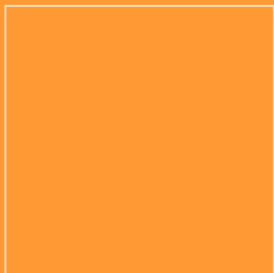
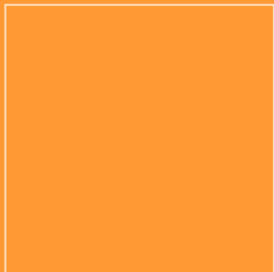




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Colmar Brunton



**Colmar
Brunton**
A Millward Brown Company

KiwiSaver Evaluation:
Follow-up survey of SME
employers
FINAL REPORT

PREPARED FOR	Inland Revenue
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ISSUE DATE	8 September 2010
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Section 1: Executive Summary

Background and objectives

One of the Inland Revenue KiwiSaver evaluation's longer-term objectives is to assess the initiative's value-for-money consideration taking into account small and medium enterprises (SME) employers' costs and benefits. In the shorter-term, quantifying SME employers' KiwiSaver costs could contribute to policy decision making. This is because it will provide data on the dollar value of costs, the distribution of costs across types of activities (e.g. changes to remuneration practices and workplace superannuation schemes) and the distribution of costs across types of SMEs (e.g. small versus medium-sized employers).

SME employers' compliance costs for meeting their KiwiSaver responsibilities were measured in Inland Revenue's 2009 compliance cost survey. This report presents the results to a follow-up survey of a subset of respondents to the 2009 compliance cost survey. The target population for the follow-up survey is:

Respondents to the 2009 SME compliance cost survey who are active SMEs employing 50 staff or less, or with an annual turnover of \$10 million or less, which employ KiwiSaver members, have changed their approach to remuneration due to KiwiSaver and/or had a workplace superannuation scheme before KiwiSaver started on 1 July 2007.

The objectives of the SME employers follow-up survey are:

- To identify whether and how KiwiSaver has affected employers' remuneration practices and, in turn, how any effect on remuneration affects employees' participation in KiwiSaver;
- To determine whether and how KiwiSaver has affected employers' provision of workplace superannuation and, in turn, how any effect on employers' provision of workplace superannuation affects employees' take up of KiwiSaver;
- To measure the cost of employers' contributions to KiwiSaver; and
- To identify any benefits that employers have gained from KiwiSaver.

Method

The methodology used for the SME employers follow-up survey consisted of the following:

- A self-completion survey of 253 SME employers, of which 170 returned completed questionnaires giving an overall response rate of 68%.
- The questionnaire was extensively pre-tested in a qualitative manner using cognitive interviewing techniques. A more formal pilot was also undertaken.
- Questionnaires for the main survey were completed from 23 April to 19 May 2010.

The maximum margin of error on a total sample size of 170 is +/-7.5%. However, care should be taken in interpreting the findings as many of the results are based on small subsets of the total sample (and therefore carry higher margins of error).

Key findings and conclusions

Key findings and conclusions in relation to the four survey objectives are provided below.

What is the cost of employers' contributions to KiwiSaver?

Most absorb contributions as an extra cost to the business and only pay the compulsory employer contribution (CEC), but when additional contributions are made they are a strong driver of KiwiSaver uptake

The requirement for employers to contribute to KiwiSaver does not appear to have had an adverse impact on the SME employers. This is evidenced by most employers (89%) being able to absorb their contributions as an extra cost to the business. In addition, most (71%) of the 84 employers that had a non-KiwiSaver workplace superannuation scheme when KiwiSaver started, have continued to offer the non-KiwiSaver scheme with 88% of these employers contributing more than 2% to it.

Overall, the employers have decided not to take up the option of making additional KiwiSaver contributions, with the large majority (81%) only contributing the compulsory employer contribution (CEC) of 2%. The total gross value of these employers' CEC varies with around one half (52%) making contributions of less than \$500 in a month, 17% contributing \$500-\$999, and the remainder (31%) contributing more than \$1,000.

For the 27 respondents who make additional employer contributions, the most common rate of additional employer contributions is 2%, with around two-thirds (67%) of these employers contributing this amount. The dollar values of the additional employer contributions vary with just over half (56%) contributing under \$600 per month (for all employees), 19% contributing \$600 to \$2,999 per month and 25% contributing \$3,000 or more per month.

The majority of employers that had ever made additional contributions, did not change the rate of these contributions in response to the 1 April 2009 policy changes regarding capping the CEC at 2%, removing the employer tax credit (ETC) and making all additional contributions liable for employer superannuation contribution tax (ESCT).

Additional contributions to KiwiSaver accounts result in higher take up of KiwiSaver among a business's employees. Aside from two business demographics (business size and length of time in business), whether or not an employer makes additional contributions is the strongest determinant of high take up of KiwiSaver.

How has KiwiSaver affected employers' remuneration practices, and, in turn, what effect has this had on employees' participation in KiwiSaver?

Most have not changed their remuneration practices, but those that do most commonly apply a 'salary sacrifice' which tends to negatively impact on the uptake of KiwiSaver

Employers make compulsory employer contributions in addition to an employee's gross salary or wage. Beyond this, the effect of KiwiSaver on employers' remuneration practices appears to be limited with a large majority (81%) of respondents indicating that they have not changed their remuneration practices because of KiwiSaver.

Among the 38 employers that have made a change to their remuneration practices, 'salary sacrifice' was the most common change (over half of those who made a change) and this was done for reasons of fairness and equity. Use of 'salary sacrifice' negatively impacts on the uptake of KiwiSaver. Further, the data analysis shows that the absence of a 'salary sacrifice' approach is especially important in driving uptake of KiwiSaver when the employer does not make additional contributions.

The costs of changes made to remuneration approaches because of KiwiSaver are relatively low and in line with changes made for reasons not related to KiwiSaver

The cost of internal and external time spent on changes made to an employer's remuneration approach because of KiwiSaver is generally low. Out of 30 respondents, five incurred no internal costs and 25 incurred internal costs of less than \$500. Further, only five of the 30 respondents incurred any costs from external advisors to put the changes in place.

The very close similarity between the internal and external costs associated with changes made to remuneration approaches because of KiwiSaver, and those made for reasons not related to KiwiSaver, provides further evidence that the costs associated with KiwiSaver are not excessive.

Few plan future changes to their remuneration approach because of KiwiSaver

The future impact of KiwiSaver on remuneration practices also appears to be limited, with only 14% of all respondents indicating that KiwiSaver has prompted their business to plan future changes to its remuneration approach. The most common change planned involves viewing KiwiSaver as part of total remuneration.

How has KiwiSaver affected employers' provision of workplace superannuation and, in turn, what effect has this had on employees' take up of KiwiSaver?

Most employers continue with existing schemes to cater for the preferences of employees

Overall, the research results suggest that KiwiSaver complements rather than replaces, or adversely affects, existing registered workplace superannuation schemes. The main finding supporting this conclusion is that most (71%) of the 84 businesses that had an existing scheme before KiwiSaver started on 1 July 2007 continued to operate the existing scheme independently of KiwiSaver. Employers say they have done this to cater for the preferences of their employees, with specific recognition of the existing scheme's benefits not offered by KiwiSaver as well as the ease of retaining the existing scheme.

Although KiwiSaver has not had a major effect on employees leaving existing schemes, it offers some unique benefits that result in some employees taking advantage of both schemes

In general, non-KiwiSaver workplace superannuation schemes may appear more attractive to employees than KiwiSaver primarily because of higher employer contribution rates and being able to get a lump sum when they leave their place of employment. However, non-KiwiSaver schemes appear less attractive in other ways; the employee contribution rate may be higher, members have longer to wait until employer contributions are vested and there are more restrictions on when and who can join the schemes.

Of the 49 respondents with a current non-KiwiSaver scheme, 27 (55%) had at least one employee keen to take advantage of both the benefits offered by KiwiSaver and the benefits offered by an existing scheme. These employees either made no changes to their non-KiwiSaver scheme, or modified their contributions to that scheme, and joined KiwiSaver as well. Only three respondents had at least one employee who closed their non-KiwiSaver scheme so they could join KiwiSaver instead.

The costs incurred from changing the existing scheme when KiwiSaver started are relatively low

The internal and external costs of changing an existing scheme when KiwiSaver started appear to be relatively low. Of 20 respondents, the number of hours spent by internal personnel ranges from zero to 20, with a median of six hours. The associated cost of this time was \$224 (median). Further, eighteen of the 21 respondents who answered the question on external costs indicated they spent nothing on paying for external advisors for this purpose.

