

# IRC, Victoria University of Wellington - Report for Retirement Commissioner

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## *Superannuation and Kiwisaver clauses in collective employment agreements (CEAs) in New Zealand June 2011-May 2012.*

### **Data Source – Industrial Relations Centre, VUW**

Since 1984, the Industrial Relations Centre (IRC) has surveyed New Zealand employers and trade unions and requested copies of employment contracts/agreements that have been collectively negotiated. As agreements have expired, the Centre has contacted the supplying parties and requested a copy of the renegotiated agreement. In this manner we have established a longitudinal data series from which we can monitor changes in the outcomes of collective bargaining.

### **Notes on the IRC Data<sup>1</sup>**

1. The agreements we receive from employers and unions are obtained on a voluntary basis, so our sample is incomplete. We are confident, however, that it covers the majority of employees legally covered by CEAs. Unlike the provisions of the Employment Contract Act 1990(ECA), when there was no registration requirement imposed on bargaining agents, the Employment Relations Act 2000(ERA) re-established a Registrar of Trade Unions and union registration. As only registered trade unions are permitted to negotiate employment agreements on behalf of a group of employees under the ERA, the Registrar's annual union membership reports serve as a check on how closely the coverage we estimate from our database matches that which would be expected, given the memberships of registered unions.
2. Our analysis focuses only on the percentage of the labour market on CEAs—typically those employees earning between the minimum hourly wage—now \$13.50—and \$50 per hour.<sup>2</sup> It is possible that we would be reporting different trends if we were able to monitor the vast number of individual employment arrangements, including general terms and conditions offered to all non-union employees by many larger employers, typically on a 'take-it-or-leave-it' basis. Notwithstanding this, the trends

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<sup>1</sup> Blumenfeld, S., Ryall, S. and Kiely, P. (2012) *Employment Agreements: Bargaining Trends and Employment Law Update 2011/2012*, Wellington, Industrial Relations Centre, Victoria University of Wellington, p13.

<sup>2</sup> The statutory 'minimum wage' refers to the full-time permanent rate, and does not include specified part-time/casual rates, training, probationary or induction rates.

we report are very representative of CEAs and of individual agreements in the \$13.50-to-\$50-per-hour range, because of the impact of collective bargaining 'reach' or influence.

3. The 'reach' or influence of CEAs on individual arrangements varies depending on a number of factors. For instance, high union density in a workplace or industry makes it more likely that the provisions of a negotiated CEA will extend to similar employees who are not unionised. Also, where there are skill shortages, the 'union rate' is likely to have a strong influence on the pay and conditions in a non-unionised workplace wanting to attract and keep staff.
4. We do not report on 'bargaining density', defined as the percentage share of wage and salary workers covered by a CEA, because we cannot confirm the accuracy of the coverage figures reported for agreements received and are unaware of other effective CEAs in any year.
5. We do believe, nevertheless, that we are able to account for the vast majority of those working under the terms and conditions of a CEA. One indication of the maximum extent of any downward bias in our collective bargaining coverage data involves comparing union density with collective bargaining 'density'. Since only union members can be covered under a CEA, union density—which is itself likely biased upward—should reflect the maximum possible coverage of CEAs extant in New Zealand in any year. Our sample represents 19.8% of the total wage and salary earners as per the QES, March 2012 quarter. Our measurement of union membership density as at Dec 31 2011 is 20.2%.
6. While the ratio of public-sector to private-sector coverage had been declining for a period in the mid-to-late 2000s, it is now the case that two-out-of-three employees covered by CEAs are found in the country's public sector. Given that employment in the public sector is considerably less than in the private sector, this points to a considerably greater proportion of public sector workers than private sector workers covered by CEAs. This public sector bias needs to be considered in interpretation of the data.

## **Superannuation Provisions**

As reported in our annual survey of collective employment agreements, *Employment Agreements: Bargaining Trends and Employment Law Update 2011/2012*

*“The contractual provision of superannuation has increased since the introduction of Kiwisaver on 1 July 2007. In the year to June 2012, 60 percent of workers covered by CEAs had a provision dealing with superannuation. Only 1 percent of collectivised*

employees, however, have an entitlement to employer contributions above the 2 percent required under Kiwisaver.”<sup>3</sup>

The provision of Kiwisaver and superannuation in the agreements surveyed is summarised in the following table published in the book:

