

Retirement, Advice and Investment Division
Treasury
Langton Cres
Parkes ACT 2600

Via email; paydaysuper@treasury.gov.au

Securing Australians' superannuation

Dear Retirement, Advice and Investment Division,

Employment Hero is pleased to submit our written response to the Treasury's Securing Australians' Superannuation Measures Budget 2023-24 Consultation Paper (Consultation Paper), which was released in October 2023.

Employment Hero is the global gold standard for end-to-end digital employment, having outpaced and outserved other HR and payroll platforms around the globe to reshape the employment landscape. We make compliance easier for employers.

Digital employment platforms grow increasingly relevant as:

- **Navigating the complexities of employment is hard.** Particularly for time-poor and under-resourced small-medium businesses (SMBs). Now, digital platforms offer a straightforward and cost-effective solution, giving employers the confidence to grow their teams, fulfil their compliance obligations and complete administrative tasks accurately, including their superannuation obligations. Digital employment platforms ensure correct and on-time payment of salaries and superannuation while providing a highly valuable way for superannuation funds to improve data accuracy and member engagement through employment, especially with SMBs.
- **Employment and superannuation are inextricably linked.** For Australians, superannuation is a critical financial asset supporting their livelihoods into retirement, which is generated and grows primarily as a function of their employment. As such, super and employment are linked at a first principles level. Separating superannuation choice and administration from a) the place where employers manage and process HR and payroll and b) the place where employees engage with and generate their super – is misguided and could result in material unintended consequences. These include increased data integrity and processing issues, significant processing overheads for SMBs and erosion of member engagement and comprehension of their super. Digital platforms like Employment Hero serving over 300,000 SMBs solve these problems by directly integrating and

processing accurate and timely HR, Payroll and Superannuation data, optimising SMB processes and limiting overheads, and enabling member choice and engagement throughout the employment lifecycle.

- **Members want choice:** Our research shows that 82% of respondents would consider switching super funds in the near future and that significant life events are the key trigger for members to exercise choice. An unsurprising statistic considering 47% believed their employer had chosen their fund. The top 3 life events respondents highlighted as triggers to take action were major investment decisions (26%), **job change (24%)** and pay rise or bonus (14%). It is within this context that Employment Hero sees only **~9% of onboarding employees** fund a new advertised super account through the Employment Hero platform. Job change is an important milestone where employees are willing and open to reconsidering their choice of fund, a right that should be maintained, provided it is done in compliance with existing consumer protections.
- **Embedded super is the future.** Employment Hero is a platform that makes engagement with superannuation a day-to-day reality for employees through embedded super. Through [embedded super](#), we support the superannuation industry's mission to empower every Australian to have a dignified retirement and step up to the mark on member engagement¹. We believe that digital employment is an essential part of achieving this mission².

To help explain the role and importance of digital platforms in relation to superannuation, we have provided information about Employment Hero, the concept of embedded super, employee needs and research on employee engagement. This information is critical to understanding the impact any proposed regulatory changes may have on employees and policy objectives. This information also frames our response to the Consultation Paper.

Our submission does not seek to address all the questions raised in the Consultation Paper. It provides a brief response on questions 1 to 13 and further detail on questions 36 to 38. Our recommendations enhance employee choice and engagement with superannuation. This promotes transparency, efficiency, consumer protection and innovation.

We would welcome the opportunity to discuss our submission with Treasury.

Kind regards,

Ben Thompson, CEO

¹ The Hon Stephen Jones MP Assistant Treasurer and Minister for Financial Services (January 2023): [Opinion piece: Super funds must step up to the mark on member engagement](#)

² Superfunds online: (October 2023): [Embracing the digital future of super](#)

About Employment Hero

Employment Hero's mission is to make employment easier and more valuable, for everyone.

Employment Hero was founded in 2014 to help small to medium businesses (SMBs) manage employment. 98% of businesses are SMBs and the wages they pay account for approximately 45% of Australia's GDP. Together SMBs account for ~70% of employment worldwide³. Despite this, SMBs struggle to manage employment. SMB owners are anxious, underqualified and under-resourced. Employment Hero was founded to solve this problem.

Currently, over 2 million employees and 300,000 SMBs use our platform. This represents 15% of Australia's private sector workforce.

Employment Hero is an end-to-end HR, payroll and recruitment solution designed for Australian businesses. Our suite of powerful employment tools help streamline employment, empowering employers and employees to focus on what matters.

What is embedded super?

Embedded Super refers to embedding a superannuation product, service or digital customer experience within a platform that members already use. This allows members to manage their superannuation seamlessly alongside their other activities, enhancing member context, and engagement and streamlining interactions with super. For more information about embedded super, please refer to our Embedded Super Whitepaper – a copy of which we have annexed to our submission.

Employment Hero currently enables employees to choose their existing, new or default fund, seamlessly access consolidation services for partner superannuation funds and offers key interactions with partner superannuation funds. For example, [an employee who applies for maternity leave](#) on the EH platform could agree to share this data with their current super fund to ensure that their super arrangements and contributions are adapted during their leave period. Employment Hero's platform sets the foundation to make embedded super a reality. With employment entirely digitised, our platform offers a valuable opportunity for funds to extend their digital channels to engage members with clear and contextual journeys. With over \$3.5 trillion dollars⁴ invested into Australia's super system, it is critical that members are actively engaging with their super.

³ International Labour Organization (October 2019): [The power of small: Unlocking the potential of SMEs](#)

⁴ The Association of Superannuation Funds of Australia (September 2023): [Superannuation Statistics](#)



Employment Hero's objective is to realise the full potential of superannuation through employment, where members can view and access their superannuation information, and initiate engagement with superannuation funds. To do this properly requires clear compliance frameworks and improved, seamless integration with ATO services and superannuation funds. We address the potential areas for uplift in this submission, which can drive a holistic embedded super solution.

Digital Employment & Superannuation

Members' demands are clear: Deliver a highly intuitive, mobile-first, contextually relevant member engagement experience for members to access and action their super all in one place⁵.

Digital employment is how members want to engage with their super and is a key driver to solving pervasive low satisfaction and engagement levels across the industry. We conducted a survey in October 2023 to help quantify this⁶. We have included the survey methodology as an annexure to this submission. We outline below the key insights from this survey.

⁵ AdviserVoice (May 2023): [Higher engagement gives rise to more switching considerations: Super Member Engagement Report](#)

⁶ Survey with n=2,185 Australians aged 18 to 65 between the 18–25th October 2023. See Appendix for more information.

Superannuation Survey Insights

Embedding super in existing platforms

- **Engagement:** 75% of members value the ability to see super details on end-to-end HR and Payroll platforms
- **Data Accuracy:** 79% of members value the ability to automatically notify their super fund of changes to personal details (ie moving home)
- **All in one app:** 74% of members value the ability to manage work, career and finances (including superannuation) in one place.

Accessing existing tools

- **Low Engagement:** 30% of members have used the myGov 'YourSuper' comparison tool
- **Low Awareness:** 42% of members were unaware of the tool
- **Female Awareness:** 48% were unaware, 14% higher than the average

Difficulties with super

- **Super is hard:** 70% reported challenges dealing with super, with the biggest being understanding basic account info (fees, performance) and if members are on track
- **Fragmented Market:** With AustralianSuper being the most common fund members had, the second largest group could not name their super fund
- **Disconnected:** 57% of members would engage more with super if it was accessible and easier to understand. This was especially relevant for younger age groups

Choice is paramount

- **Pervasive inaction:** 47% of members said their company picked their super – more than half in this group are female
- **Choice drives engagement:** Members who chose their own super fund are 28% more likely to engage with their super quarterly or more often than those whose employer chose their fund
- **Low engagement, low satisfaction:** A lack of engagement (18%) is the biggest theme arising from members either indifferent or dissatisfied with super

By **integrating superannuation into digital employment platforms**, funds are empowered to contextually engage members at every step of the employment lifecycle.

An all in one experience was **particularly valued by those aged 30–39**, providing valuable insights into how to engage this traditionally difficult demographic with superannuation.

In contrast, **ATO tools** and services can offer value but **aren't satisfying members' demands**, especially when they are not easily integrated into existing platforms members and employers already use.

Superannuation members find superannuation challenging, with a significant portion **unable to identify who their retirement savings is invested with**.

Data tells us members want seamless, easy to access superannuation in a way they understand, offering valuable insight into how to **engage members with their superannuation earlier in life**

Almost half of members **don't believe they created their fund** to begin with, their employer did.

Promoting choice is a valuable step towards **empowering members** to take ownership of their retirement and engage with their superannuation fund throughout their careers.

Areas for consultation

Consultation questions		Employment Hero response
Payday super		
1	What implementation issues could arise if 'payday' is defined as being each time a payment is made to an employee with an OTE component?	OTE is not well understood or applied in a standard format. For example, there are multiple potential inclusions or exclusions and different payment types to consider (e.g. overtime, time off in lieu, etc). There are differences in reference, definition and application of OTE within existing regulatory and legislative frameworks, specifically the Fair Work Act and Superannuation Act. As such, if 'payday' is aligned to each OTE component there will be similar misalignment in the application of payday. It is recommended that OTE definitions are improved and aligned if they are to be used as part of the payday definition.
2	What implementation issues could arise when more regular SG payments are mandated?	<p>During implementation, HR and Payroll platforms will need to develop new SG processing products, features and payments integrations to support the increase in frequency of processing. This will be required to ensure the accuracy and timeliness of payroll and SG input data, processing workload and clearing house processing timeframes.</p> <p>Ongoing, SMB employers will need to complete up to 3-4 times as many reconciliation and payment events monthly and manage a similar expansion of SG processing errors and refunds. This is a material uplift in the payroll and super administration burden placed on SMBs.</p>
Updating the SG charge		
3	Are there any advantages or disadvantages with the requirements of payday super being fulfilled if employers make the payment of SG contributions on 'payday' (i.e. the	<p>Employer payment model</p> <p>On the surface, the employer payment model appears to simplify the onus on the employer (i.e. their obligation ends once they have completed the SG payment), but has several significant hurdles in its delivery. Primarily, it would require the development of new ATO compliance and reporting processes for employers. It would also introduce the need for additional external incentives for intermediaries to improve SG payment processing times. Finally, the employer</p>

	<p>employer payment model)?</p>	<p>payment would require significant change management to ensure comprehension and compliance with the newly imposed reporting processes for businesses. Should the employer payment model be used, integration with payroll platforms could be implemented to lighten the effort for SG reconciliation when the employer's due date is satisfied. Employment Hero would be supportive of this action.</p> <p>Due date model</p> <p>The due date model aligns with current SG payment reporting structures, and therefore will create less change management for all parties involved in the SG reconciliation, payment and clearing process. The due date model maintains the flexibility to continually alter and refine due date limits in the future so as to incentivise employers, funds and intermediaries to ensure timely SG contributions and payment transfers. The defined due date limit can be progressively reduced in the future as the payments processing infrastructure supporting SG contributions becomes more sophisticated and closer to real-time.</p>
5	<p>Should there be a standardised due date for SG contributions depending on different pay cycles, independent of the frequency to when salary and wages are paid?</p>	<p>No. The due date should be aligned with the frequency with which the employer currently processes payroll (i.e. salaries and wages). Standardised due dates may unfairly impact employers whose current pay cycles do not align with the standardised date. These employers would be at greater risk of SG charges.</p>
6	<p>Would requiring a new reporting mechanism for employers under an employer payment model to the ATO on payday increase compliance burden?</p>	<p>Yes. Any additional report SMBs need to submit is a burden on the time and resources of SMBs. Unless this reporting mechanism is fully integrated into existing HR/Payroll and other SG clearing intermediary systems, employers will be required to manually migrate data into new reporting mechanisms. This creates operational overheads and risk of data entry or migration error.</p>

	<p>facilitated by modern payment platforms, is a due date of 3 days after payday for superannuation contributions under a due date model feasible? What would prevent this timeframe?</p>	<p>processed and approved. The most significant issue around payment processing times relates to the delay in Clearing Houses processing house timeframes. Currently, it takes approximately 5–6 days for the payments to be sent, from the time the super batch has been submitted to when clearing houses send the payment to the super funds.</p> <p>Cost challenges would also arise for intermediaries in relation to operating SG contributions on modern payment platforms like NPP which are often more expensive per transaction than existing batch-based payments processing platforms.</p>
11	<p>How can the payday super model be designed to ensure it can adapt to changes and innovations in payment and data platforms?</p>	<p>Define the model with clear overarching intent, primary objectives and goals. Avoid mandating the use of a particular platform (e.g. requiring NPP platform). Specific payment solutions should not be mandated top-down as this approach risks unintended negative impacts on operational processes, processing timeframes and operating costs that intermediary organisations will ultimately pass on to SMBs and employees/members.</p>
12	<p>What are the benefits or risks associated with allowing multiple payment methods and how might this affect payments processing for clearing houses and superannuation funds? Would there be benefit or risks in only allowing one payment platform (such as the NPP)?</p>	<p>The benefit of allowing multiple payment methods is that it allows for industry innovation to deliver an outcome that balances completeness, accuracy, timeliness, cost and error resolution objectives. Defining the payment platforms that must be used could support faster payment processing, but may have unintended impacts on the completeness, accuracy, timeliness, cost and error resolution of processing.</p> <p>Specifically, mandating payment processing platforms with higher costs may result in intermediaries having to pass on these costs to employers and funds. The guidance should not prescribe defined payment methods but rather encourage the delivery of complete, accurate, timely, low-cost processing.</p>
Compliance mechanisms		
13	<p>What is the appropriate timeframe for ATO reconciliations? For</p>	<p>The ATO reconciliations should be monthly. If they were any more frequent, then they should be aligned to the frequency of payday. This</p>

	example, fortnightly or monthly? Should the timeframe differ depending on the frequency of payday or would a standard timeframe be more appropriate?	would reduce the instances of incorrect nudges to employers due to outstanding reconciling items.
17	What kind of prompts or nudges could be provided to employers to be aware of and meet their SG obligations on time?	The ATO should leverage APIs with existing HR and Payroll software providers so nudges or prompts can be sent to employers in context. Employers will be able to easily see and action reminders in a timely manner directly on the software. This will make the process frictionless as employers will not have to go to the ATO site for details.

Choice of fund, stapling and employee onboarding

36. Would a digital ATO service simplify the choice of fund process and assist employees and employers to confirm the right super details? What functionality would be required? Would this address issues with data integrity under a payday super model? Should such a service be mandated?

In our view, current ATO services should not be mandated. ATO services should be easily integrated into existing employment tools that are already widely used by employers and employees to ensure the timely, accurate and broad adoption required to resolve data integrity issues and maintain streamlined processes.

Digital ATO services should be optional for employers to adopt. We have seen low adoption rates when services are not easily accessible on platforms used by members every day. For example, only 30% of our survey respondents reported using the YourSuper tool, while 42% were unaware of the YourSuper tool.

This means employers and employees don't have access to all the superannuation information to assist with the choice of fund when onboarding or at other key employment milestones. Cumbersome processes will lead to low adoption and problems with data integrity.

There are a number of existing ATO tools that could be enhanced and integrated into digital platforms like Employment Hero. As a starting point, the Super Stapling API can be integrated with the choice of fund process during employee onboarding, as outlined in the below *Image 1*. This will enhance choice of fund without significant IT development and lead times.

The integration of ATO services into existing practices will provide more meaningful information, which will lead to better-informed choices. It also will ensure employers and employees can contextually use relevant services on demand and in the context of their overall employment experiences. We recommend the industry work with the ATO to determine whether existing tools are sufficient to support embedded super or whether further tools need to be developed.