There is some indication that the costs associated with changes to the existing scheme because of KiwiSaver may be higher than those incurred from changes to the existing scheme for reasons not related to KiwiSaver. However, no firm conclusions can be drawn due to the very small sample size of this latter group.

The absence of an existing scheme encourages the uptake of KiwiSaver

The absence of a non-KiwiSaver workplace existing scheme is an important explanatory variable in terms of a high take up of KiwiSaver. Further, when combined with additional employer contributions and making money management information available, the absence of a non-KiwiSaver scheme is part of the most powerful combination of characteristics that predict a high take up of KiwiSaver (business size and length of time in business aside).

The future impact of KiwiSaver on the provision of workplace superannuation is limited

The future impact of KiwiSaver on the provision of workplace superannuation appears to be limited. Less than one in ten (8%) employers with a current non-KiwiSaver scheme indicated that KiwiSaver has prompted the business to plan future changes to its current non-KiwiSaver scheme. These employers said they planned to 'phase out' or 'wind up' the scheme.

Most employers do not nominate a KiwiSaver scheme for employees to join and those that do tend to be larger businesses

Most employers (62%) did not take up the option of nominating a KiwiSaver scheme for employees to join if they don't choose their own. Reasons for this most commonly relate to a belief that the employee should choose their own scheme and the employer's sense of moral responsibility for the scheme's performance.

Employers who have nominated a scheme tend to be larger businesses. Reasons for nominating a scheme primarily relate to a belief that the chosen scheme provider was the best choice for the business's employees.

Nominating a scheme does not appear to be a particularly important factor in determining higher uptake of KiwiSaver (although it can be important when money management information is not made available).

Most do not make general information about managing money available to employees, but when it is made available it maximises the uptake of KiwiSaver when done in combination with additional contributions and the absence of an existing scheme

A large majority (78%) of respondents do not make general information about managing money (e.g. budgeting, managing debt, savings) available to their employees.

For the 19% of employers who do make general information about managing money available, the most common information channels are in-house information sessions run by financial advisors or investment scheme providers, and direct discussions between employer and employee(s). Many of these employers were using such information channels prior to KiwiSaver. Thus, KiwiSaver appears to have had little effect on the way general money management information is provided, as it only prompted a few of these employers to use particular information channels.

The most powerful combination of employer characteristics (aside from demographics) in predicting take up of KiwiSaver is making additional employer contributions, not having an existing non-KiwiSaver scheme and the provision of money management information. So, although not significantly correlated with take up of KiwiSaver by itself, the provision of money management information is an important (and statistically significant) variable when working synergetically with these other variables.

What are the benefits that employers have gained from KiwiSaver?

On the whole, employers in this survey do not believe that KiwiSaver has benefited their business. Only 5% of respondents believed it had.

Around half (51%) of those with current non-KiwiSaver schemes report that KiwiSaver has had no effect on their business's ongoing costs for providing their current non-KiwiSaver scheme. Nearly one third (31%) report there has been an increase in their ongoing costs whereas few (8%) report there has been a decrease in ongoing costs.

Section 2: Background and objectives

The KiwiSaver evaluation is a cross-government evaluation being done by Inland Revenue, the Ministry of Economic Development and Housing New Zealand Corporation. The term of the evaluation is from 2007-08 to 2012-13.

The overall purpose of the evaluation is to determine the range of impacts (including costs and benefits) that KiwiSaver has had on individuals, employers, the superannuation and financial industry and the Crown in order to come to a judgement regarding its effectiveness and value-for-money.

In this third year of the evaluation, Inland Revenue is shifting its focus from implementation and delivery, and beginning to look at the outcomes of KiwiSaver.

2.1 Specific rationale for the follow-up survey

The purpose of KiwiSaver is to encourage a long-term savings habit and asset accumulation by individuals to provide benefits in retirement. The initiative is designed so that individuals' savings can be facilitated through the workplace. This means that the KiwiSaver Act 2006 includes obligations that employers must meet.

Consequently, one of the KiwiSaver evaluation's longer-term objectives is to assess the initiative's value-for-money consideration taking into account SME employers' costs and benefits. In the shorter-term, quantifying SME employers' KiwiSaver costs could contribute to policy decision making. This is because it will provide data on the dollar value of costs, the distribution of costs across types of activities (e.g. changes to remuneration practices and workplace superannuation schemes) and the distribution of costs across types of SMEs (e.g. small versus medium-sized employers).

SME employers' compliance costs for meeting their KiwiSaver responsibilities were measured in Inland Revenue's 2009 compliance cost survey.

The purpose of this follow-up survey is to measure SME employers' costs for KiwiSaver contributions, as well as for any changes to remuneration practices and/or workplace superannuation schemes. It is also to identify how SME employers have benefited from KiwiSaver, if at all.

SME employers were recruited for the follow-up survey through screening questions in the compliance cost survey (detailed in the section 3 of this report).

The reader should note that this report details the findings from the follow-up survey. Inland Revenue plans to synthesise the follow-up survey results, with the KiwiSaver data from the 2009 SME compliance costs survey, to provide a complete picture of SME employers' KiwiSaver costs.

2.2 Survey objectives

The objectives of the SME employers follow-up survey are:

- To identify whether and how KiwiSaver has affected employers' remuneration practices and, in turn, how any effect on remuneration affects employees' participation in KiwiSaver;
- To determine whether and how KiwiSaver has affected employers' provision of workplace superannuation and, in turn, how any effect on employers' provision of workplace superannuation affects employees' take up of KiwiSaver;
- To measure the cost of employers' contributions to KiwiSaver; and

- To identify any benefits that employers have gained from KiwiSaver.

Section 3: Method

This section outlines the research methodology used in conducting this research.

3.1 Population of interest

SME employers' compliance costs for meeting their KiwiSaver responsibilities were measured in Inland Revenue's 2009 compliance cost survey. SME employers were recruited for this follow-up survey through two screening questions in the compliance cost survey. These questions covered making changes to remuneration practices because of KiwiSaver and/or having a workplace superannuation scheme prior to KiwiSaver. The population of interest was the number of respondents who answered 'yes' to either one or both of the screening questions, as at September 2009 when the compliance cost survey was 'in the field'.

Consequently, the target population for the follow-up survey is defined as:

