

RCSA Submission to the Payday Super Exposure Draft

The Recruitment, Consulting and Staffing Association (RCSA) welcomes the opportunity to provide feedback on the exposure draft of the Superannuation Guarantee Charge Amendment Bill 2025 introducing the payday super framework.

RCSA is the peak body representing the recruitment and staffing industry, which includes the labour hire industry, across Australia and New Zealand. RCSA represents over 1000 corporate and individual members who source, place and manage permanent and temporary workforces across almost every industry in the country, supporting private and public organisations with their professional, skills and labour demands.

As an active member of the Australian Chamber of Commerce and Industry (ACCI) RCSA wishes to endorse and support the thorough and comprehensive feedback provided by ACCI to this exposure draft.

In addition to our contribution to ACCI's submission, we also welcome the opportunity to share direct feedback from our members in relation to the impact of the proposed payday super scheme and accompanying legislation.

We recommend the legislation be amended to remove the severe fiscal ramifications for common employee errors and for the staffing and recruitment sector, along with small business to receive an additional 12 months before this legislation is applied. RCSA encourages government to demonstrate leadership by signalling and advocating in-market for a shift toward paying suppliers in 7 or 14-day cycles, as opposed to 60 or 90-day lead times in which they are knowingly jeopardising business viability due to cashflow constraints. We see this as an opportunity for government to lead by example and allowing policy intention to be matched with practical implementation that ensures both worker entitlements and business sustainability are maintained.

Introduction

RCSA supports the policy intent behind the introduction of payday super, which aims to improve the timeliness of superannuation payments for employees and ensuring workers receive their full entitlement- this a principle our industry firmly endorses and supports.

It is important however, that regulatory mechanisms align with business operations and financial workflows rather than requiring significant procedural overhauls to comply. Consideration should be given to ensuring financial reforms like the payday super scheme, accommodate the operational realities of small businesses. Failure to do so will simply result in a skewing of the competitive market landscape, as large corporate organisations have far greater capacity to manage and weather any associated cash flow and administrative challenges.

RCSA believes a balanced policy approach is essential. Any change in this space must recognise and accommodate the different challenges posed to smaller business operators in implementing new increased payment frequency requirements. We particularly believe this change needs to better acknowledge and accommodate those industries disproportionately impacted, such as the recruitment and staffing sector, who have significant contractual and commercial barriers that impact their capacity to adjust to respond to these changes as proposed.

Cash Flow and Payment Terms Misalignment

The on-hire industry, by virtue of the service it provides, operates in an environment of structural misalignment between client payment obligations and wage payments to workers. Staffing providers typically pay their on-hired employees weekly or fortnightly but receive payment from clients for those workers and service on terms that range from 45 to 60 days. Under existing quarterly superannuation arrangements, this time difference is manageable. However, the proposed 7-day payment window would significantly exacerbate cash flow pressures.

The exposure draft's 'usual period' defined in Section 6(1) as 'starting on the QE day and ending on the seventh day after the QE day' creates a fundamental business challenge for labour hire providers who will be required to fund these payments before receiving client revenue. As stated above, paying super contributions in 7-day increments for what could realistically be hundreds or even thousands of workers, when reimbursement from the client comes 60 or 90 days later creates significant cashflow challenges for business owners in this industry. This is a significant departure from the quarterly payment structure currently in place.

This issue is compounded by existing obligations such as PAYG large withholder provisions, creating multiple upfront payment requirements before client income is received, creating stifling cashflow issues for businesses providing crucial personnel across all sectors.

Without coordinated policy intervention to address both sides of the transaction timeline—employer obligations AND client payment practices—the proposed reforms risk creating a burden which disproportionately impacts a sector that facilitates workforce flexibility throughout the Australian labour market.

Contract Renegotiation Challenges

The expectation that staffing and recruitment agencies should renegotiate payment terms with clients demonstrates a fundamental misunderstanding of the commercial frameworks within which these organisations operate. Labour hire providers frequently enter into contractual arrangements through formalised procurement processes that establish fixed payment terms for multi-year periods. These terms are often non-negotiable components of master service agreements or panel arrangements, particularly in government procurement and large corporate environments.

The structural impediments to renegotiation are especially pronounced in public sector contracting, where payment terms are standardised across all suppliers and embedded within whole-of-government procurement policies. Recent tender specifications from public institutions show this challenge, with requirements stipulating 'payment terms of 30 days, with invoices consolidated monthly,' effectively creating payment cycles of 40-50 days from service delivery. Similarly, private sector clients are increasingly requiring procurement strategies that extend payment terms to 60-90 days as standard practice, to optimise working capital. The implementation of payday superannuation obligations, without mirroring reforms to procurement payment practices, creates

an unsustainable financial burden for staffing agencies. For small to medium businesses maintaining a contingent workforce of dozens or hundreds of temporary employees, a requirement to fund weekly superannuation payments over a 90-day client payment cycle represents a substantial and unsustainable working capital challenge. This funding gap necessitates increased reliance on finance, precisely at a time when the cost of and capacity to access finance has increased markedly.

