

KiwiSaver Contributions

SUMMARY

Publicly available KiwiSaver data is generally reported at an aggregate (combined) level. The currently available data¹ allows us to determine that there are very high levels of KiwiSaver membership, especially among younger ages (more than 95% of those aged 25-44 are KiwiSaver members). From a contribution perspective, we can also work out that those contributing to KiwiSaver represent 80% of the total population in paid employment, and that approximately 90% of eligible² paid employees (those who are earning wages and salaries) are contributing. Only a small number of all members (approximately 5%) are on savings suspensions at any one time, and most savings suspensions last less than a year. The majority of those who are not currently contributing to KiwiSaver are those not in a position to contribute. Approximately one million KiwiSaver members (one third of all members) have incomes lower than \$20,000 per year.³

The publicly available data does not allow us to examine the individual characteristics of KiwiSaver members to understand how contribution behaviour differs across gender, age, ethnicity and income levels. Therefore, Te Ara Ahunga Ora (TAAO) commissioned the New Zealand Policy Research Institute at AUT to carry out research using newly available information in Stats NZ's Integrated Data Infrastructure (IDI), which allows KiwiSaver contribution rates to be investigated from April 2019. Since this can be linked to other data within the IDI, it allows the distribution of contribution rates to be investigated by gender, as well as ethnicity and other demographic and socioeconomic characteristics. Due to data limitations, this research study is restricted to KiwiSaver members who earn Pay As You Earn (PAYE) income from wages and salary, and does not include other forms of income (e.g. self-employment income). In addition, the focus is on section 64 employee and employer contributions⁴ and not voluntary or lump sum contributions.

The study finds gender and ethnic pay gaps are the primary driver of variations in contributions. There are age differences in contribution rates, with younger and older people on average contributing more than those in their 30s and 40s. Employees on average contribute more than employers. According to this study, non-contribution spells are primarily driven by time out of paid work rather than savings suspensions. Women are more likely to be non-contributors due to time out of paid work, whereas men are more likely to be non-contributors due to savings suspensions. This research reveals that very few people opt out of KiwiSaver, and those who do are more likely to be younger and living in higher deprivation areas.

1. From IR [Datasets for KiwiSaver statistics \(ird.govt.nz\)](https://www.ird.govt.nz), FMA [KiwiSaver Report | Reports and papers | Financial Markets Authority \(fma.govt.nz\)](https://www.fma.govt.nz), and Stats NZ [Labour market | Stats NZ](https://www.stats.govt.nz)

2. Note: not all paid employees are eligible to join KiwiSaver as those on work visas are excluded. In addition, there are also paid employees who are members of other non-KiwiSaver superannuation schemes.

3. These members may be in part-time paid work, in paid work for only part of the year, self-employed people on low incomes, or for some members their only income is from their KiwiSaver investment (for example the 200,000 children enrolled in the scheme).

4. As set out in Section 64 of the KiwiSaver Act, the minimum contribution rate for an employee who is a member of KiwiSaver is 3%. Employees can decide to contribute at a higher rate of 4%, 6%, 8% or 10%. If an employee contributes, employers must make a compulsory minimum contribution of 3% towards their eligible employees' KiwiSaver funds. The employer is not required to make these contributions before an employee turns 18 or after the employee turns 65.



MAIN MESSAGE

Women and men on average contribute the same percentage of their salaries to KiwiSaver. However, due to the gender pay gap, the average amount contributed into a man's KiwiSaver account (via both employee and employer contributions) is 36% higher than the average amount contributed into a woman's account. When controlling for factors such as industry and earnings, women's contribution rates and amounts are higher than men's.

The ethnic pay gap is mirrored in lower contribution amounts for Māori and Pacific Peoples. When controlling for factors such as industry and earnings, Māori and Pacific Peoples' contribution rates are only marginally lower than Europeans.

Contribution rates vary by age, with younger and older people contributing at higher average rates than those in their 30s and 40s. Employees on average contribute more than employers, with more than a third of employees contributing at higher than the minimum of 3% whereas less than 10% of workers have employer contributions above 3%.

Non-contribution spells are primarily driven by time out of paid work rather than savings suspensions. Men have a higher proportion of savings suspension months, and on average they have longer savings suspension periods compared to women. For women non-contributing months are more likely due to periods out of paid work compared to men. On average, people who are on savings suspensions spend less than six months of a given year on one. Those living in more deprived areas are more likely to be on a savings suspension, and the likelihood of being on a savings suspension increases as the level of deprivation increases. Very few people opt out of KiwiSaver, those who do are generally younger and the share of people who opt out increases as the deprivation level increases.