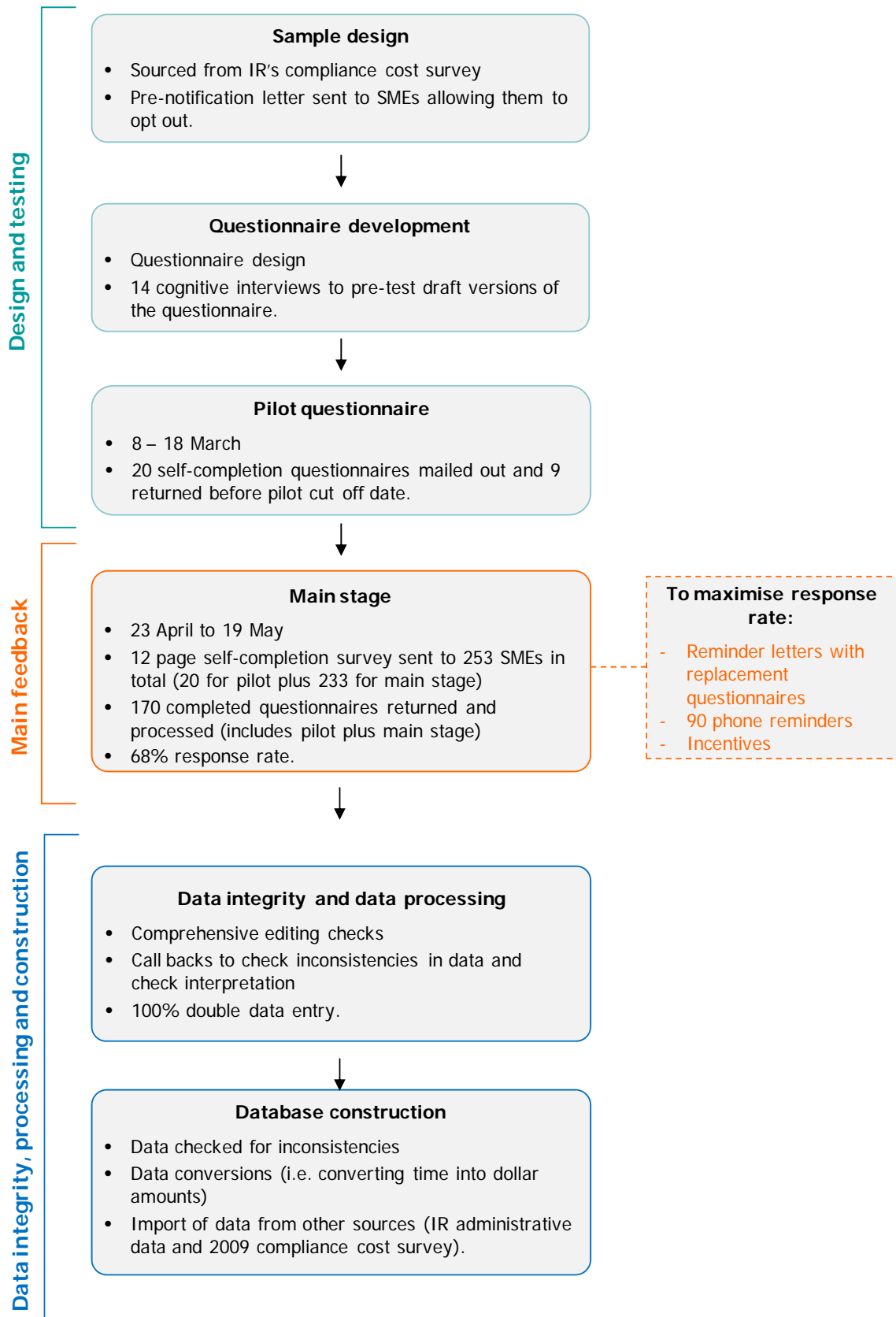
Respondents to the 2009 SME compliance cost survey who are active SMEs employing 50 staff or less, or with an annual turnover of \$10 million or less, which employ KiwiSaver members, have changed their approach to remuneration due to KiwiSaver and/or had a workplace superannuation scheme before KiwiSaver started on 1 July 2007.

The size of the population of interest is 280 SME employers (see section on response rate analyses for further details).

The reader should note that larger SMEs may have been more likely to have been selected for the survey because they are more likely to have had an existing non-KiwiSaver scheme and/or made changes to remuneration practices.

3.2 Overview of methodology

The diagram below summarises the approach to designing, implementing and analysing the survey. A more detailed explanation follows.



3.3 Detailed methodology

3.3.1 Questionnaire development and cognitive testing

Colmar Brunton undertook questionnaire design in collaboration with Inland Revenue.

Fourteen cognitive face-to-face interviews were carried out to qualitatively pre-test the survey questionnaire. The testing was carried out in two phases. Following the initial phase of nine

interviews, significant changes to the structure and content of the questionnaire were made to improve comprehension and interpretation of the questionnaire. Another four cognitive interviews were undertaken to test the revised questionnaire. The results of the second phase of testing indicated that the questionnaire flowed well and was generally well understood.

3.3.2 Pilot

A pilot was then undertaken from 8-18 March 2010 and consisted of mailing out 20 self-completion questionnaires. A total of nine questionnaires were returned.

Of the nine SMEs who participated, six received a follow up telephone call regarding their perceptions of the questionnaire. The follow up telephone calls confirmed that the questionnaire flow and wording worked well – all six pilot respondents who were telephoned, said they had no difficulties in filling out the questionnaire and all said they found the question skips easy to follow.

An additional three phone calls were made to businesses who did not participate in order to gauge reasons for this. One person said they still intended to complete the questionnaire, but was waiting on input from others, another business did not recall receiving the questionnaire, and the other business had not completed the questionnaire as they felt the questions became too pedantic.

3.3.3 Main fieldwork

Two hundred and fifty three self-completion questionnaires were sent out in total. This consists of the 20 questionnaires sent as part of the pilot and 233 questionnaires sent on the 23rd of April 2010 as part of the main fieldwork stage.

The following measures were undertaken to maximise the response rate:

- Highlighter pens with Post-it flags were sent with the initial questionnaires.
- Reminder letters and replacement questionnaires were sent on the 7th of May 2010 to those who had not returned either the pilot or the main questionnaire.
- 90 telephone reminder calls were made from 17-19 May 2010 to those who had not yet returned a questionnaire.

3.3.4 Response rate analysis

One hundred and seventy respondents returned a completed questionnaire. This means that the overall response rate to the survey is 68%. Details of this calculation are provided in the following table:

Table 3.3.4: Response rate analysis

A	Number of 'consent' letters dispatched by Inland Revenue	280
B	Ineligible businesses identified before sample provided to Colmar Brunton*	15
C	Overall number of eligible businesses <u>before</u> dispatch of questionnaires (A minus B)	265
D	Number of businesses who 'opted out' by phoning Inland Revenue to request that they do not take part	12
E	Questionnaires dispatched by Colmar Brunton	253
F	Questionnaires returned but not processed (and determined not to be eligible) ^Δ	15
G	Questionnaires returned, but not processed (determined to be eligible or eligibility not determined) [†]	3
H	Completed questionnaires returned and processed	170
I	Overall number of eligible businesses (C minus F)	250
J	Overall response rate (H/I)	68%

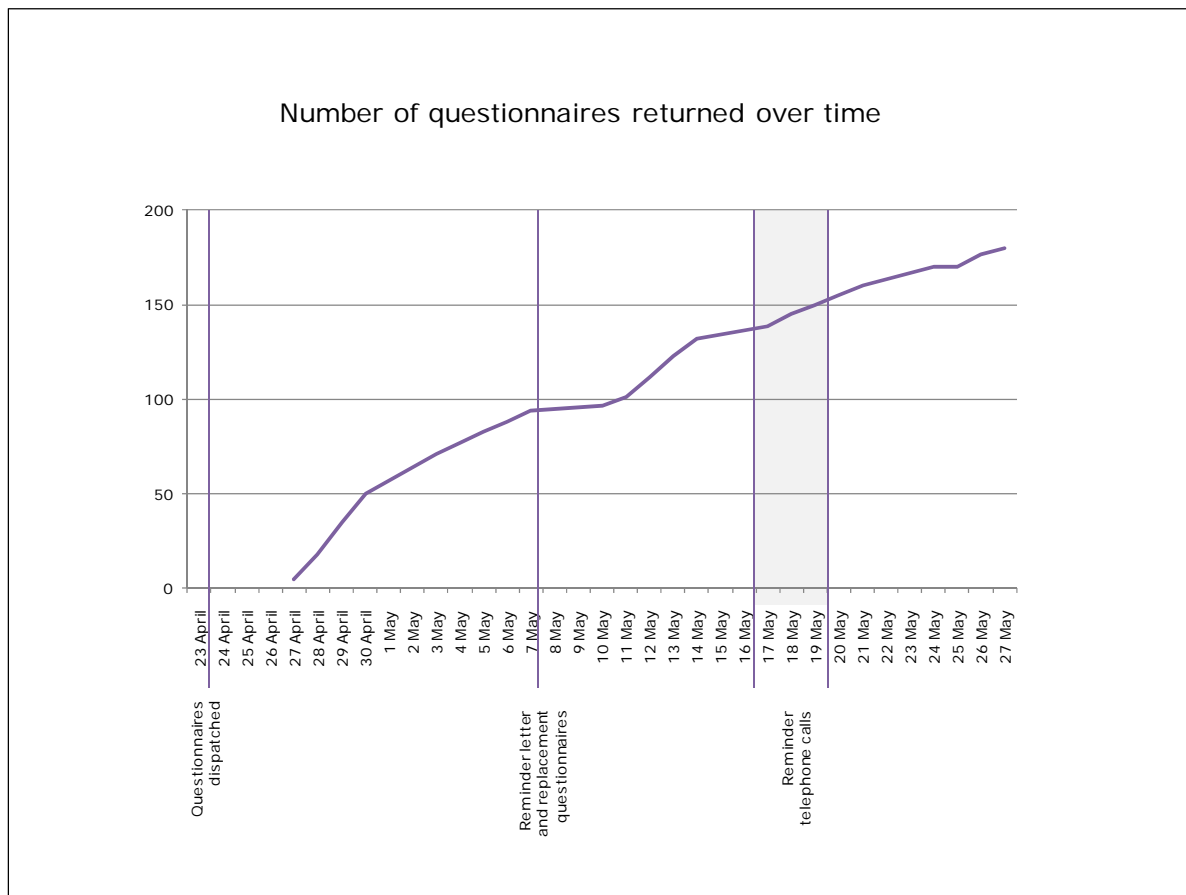
*Eight businesses, which indicated in the 2009 compliance cost survey that they had a workplace superannuation scheme when KiwiSaver started, did not meet the selection criteria for having an open scheme prior to KiwiSaver. Seven businesses did not meet the selection criteria for being an employer when KiwiSaver started.

