Super will benefit all Australians.

Employers pay approximately \$120 Billion in Superannuation employer contributions annually, with most contributions processed by Super system intermediaries. Delays in paying and clearing employer Super payments through current inefficient banking system processes result in significantly delaying the investment of this money on behalf of working Australians and reducing their potential retirement benefits. This inefficiency sees much of the value generated by this delay directed primarily towards payment providers and employers (interest and working capital) rather than the intended beneficiary of the contribution payment - individuals. The compounding effect of delays is increased payment failure and undetected fraud.

Payday Super presents a significant opportunity to modernise how employer Superannuation contributions occur by streamlining and simplifying the employer experience and ultimately providing individuals (fund members) with more timely Superannuation payments into their fund account.

Over the past decade, the journey and investment across Super Reforms (SuperStream, MySuper, Future of Financial Advice, Your Future Your Super) and Single Touch Payroll have digitised core business processes for Employers and Funds. *Payday Super* provides further opportunity to leverage this investment through better integration of services that improve the quality of employee data collected at onboarding, new payment methods and real-time Super fund reporting of employee contributions, resulting in a more transparent, efficient and secure Superannuation system.

The intended outcome of the journey to date has been to drive better member centricity and engagement. Payday Super will improve the equity and outcomes for working Australians only if designed with an emphasis on a securely connected ecosystem.

The move to have employer Superannuation guarantee (SG) contributions paid in alignment with salary and wages presents numerous opportunities, from streamlining employer back-office payroll processing through integration of new government API services to business software to presenting funds with new options to engage with their members and sponsored employers.

Wrkr, as a critical provider of payment and messaging services that support 90,000+ employers, 3 million employees and several Super Funds, is very supportive of “Payday Super” and a strong champion of the benefits of this reform for the Superannuation ecosystem.

This initiative is a significant leap forward for the Superannuation system and will offer many benefits and opportunities to members/employees, employers, payrolls, funds and government.

However, with every significant reform, challenges must be addressed to achieve the policy intent we expand upon in this submission.

Nonetheless, we are firmly of the view that there are no obstacles that cannot be resolved through a combination of legislation and administrative system design. And a willingness by the broader players across the Super ecosystem to do “what is right” to deliver the policy intent.

Wrkr is fortunate to have an experienced team with a core leadership group that was integral to the original design and implementation of SuperStream and Single Touch Payroll. This experience has highlighted that creating a system with integrity across all parties involved in the contribution process is critical: Employers > digital service providers > clearing houses/gateways > Super funds > ATO.

Wrkr is digitising the future of Australian businesses.

Payday Super is a fantastic opportunity for Australia, with this reform firmly aligning with the evolving nature of work and promoting financial security, engagement, and data quality. While some implementation challenges exist, they can be mitigated through collaboration among employers, Superannuation funds, technology providers, and the ATO. The Payday Super model sets the stage for a more equitable, efficient, and member-centric Superannuation system, benefiting all Australians.

Thank you for considering our input and response to the questions below.

Sincerely,

Trent Lund

CEO

A handwritten signature in black ink, appearing to read "Trent Lund", written in a cursive style.

Emma Dobson

Chair of the Board of Directors

A handwritten signature in black ink, appearing to read "Emma Dobson", written in a cursive style.

Response to Consultation Questions

We have focused on responding to those questions where our expertise and experience in providing Superannuation transaction and payment services can add depth to the broader discussion.

1. Defining 'Payday'

Defining 'Payday' as each time a payment is made to an employee with an ordinary time earnings (OTE) component and mandating more regular Superannuation payments holds the potential to revolutionise the landscape of Superannuation contributions.

Alignment with modern workforce definitions is required. Defining 'Payday' as every time a payment associated with the Ordinary Time Earnings (OTE) event is made to a worker, acknowledges a standard approach to a worker's pay composition and its timing for when wages, disbursements and Superannuation entitlements are calculated and made.