Employee Onboarding: Recommended process flow for integrated ATO service (excluding upfront KYC)

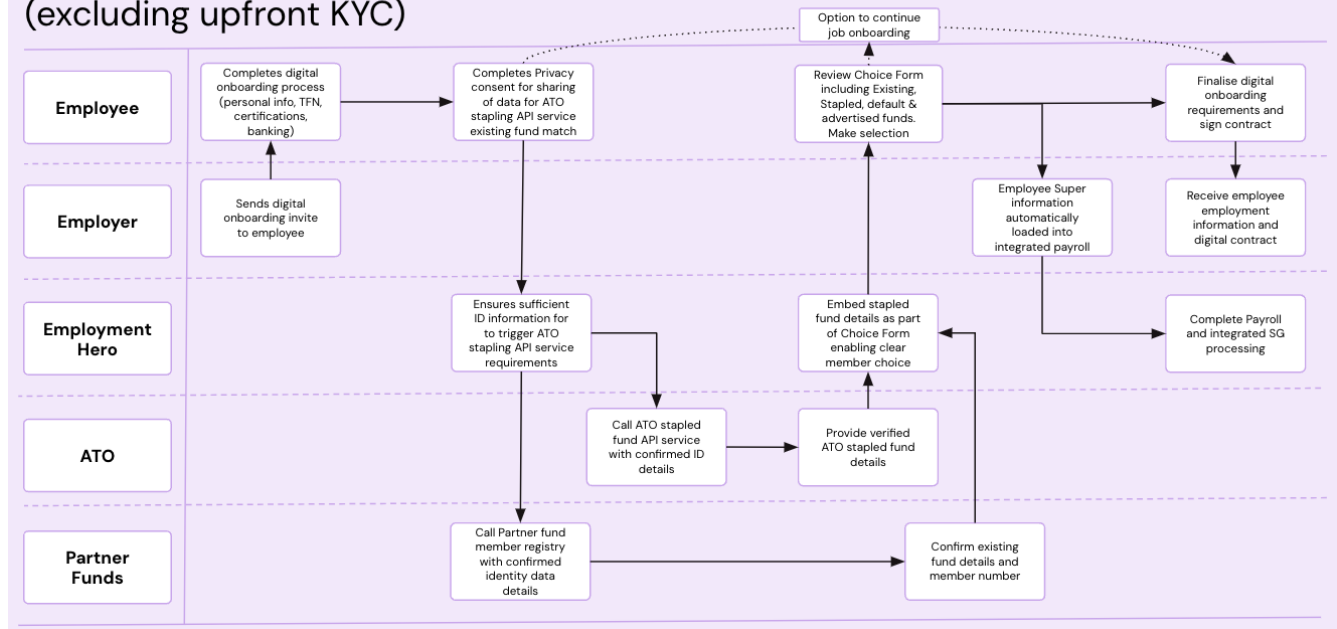


Image 1: Digital employee onboarding process flow with integrated ATO Super Stapling API service (excluding upfront KYC)

Finally, it is important to remember that employee onboarding and choice of fund are only one stage of the end-to-end employment lifecycle and member engagement lifecycle respectively. See the below diagram. Embedded super solutions can improve data completeness, accuracy and currency, streamline member support processes and activate member engagement.

- The proposed stapling sits naturally inside of the existing employee experience without requiring employees to leave the platform
- We have existing government integrations throughout the employment lifecycle
- **swag** is an employment passport that enables employees to carry their work details with them throughout their career (end to end lifecycle)

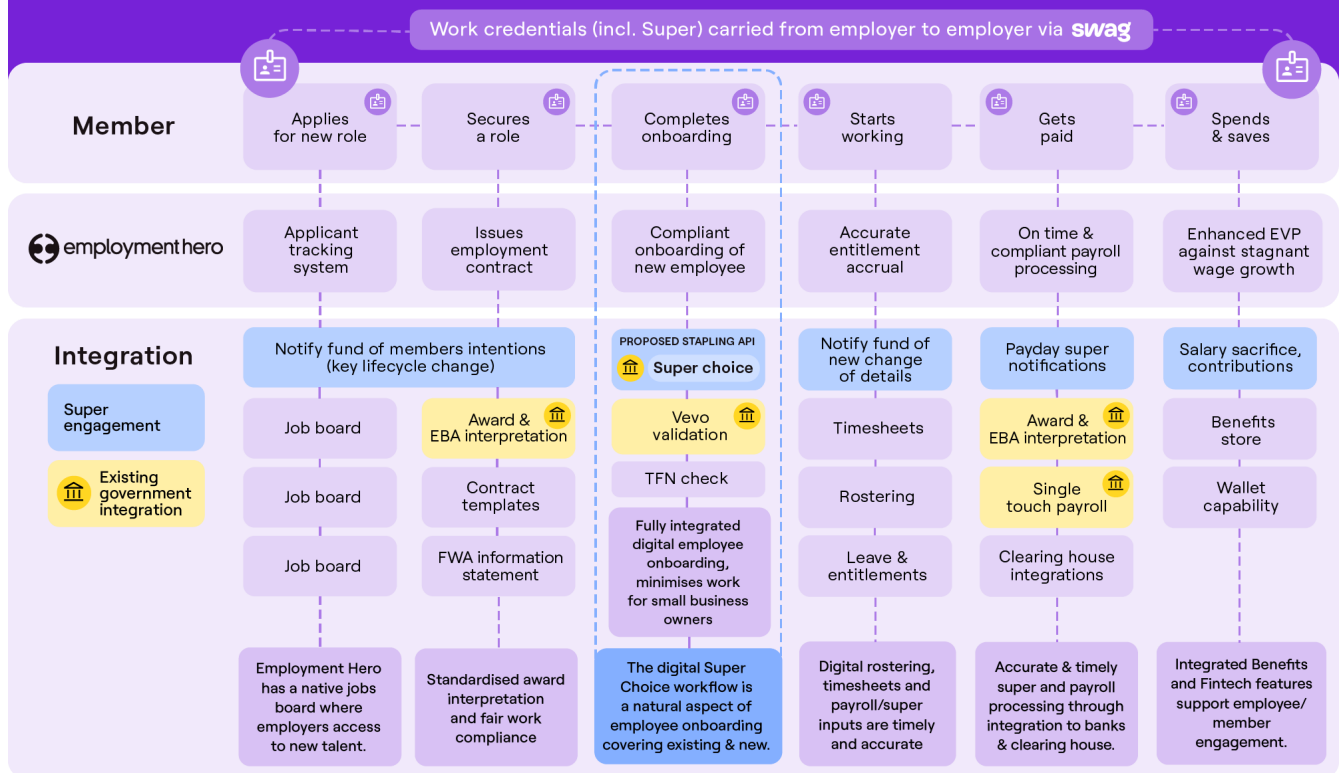


Image 2: Digital employment promotes a scalable and compliant end-to-end employment experience.

Super Choice is essential to this process, and ATO interoperability through embedded stapling is key to member engagement

Recommendations: ATO services should not be mandated

1. ATO services should integrate into existing employment tools widely used by employers and employees daily. This will ensure the timely, accurate and broad adoption required to resolve data integrity issues.
2. Digital ATO services should be optional for employers to adopt.
 - a. Most ATO services force employers to disrupt their typical workflow, i.e., leave their HR or payroll tool, to access ATO services. This is a burden on employers.
 - b. Cumbersome processes will create low adoption and data transition errors, meaning data integrity issues will not be resolved.
3. Industry and the ATO work together to determine whether further tools are needed to facilitate embedded super.

In response to Question 37, we have included examples of how ATO services can be securely integrated into platforms.

37. What are the costs and benefits of requiring employers to offer stapling to employees? Are there other changes that could be made to the choice of fund process? Could a digital ATO service reduce the administrative burden associated with stapling?

The Choice process should include the ability for members to actively choose their stapled fund. Regulatory-enforced super stapling is a step in the right direction to reduce fund proliferation; however, if enforced without members' choice, it creates an unfortunate downside risk of further disempowering and disengaging consumers from their super. Essentially, reinforcing the "do it for me" mindset that extricates consumers from their super.

To fully implement stapling, we recommend that stapled funds be integrated into digital Choice Forms on digital employment platforms such as Employment Hero so onboarding employees can nominate their stapled fund as their preferred option. By presenting these features within the clear, simple and relevant context of employment, it is possible to improve member engagement, understanding and value derived from this critical financial service. Unfortunately, without active engagement, regulations may inadvertently lead members to overlook their responsibility for managing this critical financial product that grows directly as a function of their employment and supports their livelihoods into retirement.

Only **~9% of onboarding employees** fund a new advertised super account through the Employment Hero platform. This is despite our research finding:

- 82% of respondents were considering switching super funds in the future
- 47% of respondents believing their employer chose their existing fund; and
- job change being identified as the second most likely life event to trigger change

Digital employment platforms are an essential and highly effective way for members to engage with their super.

Superannuation choice on employment platforms such as Employment Hero can eliminate manual, double handling and ensures **the highest degree of data accuracy**, improving and streamlining the stapling process.

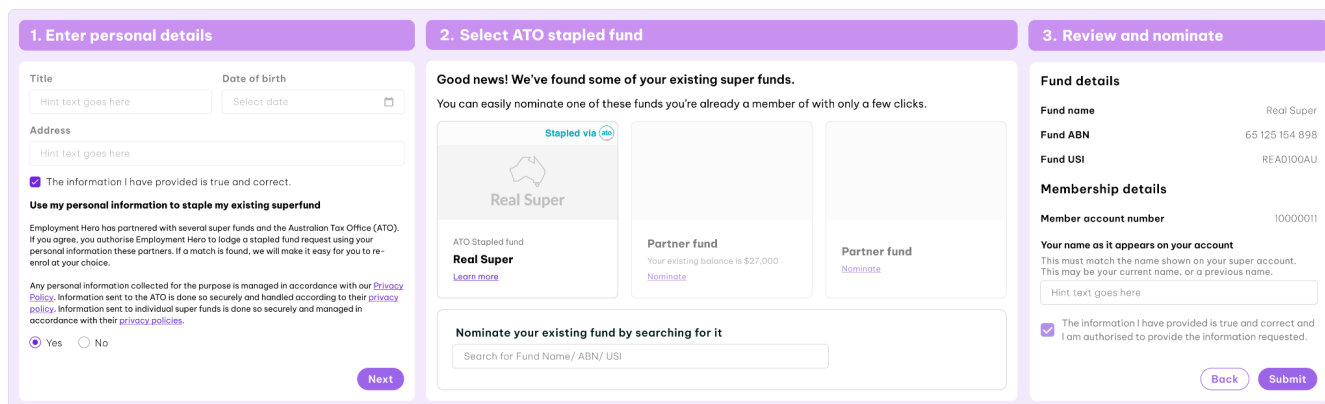
Further, expanding the digital capabilities of the digital Choice Form process to include a member-stapled option while preserving the option for members to select from the existing choices currently available in the Choice Form supports member retention in an engaged way.

To facilitate this, we believe the digital Choice Form hierarchy should be structured in the following way:

- **Choice:** Members nominate an APRA-regulated fund according to preference (including SMSF)
- **Stapled (through choice):** API integration into ATO service, making it easy for employers to present a stapled option during the digital choice process
- **Company Nominated:** Managed by employers, employees nominate the fund their employer has an existing relationship with
- **Incomplete choice:** Maintain the current stapling workflow when choice is not completed

In addition, as outlined in our response to question 36, we recommend that the Super Stapling API is updated so that it can be integrated with existing platforms to enable employees to see their stapled fund as part of the digital Choice Form process and for employers to access this information as part of the onboarding process. Minimising employer burden is critical as the benefits of stapling can only be fully realised if employers comply given the stapling requirements are imposed and administered at the employer level.

Integrated solution:



1. Enter personal details

Title Date of birth

Hint text goes here Select date

Address

Hint text goes here

☒ The information I have provided is true and correct.

Use my personal information to staple my existing superfund

Employment Hero has partnered with several super funds and the Australian Tax Office (ATO). If you agree, you authorise Employment Hero to lodge a stapled fund request using your personal information these partners. If a match is found, we will make it easy for you to re-enrol at your choice.

Any personal information collected for the purpose is managed in accordance with our [Privacy Policy](#). Information sent to the ATO is done so securely and handled according to their [privacy policy](#). Information sent to individual super funds is done so securely and managed in accordance with their [privacy policies](#).

☒ Yes ☐ No

Next

2. Select ATO stapled fund

Good news! We've found some of your existing super funds.

You can easily nominate one of these funds you're already a member of with only a few clicks.

Stapled via

ATO Stapled fund

Real Super

[Learn more](#)

Partner fund

Your existing balance is \$27,000

[Nominate](#)

Partner fund

[Nominate](#)

Nominate your existing fund by searching for it

Search for Fund Name/ ABN/ USI

3. Review and nominate

Fund details

Fund name Real Super

Fund ABN 65 125 154 898

Fund USI READ100AAU

Membership details

Member account number 10000011

Your name as it appears on your account

This must match the name shown on your super account. This may be your current name, or a previous name.

Hint text goes here

☒ The information I have provided is true and correct and I am authorised to provide the information requested.

Back **Submit**

Image 3: Example of ATO Super Stapling API fully integrated into a digital onboarding flow

Recommendations: Choice should include stapling while preserving alternative options currently available.

1. Stapled funds should be included in the digital Choice Form so onboarding employees can nominate their stapled fund as their preferred option
2. Stapling APIs should be integrated with existing platforms, enabling employees and employers to see their stapled fund as part of the digital Choice Form process

3. Minimising employer burden is key, as the benefits of stapling can only be fully realised via employers. Integrated API services enable employers to easily access information during onboarding without additional administration
4. If employers are required to present the staple option to employees through choice, a minimum 6 month transition period should apply before this is required

38. What are the costs and benefits of a ban on advertising super products during onboarding?

First, the reasoning behind banning any advertising of financial products during platform onboarding must be considered, before outlining the costs and benefits of a ban. Australia has a robust consumer protection framework that applies to the distribution of financial products, including superannuation, which seek to prevent misleading advertising and egregious acts.

A blanket ban on advertising is not a commensurate response to the specific examples of limited platforms operating with interests (i.e. self-dealing) or bidding for priority promotional structures (i.e. paying to be the first or primary fund advertised during an onboarding experience). We understand these activities have been clearly identified and have since ceased on the identified platforms.

In our view, imposing a ban on advertising is not commensurate with the benefits and risks associated with a digital choice journey in light of the factors below.

Stapling policy objectives

Stapling was introduced as part of the Treasury Laws Amendment (Your Future, Your Super) Bill 2021 to limit the creation of multiple superannuation accounts for employees who do not choose a superannuation fund when they start a new job. The policy objective was to increase members' retirement savings by ensuring unnecessary fees and insurance premiums are not paid on unintended multiple superannuation accounts.⁷

These stapling requirements have certainly reduced superannuation account duplication. However, the stapling requirements have not encouraged active employee engagement in choosing a fund that best suits their financial circumstances, personal preferences, needs and wants. This is an ongoing problem that arises due to member disengagement and apathy. Super is hard for everyday members, 70% reported challenges dealing with super, with the biggest being

⁷ Paragraph 1.2 of the Explanatory Memorandum to Treasury Laws Amendment (Your Future, Your Super) Bill 2021.



understanding basic account info (fees, investments) and if members are on track⁸. Members are more likely to have better superannuation outcomes if they actively choose a fund that they believe suits them and are easily engaging with that fund regularly.

Digital choice journeys provide a seamless way for members to question whether they have the “right” super fund by providing factual information about other options. It is not an advice or vertically integrated distribution channel, but rather a platform that provides employees with factual information from super funds at important employment milestones. As noted, our research found that 82% of new employees express an intent to change their super fund and 24% cite a job change as the second most likely trigger event for action, following a major investment decision at 26%. This is an important milestone where employees are willing and open to reconsidering if their choice of fund should be maintained, provided it is done in compliance with existing consumer protections. Factual information provided as part of a choice journey can help employees review their current super fund in real-time and assess whether there are other funds out there that may be better suited to them.

Employment Hero has sought to support this demand by making choice of fund front of mind as part of the employment process and journey. Essentially, the choice journey is structured as a compliant nudge to make sure that employees actively consider choice and take the opportunity to assess whether they have chosen the right fund. It is a factual, no-advice channel, and employees are encouraged to obtain advice if they are unsure what fund best suits their financial circumstances, personal preferences, needs and wants.

This digital choice journey is the beginning of our vision for embedded super; however, to fully realise the benefits of embedded super, further integration needs to happen at the ATO level in relation to stapled funds and consolidation as well as better integration with super fund information and services.

While stapling provides employees with an important safety valve mechanism, it should not be prioritised over employee super choice. The true aspiration should be for employees to actively engage with super choice and decisions every day as part of their employment process. In addition, active choice is certainly a theme that is becoming more relevant in the financial services industry and we suspect will become a customer expectation once Consumer Data Right (CDR) is expanded to super.

⁸ Survey with n=2,185 Australians aged 18 to 65 between the 18–25th October 2023. See Appendix for more information.

Current consumer protections Relevant legislation already prohibits the inappropriate distribution of financial services and should be appropriately applied to prevent poor behaviours as previously outlined.