^ΔTen businesses informed us that they had no KiwiSaver members, had not changed their approach to remuneration, and did not have a non-KiwiSaver workplace scheme. An additional four businesses sent back the questionnaire, but did not complete it (one because they had no employees, one because the business has ceased trading and two because the business has been sold). An additional one business only answered the first question and then stopped because they had no employees.

[†]One business only answered the first question because they had no employees who were KiwiSaver members, one business sent back the questionnaire, but did not complete it because they only had one KiwiSaver employee, and one business sent back the questionnaire, but did not complete it and did not give a reason for not completing it.

3.3.5 Response rate analysis over time

The following graph illustrates how the response rate grew over time.



3.3.6 Non-response bias

The following table compares respondents and non-respondents against relevant demographic characteristics for SME employers. This comparison is done to identify any possible non-response bias in the follow-up survey.

Comparisons of respondents and non-respondents shows notable differences in terms of location (respondents are more likely to not be in Auckland than non-respondents) and business size (respondents are more likely to be larger sized businesses than non-respondents).

Comparisons of respondents and the total sample show that the profile of respondents reflects the total sample profile fairly closely. This is due to the relatively high (68%) response rate to the follow-up survey.

Table 3.3.6a: Comparisons between total sample, responders and non-responders

	Total % (n=253)	Respondents % (n=170)	Non-respondents % (n=83)
Region			
Auckland	37%	34%	45%
Canterbury/West Coast	14%	15%	13%
Wellington/Manawatu	11%	11%	13%
Otago/Southland	8%	10%	5%
Waikato	6%	6%	6%
Nelson/Marlborough	5%	7%	1%
Hawkes Bay	4%	4%	5%
Bay of Plenty	4%	3%	5%
Taranaki/Wanganui	3%	2%	5%
Unknown	3%	4%	1%
Gisborne	2%	3%	-
Northland	2%	3%	1%
Length of time in business			
More than 10 years	72%	76%	64%
6-10 years	13%	13%	12%
3-5 years	12%	9%	18%
1-2 years	4%	2%	6%
Industry sector			
Business and finance	21%	21%	19%
Distribution	30%	33%	24%
Industrial	22%	21%	24%
Primary produce	12%	12%	13%
Service	14%	13%	17%
Unknown	1%	-	2%
Turnover			
Less than \$40,000	2%	1%	6%
\$40,000 - \$59,999	-	-	1%
\$60,000 - \$99,999	2%	2%	1%
\$100,000 - \$249,999	7%	5%	11%
\$250,000 - \$499,999	11%	8%	16%
\$500,000 - \$1,299,999	24%	23%	27%
\$1,300,000 - \$1,999,999	9%	10%	8%
\$2 million and up	45%	52%	30%
Employee count			

1-5	34%	28%	48%
6-19	35%	36%	31%
20+	29%	35%	17%
Nil	2%	1%	4%
Group			
Superannuation only	42%	46%	34%
Remuneration only	53%	48%	63%
Both	5%	5%	4%
PAYE registration status			
Actively registered	96%	98%	92%
Ceased PAYE registration	4%	2%	8%
Employer superannuation contribution tax (ESCT)			
Yes	55%	61%	42%
No	45%	39%	58%
Had a complying fund			
Yes	2%	2%	1%
No	98%	98%	99%
Uses tax agent			
Yes	11%	9%	16%
No	89%	91%	84%
Employer chosen KiwiSaver scheme			
Yes	31%	35%	23%
No	69%	65%	77%
Exempt from automatic enrolment			
Yes	4%	3%	5%
No	96%	97%	95%
Uses external agent			
Yes	85%	82%	89%
No	15%	18%	11%

Source: 2009 SME Compliance Cost survey and IR's administrative data

The following table provides information on key characteristics of respondents relating to workplace superannuation schemes.

Table 3.3.6b: Key workplace superannuation scheme characteristics of respondents

	Number of respondents (n=170)	% (n=170)
Employers with at least one KiwiSaver members		
Yes	167	98%
No	3	2%
Existing workplace superannuation scheme before KiwiSaver started		
Yes	84	49%
No	86	51%
Current workplace superannuation scheme that is not KiwiSaver or a complying fund		
Yes	49	29%
No	121	71%

Base: All respondents

Source: Q5, Q19, Q27

3.3.7 Weighting

The data in this report have not been weighted because, as discussed above, the differences between the characteristics of respondents and the characteristics of the total sample are not large. This means that:

- weighting the data would not have a marked effect on the survey results
- overall, we can assume the responses we have obtained from respondents would reflect the responses we would get from a census of the total sample.

Further, as the base sizes for some of the questions are very small, results have been presented using the numbers of respondents who gave particular answers. Using unweighted data assists in the readability of the data.

3.3.8 Item non-response

The amount of missing information in the survey dataset is generally very small. The possible exception to this is Question 41 (second part of question relating to ways information about managing money were provided that were prompted by KiwiSaver). Thirteen of the 32 respondents who should have answered this part of the question left it blank. This may be because they missed the question or because none of the channels were prompted by KiwiSaver.

Where missing information does exist, this has been detailed in the tables.

3.3.9 Data integrity and data processing

A number of steps were undertaken with respect to data integrity including the following:

- A series of comprehensive editing checks and database checks to test for the internal validity of the data.
- Nineteen follow-up phone calls were made to respondents to clarify their answers to particular questions. Ten of the calls were made to check their interpretation of Questions 8, 10 and 12. All ten respondents said they answered these questions in relation to the total amount they are contributing. Four of the calls were made to check respondents' answers to Questions 1, 28, 29 and their total number of employees.
- 100% double-entry of data.

3.3.10 Use of IR administrative data and responses to 2009 SME compliance cost survey

In addition to the responses to the follow-up survey, the analysis in Sections 4 to 10 of this report uses IR administrative data and follow-up respondents' responses from the 2009 SME compliance cost survey. In particular, the following variables have been used:

- Length of time in business (2009 SME compliance cost survey)
- Industry sector (2009 SME compliance cost survey)
- Business size – number of employees (IR administrative data)
- Business size – turnover (2009 SME compliance cost survey)
- Whether have tax advisor for KiwiSaver (2009 SME compliance cost survey).

3.3.11 Value of time analyses

In the questionnaire, respondents were asked to give the approximate number of hours three types of personnel (owners/partners/directors/trustees, paid employees, and unpaid friends or relatives) spent on various activities.

The following dollar amounts were used to convert time into compliance costs in the 2009 SME compliance cost survey¹. For the purposes of consistency, the same dollar amounts are used in the analysis in this report:

- \$61.12 (owners/partners/directors/trustees)
- \$25.39 (paid employees)
- \$33.31 (unpaid friends or relatives).

As well as reporting the distribution of businesses in each time and dollar category, means and medians have been calculated for both the number of hours and monetary values. The reader should note that we have not trimmed any outliers in calculating the means. Because of this, small minorities of businesses with higher numbers can 'pull' the means upward. Therefore, medians have also been calculated as they provide a better indicator of the most common scenario.

¹ An explanation of how the dollar amounts were derived is available from Evaluation Services, Inland Revenue, on request.

3.4 Presentation of results

The survey results are largely presented in tables. The following explanations may assist the reader in interpreting the data:

- Both the number of respondents, and percentage of respondents, who gave a particular answer are provided in presenting the survey results. This has been done because of small base sizes for many questions.
- Where percentages do not add to 100% this may be due to rounding or because more than one response category potentially applied to the respondent.

3.4.1 Sampling error

The maximum margin of error on a total sample size of 170 is +/-7.5%. However, care should be taken in interpreting the findings as many of the results are based on small subsets of the total sample (and therefore carry higher margins of error).

Unless otherwise stated, subgroup differences are statistically significant at the 95% confidence level. Chi-square tests of difference were used for all subgroup analysis and assume simple random sampling.