KEY POINTS

Contributors

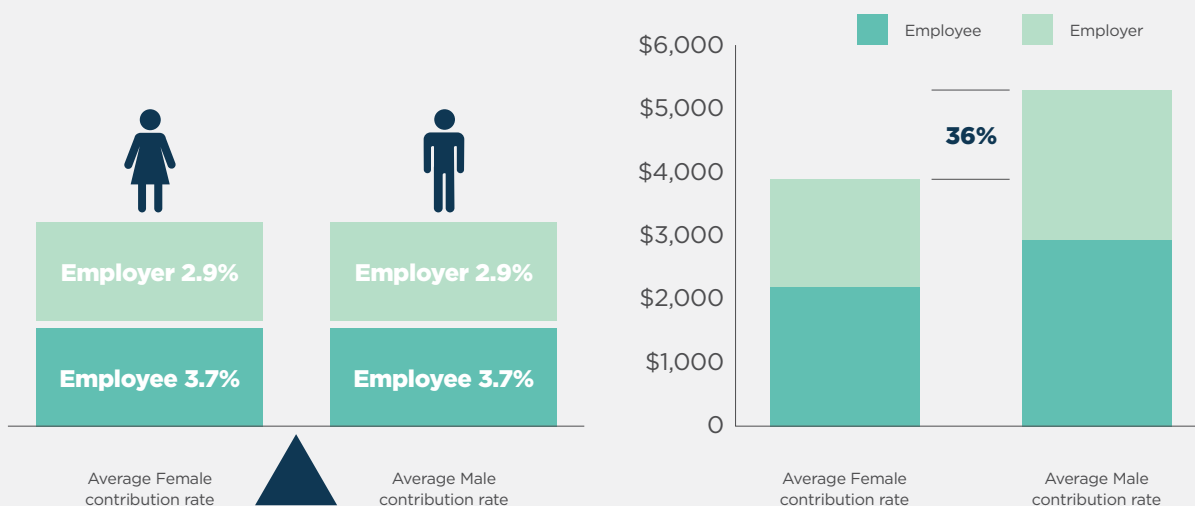
- On average, in the 2022/23 financial year, both men and women contribute to KiwiSaver at the same rate. However, due to the gender pay gap, there are large differences between the average dollar amounts contributed by both employee and employer for men and women (see Figure 1)
 - Employee contributions are 3.7% on average for both men and women, employer contributions are 2.9% on average for both men and women
 - The average amount contributed (via both employee and employer contributions) into a man's KiwiSaver account is 36% higher than the amount contributed into a woman's account
 - Mean employee dollar contributions from men are approximately 33% higher than those of women (\$2,886 compared to \$2,160)
 - Mean employer dollar contributions for men are approximately 39% higher than those for women (\$2,328 compared to \$1,673)
 - When other characteristics such as industry and earnings are controlled for, women have higher employee and employer contribution amounts and rates
- Māori and Pacific Peoples contribute at lower levels than Europeans, due to both lower average wages, and lower contribution rates
 - Māori have the second highest average employee contribution rate of the ethnic groups reported in this research, despite having the lowest average income
 - When controlling for other factors such as industry and earnings, Māori employee contribution rates are only slightly less than European contribution rates (11 percentage points lower), and the same is true for Pacific Peoples (14 percentage points lower)
- Employee contribution rates vary by age, with younger and older people contributing at higher average rates than those in their 30s and 40s (see Figure 2)
 - The group with the highest employee contribution rate are those aged 60 – 64 contributing an average of 4.6%
 - The group with the lowest employee contribution rate are those aged 30 – 39 who contribute on average 3.4%
- Both the amount and rate of contributions increase with earnings
 - When controlling for other factors, a doubling of earnings is associated with a doubling of contribution amount, and a 1 percentage point increase in the contribution rate of employees
- On average, employees are contributing at higher rates than employers (see Figure 3)
 - More than a third of employees contribute above the minimum (default) rate of 3%
 - Less than 10% of workers have employer contributions above the minimum rate of 3%
- There are variations in both employee and employer contribution rates across different industries (refer to Figure 4)
 - Industries where employers on average contribute at higher rates: Financial & Insurance Services and Public Administration & Safety
 - Industries where employers on average contribute at lower rates: Accommodation and Food Services and Administrative & Support Services
 - When controlling for other factors, all industries have lower employer contribution amounts and rates compared to Financial & Insurance Services.
- There are regional variations in contribution rates (refer to Figure 5)
 - The region with the lowest average employee contribution rate is Auckland, whereas this region has the second highest average income
 - When controlling for factors such as industry and earnings, Auckland still has the lowest employee contribution amount and rate compared to all other regions