Adopting the standard will help Australians better engage and manage their financial wellness where their Payday event drives a consistent result for their Superannuation, a significant portion of an Australian's wealth and asset base. A standard approach will help the workforce reward and incentive framework align with the more dynamic needs and nature of modern work. It will more reliably help people model their financial wellness position and foster equity within the Superannuation system.

While defining 'Payday' as each time a payment is made to an employee with an OTE component is a great initiative, some implementation issues should be considered. It's essential to:

- Ensure Consistency - a standardised definition of Payday across all employers is crucial to prevent ambiguity.
- Integrate Systems - adapting payroll systems to accommodate more frequent payments may present challenges, particularly for businesses relying on legacy systems.
- Address Administrative Burden - employers may perceive this change as an administrative burden. Offering resources and guidance to streamline the transition is vital.
- Better Data Quality - to ensure that Payday Super functions seamlessly, enabling the ecosystem is essential. Technology providers, payrolls, Super Funds, and the ATO must collaborate to drive better data quality upfront through digital onboarding tools. This collaborative effort ensures that accurate data flows seamlessly into the Superannuation system.

OTE remains an issue for many employers and is one area that would likely result in numerous errors and corrections with the implementation of Payday Super unless addressed.

Implementing more frequent Superannuation payments offers advantages but will require attention to:

- Compliance and Reporting - employers must adapt their practices to calculate and report contributions more frequently.
- Maintain Data Accuracy - high data accuracy is essential, necessitating technology solutions that support this requirement.
- Support for Small Employers - smaller businesses might face more significant challenges adapting to more frequent payments. Consideration into a phasing for employer segments where digital adoption is higher than others might lead them to easier adoption of the solutions where those with lower digital processes will need to secure and embed processes.

Our experience with previous implementations of significant reforms that impact all employers would highlight the need to have all critical Super industry providers (payrolls, clearing house/gateways, Super administration providers or Super Funds) meet the new Payday Super technical requirements in a well-defined deployment window.

Wrkr considers that the 1st July 2026 implementation is achievable with a sharp focus on resolving the legislative, administrative and technical issues with a core group of industry experts currently delivering Superannuation-related services.

Our experience managing change across large numbers of employers of varying sizes and complexity highlights the need for an ongoing education campaign and an appropriate transitional approach to support employers as they move to Payday Super.

The more complex the Payday Super change is for payrolls, clearing houses /gateways and Super Funds to implement, the harder it will be to transition employers by the desired due date. Employers will need to understand the Payday Super requirements and access new software upgrades, engage with new administrative processes and implement changes to cash flow management. Enabling the ecosystem to reduce the friction for employers will be essential.

2. SG charge - employer payment model

On balance, the move to a standardised due date for SG contributions (Payday + x days) is a practical step for employers to meet their obligations and be provided sufficient time to manage any reconciliation/errors that may occur. This approach will simplify compliance, reduce administrative complexity and ensure equity among employees.

We would highlight that for this model to work, there is a need to revise the response times within the SuperStream standards concerning contribution processing (e.g. funds have five days to respond to an employer if a contribution cannot be allocated and 20 days to pay back any associated contribution amount).

We remain firmly supportive of a system that is payment agnostic and will operate to support any of the payment methods nominated within the standards. We continue to see value in using the BECS system to meet Superannuation contributions, though we recognise the inherent limitations of the Direct Debit to support Payday Super policy objectives. We see value in using NPP (Pay-To Service) to meet specific Superannuation interactions but do not consider it appropriate to nominate NPP as the payment method.

The ability for Employers to leverage new payment innovations and standards provided by Intermediaries needs to be pervasive. There are considerable developments across the New Payments Platform (NPP), Consumer Data Right - Open Banking Initiation, Micropayments in Blockchain and recent announcements from our Treasurer regarding the modernisation of the BECS payment system ('A Strategic Plan for Australia's Payments System, June 2023').