Section 4: Employer contributions

Employers are required to contribute 2% of their employees' gross pay to their KiwiSaver schemes and complying superannuation funds². This 2% contribution is referred to as the compulsory employer contribution (CEC). The CEC is in addition to employees' gross salary or wages. Employers' contributions to non-KiwiSaver workplace superannuation schemes reduce the amount of the CEC they are required to pay, as long as certain conditions are met³.

The CEC is exempt from employer superannuation contribution tax (ESCT). Any additional contributions that employers pay on top of the 2% CEC are liable for ESCT.

A number of policy changes affecting employer contributions took effect from 1 April 2009. These were:

- The CEC was capped at 2% and will not increase further in future years (in particular, planned increases to 3% and later 4% were cancelled).
- The employer tax credit (ETC), which offset the cost of the employer contributions, was removed – this affected employers, not KiwiSaver members.
- Additional employer contributions were made liable for ESCT, as noted above.

This section of the report examines how much employer contributions to KiwiSaver and non-KiwiSaver workplace superannuation schemes cost employers, employers' responses to the 1 April 2009 policy changes, the relationship between contribution rates and employees' take up of KiwiSaver, and how employers fund their contributions to KiwiSaver.

² A complying superannuation fund is a registered superannuation scheme that the Government has approved as a complying fund because it meets certain KiwiSaver rules.

³ These conditions are described in Inland Revenue's May 2009 KiwiSaver employer guide (KS 4) which is available at <http://www.ird.govt.nz/forms-guides/title/forms-k/ks04-guide-ks-employer-guide.html>

4.1 How employers fund their contributions to KiwiSaver

Respondents were asked how their business funds its employer contributions to KiwiSaver. Results to this question are presented in the following table.

Table 4.1: Different ways businesses are funding employer contributions to KiwiSaver

	Number of respondents (n=167)	% (n=167)
Absorbed as an extra cost to the business	149	89%
'Salary sacrifice' (put staff on a total remuneration package that includes the KiwiSaver employer contributions)	18	11%
Passed cost onto customers	13	8%
Other	2	1%
Missing information	2	1%
Don't know	1	1%
Not applicable	1	1%

Base: All respondents with at least one KiwiSaver member

Source: Q5

A large majority (89%) of employers say that the contributions are absorbed as an extra cost to the business.

4.1.1 Comparison of the way employers are funding their KiwiSaver contributions, by the proportion of their employees who are KiwiSaver members

There is no relationship between the way employers fund their KiwiSaver and complying fund contributions and the proportion of their employees who are KiwiSaver members.

4.2 Employer contribution rates to KiwiSaver

4.2.1: Contribution rate and dollar value of employer contributions to KiwiSaver accounts and complying funds – average employee

One hundred and sixty seven of the 170 respondents (97%) had at least one employee who was a KiwiSaver member or belonged to a complying fund. Respondents were asked to give either the percent or dollar amount that their business contributes to the KiwiSaver account of an average staff member. Two of the 167 respondents who should have answered this question did not⁴. These results are presented in the table below.

Table 4.2.1: Contribution rate and dollar value of employer contributions to KiwiSaver accounts and complying funds – average employee

Contribution rate	Number of respondents (n=150)*	% (n=150)*
Less than 2%	1 [†]	1%
2%	122	81%
3%	2	1%
4%	18	12%
5% or more	7	5%
Dollar value (monthly amount)	Number of respondents (n=15)[△]	% (n=15)[△]
\$19-\$29	2	13%
\$30-\$39	1	7%
\$40-\$49	2	13%
\$50-\$59	5	33%
\$60-\$69	3	20%
\$70 or more	2	13%

*Base: All respondents who gave a % figure at Q2

△Base: All respondents who gave a \$ figure at Q2

†This respondent does not have another workplace superannuation scheme.

Source: Q2

Most employers answered this question by giving a percent. Of those who gave a percent answer, the vast majority (81%) only contribute the CEC of 2%. Nearly one in five (18%) make additional contributions.

⁴ One respondent left the question blank and the other respondent wrote on the questionnaire that the question was 'not applicable' to them.

4.2.2: Relationship between contribution rates to KiwiSaver schemes and take up of KiwiSaver

To explore whether there is a relationship between employer contribution rates to KiwiSaver schemes and employees' take up of KiwiSaver, the following table looks at contribution rates by the proportion of employees who are KiwiSaver members.

Table 4.2.2: Comparison of employers' contributions to KiwiSaver scheme by the proportion of their employees who are KiwiSaver members

Contribution rate	Total (n=150)		Proportion of employees who are KiwiSaver members					
			0% to 39% (n=39)		40% to 69% (n=71)		70% to 100% (n=40)	
	Number	%	Number	%	Number	%	Number	%
Under 2%	1	1%	1	3%	-	-	-	-
2%	122	81%	34	87%	63	89%	25	62%
More than 2%	27	18%	4	10%	8	11%	15	38%

Base: All respondents who gave a % figure at Q2

Source: Q1, Q2, IR administrative data (for total number of employees)

The data in the above table suggest that there is a relationship between employer contribution rates to KiwiSaver schemes and employees' take up of KiwiSaver; 38% of businesses in which 70% to 100% of employees are KiwiSaver members make additional employer contributions compared to only 10% of businesses in which less than 40% of employees are KiwiSaver members and 11% of businesses in which 40% to 69% of employees are KiwiSaver members.

Whether or not the business also has a current non-KiwiSaver scheme may influence KiwiSaver membership. Therefore, the above analysis was repeated twice to assess the relationship between employer contribution rates to KiwiSaver schemes and employees' take up of KiwiSaver among 1) businesses who do not have an existing non-KiwiSaver scheme and 2) businesses who have an existing non-KiwiSaver scheme. The results of these analyses closely mirror the patterns observed in table 4.2.2 above, which suggests that regardless of whether a business has an existing non-KiwiSaver scheme, higher contribution rates to KiwiSaver accounts result in higher take up of KiwiSaver.

Exemptions from automatic enrolment may also influence KiwiSaver membership. As only three respondents had an exemption, taking this factor into account in the analysis did not make any difference to the patterns observed.

4.3 Costs of employer contributions to non-KiwiSaver schemes

4.3.1: Contribution rate and dollar value of employer contributions to non-KiwiSaver workplace superannuation schemes – average employee

Twenty nine percent of employers (49 out of 170 respondents) in this survey indicated that their business currently has a registered superannuation scheme that it offers to some or all employees, that is not KiwiSaver or a complying fund. (Respondents were instructed that this excludes employees' private superannuation plans to which the business may make employer superannuation contributions). These employers were asked to give either the percent or dollar amount that their business contributes to the non-KiwiSaver superannuation scheme for an average staff member. The results are presented in the table below. Note, one respondent who should have answered this question left it blank. The base sizes in the table below therefore sum to 48.

Table 4.3.1: Contribution rate and dollar value of employer contributions to non-KiwiSaver workplace superannuation schemes

Contribution rate	Number of respondents (n=33)*	% (n=33)*
Less than 2%	2	6%
2%	2	6%
3%	5	15%
4%	1	3%
5%	12	36%
6%	4	12%
More than 6%	7	21%
Dollar value (monthly amount)	Number of respondents (n=15) [△]	% (n=15) [△]
0	1	7%
\$80-\$90	2	13%
\$150-\$199	2	13%
\$200-\$299	3	20%
\$300-\$399	3	20%
\$400 or more	4	27%

*Base: All respondents who gave a % figure at Q30

[△]Base: All respondents who gave a \$ figure at Q30

Source: Q30

Contribution rates for non-KiwiSaver schemes are higher than for KiwiSaver schemes, with a large majority (88%) of the 33 respondents who gave a percent answer indicating that they contribute more than 2%. More than two thirds (70%) contribute 5% or more.

4.3.2: Relationship between contribution rates to non-KiwiSaver schemes and take up of non-KiwiSaver schemes

Analysis was undertaken that looked at contribution rates to existing schemes by the proportion of employees who belong to a non-KiwiSaver workplace superannuation scheme. Possibly due to small sample sizes, there are no statistically significant differences.

4.4 Total dollar value of employer contributions – last month for all employees

For all employees with a KiwiSaver account, respondents were asked to give the total value of last month's KiwiSaver employer contributions, before any ESCT was deducted.

