

Submission: Enhancing KiwiSaver Contributions During Parental Leave

Encouragingly, 28% of the 330 employers listed on the New Zealand Parental Leave Register provide KiwiSaver contributions equivalent to what an employee would have earned during parental leave (up to 12 months). This is a significant step forward in supporting parents' financial security. However, many employers—particularly smaller ones—find it challenging to contribute to KiwiSaver when the employee is not receiving income.

In our experience working with employers across Aotearoa, all but one have opted to make a lump sum contribution once the employee returns to work. While well-intentioned, this approach presents three main issues:

1. **Conditionality:** In most cases, the contribution is conditional on the employee returning to work. There are exceptions—AIA, for instance, still makes the lump sum contribution even if the employee does not return—but such cases are rare.
2. **Loss of Compounding Growth:** Employees miss out on up to 12 months of compounding investment returns during their leave, reducing long-term retirement savings.
3. **Administrative Burden:** For smaller employers, this can fall into the “too hard basket.” The current system lacks an easy, compliant mechanism to facilitate contributions during unpaid leave.

Current Workarounds

Employers have developed a variety of manual or workaround approaches, each with its own limitations:

- Filing a one-off contribution via IRD paperwork
- Paying the employee directly and trusting them to contribute the funds themselves. This approach means ESCT is not paid and relies on employees not to redirect funds at a financially vulnerable time.
- Offering a 2-for-1 matching scheme when employees return for a duration equivalent to their leave, which can disadvantage part-time returners or those on reduced hours.
- Manually overriding KiwiSaver contribution settings (e.g. switching from a percentage to a fixed amount), which requires careful tracking and reversion when the employee returns.

Potential Solution

The solution lies in improved IRD systems design. Currently, there is no standard

mechanism for employers to make voluntary KiwiSaver contributions during periods of no income, such as during parental leave or long-term unpaid sick leave.

Voluntary KiwiSaver employer contributions could be modelled on voluntary student loan repayments.

- The [FY26 IRD Payroll Specification \(page 9\)](#) references voluntary student loan repayments (SLBOR) but lacks any provision for voluntary employer KiwiSaver contributions during unpaid leave.
- Similarly, the [Payday Filing Specification \(page 25\)](#) includes a defined field for SLBOR deductions, but there is no equivalent line item for voluntary employer contributions.
- A specified attribute or filing line for voluntary employer KiwiSaver contributions would offer employers a simple, compliant method of continuing to support employees' long-term financial well-being during parental leave.

Government-paid Parental Leave

It's worth celebrating the government's decision to introduce matching KiwiSaver contributions for Paid Parental Leave (PPL) recipients from 1 July 2024. However, the effectiveness of this initiative is limited by behavioural defaults. An IRD white paper found that 85% of people don't opt-in to KiwiSaver deductions during PPL. As behavioural economics has consistently shown, defaults matter.

- We recommend exploring whether the default setting could be flipped—so that KiwiSaver deductions during PPL are opt-out rather than opt-in.
- Lastly, there's a clear communication gap. Many parents we speak with are unaware they're eligible for government matching contributions if they contribute during PPL. A focused communication campaign or integration into the paid parental leave application process would help address this.

Stephanie Pow

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State of Parental Leave

2024

crayon

NEW ZEALAND’S MOST COMPREHENSIVE PARENTAL LEAVE DATABASE

307
employers

1 in 6
Kiwi employees

CHANGES IN EMPLOYERS’ PARENTAL LEAVE POLICIES IN THE LAST 12 MONTHS



- Made no change (82%)
- Policy improved (17%)
- Policy reduced (1%)



Improvements

- Paid primary carer leave: +12 weeks on average
- Paid partner leave: +2 weeks on average
- More employers contribute to KiwiSaver for unpaid parental leave

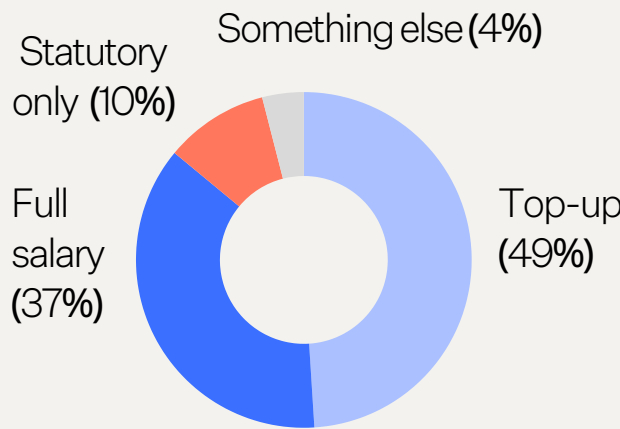


Reductions

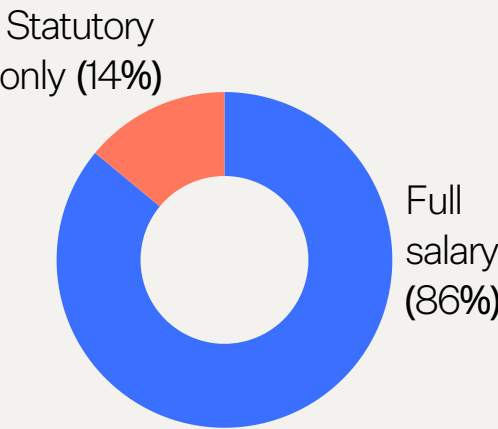
The employers either decreased their paid parental leave or kept the paid benefit the same but tightened the eligibility criteria.

THE STATE OF PLAY TODAY

PAID PRIMARY CAREGIVER LEAVE

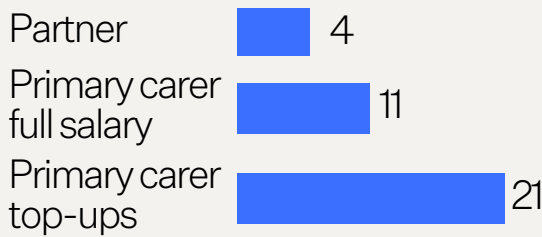


PAID PARTNER LEAVE



AVERAGE WEEKS OFFERED

Min = 1 week. Max = 26 weeks.



ANNUAL LEAVE
2 in 3 employers preserve the value of annual leave following parental leave



FLEXIBILITY
While **almost all** employers offer flex, **1 in 5** explicitly offer a graduated return to new parents



KIWISAVER CONTRIBUTIONS

- 40% contribute on paid leave
- 28% contribute on paid + unpaid leave
- 27% offer no additional contributions
- 5% offer something else

THE NEXT FRONTIER IN PARENTAL LEAVE

Family formation

Paid leave for partners and primary carers for pregnancy, fertility, surrogacy and adoption

Return to work

Extra sick leave, childcare assistance, and wellbeing support from a coach or colleagues



Special circumstances

Paid leave for partners and primary carers for pregnancy loss and premature birth

Employee experience

‘Letting you know we care’: meal plans, gifts, grandparent leave, Crayon’s Financial Baby Prep Program

[Download: Free Parental Leave Policy Cost Estimate Tool](#)