Payday Super can take advantage of the opportunity driven by the commoditisation of payments. What is important is that these payment methods and their commercialisation by intermediaries can be explored in a secure and orderly way. Careful attention should be paid to payment service times in the Payday Super standard and flexibility for intermediaries to explore commercially viable options as they become available. We encourage flexible and agnostic payment services that are managed securely and efficiently.

The more regular payment of employer Super contributions will enhance the financial security of Australian workers. Not only does a higher frequency lead to better retirement outcomes, but it also provides individuals with a sense of financial security and responsibility.

The Payday Super model provides a fantastic opportunity for Superannuation funds to engage with their members more frequently and effectively. Regular contributions (for some members, this could increase 13 times) drive increased interactions between Super funds and members, enabling funds to provide tailored financial advice, guidance, and investment options. It fosters an informed and engaged workforce, ultimately adding value to all Australians.

3. SG compliance

Wrkr fully supports changes being made to provide employers who are trying their best to meet the Superannuation requirements the ability to correct errors without punitive penalties.

Providing the ATO with greater flexibility to consider mitigating factors is sensible and long overdue and will undoubtedly be welcomed by employer advocates.

The appropriate timeframe for ATO reconciliations should be standardised, promoting consistency and transparency. This timeframe can differ based on the frequency of Payday, ensuring flexibility.

A 'grace' period sounds practical and should align with existing STP approaches regarding data correction. We would highlight the need to review the SuperStream response timeframes to process contributions by Super Funds to align with the new grace period.

4. Choice of fund, stapling and employer onboarding

Superannuation is one of several critical items that need to be resolved during an onboarding process. Super Funds, given their scale and adherence to regulation, are in an excellent position to help their employers with this compliance.

We would support further consultation on the role of Super fFnds during the onboarding process beyond the Superannuation choice moment. We support new ATO API (wholesale) services that integrate with business software and simplify the employer experience. These APIs provide employee-related information that can improve the data quality that is loaded into employer payroll solutions.

These services should be provided in a manner that can be consumed with business software to provide employers/employees with an integrated experience – Superannuation is only one component of the onboarding requirement. Our experience with many businesses indicates that the burden of pointing new employees to multiple systems or processes to complete their onboarding drives significant inefficiency and a sub-optimal experience (even if done digitally).

The government has highlighted that they will continue to focus on providers' behaviour in supporting the operation of choice and stapling in the delivery of their products. We are aware that there are onboarding products in the market that need to provide individuals with an open and transparent process to elect their Super fund. Every individual should be presented with information that supports their decision-making process prior to electing a Super Fund. Products that do not operate in alignment with regulatory requirements and in the best interests of an individual should be addressed through the regulatory framework.

Wrkr is supportive of the proposed changes to require the choice of a Super Fund form to include a stapling option. Making this available when an individual chooses their Super drives a more contextual experience for a new worker as they can go through their choice process, factoring in all available options. Today, individuals can check their Superannuation

details via MyGov; however, this requires them to leave their onboarding process. We advocate for the digital use of the stapling capability (ATO API wholesale) within the natural payroll process. Making it easier for individuals to access this through digital onboarding will support decision-making and alleviate the burden on employers to retrieve this information on behalf of their employees.

Wrkr does not support the banning of Superannuation advertising during the onboarding journey. While we do not support advertising of digital selling that bypasses stapling or choice of Super rules, we would advocate for a framework that leverages existing mechanisms, such as Super funds linked to industry awards and APRA's performance test ranking.

Advertising of Super products is not inherently detrimental to choice. It is an opportunity to educate the individual on options available at a critical moment when they must engage with Super. We have witnessed countless individuals select their Superannuation based on little to no information because none was provided at the time of choice. There are existing standards in place that ensure that funds are advertised accurately and effectively. These should still apply within the onboarding journey.

5. SG reporting frameworks

It has been a decade since SuperStream was introduced, and now is a perfect opportunity to undertake a review of the end-to-end system. There is an opportunity to simplify data definitions used across STP, SuperStream and, MAAS, MATS reporting and remove much of the complexity that exists today.