RG 274 Product Design and Distribution Obligations (DDO)

Product issuers must design products consistent with the likely objectives, financial situation and needs of the consumers for whom they are intended. Issuers are also compelled to facilitate regulatory oversight, ensuring that products created are congruent with DDO and Target Market Determination (TMD) obligations and consistently meet the consumers' expectations and requirements.

Annual superannuation performance test

The annual test is designed to improve member outcomes by assessing the long-term performance of superannuation products against tailored benchmarks, with consequences for those that fail⁹. Trustees who fail to pass the benchmarks must notify their members of the test outcomes and are prohibited from accepting new members who have failed for two consecutive years. We are supportive of restricting the promotion of superannuation funds who fail to pass the benchmark and encourage this restriction to be adopted under the proposed reforms.

Advertising Protections

False and misleading conduct, anti-hawking provisions and required disclosures are protections consumers have in place to prohibit the misrepresentation of statements made in advertising content. These regulations ensure that advertised statements are accurate and not misrepresented, and when advice is given, it's properly disclosed and monitored under existing regulations.

Members want to consider changing their super when starting a new job

As outlined earlier in our submission, removing choice and advertising that complies with all relevant consumer protections would reduce member engagement at a key life stage.

- Our research highlighted that 82% of respondents were considering switching super funds in the future, with significant life events being the key trigger to action. The top 3 life events noted were major investment decisions (26%), **job change (24%)** and pay rise or bonus (14%). Employees are much more likely to comprehend financial services products when presented in relevant contexts, such as super funds during a job change. This is the objective and benefit of embedded super.

⁹APRA (August 2023): [APRA releases 2023 superannuation performance test results](#)

- Despite 82% expressing an intent to change their fund and 47% believing their employer chose their current fund for them, only ~9% of Employment Hero onboards fund a new advertised super fund during the employee onboarding experience.

Employee onboarding provides a salient opportunity for employees to enact their latent intention to switch funds. Job change and onboarding is a time when employees are highly engaged and motivated to learn about the benefits and features of their new employer. By advertising superannuation funds during the onboarding process, employers can give employees a timely and relevant opportunity to consider switching their super fund.

Equivalent advertising entitlements for Choice, MySuper, and Default super products

Any consideration to ban the advertising of Choice products while providing an exemption for MySuper and employer default products would be unnecessary considering the existing consumer protections and the proposal to expand the Performance Test as indicated in this submission.

While MySuper products generally cater to a larger percentage of the working population, Choice products are already subject to additional Product Design and Distribution Obligations (DDO) to ensure product distribution consistently meet the consumers' expectations and requirements. Considering that SMBs constitute 98% of all businesses, it can be reasonably inferred that most SMBs offer default products that reflect the features, fees, and benefits of those found in direct-to-consumer retail offerings, with some industry-specific exceptions.

Transparent marketing: Members' Best Financial Interests Duty

A ban on advertising super products during onboarding will remove a valuable driver of member engagement in the superannuation industry. The ban would force funds to rely on alternative marketing campaigns. These campaigns historically struggle to translate into tangible member benefits.

A 2021 review by the Australian Prudential and Regulation Authority (APRA) highlights that RSE Licensees face challenges in demonstrating that marketing expenditures, such as sports sponsorships, are in the best financial interest of members¹⁰. In the superannuation industry, it has been difficult to demonstrate that brand and traditional marketing methods have a positive impact on membership metrics and outcomes.

¹⁰ Australian Prudential Regulation Authority (October 2021): [Findings from APRA's superannuation thematic reviews](#)

Digital partnerships, like those with digital service providers, offer funds a clear, cost-effective, transparent way to effectively translate investments into distinct member outcomes, and speak to their members in optimal contexts, a feat not easily matched by conventional advertising.

Marketing and advertising activities conducted through digital service provider partnerships, empower RSE Licensees to align their marketing strategies with regulatory expectations by facilitating enhanced monitoring and evaluation of campaigns via quantitative metrics that can measure;

- the impact of marketing activities/campaigns
- improved financial outcomes for members; and
- identify any risks or adverse impacts of the activity/campaign.

For an efficient superannuation system that advances the public interest, superannuation funds need regulatory certainty and the flexibility to adopt or plug into digital innovations and engage members on their terms in ways they understand.

Our recommendation

Rather than a blanket ban on all advertising, we recommend the following measures are adopted to address the concerns in the Consultation Paper in light of the factors detailed above:

- Ban on advertising your own superannuation fund;
- Ban on advertising underperforming funds;
- Equivalent advertising entitlements for Choice, MySuper, and Default super products
- Industry self-regulation; and
- Enable payroll providers who are white-listed with the ATO to integrate into SuperMatch.

We address each of these measures separately below.

Own superannuation fund

We are supportive of a ban on self-dealing. In our view, digital employment platforms should not be vertically integrated and should only be an information and administration resource.

We believe a ban on advertising any platform self-dealing via an owned super fund will address most of the concerns raised. This ban could be enforced using ASIC's product intervention powers and, in doing so, wouldn't require any regulatory change. If ASIC wasn't amenable to using its product intervention powers for this purpose, then this ban would need to be legislated.

Underperforming funds

It is unclear to what extent employees know whether their super fund may be an underperforming fund. A digital platform could seamlessly provide this information and help direct employees to information about other performing funds.

In addition, it is important that underperforming funds are not advertised or included in a digital platform. We propose a new ban prohibiting underperforming funds from conducting any form of advertising, including during employee onboarding. This ban could be enforced using ASIC's product intervention powers and, in doing so, wouldn't require any regulatory change. If ASIC wasn't amenable to using its product intervention powers for this purpose, then this ban would need to be legislated.

The existing performance test administered by APRA would be a useful way to define which funds are prohibited from conducting any form of advertising. This is an expansion on current restrictions where funds are unable to accept new members upon failing two subsequent performance tests.

For example, ASIC could determine whether to impose an advertising ban on a fund after its first failed performance test or two subsequent tests based on APRA published information. Further considerations may also be appropriate:

- The severity of the performance failure(s)
- The likelihood of the fund failing future performance tests
- The potential impact of an advertising ban on consumers, including whether it would deter consumers from investing in underperforming funds.

This new framework will also help clarify when it is appropriate for funds to recommence advertising activities (ie: by passing subsequent performance tests or as deemed by APRA).

Industry regulation

As the industry for digital platforms is concentrated and emerging, we believe self-regulation in the form of an industry code is best suited to the risks associated with digital platforms and will not impede innovation.

The industry code would address minimum requirements that all digital platforms need to comply with in relation to superannuation, including:

- Ensuring no financial product advice is provided
- Ensuring all required regulatory documents are provided on the platform
- Ensuring compliance with all applicable current consumer protections (which we detail above)

- Providing disclosures about the relationships with super funds on the platform and any fees paid
- Ensuring that a minimum level of due diligence is conducted before adding a super fund to the platform
- Ensuring that the platform does not promote its own fund/s
- Ensuring the platform does not promote any APRA underperforming funds
- Complying with any advertising ban under a product intervention order or via legislative change.

Enable payroll providers who are white-listed with the ATO to integrate into SuperMatch

Members find super challenging, outside of their control and value the ability to change super providers according to their preferences. Our research shows that 70% reported challenges dealing with super, 47% believed their employer had chosen their fund, 14% couldn't remember the name of their super fund and 82% of respondents would consider switching super funds in the near future, with job change the second most likely event to trigger action.

Within this context, it is important to protect and support members' desire to understand what options are available and empower their choice during key events and life stages. Rather than a blanket ban on fund advertising during onboarding, a more effective approach is to simplify the consolidation process to easily enable members to change and consolidate into existing, new or stapled products according to their preferences.

To bridge this gap, seamless payroll integrations with ATO tools, including "SuperMatch" should be a priority. Doing so supports Your Future Your Super's intent, making the consolidation process more intuitive and accessible, driving greater member engagement and empowerment, and reducing the proliferation of duplicate accounts.

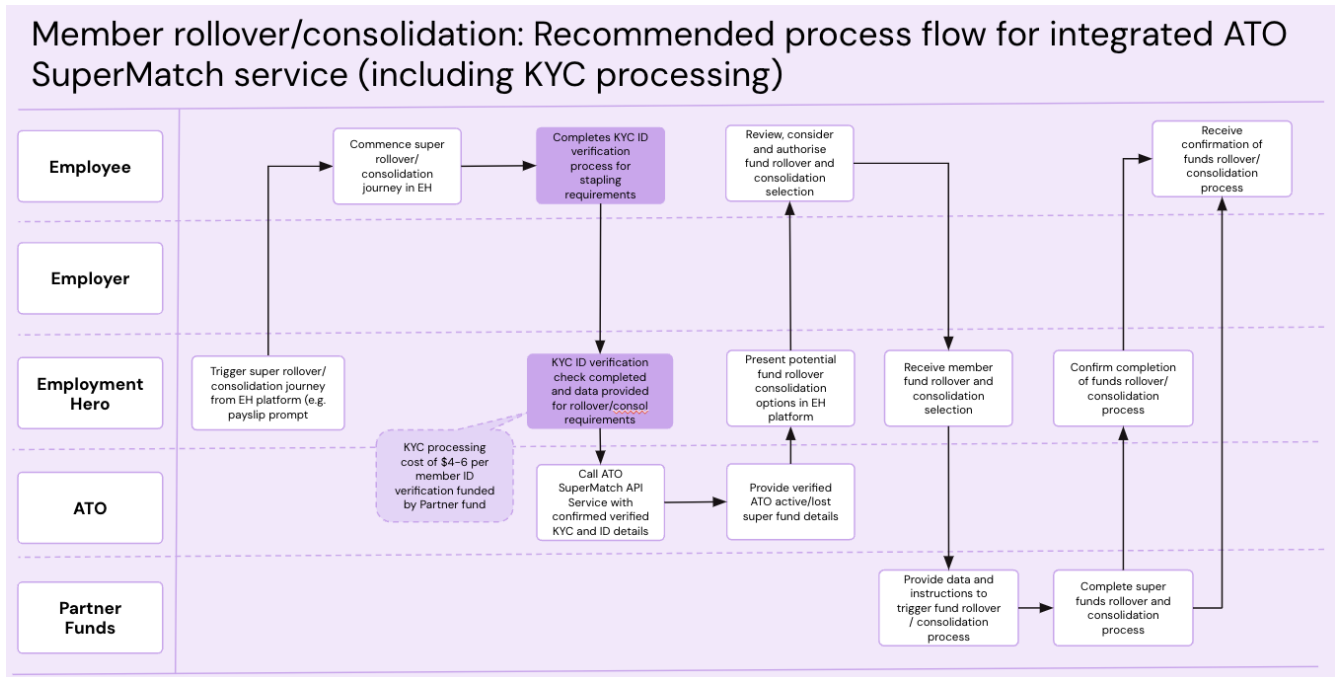


Image 4: Digital embedded member rollover/consolidation process flow with integrated ATO SuperMAtch API (including upfront KYC)

Recommendations: Imposing a ban on advertising is not commensurate with the benefits and risks associated with a digital choice journey.

1. Rely on Australia's existing robust consumer protections framework that apply to the distribution of financial products, including superannuation, which seek to prevent misleading advertising and egregious acts
2. Establish a clear framework that outlines the standards for super fund advertising during employee onboarding, including the provision of stapled, existing, and new options to be presented to employees. Specifically prohibit self-dealing and bidding for preferential placements during the choice fund process
3. Enable approved payroll platforms, white-listed with the ATO for STP, to securely integrate into ATO tools. SuperMatch should be considered a priority
4. Prohibit the promotion of performance tested funds that fail to meet relevant benchmarks
5. Facilitate industry self-regulation

Appendix

Research Methodology

Employment Hero conducted a survey with 2,000+ Australian people of working age (18–65) and Swag users to understand their attitudes and behaviours about superannuation.

Sampling

- Australians aged 18–65 year olds + Employment Hero users
- Not currently retired
- Overall number of survey respondents n=2,185
 - Panel respondents n=1,981
 - Swag users n=204

Data collection

- Survey dates: 18–25 October
- Survey length: 6 Minutes average
- Survey tool used: [Glowfeed](#) survey platform
- Survey panel used: [Cint](#) and [Dynata](#) consumer panels
- Survey quotas were created to ensure a nationally representative sample for respondents sourced from the Cint and Dyanta panels for age, sex and state

Data analysis

- The raw data was cleaned before being analysed, the following criteria was applied:
 - Speeders: Respondents who completed the survey faster than 1 minute were removed from the analysis
 - Straight-liners: Respondents who always pressed the same option in the survey program (i.e. 1 in the list) were removed from the analysis
 - Nonsensical feedback: respondent who typed meaningless feedback in the open-ended questions were removed from the analysis
- Results have been weighed to the Australian working population aged 16–65 years
- Survey results were analysed with a significance testing reported at a P-value of 0.05 (95% confidence interval)
- We have merged values where possible (NETs) to allow for improved analysis

EMBEDDED → SUPER

 employmenthero

THE DIGITAL KEY TO UNLOCKING THE FUTURE
OF THE SUPERANNUATION INDUSTRY

Contents

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CHAPTER ONE



Introduction





Essentially, **embedded super** refers to placing a **superannuation product** **within** a non-super platform, service or digital customer experience **that members** already use.

It allows members to manage their superannuation seamlessly alongside their other activities, enhancing member context, engagement and streamlining interactions with super.

Employment Hero's Embedded Super Services

Employment Hero manages the employment of almost 1 million employees and 200k+ organisations. Employment Hero's mission is to make employment easier and more valuable, for everyone.

How we partner with Super funds?

Employment Hero offers a suite of super services embedded into our leading digital HRIS and payroll platform, to help employees engage with and manage their super selection, all while making life simpler and more automated for small-medium business owners.

Wages paid by Small and Medium Enterprises (SMEs) account for ~48.5% of global GDP. Yet despite this, SMEs struggle to manage employment. SME owners are anxious, under qualified and under resourced. Employment Hero was founded to solve this problem.

Employment Hero are creating a future in which every SMEs can be a proud, confident employer. Employment Hero gives SMEs the tools and resources they need to stay compliant, find talent, drive productivity and maximise engagement & retention.

Introduction to Employment Hero

We simplify employment through digitisation, delivering huge gains for Australian employers and their employees. Businesses who implemented Employment Hero experienced a 291% return on investment by the end of their first 3 years.

Employment Hero offers a suite of digital super services to help employees engage with and manage their super selection, all while making life simpler and more automated for small-medium business owner.



+1 million
employees on the platform



+200,000
organisations on the platform



~40,000
new employees every month



\$75 billion
payroll processed annually

The problems we are solving for super: quick facts/state-of-play

For decades, Australia’s superannuation system has served as a vital component of the nation’s retirement income framework, offering crucial retirement savings for millions of Australians. Although it plays a crucial role, the system faces several challenges that embedded super can help address.

Current obstacles include limited transparency and accountability, high fees, and varied performance among different funds. The system’s complexity and fragmentation may also lead to confusion and uncertainty for members, making it difficult for them to make well-informed decisions about their retirement savings.

The current system’s shortcomings in Australia emphasise the pressing need for transformation and innovation. Given the retirement savings of millions of Australians are at stake, it is essential to seize the opportunities offered by technology and data analytics. Superfunds can then strive to develop a stronger and fairer superannuation system that caters to the best interests of all Australians, both now and in the years to come.

Lack of trust

Trust is a key driver of overall member satisfaction. A recent report indicated member trust fell in 2022¹ and remains to be an opportunity area for super funds to address.

Little understanding

Approximately 60% of members reported having a limited understanding of fees, indicating they understood them “not very well” or “not at all.”²

Low engagement

Only 42–52% of Australians with lower personal wealth interact with their super more than once a year.³

NPS 15⁴

Member satisfaction has declined with ground to make up compared to embedded fintech offerings achieving +65 NPS.⁵

\$16 billion

Lost / unclaimed superannuation across 6.9 million accounts.⁶

23% reduction

Women retire on average with around 23% less super than men. Over 80% of people agree that government have a role to play in improving equality in super.⁷

1. CSBA: www.csba.com.au/trust-and-loyalty-for-super-funds-hit-new-low-csba-benchmarking/

2. Productivity Commission (Australian Government): [Superannuation: Assessing Efficiency and Competitiveness](#) (figure 5.6 page 259)

3. Qantas Super: [Less wealthy Australians lack confidence in retirement, seek better and more regular information from super funds](#)

4. Super Review: [Member experience declines at super funds](#)

5. SwissRe (2022): [Embedded Insurance 2.0 – Figure 5: Cover Genius](#)

6. ATO: [Total lost \(fund-held\) and ATO-held super](#)

7. ASFA: [ASFA calls for equality in super by 2030](#)

CHAPTER TWO



Key themes



The era of member centricity & satisfaction

It's tougher than ever for super funds to differentiate themselves from competitors at a time of fund consolidation, and standardised investments offerings (ie MySuper); funds need to think outside of the box on how to deliver a genuinely unique member experience.⁹ This whitepaper explores the application of an embedded engagement experience in parallel industries and considers how funds can benefit from adopting similar approaches.