Non contributors

- Very few people opt-out, in this study just 0.16% of employees opted out in a year⁵
 - those who opt out are likely to be younger, single, and living in higher deprivation areas
 - Additional publicly available data from IR reveals that most people (93%) only opt-out once, with less than 1% opting out more than 3 times⁶
- Non-contribution spells are primarily driven by time out of paid work rather than savings suspensions⁷
 - Men have a higher proportion of savings suspension months, and on average they have longer savings suspension periods compared to women
 - For women, non-contributing months are more likely due to periods out of paid work
- Savings suspensions last on average 5.4 months:
 - men spend more time on savings suspensions than women (5.6 months vs 5.2 months)
 - Māori spend the least time on savings suspensions (4.8 months)
 - those in their 40s spend the most time on savings suspensions (6 months)
- When assessing the role of all factors simultaneously, a person on a savings suspension is more likely to be male, non-European, unmarried, experience higher deprivation, and likely to be working in lower paying industries characterised by seasonal or casual work.

Figure 1: Gender differences in average contributions



5. Note that opt-outs used in this study is a proxy indicator due to limitations of the available IR payroll data for measuring KiwiSaver membership in the IDI.

6. [Datasets for KiwiSaver statistics \(ird.govt.nz\)](https://ird.govt.nz/datasets-for-kiwisaver-statistics)

7. Note that savings suspensions used in this study is a proxy indicator due to limitations of the available IR payroll data for measuring KiwiSaver membership in the IDI.