Likewise, for all employees with a non-KiwiSaver scheme, respondents were asked to give the total value of last month's⁵ employer contributions, before any ESCT was deducted.

Table 4.4: Total dollar value of employer contributions – last month for all employees

Dollar value of employer contributions (one month)	KiwiSaver or complying fund		Non-KiwiSaver scheme	
	Number of respondents (n=167)*	% (n=167)*	Number of respondents (n=49) [△]	% (n=49) [△]
Up to \$99	24	14%	4	8%
\$100-\$199	19	11%	2	4%
\$200-\$299	12	7%	4	8%
\$300-\$399	19	11%	3	6%
\$400-\$499	9	5%	1	2%
\$500-\$599	7	4%	1	2%
\$600-\$699	5	3%	2	4%
\$700-\$799	6	4%	2	4%
\$800-\$899	5	3%	2	4%
\$900-\$999	6	4%	-	-
\$1000-\$1099	4	2%	1	2%
\$1100-\$1199	1	1%	1	2%
\$1200-\$1299	4	2%	2	4%
\$1300-\$1399	4	2%	-	-
\$1400-\$1499	2	1%	2	4%
\$1500-\$1999	10	6%	3	6%
\$2000-\$2999	8	5%	2	4%
\$3000-\$3999	6	4%	4	8%
\$4000 or more	14	8%	10	20%
Missing information	1	1%	3	6%
Not applicable	1 [†]	1%	-	-

*Base: All respondents with at least one employee who belongs to KiwiSaver or a complying fund

[△]Base: All respondents with at least one employee who belongs to non-KiwiSaver fund

[†]This respondent indicated they had 13 KiwiSaver members, but wrote 'not applicable' at Q3 and most of the subsequent questions. No explanation was provided for this.

Source: Q3 and Q31

The total monthly dollar value of employer contributions for all employees tends to be higher for non-KiwiSaver schemes than for KiwiSaver schemes. In particular:

- Only 27% of employers with a non-KiwiSaver scheme make contributions of less than \$400 to non-KiwiSaver schemes. In comparison, 44% of employers with a KiwiSaver scheme make contributions of less than \$400 to KiwiSaver schemes.

⁵ The main survey questionnaires were dispatched in April 2010 so the last month would have been March 2010, the end of the tax year for most SMEs.

- One half (51%) of employers with a non-KiwiSaver scheme make employer contributions of at least \$1,000 to non-KiwiSaver schemes. In comparison, around one in three (32%) employers with a KiwiSaver scheme make contributions of at least \$1,000 to KiwiSaver schemes.
- Twenty percent of employers with a non-KiwiSaver scheme make contributions of \$4,000 or more. In comparison, 8% of employers with a KiwiSaver scheme make contributions of \$4,000 or more.

This difference is driven by higher contribution rates associated with non-KiwiSaver schemes (discussed earlier in this section).

Additional analysis has been undertaken to look at the total value of last month's KiwiSaver employer contributions (before any ESCT was deducted) of those who contribute the CEC of 2%. Because these employers account for such a high proportion of the total sample, the distribution of dollar values is similar to that shown in the above table. Around one half (52%) make contributions of less than \$500 in a month, 17% contribute \$500-\$999, and the remainder (31%) contribute more than \$1,000.

4.5 Additional employer contributions

4.5.1: Contribution rate and dollar value of additional employer contributions

Additional employer contributions are paid on top of the compulsory 2% contributions. The contribution rate of additional employer contributions expressed as a percentage was calculated by taking the respondent's answer at Question 2 (the employer contribution rate expressed as a percentage for an average employee) and subtracting 2%.

The dollar values of additional employer contributions were then calculated by multiplying the ratio of the additional contribution rate to the total employer rate by the dollar value given at Question 3 (the total dollar value of employer contributions to KiwiSaver accounts for all employees in the last month).

The contribution rates and dollar values of additional employer contributions are presented in the next table.

Table 4.5.1: Contribution rate and dollar value of additional employer contributions

	Number of respondents (n=27)	% (n=27)
Contribution rate of additional employer contributions (excludes the 2% CEC)		
1%	2	7%
2%	18	67%
3% or more	7	26%
Dollar value of additional employer contributions	Number of respondents (n=27)	% (n=27)
Up to \$99	7	26%
\$100-\$199	1	4%
\$200-\$299	1	4%
\$300-\$399	3	11%
\$400-\$499	1	4%
\$500-\$599	2	7%
\$600-\$699	-	-
\$700-\$799	1	4%
\$800-\$899	-	-
\$900-\$999	1	4%
\$1,000 - \$1,999	2	7%
\$2,000-\$2,999	1	4%
\$3,000-\$3,999	-	-
\$4,000-\$4,999	2	7%
\$5,000-\$5,999	-	-
\$6,000-\$6,999	2	7%
\$7,000-\$7,999	3	11%

Base: All employers who gave a percentage answer of more than 2% at Q2

Source: Q2 and Q3

The most common contribution rate of additional employer contributions is 2% with around two-thirds (67%) of employers who make additional employer contributions contributing this rate. A possible explanation for this is that the CEC was going to increase incrementally to 4% by 2011. Some employers may have decided to contribute 4% straight away rather than going through the

stepwise change. Such employers may have continued contributing 4% when the CEC was capped at 2% on 1 April 2009.

Around half (48%) of employers make additional employer contributions of under \$500 per month (for all employees), 15% make additional employer contributions of \$500 to \$999 per month and 37% make additional employer contributions of \$1,000 or more per month.

4.5.2 Dollar value of ESCT that employers pay on their contributions

Twenty-eight percent of respondents with at least one employee who is a member of KiwiSaver or a complying fund (47⁶ out of 167) indicated they made ESCT deductions for additional KiwiSaver employer contributions in the last month.

Of the 29% of respondents (49 out of 170) who indicated they currently have a registered superannuation scheme, the vast majority (90% or 44⁷ out of 49 respondents) indicated that they made ESCT deductions for employer contributions to the non-KiwiSaver scheme in the last month.

The total dollar value of the ESCT that employers paid on their contributions to KiwiSaver accounts and non-KiwiSaver schemes in the last month, is presented in the table below.

Table 4.5.2: Total dollar value of the ESCT that employers pay on their contributions – last month for all employees

Dollar value of ESCT (one month)	KiwiSaver or complying fund		Non-KiwiSaver scheme	
	Number of respondents (n=47)*	% (n=47)*	Number of respondents (n=44) ^Δ	% (n=44) ^Δ
Up to \$99	13	28%	3	7%
\$100-\$199	10	21%	6	14%
\$200-\$299	10	21%	5	11%
\$300-\$399	3	6%	2	5%
\$400-\$499	1	2%	4	9%
\$500-\$599	-	-	4	9%
\$600-\$699	-	-	-	-
\$700-\$799	1	2%	1	2%
\$800-\$899	1	2%	1	2%
\$900-\$999	-	-	3	7%
\$1000-\$1999	4	9%	5	11%
\$2000-\$2999	1	2%	5	11%
\$3000 or more	3	6%	4	9%
Missing information			1	2%

*Base: All respondents who make ESCT deductions for KiwiSaver employer contributions

^ΔBase: All respondents who make ESCT deductions for non-KiwiSaver fund contributions

Source: Q4a, Q4b, Q32a, Q32b

⁶ Of these 47 respondents, 21 gave a contribution rate of more than 2% at Q2, 21 gave a contribution rate of 2% at Q2, and five gave a dollar value at Q2. The reader should note that Q2 asks for the employer contribution to the KiwiSaver account of an average staff member. Therefore, employers who indicated their average contribution rate was 2% may have contributed more than 2% for some employees and therefore paid ESCT. Of the 47 respondents who said they paid ESCT last month, two indicated they had never paid additional contributions at Q6 (these two respondents gave a dollar value at Q2); their answers to Q4a (whether they paid ESCT last month) and Q6 (whether they have ever made additional contributions) are therefore contradictory.

⁷ Of the five respondents who indicated they did not pay ESCT in the last month, four gave an amount greater than zero at Q31 (the total dollar value of last month's employer contributions); these respondents may have misinterpreted or answered Q32a (whether they paid ESCT last month) incorrectly. The fifth respondent left Q31 blank.

The total monthly dollar value of the ESCT that employers pay on their contributions to non-KiwiSaver schemes is higher than the ESCT that employers pay on their additional contributions to KiwiSaver schemes.