Widen the scope of member experiences

Embedded super offers a chance to redefine customer experience for super funds, opening new channels, customer journeys and platforms within which members can engage with and manage their super products. This vastly extends a super fund's digital reach beyond that of its existing platforms and channels.

Through even simple examples, such as removing the need for customers to store and remember their login details manually, super funds can deliver a superior experience. Seamless digital integration will ensure a super fund's brand is front and centre while reducing the clutter and friction for customers to engage with their super products.

8. Adviser Voice (2023): [Higher engagement gives rise to more switching considerations: Super Member Engagement Report](#)

9. Treasury (2023): [Opinion piece: Super funds must step up to the mark on member engagement](#)

Stapling doesn't solve the engagement problem

Regulatory-enforced super stapling is a step in the right direction to reduce fund proliferation, which erodes consumer super balances. However, if enforced without members' choice, it becomes an unfortunate overreaction and actually disempowers consumers from their super. Essentially, it furthers the "do it for me" mindset that disengages consumers from their super.

Embedding super into the digital employment lifecycle encourages engagement, empowerment and education of consumers about their super fund details, balance, choices and more. By presenting these features within the clear, simple and relevant context of employment, it is possible to improve member engagement with super. Unfortunately, without active engagement, regulations may inadvertently lead employees to overlook their responsibility for managing the ~11% wealth generated throughout their lives.

Super is the forgotten yet vital building block of the typical Australian's life

To call it what it is, super is the vehicle responsible for empowering working Australians to have a dignified retirement. Super should be considered at every major turn in a member's life, so that smart dynamic decision-making can happen at each critical life changing moment. There's a general knowledge gap on when members should speak to their super funds for guidance. The industry needs to be more direct in helping members understand their options when members' circumstances change.

For example; a change of income, going on maternity leave, moving address, or finding a new job. In each of these scenarios, seamless integrations to super, if made available, will empower members to understand the impact of these situations and their available options.

“
I wouldn't ever have thought of calling my super fund when I applied for maternity leave, why would I?

Employment Hero staff member when becoming aware that super funds typically provide member education to expecting families.



CHAPTER THREE



Embedded super

Tearing down barriers to member engagement



Overview of embedded super

Superannuation is daunting for working Australians. The complexity and jargon surrounding superannuation can be overwhelming for many, often making the prospect of seeking help seem daunting or costly.

Consequently, a substantial number of individuals choose to ignore superannuation entirely. Recent research indicates a mere 26% percent of Australians know their exact super balance and regularly monitor its performance.¹¹

Imagine a future where working Australians are engaged with their superannuation, and educated on the benefits and opportunities available to them. By simplifying and enhancing access to superannuation, countless Australians would see their financial situations improve, experiencing reduced stress and the ability to plan for a comfortable retirement. This shift would lead to a significant societal transformation.

Embedded super, a subset of embedded finance, holds the key to remarkable untapped potential. It revolves around engaging members, on their terms, on platforms they are already using, in a way they understand. Or put simply, contextual engagement elevates superannuation from a background product to a prominent aspect of members’ lives.

Embedded Super supports the government and industry with their objectives to better serve members in previously inemaginble ways.

Benefits of embedded super include:

-  **Increased reach and accessibility** of super to previously unengaged members
-  **Widened scope** of member experience and service models
-  **Improved member satisfaction and loyalty** driving improved member and regulatory outcomes

“

The strength of superannuation rests on three core tenets: political consensus, strong performance and member satisfaction.

Assistant Treasurer & Minister for Financial Services, The Hon Stephen Jones MP¹⁰

10. Treasury (2023): Opinion piece: [Super funds must step up to the mark on member engagement](#)
11. Investor Daily (2023): [ISA urges greater engagement with super](#)

Empowering super funds: Deliver members what they need to hear, in a way they understand, at the time they need to hear it

Research indicates that members often find superannuation daunting and difficult to comprehend. Providing the right tools and information helps members grasp the importance of super, easing their discomfort and uncertainty surrounding it.

Embedded super has the ability to increase financial inclusion by offering clear context and access to relevant superannuation services and products for individuals who may not have otherwise understood or used them.

Key developments in superannuation

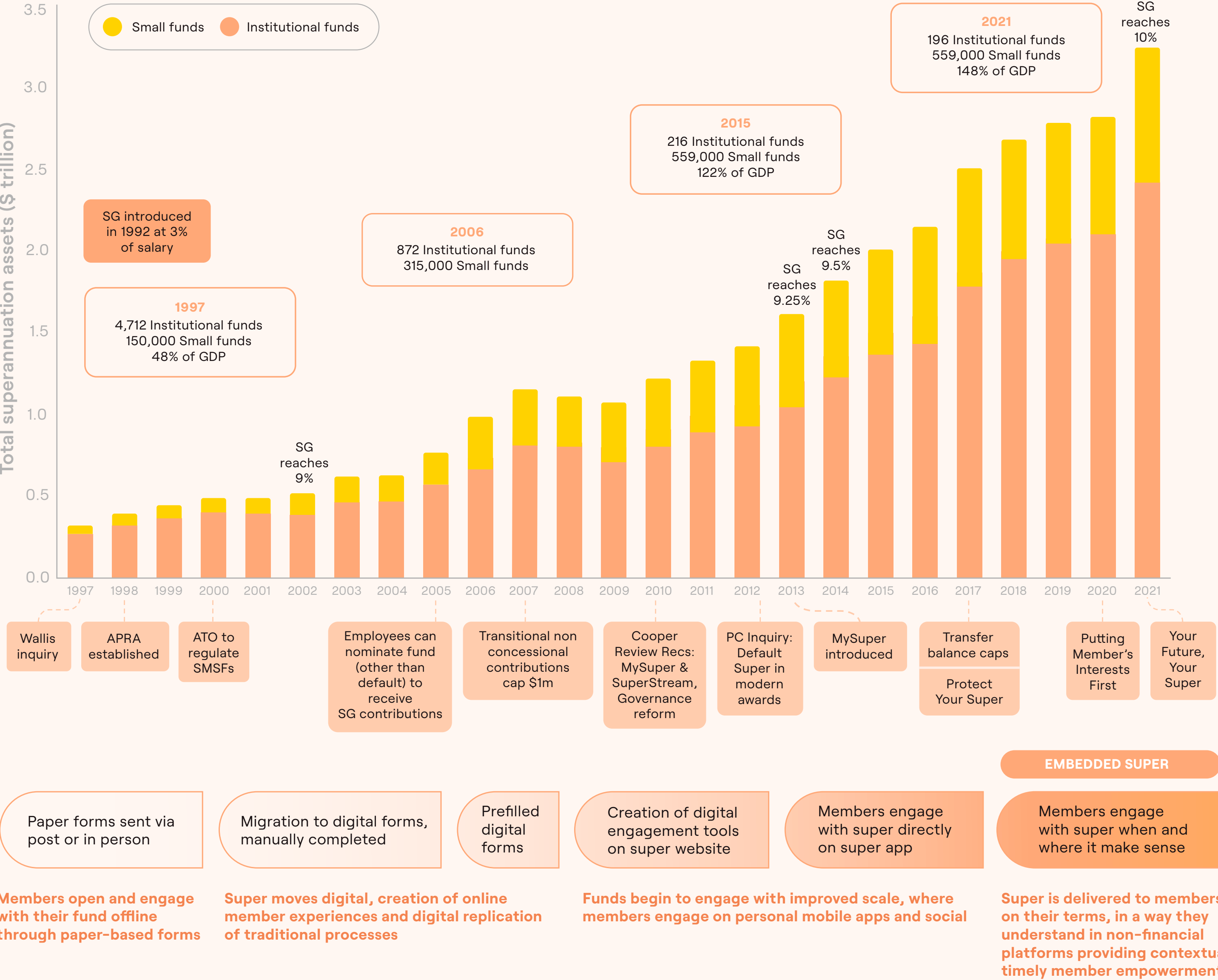


Chart source: Productivity Commission 2016, Superannuation Efficiency and Competitiveness: Issues Paper; APRA Quarterly Superannuation Performance, June 2022; APRA Annual Superannuation Bulletin, June 2021, other

Embedded super's role throughout the product lifecycle on digital platforms

At every stage of the product lifecycle, embedded super plays a crucial role:

Proactive, automated retention:

Super embedded into relevant journeys and settings supports members to easily and proactively reengage with their existing fund in an automated, but also choice related context.

Streamlined onboarding:

Embedded super simplifies the online application process, provides clear communication about the fund's offerings, and grants access to educational resources on financial planning and retirement. It can also promote empowered member choice within the most relevant context.

Data-driven decision-making:

Robust analytics and reporting on digital platforms help super funds understand members' needs and preferences, enhancing engagement and satisfaction.

Financial wellness resources:

Embedded super delivers tools such as budgeting calculators, debt management assistance, and retirement planning resources on digital platforms, empowering members to make informed financial decisions

Insurance and protection:

Digital platforms can facilitate access to insurance products like life, income protection, and total and permanent disability insurance at important times in a member's life, and in a contextual way.

Education and advice:

Members can access financial planning, superannuation, and retirement planning education and advice on digital platforms, helping them make informed decisions and plan for their financial future.

Seamless transactions and support:

Digital platforms enable efficient transactions like updating personal details, making contributions, and requesting withdrawals. Additionally, they can provide high-quality member support to address members' questions or concerns.

Superannuation management:

Digital platforms allow members to easily access information on contributions, investment options, and account balance, enabling informed retirement savings decisions.

“

Ultimately, this is not just about giving those who have taken the time to engage with their fund the proper level of attention. It is about funds knowing and understanding all their members, even those who may not engage regularly or at all.

Assistant Treasurer & Minister for Financial Services, The Hon Stephen Jones MP¹⁰

10. Treasury (2023): Opinion piece: [Super funds must step up to the mark on member engagement](#)

Creating an iressistable experience by solving members pain points

Creating a compelling proposition for members is easier than you think. By starting with their pain points and providing solutions, you can unlock the full potential of embedded super. This powerful tool extends super funds’ capabilities and enables them to resolve customer pain points more effectively and seamlessly than ever before.

“
They don’t tell me what I want to know in a way I understand

Toby Ralph, Marketing Strategist, on the super member communication gap¹²

12. Toby Ralph (2023): Marketing Strategies for Different Member Cohorts, AIST Conference Presentation.
13. Employment Hero (2023): Superannuation Discovery Research. *In a recent survey we asked super members “Why did you choose the superfund you are currently with?” 54% responded that their employer chose their fund for them.*
14. FSSuper (2021): Driving member engagement with digital technology, SS&C. [Superannuation Survey](#)
15. Australian Financial Complaints Authority (2023): [At a glance](#)
16. Product Review (2023): Super fund ratings

Member pain point	How might we...	Embedded super in practice
<p>Most members didn’t choose their current provider.</p> <p>Recent Super Stapling initiatives highlighted the issues of the proliferation of unintended multiple superannuation accounts. Further studies have found >50 per cent of super members never choose their super provider in the first place.¹³</p>	<p>→ Help members make an informed decision to easily retain their existing fund.</p> <p>→ Avoid generating member apathy by failing to encourage members to learn more about their current arrangements.</p>	<p>Empower members through choice, giving them a framework to digitally review and confirm their current provider’s suitability or select new.</p> <p>Example: HR platforms integrate with fund databases, allowing new starters to view existing account details and choose alternative providers seamlessly.</p>
<p>Low engagement and understanding</p> <p>Recent studies show that many funds are missing opportunities for meaningful messaging. Because of this, member engagement outside the normal quarterly or annual statement cycle is typically low.¹⁴</p>	<p>→ Deliver more frequent, meaningful engagement to members where they are most likely to engage.</p>	<p>Super information provided in a contextual way will not only increase awareness but provide a substantial basis for members to make informed decisions.</p> <p>Example: Include annual contribution amounts in a member’s payslips and warnings for approaching contribution limits</p>
<p>Super funds are one of the highest sources of complaints to AFCA:¹⁵ Some super funds rate as low as 1.4 out of 5 on major product review sites,¹⁶ with poor customer support cited as a typical reason for the customer dissatisfaction.</p>	<p>→ Enable super funds to engage members on adjacent digital platforms to deliver a happier, supported member experience.</p>	<p>Embed an ‘I need help’ button on adjacent platforms for members to contact their fund, increase awareness of when their fund could help support well-informed decision-making</p>
<p>When super is out of sight, it’s out of mind</p> <p>Super typically isn’t a function of daily working life. The consequence of individuals ignoring it is that they risk substandard retirement outcomes through a poor and/or inefficient investment mix or contribution rate. Failure to notice these outcomes has been a problem for years</p>	<p>→ Promote financial inclusion and empowerment by reminding members at the right time that their fund has services that can help their financial situation.</p>	<p>Provide contextual engagement to relevant member cohorts</p> <p>Example: Super funds could promote information on the First Home Super Saver program to younger members or those who are interested in exploring home ownership on third-party platforms</p>
<p>Inaccurate member data</p> <p>How easy is it for members to change their contact details with funds? How many funds can confidently say the members’ email address or phone number on file are correct? Poorly maintained data means that members are missing out on vital information, and funds need a way to ensure this information is going to the right place.</p>	<p>→ Develop personalised, easy to access and editable member information held by super providers within third-party platforms.</p>	<p>Develop an integration where members can automatically inform their super provider of changes in contact details when updating their employer via an HR platform.</p>

The multi-departmental benefits of an embedded super fund approach

“While we’re doing all we can to get this money back where it belongs, we rely on people keeping their contact information up-to-date. The best thing you can do to ensure you’re getting what you’re entitled to is checking that your current contact information and bank account details are correct.

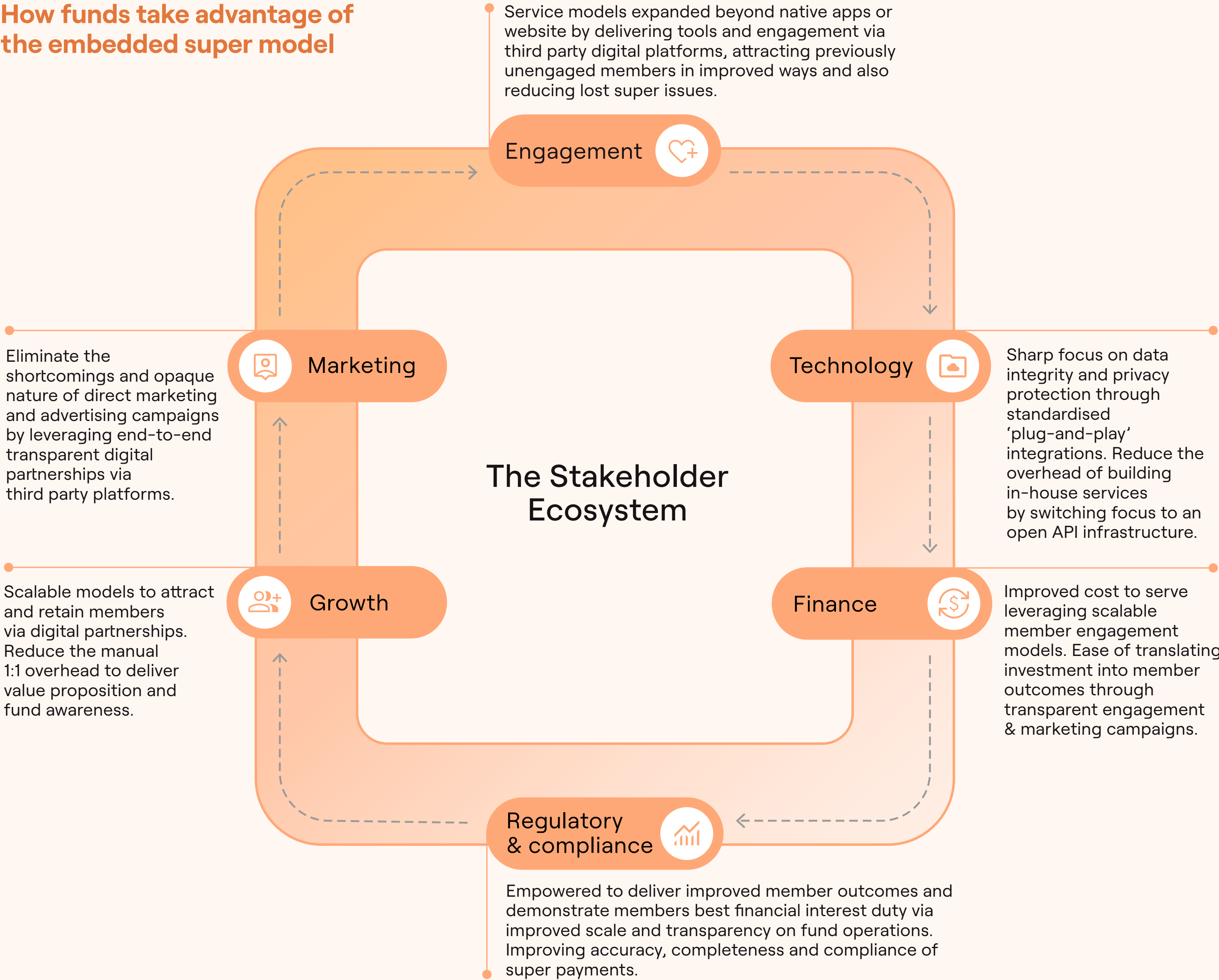
Deputy Commissioner, Australian Tax Office, Emma Rosenzweig¹⁷

“People often lose contact with their super funds when they change jobs, move house, or simply forget to update their details.