Implementing new reporting requirements on employers on Payday may increase the compliance burden. Modern payroll systems, integrated with real-time reporting, can mitigate this burden.

The suggestion to create a new identifier to identify Superannuation payments for an individual employee within the Contribution message, STP message and MATS report will link the employer to the payment but introduce another unique identifier into the data and payment standard. Another option that has been floated is the introduction of a new Contribution Outcome Report issued by Super funds when a contribution is processed.

While both options have some merit, a co-design group of industry experts currently processing Superannuation messages could provide a view of all available options and recommend which approach would give the best outcome for all parties.

6. Other Payday Super issues

Avoid Disadvantaging Employees

There is a need for transitional mechanisms to be in place. For example, temporary contribution cap adjustments could be introduced for affected employees during the transition year to prevent unintended consequences.

Maximum Contribution Base

Calculating the maximum contribution base in a Payday Super model should align with pay cycles and consider regular and irregular pay frequencies. This ensures compliance without disadvantaging employees.

Small Business Clearing House (SBSCH)

The role that the SBSCH has performed over the past decade has been critical to enabling small employers to meet their Super obligations at a time when they could not use business software.

A decade later, all employers now have access to business software due to STP implementation and government support for businesses to become digitised. The market has changed, and the expectations from employers regarding the experience they seek (i.e. integrated digital solutions) have also changed.

We recommend that the government undertake a review of the ongoing future of the SBSCH. Other commercial clearing house options can provide this service and meet modern business expectations today.

How would intermediaries continue to be incentivised to expedite the processing of employer contributions under an employment payment model?

Wrkr believes that revenue should be associated with providing services that add value to employer business operations rather than derived from structural inefficiency in the system. Intermediaries should take advantage of new and improved product and service offerings to drive innovation in how employers meet their regulatory obligations. We expect to see an increasing number of Employers and Funds switching away from service providers that do not expedite the processing of employer contributions.

Today, intermediaries use payment methods through BPAY/BECS (stipulated in the ATO SuperStream data and Payment standards). BECS has and continues to provide more employer flexibility where an employer is responsible for self-manage reconciliation/returns

(Direct Credit) versus where the employer uses more of the intermediary services for reliable reconciliation and end-to-end management (Direct Debit) leveraging more of the intermediary data services. Treasury analysis of the trade-off between the two could provide additional insight. This should be assessed against unpaid super to identify the impact of payment method on underpayment.

Additionally, intermediaries also charge for services that support the processing of SuperStream data and payments (sending and receiving messages, including errors). Payday Super will drive an increase in transaction volumes. There will be an increasing industry focus on how to achieve more straight-through processing and a reduction in errors. This work is critical to ensuring costs do not scale.

Clearing houses that rely on these commercial models as a core part of their business model should be incentivised to change and to bring innovation to the industry to drive straight-through processing.

Payday Super will drive volumes, and adopting support for more straight-through processing and reduced errors is crucial to ensuring intermediaries can scale. Wrkr believes that the increase in transaction volume offset some changes to payment methods (such as a reduction in float) and the improvement of data quality and error remediation.

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About Wrkr Ltd. Wrkr Ltd (Wrkr) (ASX: WRK) is an Australian financial technology company founded and listed on the ASX in 2016. Wrkr provides compliance and payment software solutions to create efficiencies for Superfunds, payroll service providers and both large and small Australian employers. The company has four core offerings:

- Wrkr PLATFORM, a modern cloud-based compliance platform for handling messaging with ATO (SuperStream, STP 2.0, PEPPOL, SBR and State authorities) and orchestrating payment processing for worker pay and super contributions for Fund Administrators
- Wrkr PAY, a superannuation gateway and clearinghouse and payment handling solution for secure processing of employee pay and super contributions for Payrolls and Superfunds. This product includes Wrkr SMSF Hub, providing ATO messaging and contributions compliance for SMSFs
- Wrkr READY, a white-label employee onboarding solution to manage the compliant onboarding of full-time and casual workers