Seven in ten employers (70%) who make ESCT deductions for additional KiwiSaver employer contributions paid under \$300 in ESCT in the last month. This compares to only 32% of employers who make ESCT deductions for non-KiwiSaver employer contributions.

Likewise, only 21% of employers who make ESCT deductions for additional KiwiSaver employer contributions paid over \$500 in ESCT in the last month compared to 52% of employers who make ESCT deductions for non-KiwiSaver employer contributions.

Again, these differences are driven by the higher contribution rates associated with non-KiwiSaver schemes.

4.6 Actual and anticipated changes in response to 1 April 2009 KiwiSaver policy changes regarding CEC, ETC, ESCT

Respondents were asked if their business had ever made additional employer contributions to a KiwiSaver account. Sixty-four⁸ of the 167⁹ respondents (38%) with KiwiSaver members indicated they had. These respondents were then asked a series of questions to understand actual or anticipated changes to employers' additional contributions in response to:

- Setting the minimum CEC rate at 2%
- Withdrawing ETC
- Having to pay ESCT on any additional employer contributions.

4.6.1 Actual or anticipated changes to employers' additional contributions in response to setting minimum CEC rate at 2%

The survey questionnaire informed respondents who had ever made additional employer contributions that the minimum employer contribution rate for KiwiSaver was going to increase to 4% in 2011. Respondents were asked whether their business had, or will, alter the rate of its additional employer contributions because the minimum compulsory rate is now set at 2% (see first column of table). If they had or planned to change the rate, they were then asked to describe the nature and size of the change (see second and third columns of table).

⁸ This number refers to those who have ever made additional employer contributions. This number does not match the base size in Table 4.1.5 because the contribution rates and amounts calculated for additional employer contributions used respondents' answers to Q3 (the total dollar value of employers' contributions in the last month) and Q2 (the current employer contribution for an average staff member). Note also that only those who gave a percentage answer at Q2 were included in the calculations.

⁹ This base size does not include the three respondents who indicated that they do not currently have any employees who belong to KiwiSaver or a complying fund.

Table 4.6.1: Any actual or anticipated changes to employers' additional contributions in response to setting minimum CEC rate at 2%

Actual or anticipated change	Direction of rate change		Details of rate change	
	Number (n=64)	% (n=64)		
Have changed rate	17	27%	<ul style="list-style-type: none"> 3 businesses increased rate 	<ul style="list-style-type: none"> All 3 businesses increased rate from 2% to 4%
			<ul style="list-style-type: none"> 9 businesses stopped making contributions 	n/a
			<ul style="list-style-type: none"> 5 businesses decreased rate 	<ul style="list-style-type: none"> 4 businesses decreased rate from 4% to 2% 1 business decreased rate from 3% to 2%
Plan to change rate	2	3%	<ul style="list-style-type: none"> 1 business plans to increase rate 	<ul style="list-style-type: none"> 1 business plans to increase rate from 2% to 4%
			<ul style="list-style-type: none"> 1 business plans to decrease rate 	<ul style="list-style-type: none"> 1 business plans to decrease rate from 4% to 2%
No actual or anticipated change	42	66%		
Don't know	2	3%		
Missing information	1	2%		

Base: Respondents who have ever made additional employer contributions
Source: Q11, Q12,

Two thirds (66%) of SME employers who have ever made additional employer contributions have not changed the rate of these contributions, and do not plan to change the rate in the future, because the minimum compulsory rate is now set at 2%.

Around one quarter (27%) have changed the rate. The most common type of change was to stop making additional contributions (9 of 17 respondents).

Very few (3%, 1 respondent) plan to change the rate of their additional contributions in the future as a result of the minimum compulsory rate being set at 2%.

Additional analysis by business demographic variables shows the following:

- Among those who have changed the rate, there is a high proportion of micro sized businesses (1-5 employees) (47% compared to 17% of those who have not changed the rate and do not plan to in the future).
- Among those who have not changed the rate, and do not plan to change the rate in the future, there is a high proportion of businesses with an annual turnover of \$2 million or more (64% compared to 29% of those who have changed the rate).

Both of the above patterns are statistically significant at the 95% confidence level.

4.6.2 Actual or anticipated changes to employers' additional contributions in response to withdrawing ETC

The survey questionnaire informed respondents who had ever made additional employer contributions that employers used to be able to claim the ETC to offset the cost of the employer contributions to KiwiSaver. Respondents were asked whether their business had, or will, change the rate of its additional employer contributions because the ETC has been stopped (see first column of table). If they had or planned to change the rate, they were then asked to describe the nature and size of the change (see second and third columns of table).

4.6.2 Any actual or anticipated changes to employers' additional contributions in response to withdrawing the ETC

Actual or anticipated change (n=64)	Direction of rate change		Details of rate change	
	Number (n=64)	% (n=64)		
Have changed rate	18	28%	<ul style="list-style-type: none"> 9 businesses stopped making contributions 	n/a
			<ul style="list-style-type: none"> 9 businesses decreased rate 	<ul style="list-style-type: none"> 8 businesses decreased rate from 4% to 2% 1 business decreased rate from 3% to 2%
Plan to change rate	1	2%	<ul style="list-style-type: none"> This 1 business did not know what the nature of the changes would be 	n/a
No actual or anticipated change	42	66%		
Don't know	2	3%		
Missing information	1	2%		

Base: Respondents who have ever made additional employer contributions

Source: Q7, Q8

Two thirds (66%) of SME employers who have ever made additional employer contributions have not changed the rate of these contributions, and do not plan to change the rate in the future, because the ETC no longer exists.

Around one quarter (28%) have changed the rate. These respondents are equally split between having stopped making additional contributions altogether and decreasing the rate. Among those who have decreased the rate, all but one decreased the rate from 4% to 2%.

Very few (2%, 1 respondent) plan to change the rate of their additional contributions in the future as a result of the ETC no longer existing.

Additional analysis by business demographic variables shows the following patterns:

- Among those who have changed the rate, there is a high proportion of businesses who have a tax advisor for KiwiSaver (33% compared to only 7% of those who have not changed the rate and do not plan to change the rate in the future).
- Among those who have not changed the rate and do not plan to in the future, there is a high proportion of businesses with an annual turnover of \$2 million or more (62% compared to only 33% of those who have changed the rate).
- Among those who have not changed the rate and do not plan to in the future, there is a high proportion of medium sized businesses (20+ employees) (43% compared to 17% of those who have changed the rate).

The first two findings above are statistically significant at the 95% confidence level. The last finding is statistically significant at the 90% confidence level.

4.6.3 Actual or anticipated changes to employers' additional contributions in response to having to pay ESCT on any additional employer contributions

The survey questionnaire informed respondents who had ever made additional employer contributions that after 1 April 2009, employers have had to pay ESCT on any employer contributions to KiwiSaver that are on top of the 2% compulsory contributions. Respondents were asked whether their business had, or will, change the rate of its additional employer contributions because of having to pay ESCT (see first column of table). If they had or planned to change the rate, they were then asked to describe the nature and size of the change (see second and third columns of table).

Table 4.6.3: Any actual or anticipated changes to employers' additional contributions in response to having to pay ESCT on any additional employer contributions

Actual or anticipated change	Direction of rate change		Details of rate change
	Number (n=64)	% (n=64)	
Have changed rate	18	28%	<ul style="list-style-type: none"> ▪ 10 businesses stopped making contributions
			<ul style="list-style-type: none"> ▪ 8 businesses decreased rate
			<ul style="list-style-type: none"> ▪ 7 businesses decreased rate from 4% to 2% ▪ 1 business decreased rate from 3% to 2%
Plan to change rate	-	-	
No actual or anticipated change	45	70%	
Missing information	1	2%	

Base: Respondents who have ever made additional employer contributions
Source: Q9, Q10

Seven in ten (70%) SME employers who have ever made additional employer contributions have not changed the rate of these contributions, and do not plan to change the rate in the future, because of having to pay ESCT.

Around one quarter (28%) have changed the rate. These respondents are divided between having stopped making additional contributions altogether and decreasing the rate. Among those who have decreased the rate, all but one decreased the rate from 4% to 2%.

No respondents indicated that they plan to change the rate of their additional contributions in the future as a result of having to pay ESCT.

Additional analysis by business demographic variables shows the following:

- Among those who have changed the rate, there is a high proportion of small businesses (61% compared to only 31% of those who have not changed the rate and do not plan to change the rate in the future).
- Among those who have not changed the rate and do not plan to in the future, there is a high proportion of medium sized businesses (20+ employees) (44% compared to only 17% of those who have changed the rate).