**Table 6.1: Superannuation provision by sector (2012)<sup>4</sup>**

	No provision (%)	Employer contribution (%)	Yes / No details (%)	KS Employer Contrib'n > Legis'd min (%)	Other (%)	Cov (000s)
All agreements	40	16	41	1	2	308.9
Private sector	62	7	26	3	2	124.2
Govt core	24	23	51	0	2	166.7
Govt - trading	7	10	78	2	4	5.8
Local govt - core	42	17	38	2	2	9.4
Local govt - trading	41	37	13	9	0	2.8

In 2012 we included new data in our coding of superannuation and Kiwisaver provision in CEAs. We began coding for clauses that provide that the employer contribution for Kiwisaver and/or other superannuation is included in the total remuneration package or the wages of the employees. It was our intention that we would begin to analyse this in our 2013 survey year. But, in order that we could provide this report, we have recoded the CEAs included in our 2012 survey year (1 June 2011-31 May 2012) that extend beyond 31 May 2011, the end of our 2012 survey year. The following table shows the revised distribution across sectors.

**Table 6.1(a): Superannuation provision by sector (2012)<sup>5</sup>**

	No provision (%)	Employer contribution (%)	Yes / No details (%)	KS Employer Contrib'n > (%)	Employer Contrib'n in salary/w ag (%)	Other (%)	Cov (000s)
All agreements	37	18	43	1	0	1	261.6
Private sector	60	8	29	3	0	0	101.0
Govt core	21	25	53	0	0	1	144.1
Govt - trading	8	1	85	2	2	2	5.2
Local govt - core	37	17	42	2	1	1	8.4
Local govt - trading	36	43	11	9	2	0	2.9

<sup>3</sup> Blumenfeld, S., Ryall, S. and Kiely, P. (2012) *Employment Agreements: Bargaining Trends and Employment Law Update 2011/2012*, Wellington, Industrial Relations Centre, Victoria University of Wellington, p88.

<sup>4</sup> *Ibid*, p89

<sup>5</sup> *Ibid*, p89

***As is evident in this table, the proportion of employees who are covered under agreements that include the employer contribution for superannuation and/or Kiwisaver in the salary and wages is so small (less than one per cent) that it does not feature on the table. There are only 18 agreements that include such a clause and this represents only 1 percent of all the agreements in our sample.***

Only 1 in 5 CEAs include detailed superannuation and/or Kiwisaver provision and only 1 percent of these include a contribution higher than the statutory employer contribution of two percent. Private sector CEA's are more likely to have no provision for any superannuation, including Kiwisaver, while more than half of employees covered under core Government CEAs have provision for superannuation but include no details on the contribution. This is likely related to the prevalence of clauses outlining provisions relating to the Government Superannuation Fund.

### **Superannuation Employer Contribution included in Salary and Wages**

We have taken a closer look at the CEAs that include this provision, with particular attention being paid to the wording of these clauses. We identify the sector and industry for the agreement as well as the coverage, the minimum and maximum pay rates in the agreement, the annualised increment, and the start and end dates of these agreements. Specific (written) clauses are attached in the appendix to this report. All identifiers for the organization and/or the union are removed to maintain confidentiality.

***It is important to note that the comparative data with whole sample must be considered in the light of the very small sample of agreements (18 out of 1445) that make up the group with this type of clause. The size of the sample means that a clear pattern of occurrence cannot be assumed and it is of interest only in that such clauses do exist.***

#### ***Sector***

This clause was most common in the private sector agreements (50% of those containing the clause) but the proportion of private sector agreements in this group was much lower than that for the whole sample (78%). However, seven out of the eighteen agreements (39%) in this group were in the local government sector (both core and local government trading), a much higher proportion than were included in the full sample (9%).

#### ***Industry***

The agreements that included this approach to the Kiwisaver employer contribution were most commonly in the public service industries of public administration, education and health (33%) which was a similar proportion as for the total sample (31%). The other agreements were from a range of industries including manufacturing, transport and transport services, electricity and Gas Supply, and construction and construction services.

#### ***Coverage***

A greater proportion of agreements in this group, ten out of the eighteen (56%), covered 20 or fewer employees, while for the whole sample of agreements, only 41 percent had this level of coverage.

### ***Minimum and maximum pay rates***

A much higher proportion of this group of agreements (32%) than that for the whole sample (8%) had no wage/salary rates included in the agreement. Of those that did include wage rates – seven out of the eighteen agreements (39%) were below \$600 per week, a lower proportion than that for the whole sample (50%).

### ***Annualised Increment***

We were able to calculate the annualised increment in only seven of the eighteen agreements. This is due to the high number of agreements with no rates, and also four agreements were either new or there was a too wide of a gap (greater than one year) between the 2012 agreement and the preceding agreement held by the IRC.

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