Rosenzweig on the \$16 billion in lost super, up by \$2.1 billion in the last financial year.¹⁷

17. Australian Tax Office (2023): Check your myGov account for your share of \$16 billion in lost and unclaimed super

How funds take advantage of the embedded super model



Outcomes for super funds leveraging embedded super

1. Increased reach:

Software-as-a-Service (SaaS) platforms give super funds access to a wider potential audience, expanding their member base and market share.

2. Competitive advantage:

Innovative and forward-thinking funds will attract new members and improve relationships with previously unengaged members through their differentiated communication model and unique cross-platform embedded journeys.

3. Increased engagement and loyalty:

Superfunds require innovative, cost-efficient ways to connect with members. Delivering contextual, relevant information across multiple platforms allows members to engage with content on their terms, increasing their motivation to take action.

4. Streamlined operations and scale:

Funds can bypass technical infrastructure and effort by leveraging “plug and play” functionality using APIs. By building an integration once for 1:x scalability vs traditional 1:1 member service models, members will be spared the irritating and unengaging “we’re experiencing higher than expected calls... please hold” message.

5. Regulatory compliance:

Ensures up-to-date member contact information for regulatory compliance, ensuring statements and documentation are delivered to the correct location.

6. Transparent ROI:

Funds face pressure for transparency in marketing operations. Embedded super offers clear ROI, replacing opaque direct advertising

“

It’s important to remain engaged with your super fund through all stages of your life, not just when you are ready to retire...

*Deputy Commissioner, Australian Tax Office,
Emma Rosenzweig¹⁷*



17. Australian Tax Office (2023): [Check your myGov account for your share of \\$16 billion in lost and unclaimed super](#)

Regulatory benefits extend beyond improved member outcomes, into greater transparency and accountability

Leveraging digital platforms enables funds to address key regulatory themes, such as enhancing transparency, fairness, and scalability. Embedded super presents a future where superannuation better serves all Australians’ needs, aligning with regulatory objectives for a secure and prosperous financial future.

Notwithstanding the benefits, regulators can shift their focus from an industry struggling to demonstrate member outcomes to one requiring guidance and a flexible regulatory framework. This framework should establish clear guidelines for funds to utilize platforms in a manner that preserves data integrity and members’ privacy.

Improved member outcomes

Superannuation funds must demonstrate that they are delivering value to members.¹⁸ This includes providing competitive returns, managing risks effectively, and keeping fees and costs reasonable. When members can more easily access their super details at contextual times on digital platforms, a fund’s ability to meet these obligations opens up significantly.

Greater transparency and accountability

Regulators require super funds to disclose more information about fees, expenses, and investment strategies for greater transparency and accountability.

Embedded super allows funds to notify members of important changes, such as performance test outcomes, through platforms members already engage with regularly. Seamless access to this information will help members make informed decisions about their superannuation.

Technology and innovation

The National Financial Capability Strategy (2022) highlights the importance technology has in promoting financial inclusion and accessibility for everyone.¹⁹ The industry needs to adopt secure use of technology to drive efficiency and innovation within the superannuation industry while ensuring that risks are managed effectively. Embedding superannuation into non-financial digital platforms gives funds a wider reach, accessing previously unengaged members, particularly those who may not have easy access to financial advice or assistance.

There is an overwhelming correlation between the benefits of embedded super and the goals of Australia’s national strategy to promote financial inclusion and accessibility:¹⁹

- Extending the potential reach and access of financial services
- Offering more convenient, faster and secure transactions
- Providing services that are tailored to individual needs.

“

My message to funds is clear: Focus on your members; respond to complaints more quickly; invest more in your relationship with members; and do better at understanding the needs of those who trust you with their contributions.

Assistant Treasurer & Minister for Financial Services, The Hon Stephen Jones MP¹⁰

18. APRA (2022): [APRA looks to enhance strategic planning and member outcomes in super](#)

19. Australian Government (2022): [Financial Capability and Digitalisation](#)

Fintech has changed customer expectations forever, super is the next industry to replicate this success

The rise of fintech and embedded finance has forever transformed customer expectations. Customers now enjoy a level of convenience and engagement that was previously unimaginable. With seamless, personalised experiences offered by forward-thinking service providers, the gap between customer expectations and traditional superannuation services becomes ever more pronounced. The ability to engage with a service provider on a third-party platform is no longer exceptional service, it's table stakes.

“

Put simply, embedded finance is the placing of a financial product in a non-financial customer experience, journey, or platform


McKinsey & Co.



Embedded finance is rapidly changing the world of consumer demand creating a \$7 trillion opportunity

Financial services embedded into e-commerce and other software platforms accounted for \$2.6 trillion, or nearly 5%, of total US financial transactions in 2021. This is accelerating rapidly, and by 2026 will exceed \$7 trillion, according to research by Bain.²⁰ The increasing digitisation of the economy is driving this growth, along with changing consumer demand for more seamless and integrated experiences, and the ability for financial services to now reach traditionally underserved or underbanked populations.

Embedded finance is consequently seen as a major opportunity in industries such as e-commerce, transportation, and healthcare. In each of these cases, there is a significant potential to offer financial services closely tied to the core product or service being provided.



\$2.6 trillion²⁰

Financial services embedded into e-commerce and other software platforms accounted for \$2.6 trillion, or nearly 5%, of total US financial transactions in 2021



\$20 billion²¹

2021 embedded finance revenue in the United States alone



\$7 trillion²⁰

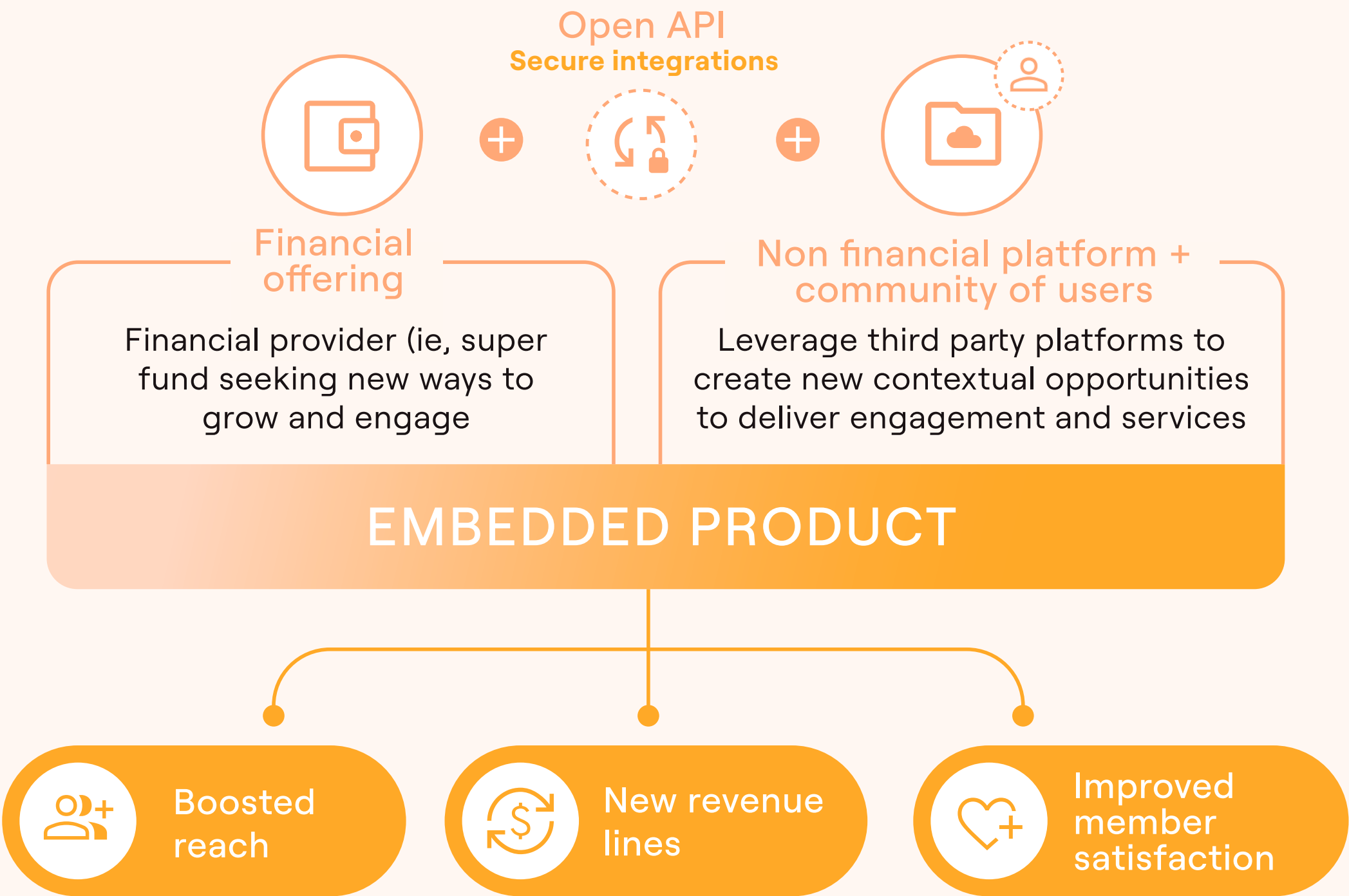
Estimated financial transactions (USA) through embedded finance by 2026

20. Bain (2022): *Embedded Finance: What It Takes to Prosper in the New Value Chain*

21. McKinsey: *Embedded finance: Who will lead the next payments revolution?*

An introduction to how embedded finance has changed member expectations forever

The contextualisation of financial services through an embedded model has significantly changed the sector. The accelerating trend of embedded finance continues to see the seamless integration of financial services into new customer journeys. How society consumes financial products and services has adjusted in kind. Financial institutions that are early adopters of embedded models have successfully unlocked unprecedented value and gained a substantial competitive advantage.



Well-known examples of embedded finance experiences include:

- Embedded payments experience on Uber, Amazon or Shopify.
- Embedded insurance in logistics, rental and travel checkout experiences.
- Embedded digital customer identification, verification and authentication services.
- Embedded investing when linking debit cards to investment accounts

Brands offer embedded financial services at the point of customer need



The digital wallet from Southeast Asia's ride-hailing leader.

Grab customers can make payments for hailing a ride or ordering food within the Grab app using a wallet linked to their credit or debit card. They can also pay in stores, earn rewards, and send and receive funds instantly.

Registered GrabPay merchants nearly tripled in the year to Q2 2021, with a total payments volume of US\$2.9 billion, up 66% on a year earlier.



Payments, point of sale systems and loans for merchants.

Shopify began with a Buy Now Pay Later (BNPL) option for consumers and a business debit card for merchants, helping merchants get paid immediately. Shopify integrates with Stripe Treasury to offer a business bank account, Shopify Balance, to its merchant customers.

[Shopify Capital lent \\$324 million Q4 2021](#), up from \$227 million a year earlier.



The financial services arm of Indian eCommerce giant Flipkart.

PhonePe help customers book flights, order food and buy groceries, embedding a range of financial services throughout. These include helping customers recharge mobile credit, pay bills, send money, access their bank accounts, buy gold and invest.

It has over 250 million users and more than 25 million small merchants. The market leader in open payments, originates over 40% of India's UPI payments and powers over 3 billion transactions a month.

Other prominent examples:



Image/text source: [Making Embedded Banking Work](#), Infosys Finacle, Page 8

Lessons from adjacent industries prove the embedded service model works

Success stories from adjacent industries, such as traditional banking, insurance and finance, demonstrate the effectiveness of an embedded approach. The insurance industry has experienced a boom in embedded insurance products and services, that has helped better contextualise the product for customers, contributing to improved customer engagement and experience. For comparison, super funds NPS fell from an average of +26 to +15 in 2022, according to a recent benchmarking report.²² On the other hand, traditional insurance providers score between -20 to +15, while embedded insurance offerings score a notable NPS of +65,²³ validating how an embedded approach to traditional services can drastically improve member satisfaction.

Based on this performance, there is a clear opportunity for embedded super to achieve similar results for the sector.

Similarly, a recent report by Bain & Company investigating customer behaviour and satisfaction in banking, highlighted how neo-banks, through a digital first approach are winning favourable NPS scores relative to traditional providers.

The research found a 123-point difference in NPS between banking respondents who strongly agree that their bank interacted based on knowing who they are and those who strongly disagree.²⁴

These gains would not come at a burden to the super industry. The realisation of embedded super’s benefits does not require drastic changes or disruptive tactics; rather, it can be thoughtfully adopted by existing providers seeking a more efficient and effective approach.

The successful implementation of an embedded approach demands careful consideration of integration with existing systems, regulatory compliance requirements, and user experience design. Australia has a unique opportunity to be a global leader in fostering a better financial future for generations through the adoption of embedded super.

Cover Genius, through their embedded insurance offering enjoys a favourable NPS score

	Cover Genius
Focus	Solving commercial problems for brands
Architecture	Microservices
Quote & Bind Integration	API
Product innovation	Growth-oriented
Policy wording	Continuous refinement
Personalisation	Dynamic recommendations
Pricing preference	Dynamic pricing
Claims payments	Instant
Claims NPS	+65
Countries	60+
Regulation	Part of the service
Balance sheet	Own risk carrier now

22. Money Management (20202): [Member experience declines at super funds](#)
23. SwissRe (2022): [Embedded Insurance 2.0 - Figure 5: Cover Genius](#)
24. Bain (2023): [Customer Behavior and Loyalty in Banking: Global Edition 2023](#)

The application of embedded finance redefines how consumers engage with their providers

The close relationship between superannuation and other forms of finance means that embedded finance principles have tremendous possibility for super. Embedding super products and features into optimised contexts and new customer journeys will unlock huge potential for customers and super funds by driving greater customer understanding, empowerment and engagement, bringing a previously backgrounded product to the fore. Applied correctly, embedded super will transform the sector for the better, facilitating meaningful, long-term benefits among working Australians. Most excitingly, it unlocks benefits without requiring drastic change and disruptor stereotypes. It can be embraced easily by existing providers searching for a new, more effective way of doing things.

Customer contexts:	Shopping	Mobility	Home	Wealth	Business
Embedded journeys	Package many services and products, embedding banking at the point of need.				
Intelligent services	Solve customer problems with digital solutions that augment financial products				
Financial products	Deliver regulated financial products, either directly or indirectly.				
Capabilities	Provide supporting capabilities required to deliver financial products to customers.				
Transactional rails	Provide supporting capabilities required to deliver financial products to customers.				