The financial implications extend beyond mere inconvenience to potentially rendering business arrangements commercially unviable. The inevitable consequence will be passing of increased financing costs to end clients, ultimately affecting labour market efficiency and cost structures. This outcome contradicts the government's broader economic objectives of supporting small business viability and maintaining competitive markets.

Timesheet Error Corrections

A significant operational challenge unique to our sector involves timesheet errors and corrections. On-hired employees frequently make errors on their timesheets which are subsequently approved by client managers and processed through payroll and billing systems.

When retrospective adjustments are required—often due to client invoice disputes—and the worker is no longer employed, superannuation funds require employee consent before returning overpaid contributions. In situations where former employees do not respond to communication attempts, employers are unable to reclaim these overpayments until consent is received, creating an indefinite financial liability.

This issue will be exacerbated under the proposed payday super model, as there will be substantially less time to identify and correct errors before payments are made, and the increased frequency will multiply the volume of potential errors requiring attention. Furthermore, the administrative burden of managing these corrections would increase substantially, creating additional operational challenges for staffing providers who already manage high volumes of temporary workforce transactions.

The severity of this issue is magnified by the punitive penalty framework established in the exposure draft. Under Section 19C, employers face an administrative uplift amount of 60% on shortfalls, while Section 59C imposes additional penalties of 25-50% for failure to pay assessed amounts. Combined with ongoing general interest charges under Section 49 and potential director liability provisions, these cascading penalties represent a disproportionate response to what are often honest administrative errors outside employer control. The implementation of such severe consequences for timesheet errors—a common and unavoidable aspect of staffing operations—risks crippling otherwise compliant businesses through excessive financial penalties for circumstances they cannot reasonably prevent. This regulatory overreach fails to distinguish between deliberate non-compliance and legitimate operational challenges inherent to the tripartite employment relationship characteristic of labour hire arrangements.

Alignment with Australian Chamber of Commerce and Industry (ACCI) Concerns

RCSA's concerns align with and extend several points raised by the Australian Chamber of Commerce and Industry (ACCI) in their submission on the same exposure draft:

Payment Timeframe

We support ACCI's recommendation that the payment timeframe be extended from 7 calendar days to 5 business days. This would provide a more realistic timeframe accounting for weekends, public holidays, and processing times by third parties.

For the staffing sector, this change is particularly important given the high volume of workers and transactions processed each pay cycle.

Small Business Considerations

While ACCI has recommended delayed implementation for small businesses, we note that many staffing providers may not qualify as 'small' based on turnover or employee numbers yet face disproportionate impact due to the volume of temporary workers they manage and the structural payment timing issues described above.

RCSA support the delayed implementation for small businesses but importantly, argue the same implementation delay be extended to any business operating in the on-hire sector as well - to be introduced from **1 July 2026**. This delay will give the industry much needed time to renegotiate new payment terms with their clients, to mitigate the chances of severe penalties and fines as they navigate how to implement these changes within their businesses.

Administrative Uplift and Penalties

We support ACCI's position that the 60% administrative uplift is excessive and punitive, especially in cases where errors are not deliberate or where circumstances outside the employer's control (such as employee-provided incorrect details) cause payment delays.

For staffing and recruitment agencies managing large temporary workforces with frequent changes, this administrative uplift could create substantial financial exposure even when non-compliance results from legitimate operational challenges rather than deliberate avoidance.

The amendment should include a reasonable verification mechanism that does not impose an excessive evidentiary burden on employers while still ensuring the integrity of the system. This approach would maintain the penalty structure for non-compliance while recognising that punitive measures are inappropriate when delays stem from legitimate operational constraints or third-party actions beyond the employer's reasonable control.

Government Procurement Leadership

Based on the unique challenges faced by the staffing and recruitment sector, we propose that government take a leadership position by implementing procurement guidelines that mandate 14-day payment terms for all labour hire and temporary staffing contracts across federal, state and local government agencies.

Rather than imposing additional regulatory requirements, this approach would allow government to signal best practice to the broader market while directly alleviating the cash flow pressures created by the payday super framework for a significant portion of businesses- both small and large. This practical market-based solution would demonstrate government's commitment to supporting the viability of staffing businesses that provide essential workforce flexibility, while still ensuring workers receive their superannuation entitlements in a timely manner.

Conclusion

The staffing and recruitment sector is committed to ensuring workers receive their superannuation entitlements in a timely manner and fully support the government's endeavour with this. However,

the proposed payday super framework creates unique operational and financial challenges for our industry that may inadvertently harm the very businesses that provide flexible employment opportunities to hundreds and thousands of Australian, across all sectors and industries.

We believe the recommendations outlined above would maintain the policy intent of payday super while addressing the practical realities of the staffing business model. We welcome the opportunity to work closely with Treasury to refine the implementation approach for our sector.