Figure 2: Average employee contribution rates by age bracket

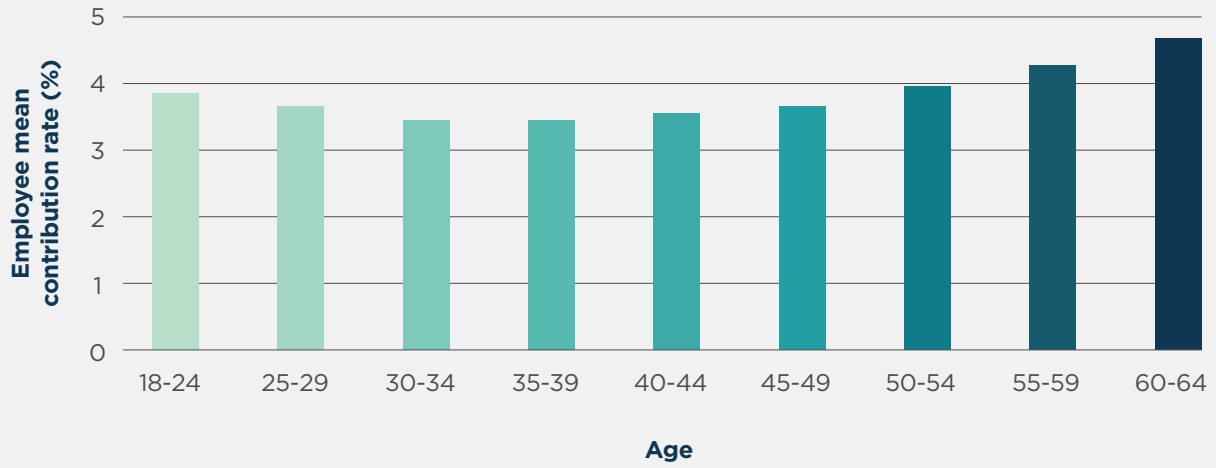


Figure 3: Contribution bands employees versus employers

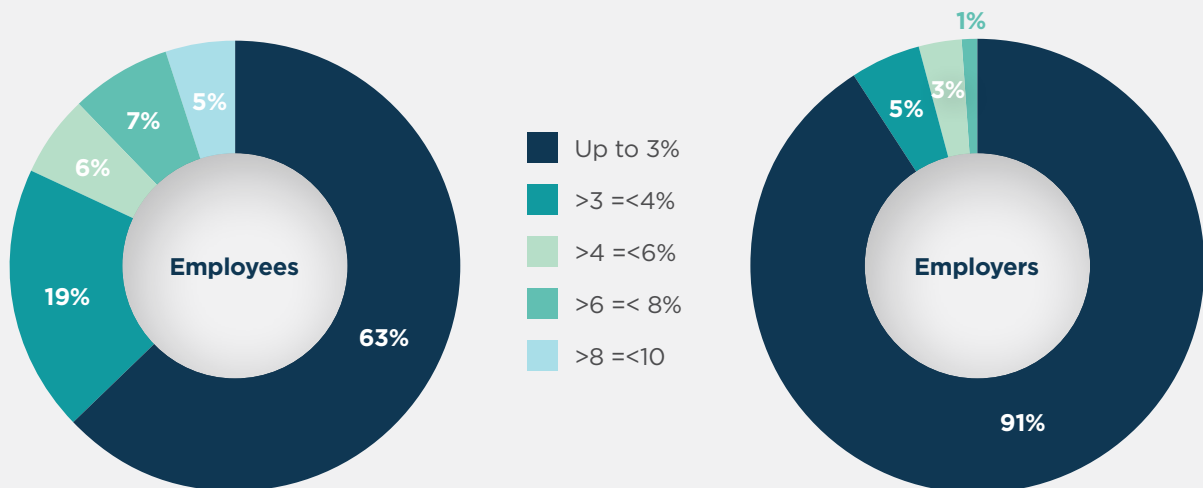


Figure 4: Industry comparison: Employee and Employer contribution bands

■ <=3% ■ >3%

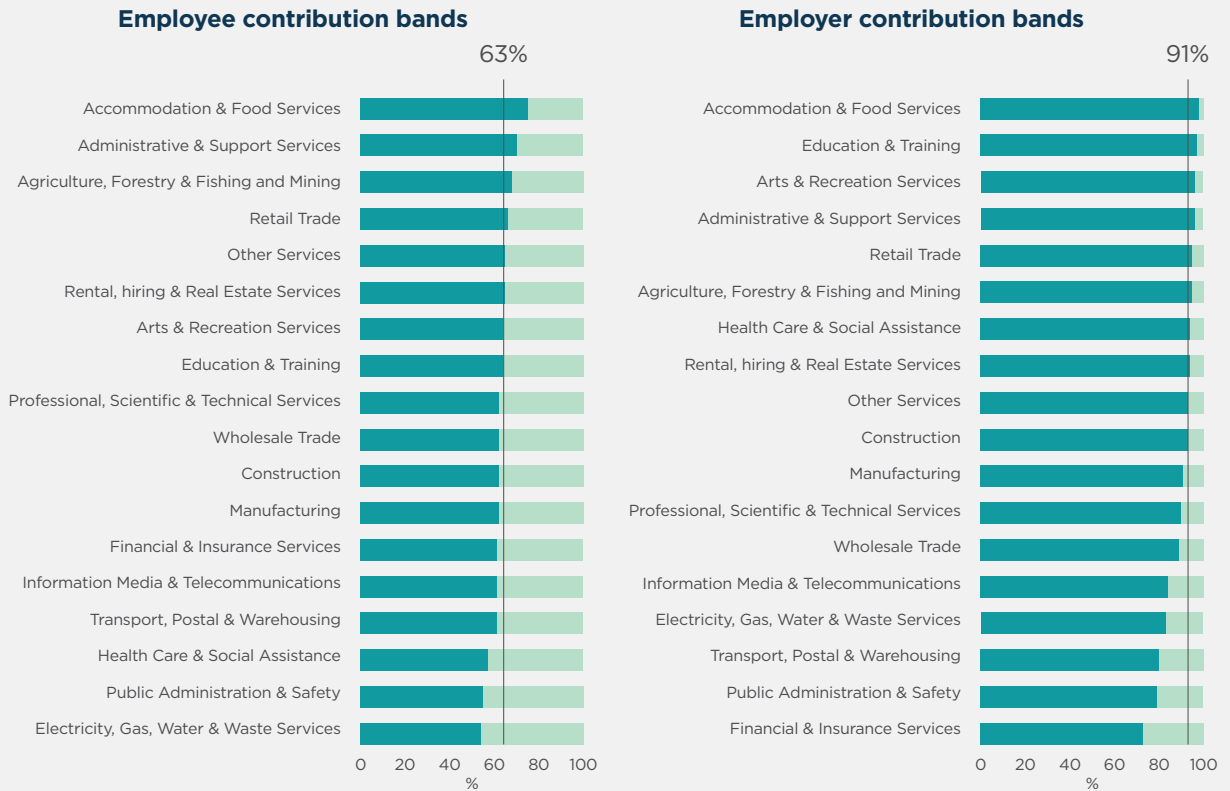


Figure 5: Regional differences in mean employee contribution rates