Engaging customers with great experiences

Manufacturing economies of scale

Enabling other businesses with operational efficiency

Table source: Banking as a Service: reimagining financial services with modular banking” report

11FS: Brands can embed finance into customer journeys, building on the layers below, because they are closer to the customer context

This diagram illustrates the layers of digital financial services businesses can operate in. The further up a brand operates, the better, as they’re closer to the customer’s needs.

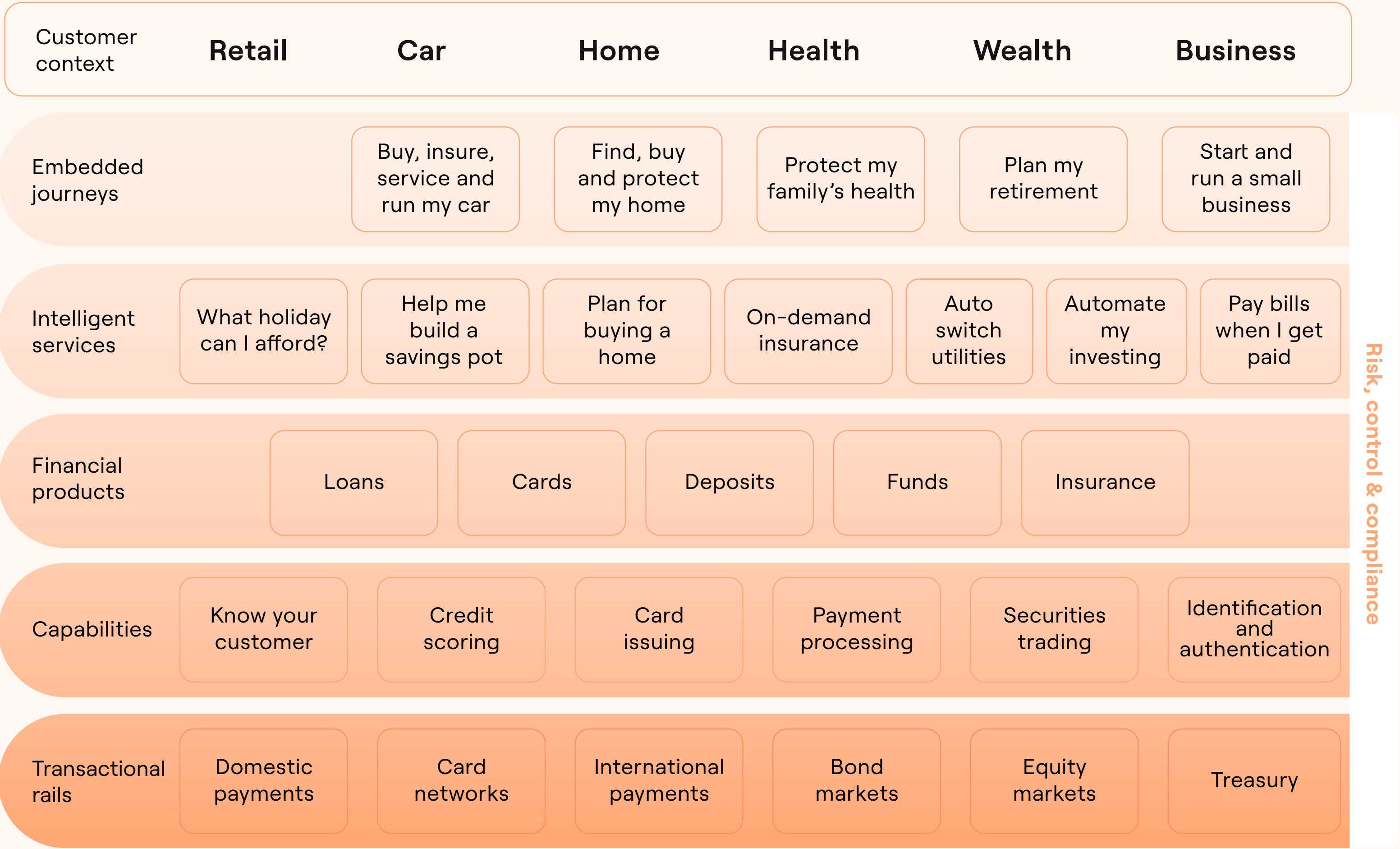


Image source:11FS: Better banking business models – embedded finance and the path to growth

CHAPTER FOUR



Getting it right



While **regulatory-enforced** super-stapling is a step in the **right direction**, if enforced **without** member choice, it can lead to unfortunate **outcomes**

Potentially reinforcing a “do it for me” mindset that can disempower and disengage consumers; not affording them the opportunity to understand and engage with their super. It is disheartening to see that without an engaged mindset, regulation – while protecting super balances – is encouraging employees to simply do nothing, to forget their super, and vest away the decisions relating to approximately 11 per cent of the wealth they generate from their work.



Rob Dunn
Managing Director, Benefits
& Payments, Employment Hero



The challenges & available solutions to set the future up for success

Like any innovative technology, an embedded approach represents challenges that must be addressed. While not insurmountable, it is imperative the industry works through these challenges together collaboratively to genuinely contribute towards a thriving retirement system in Australia.

Data security: **Standard minimum ISO27k or SOC II certification & best practice policies**

Super funds are responsible for protecting their members' personal and financial data, and integrating their services with third-party platforms raises the risk of data breaches or other security issues. Super funds may be concerned about the security measures in place on SaaS and other interoperable platforms and the potential for their data to be compromised. This is especially true after several very high-profile breaches in major Australian organisations highlighted how vulnerable poorly secured systems can be, and the extent and impact that compromised data can have on members.

Solution: Best practice around data security, in parallel with the banking and finance approaches to securing member data, will address this concern. There are industry-standard certifications, such as ISO27k or SOC II certifications, that can demonstrate data security strength and capabilities and meet regulatory obligations.

Transparency & engagement: **Performance tracking & shared insights (data driven operating model)**

Super funds may be concerned about the member experience of their services when embedded within third-party platforms and the engagement rates. A perception can exist that their services will be diluted or obscured by the platform's user interface, or that they will lose control over how members will access or use their services.

Solution: Partnership models should include clear KPIs on expected engagement and how this translates to a commercial Return On Investment (ROI). During the partnership, the parties should maintain up-to-date accurate engagement reporting and agree on a standardised approach to 'define & measure success' based on agreed Key Performance Indicators (KPIs), monitored on a continuous basis (i.e. a review every six months).



Regulatory compliance:
Establish a framework for embedded super

Super funds are subject to a range of regulatory requirements and compliance obligations, and integrating their services with third-party platforms may introduce additional compliance challenges. Super funds may need to ensure that their embedded services comply with all relevant regulations and standards, which can be complex and time-consuming.

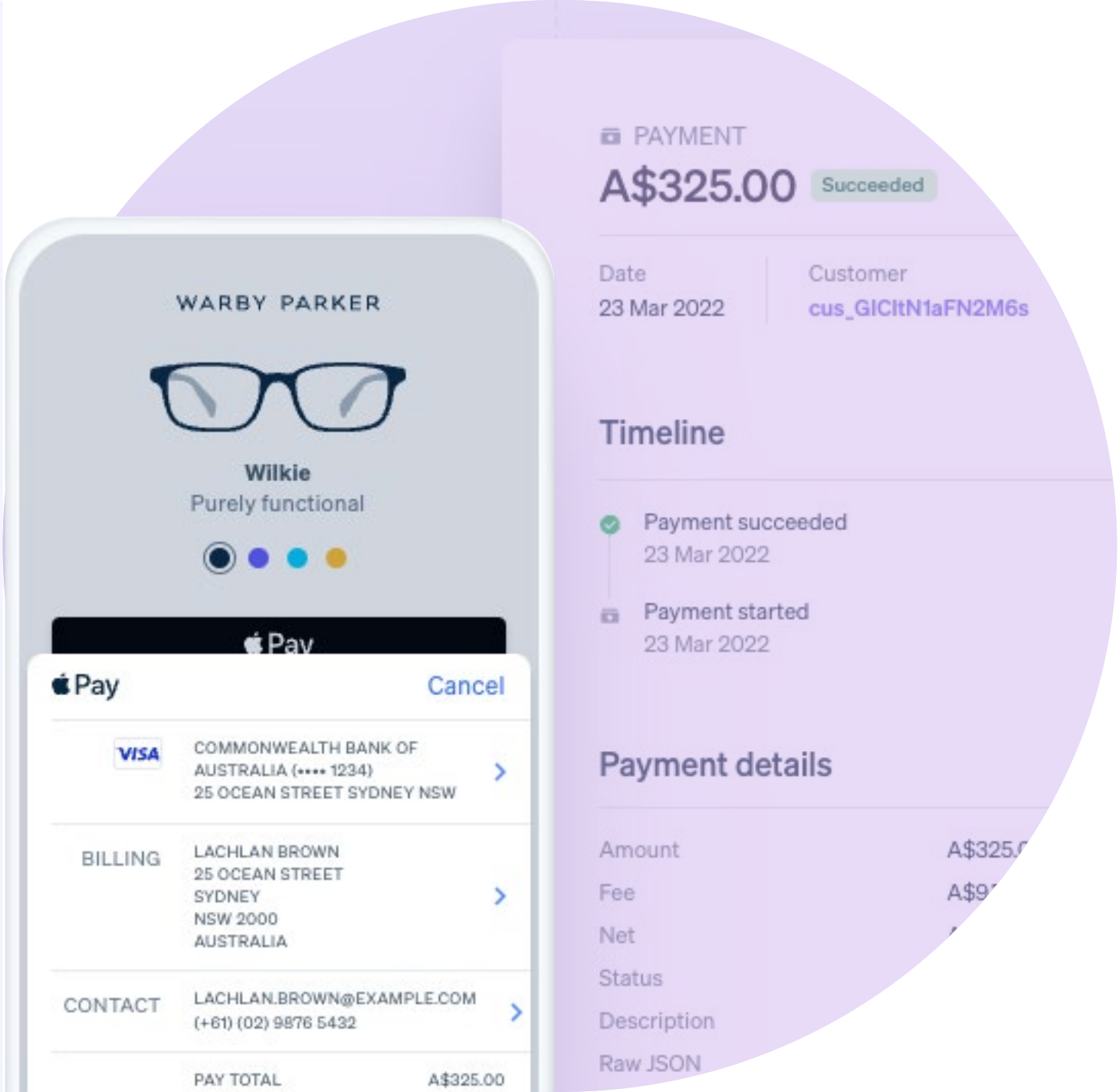
Solution: Establish a framework for embedded super on digital platforms. Contextual delivery enhances awareness, engagement, and understanding across the product lifecycle, leading to improved outcomes like active retention and informed choice of fund.

Brand dilution:
Make it clear who is offering what service

Super funds may be concerned about the impact of embedded services on their brand identity if their services are integrated into multiple platforms and branded under different names or logos. In that event, it may be harder for members to identify their services.

Solution: Third-party applications should work with super funds to follow branding guidelines and consistency. This risk can also be mitigated by developing co-branding strategies that align with super fund branding to strengthen to the clarity of which party is providing what service (ie it is clearly super fund branding where a super fund service is being provided within the third party platform).

By prioritising data security, streamlined integration, an enhanced member experience, brand consistency, and regulatory compliance, super funds can confidently embrace the potential of embedded super. This will ultimately lead to better outcomes for their members and a more robust, efficient, and innovative superannuation industry.



Example: Users are clear that they are using Apple Pay on Stripe distinguishing the services of each provider.

Source: [Stripe.com](https://stripe.com)

CHAPTER FIVE



Digital employment

is a key to unlock member engagement



The digital age: Lessons from fintech & digital employment

As the world embraces digital transformation, businesses are increasingly adopting digital platforms for employment. Small businesses which represent ~49% of global GDP; struggle with a plethora of obligations, stand to benefit the most from this shift. Companies that implemented digital HR and payroll solutions, such as [Employment Hero, experienced a 291% return on investment](#) over three years.

Supporting data highlights the rapid adoption of digital technologies across various industries. The World Economic Forum (WEF) predicts that digital transformation will add around \$100 trillion to the global economy by 2025.²⁵ Furthermore, International Data Corporation (IDC) projects that by 2025, three out of every four business leaders will leverage digital platforms to adapt to new markets and industries.²⁶

Digital employment

Digital technology is everywhere, and it's no secret that it's revolutionising the way we work. In a world where technology has become part of our everyday lives, businesses that don't take advantage of it will quickly get left behind. Digital transformation is incumbent on businesses. For an organisation that embraces digital transformation, on average each employee contributes to a 60% uplift in revenue.²⁷

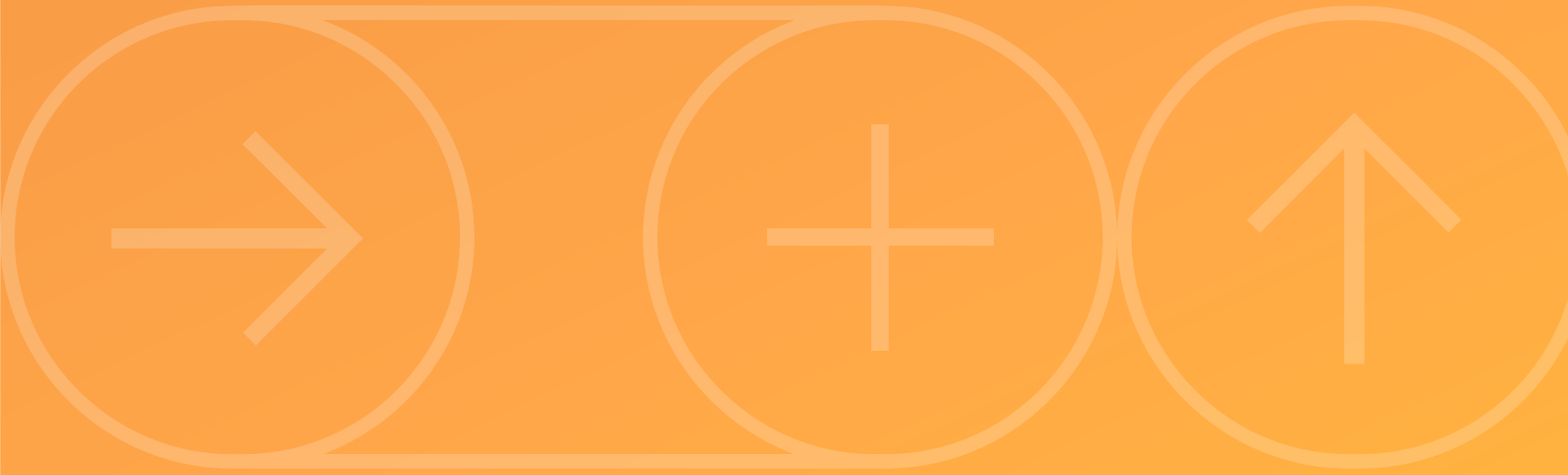
According to Deloitte, 2019 was the first year that there were more small businesses with high or advanced levels of digital engagement, than businesses with basic or intermediate levels of engagement.²⁸ We take this as a strong signal that more and more businesses are embracing technology, and reaping the benefits.

The COVID-19 pandemic significantly accelerated digital adoption for employment. According to McKinsey, companies advanced their use of digital technologies for customers and supply-chain interactions by three to four years due to the crisis. This shift is particularly evident in human resource management having reached a value of USD 19.38 billion in 2021,²⁹ which is expected to grow at a compound annual growth rate (CAGR) of 12.8% from 2022 to 2030.

“

Digital transformation is expected to add \$100 trillion to the world economy by 2025.

World Economic Forum



25. World Economic Forum (2023): [Davos 2023: What you need to know about fairer economies](#)
26. International Data Corporation (IDC) (2021) [IDC FutureScape: Worldwide Digital Transformation 2021 Predictions](#)
27. Employment Hero (2022): [Guide to digital transformation](#)
28. Deloitte (2019): [employmenthero.com/blog/small-business-embrace-digital-transformation](#)
29. Grand View Research (2021): [Human Resource Management Market Size Report, 2030](#)

How digital transformation factors correlate to market cap

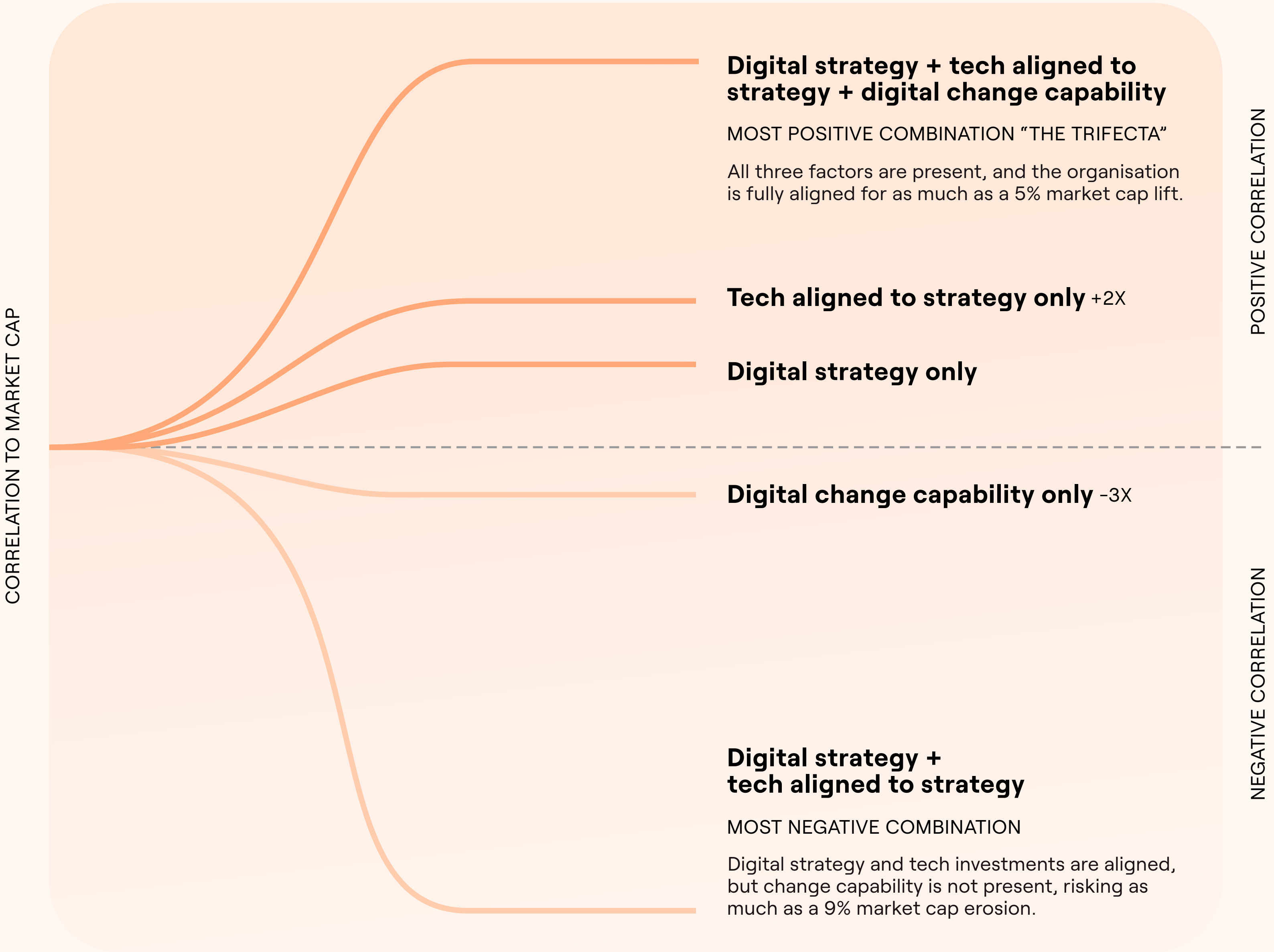
Digital employment is prolific in the modern economy, reshaping how businesses engage with their workforce. It encompasses innovative approaches to work, facilitated by technology, that enhance both efficiency and employee experience. As businesses adapt to this new landscape, they're naturally transitioning into digital transformation. This broader shift isn't just an add-on but a fundamental change in strategy, structures, and processes. By extending their focus from digital employment to overall digital transformation, companies unlock untold potential, significantly boosting their market value.



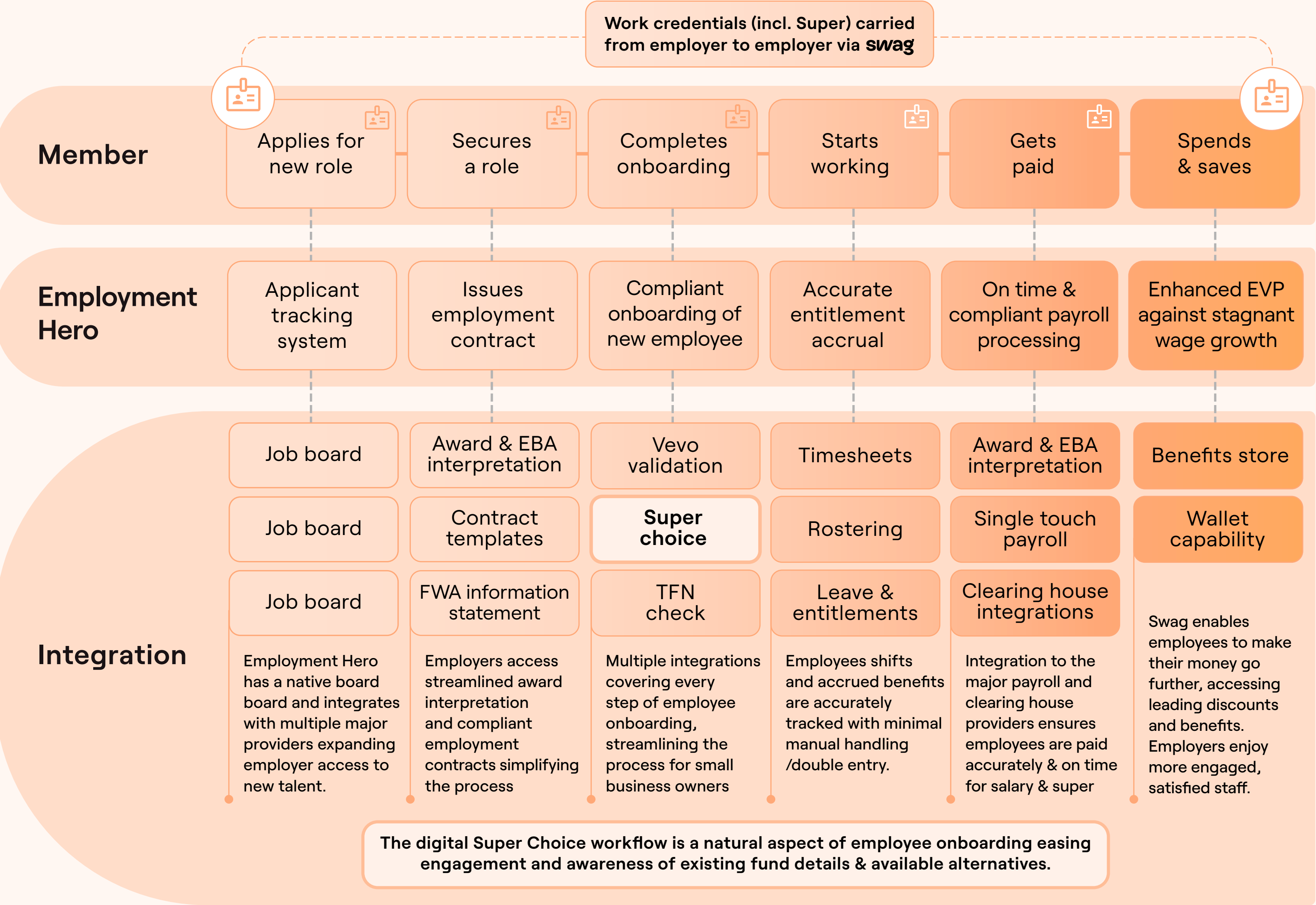
Our analysis of 10 years of financial disclosures from more than 4,000 global organizations reveals where digital transformation actions can increase enterprise value—and, just as importantly, where they can erode it.

Deloitte Insights (2023)

Chart source: Deloitte Insights (2023): [Unleashing value from digital transformation: Paths and pitfalls](#)



The digital employment lifecycle



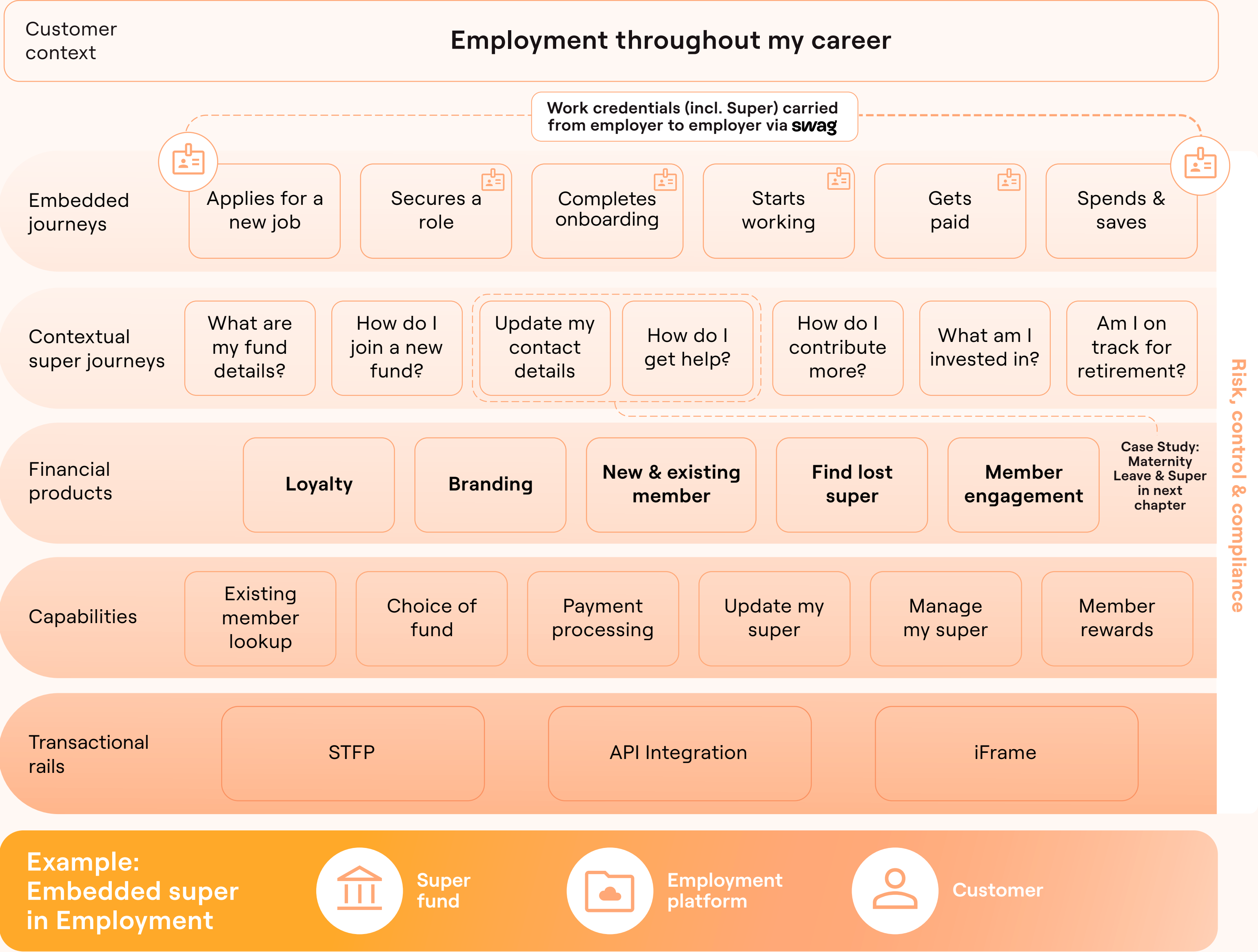
Benefits of digital transformation (digital employment)

The increasing adoption of automation and digitisation of HR operations aims to create agile and effective approaches that meet the demands of the modern workforce, improving the employee experience and boosting the employee value proposition (EVP) of businesses. With most executives envisioning a post-pandemic workforce reliant on digital platforms, now is the time for industry and regulators to work together and define best practices for this inevitable transition.

- Money saving
- Saving time on manual tasks
- Compliance
- Clear, streamlined communication
- Improved productivity
- Releases more time for strategy
- Improved revenue

As the economy transitions to fully digital employment management, incorporating superannuation workflows effectively is crucial. Digital platforms will play a vital role in advancing regulatory priorities and delivering improved outcomes for funds, members, and employers in the industry.

Applying the embedded approach to superannuation throughout the employment lifecycle



CHAPTER SIX



Case in point:

Promoting equality through embedded super



Maternity leave and super – how funds can take advantage of Embedded Super to deliver superior service

Super funds have a unique opportunity to empower women and bridge the gap through embedded super in digital platforms.

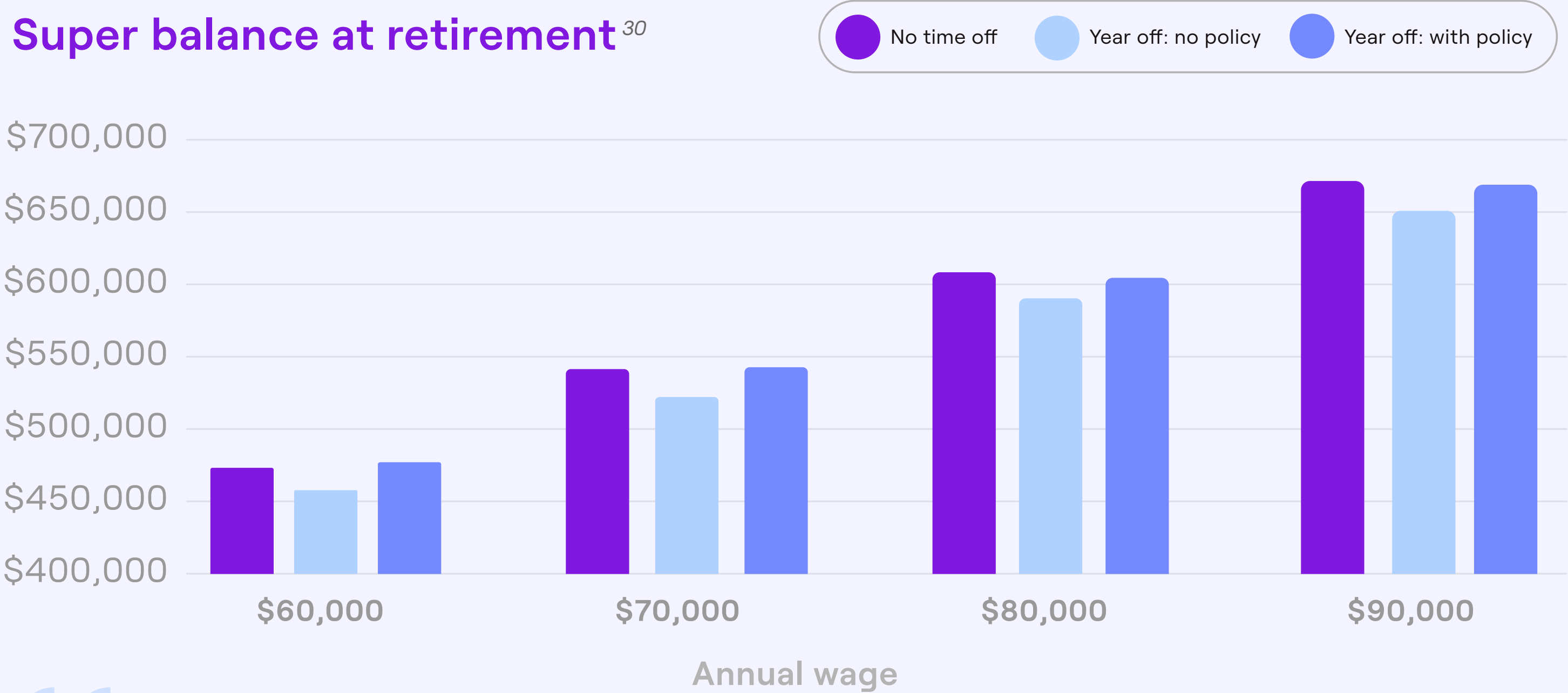
As the gender gap in superannuation continues to persist, super funds can take concrete steps to address this issue. With the right strategies, super funds can empower women to improve their retirement outcomes and bridge the gap between genders.

First, let’s talk numbers

The gender gap in retirement savings is a staggering 23% in Australia, with women retiring with significantly less superannuation than men. Helena Gibson, ASFA Senior Policy Adviser, emphasises the need for critical initiatives to close this gap.³⁰

30. ASFA (2023): [ASFA calls on Government to close retirement savings gender gap](#)
31. Finder (2023): [Super on Parental Leave](#)

Super balance at retirement³⁰



Research by Finder reveals that taking just one year of parental leave and working a four-day week for the first two years of a child’s life can cost women \$39,500 in lost super

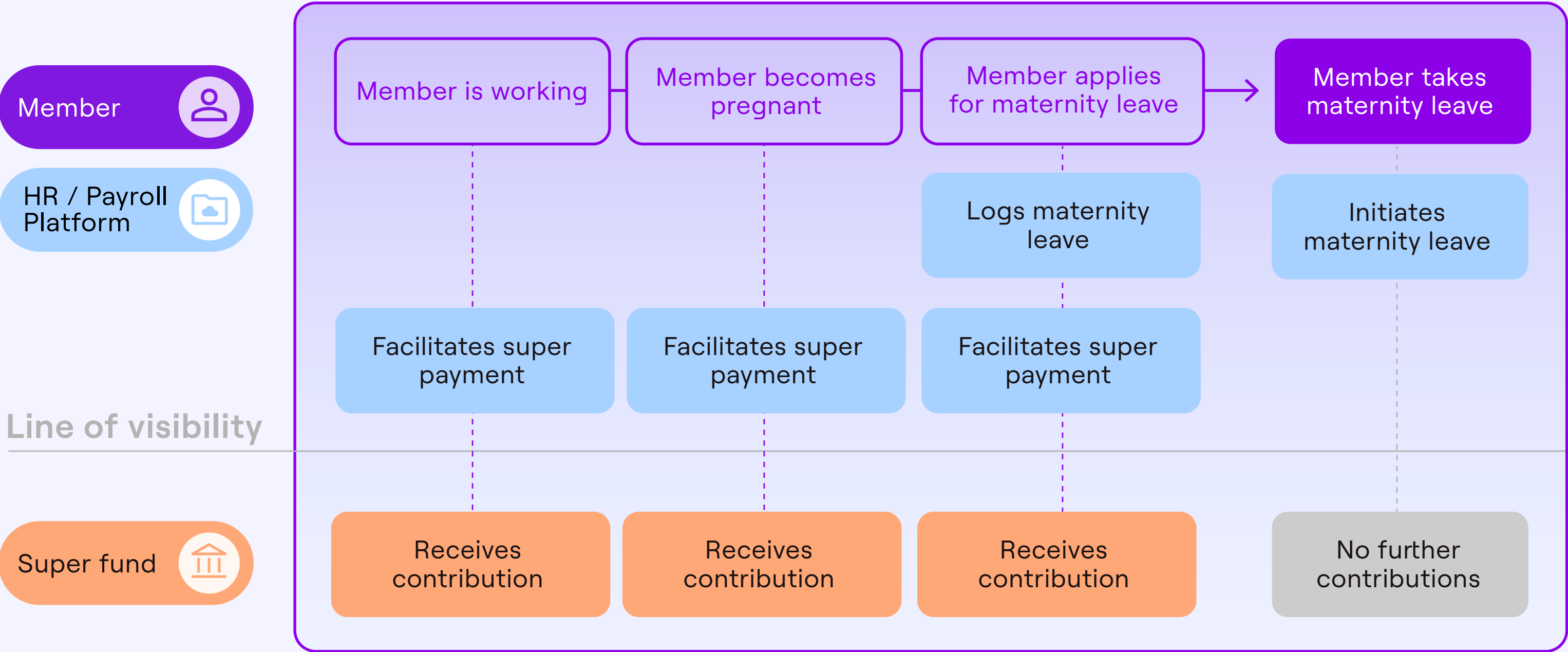
Finder 2023³¹

The issue: Super funds don't know when members take maternity leave

Super funds don't have a way of knowing when a member goes on maternity leave and may miss the opportunity to support women in planning for their retirement.

The current line of visibility limits the super fund from knowing why contributions have suddenly stopped. Is it because the member has gone to another fund? Did they take annual leave? What's going on?

The standard member journey when taking maternity



The issue: Out of sight, out of mind

Super funds can make real progress by leveraging digital platforms to embed superannuation into HR processes, providing actionable strategies to empower women.

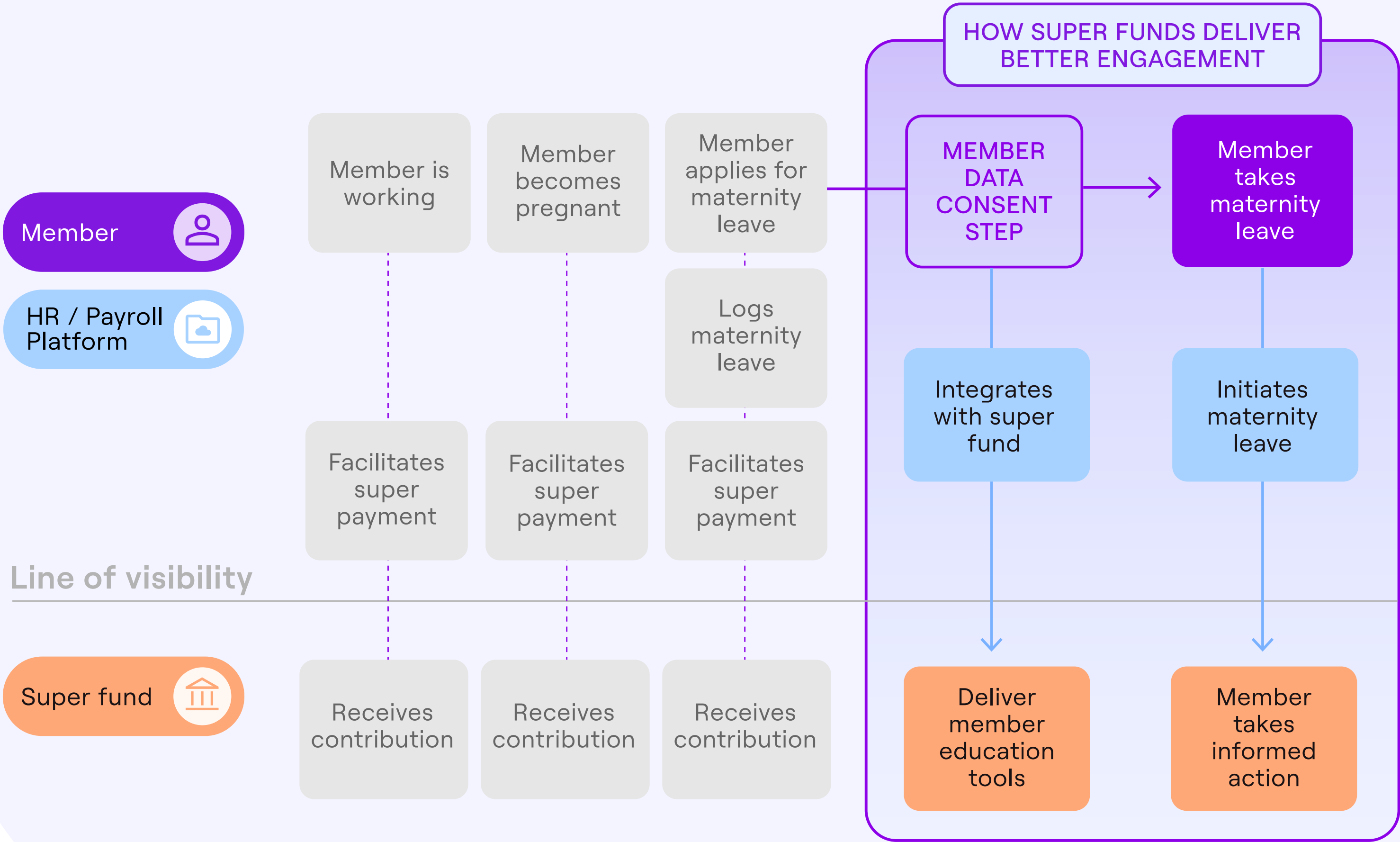
Maternity leave can be a stressful time for women as they juggle their roles as mothers while taking time away from their careers. Super funds have many tools and resources available to support women and their retirement savings during this time, but in many cases they go unnoticed because this content is not contextualised or provided to members at the right time.

Providing seamless opportunities for members to notify their fund when taking maternity leave solves the awareness gap.

For example, an in-app pop up could be presented to those applying for maternity leave: “You’ve just applied for maternity leave, your super fund might want to know so they can give you some helpful info... Do want us to let them know for you?”

Bridging the gap with embedded super

The opportunity we have to improve the member experience when taking maternity leave



Paving the way for a brighter financial future

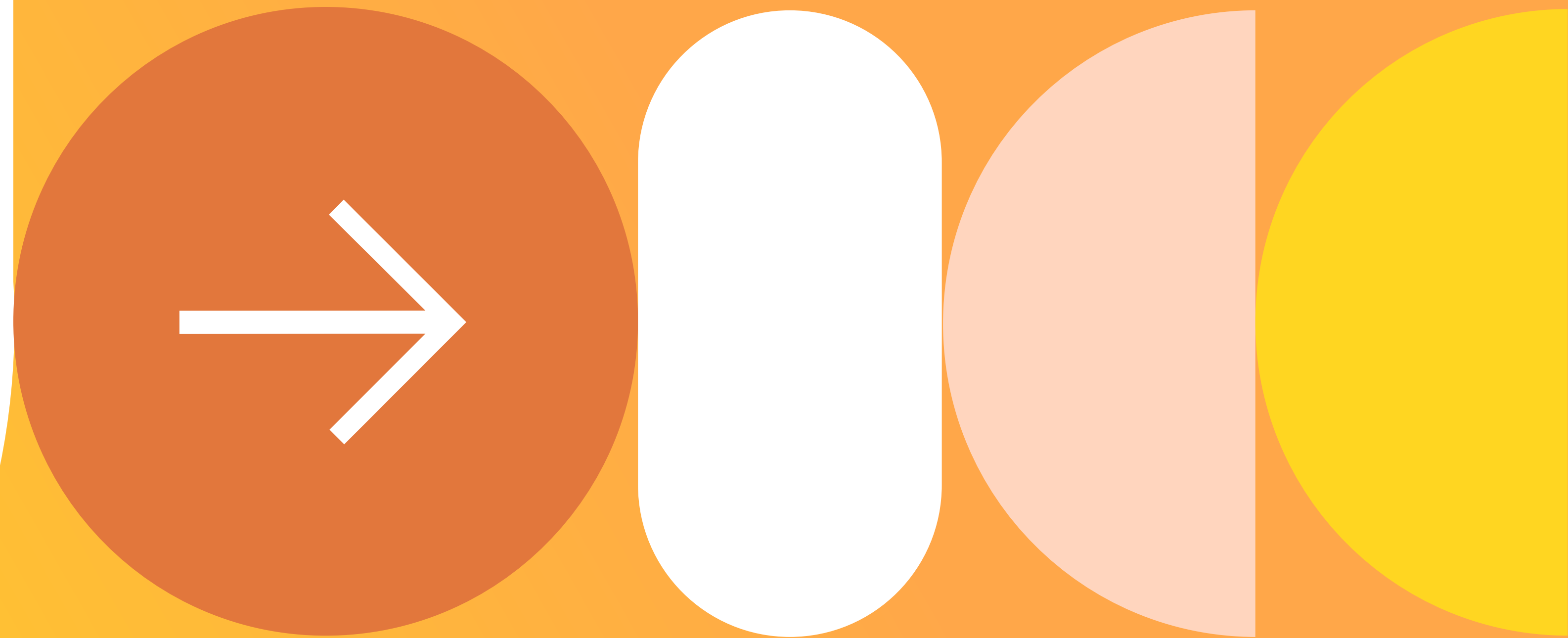
Embedded super is poised to transform the superannuation industry, both in the short term and over the next 20 years. If handled well, it will revolutionise how Australians think about and manage their retirement savings. Best of all, embedded super is an inclusive solution that will empower Australians to take control of their financial futures, **regardless of their gender, income or background.**

Super funds stand to gain from this industry development, they will be better equipped to address the needs of members and regulators. The accessibility and convenience provided by embedded super will not only enhance the overall member experience but also yield valuable insights into member behaviour and preferences for funds.

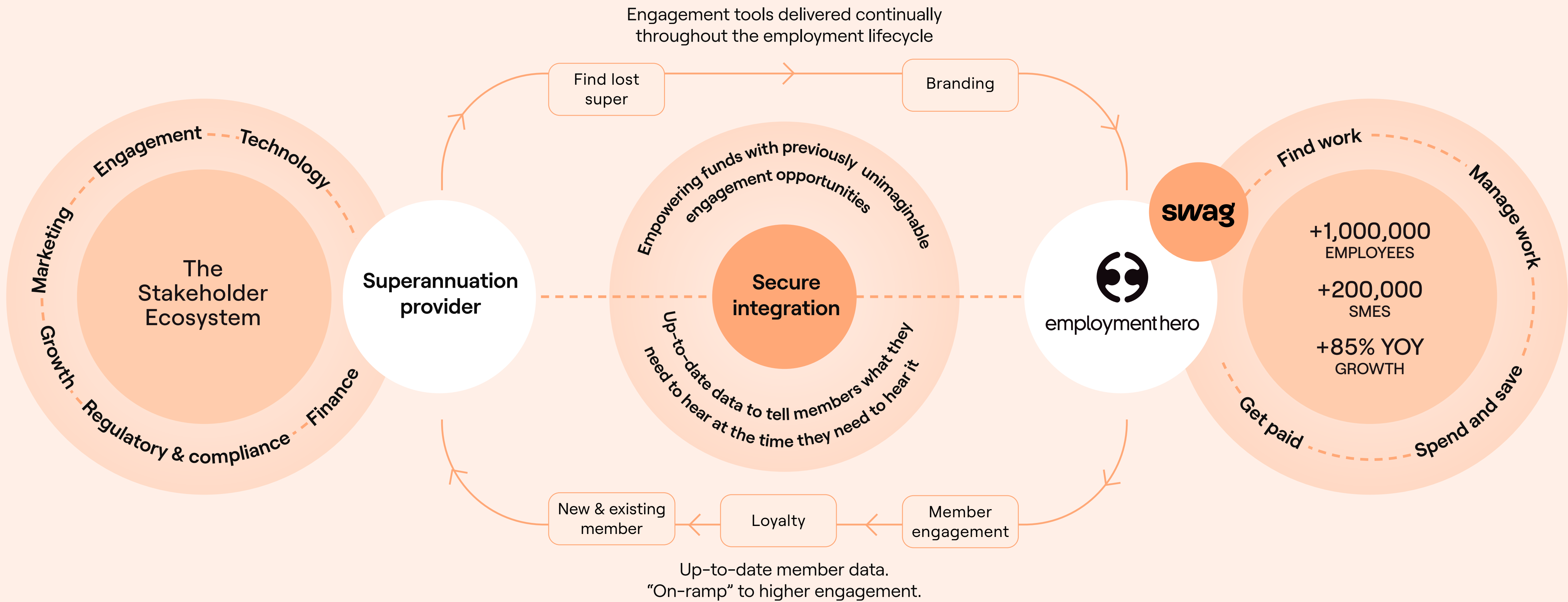
None of this is to suggest that there aren't challenges. As with any transformative advancement, embedded super requires a **supportive regulatory framework** that fosters innovation, protects consumers, and ensures the long-term sustainability of the industry.

By working together to support and promote this innovative approach to superannuation, we can pave the way for a brighter, more equitable financial future for all Australians.

– The Employment Hero Team



How Employment Hero partners with super funds via embedded superannuation



The Embedded Super Whitepaper series

Explore the complete series of Embedded Super whitepapers and discover how Employment Hero can enhance the value you provide to your members.

[VIEW THE FULL SERIES →](#)

Meet the team behind Employment Hero's embedded super whitepaper:



Ben Thompson
Co-Founder,
CEO



Rob Dunn
Managing Director
Benefits and Payments



Ray Jaramis
Partnerships & Product
Superannuation



EMBEDDED SUPER