Both of the above findings are statistically significant at the 95% confidence level.

4.6.4 Summary of actual or planned behaviours in response to three policy changes

As detailed in earlier in this section of the report:

- 19 of the 64 respondents who have ever made additional employer contributions have either changed, or plan to change, the rate in response to setting the minimum CEC rate at 2%.
- 19 of the 64 respondents who have ever made additional employer contributions have either changed, or plan to change, the rate in response to withdrawing the ETC.
- 18 of the 64 respondents who have ever made additional employer contributions have either changed, or plan to change the rate in response to having to pay ESCT on any additional employer contributions.

Additional analysis shows that 25 of the 64 respondents who have ever made additional employer contributions have changed, or plan to change, the rate in response to at least one of the three policy changes. This indicates that there is a high degree of overlap in the businesses that have changed, or plan to change, the rate in response to each of the three policy changes. The table below looks at the combinations of responses to the three questions that measure behavioural responses to the three policy changes.

The data shows that many businesses indicated they have changed, or plan to change, the rate in response to all three policy changes.

Among businesses who have changed, or plan to change, the rate in response to one or two of the policy changes, there appears to be a positive correlation between their response to the ETC no longer existing and their response to having to pay ESCT.

Table 4.6.4: Combinations of responses to Q7, Q9 and Q11

Have either changed, or plan to change, the rate in response to...			Number of respondents
ETC no longer existing (Q7)	Having to pay ESCT (Q9)	Minimum CEC is now 2% (Q11)	
Yes	Yes	Yes	12
Yes	Yes	No	4
Yes	No	Yes	2
No	Yes	Yes	1
Yes	No	No	1
No	Yes	No	1
No	No	Yes	4

Base: All respondents who have changed, or plan to change, the rate in response to at least one of the three policy changes (n=25)

Source: Q7, Q9, Q11

Section 5: Remuneration

The CEC must be made in addition to the employee's gross salary or wage. Beyond this, employers and employees are able to negotiate their own arrangements in good faith.

This section explores whether and how KiwiSaver has affected employers' remuneration practices and, in turn, how any effect on remuneration affects employees' participation in KiwiSaver.

5.1 Changes made to remuneration practices prompted by KiwiSaver

5.1.1 Type of changes in approach to remuneration that have been prompted by KiwiSaver

One of the follow-up survey's screening questions in the 2009 SME compliance cost survey asked respondents to indicate whether or not KiwiSaver had prompted their organisation to change its approach to remuneration. Fifty-four percent of the 170 respondents indicated in the 2009 SME compliance cost survey that they had changed their approach to remuneration because of KiwiSaver. This is markedly higher than the proportion of respondents (18%) who gave the same response in the follow-up survey.

The two most likely reasons for this discrepancy are as follows:

- Different types of questions were asked in the 2009 compliance cost survey and in the follow-up survey. Because the question in the compliance cost survey was intended for screening, respondents were given the option of answering 'yes' or 'no' to changing their remuneration approach. In contrast, the question in the follow-up survey was intended to identify the types of changes that respondents had made, so they were prompted with possible reasons including response categories for 'another type of change' and 'no change in remuneration approach'. Some respondents appear to have answered the question only in relation to the examples of types of change provided and if these did not apply they have opted for the 'no change in remuneration approach' with very few specifying 'another type of change'. Sixty one respondents answered 'yes' to the 2009 question and 'no change in remuneration approach' in the follow-up survey.
- Different people within the business may have answered the two questionnaires. The 2009 SME compliance cost survey was answered by the person who was in a position to answer questions in relation to a wide range of business tax compliance costs, whereas the person in the business who deals with KiwiSaver was encouraged to complete the follow-up survey.

It is unlikely that data entry has contributed to the discrepancy as 100% verification of data entry was carried out for both surveys.

As mentioned above, respondents in the follow-up survey were asked whether KiwiSaver has prompted their business to change its approach to remuneration. A detailed breakdown of the responses to the follow-up survey is provided in the next table. Respondents could give more than one answer. Therefore the number of respondents in each category sum to more than the base size. Likewise, the percentages add to more than 100%.

Table 5.1.1: Changes in approach to remuneration that have been prompted by KiwiSaver

	Number of respondents (n=170)	% (n=170)
'Salary sacrifice' for KiwiSaver members (staff are put on a total remuneration package that includes the KiwiSaver employer contributions)	24 ^Δ	14
Staff that are <u>not</u> KiwiSaver members are given pay rises to ensure equity with KiwiSaver members	9	5
KiwiSaver will be taken into account for future wage increases*	2	1
We make a 2% contribution and encourage staff to invest this amount into assets* (†)	1	1
To date the lift in wages has been restricted by KiwiSaver*	1	1
No pay review done yet but it will be a mixture of salary sacrifice and non-KiwiSaver members getting pay rises*	1	1
No change in remuneration approach	137	81
Not applicable	1	1

Base: All respondents

Source: Q13a

* Respondents were not prompted with these categories. Rather, these are verbatim comments made by respondents.

^ΔOf the 24 respondents who indicated they put KiwiSaver members on a salary sacrifice (at Q13a), at Q5 12 said they funded their employer contributions by a 'salary sacrifice', 13 said they absorbed the employer contributions as an extra cost to the business, two said they passed the cost onto customers, and 1 respondent said they funded the contributions in some other way. Multiple answers were accepted.

†This respondent did not provide any further information to clarify their response.

Around eight in ten (81%) indicated that there had been no change in remuneration as a result of KiwiSaver. Salary sacrifice for KiwiSaver members is the most common type of change in remuneration approach made (14%).

Additional analysis by business demographics shows that businesses who have made a change in remuneration approach tend to have been in business for a shorter period of time than businesses who have not made a change in remuneration approach. For example, 62% of those who have made a change in remuneration approach have been in business for more than 10 years compared to 79% of those who have not made a change in remuneration approach. This difference is statistically significant at the 90% confidence level.

5.1.2 Reasons for changes in approach to remuneration that have been prompted by KiwiSaver

Respondents were asked why they made the changes to their approach to remuneration that were prompted by KiwiSaver. The results are presented in the following three tables. Table 5.1.4a provides the reasons given by businesses who chose to put KiwiSaver members on a 'salary sacrifice'. Table 5.1.4b provides the reasons given by businesses who gave staff who are not KiwiSaver members a pay rise. And table 5.1.4c provides the reasons given by businesses who made a change in their approach to remuneration for other reasons.

The reader should note that if, at Q13a, the respondent made more than one type of change in their approach to remuneration, their answer to Q13b (the reasons for changes) will appear in more than one table. For an individual respondent, the survey did not collect separate reasons for the types of change in approach to remuneration.

Where appropriate, in some tables in this report such as 5.1.2a below, individual items have been grouped together to form broad response categories (in bold). Where this has occurred, an overall percentage has been given for each broad response category. This percentage (in bold) is the percentage of respondents that are in at least one of the individual items (listed underneath each broad response category).

The most common reasons why businesses put KiwiSaver members on a 'salary sacrifice', and why staff who are not KiwiSaver members are given a pay rise, relate to issues of equity and fairness. In particular, these businesses wished to ensure that employees who are KiwiSaver members, and employees who are not KiwiSaver members, are treated the same.

Table 5.1.2a: Reasons for choosing to put KiwiSaver members on a 'salary sacrifice'

	Number of respondents (n=24)	% (n=24)
Equity	11	46%
To be fair/keep equity with non-KiwiSaver employees	10	42%
To maintain status quo	1	4%
Retain awareness of, or manage cost to, businesses	6	25%
Staff should make their own investments and not put additional overheads on company	1	4%
Helps firm consider total cost of employment	1	4%
Cut costs	1	4%
2% employer contribution is a cost to the business	1	4%
Extra cost has to be allocated somewhere	1	4%
Ensure total remuneration packages are reflective of actual situation	1	4%
Couldn't afford 2% on top of gross pay	2	8%
Couldn't do pay increase and KiwiSaver staff agreed	1	4%
Company decided to continue contributing 4% but at the cost of no salary increases	1	4%
Other		
Potential increased cost to business but now that it is set at 2%, reverted back to standard approach	1	4%
It is the law – do not agree with it but have no choice*	1	4%
Missing information	3	12%

Base: All respondents who have chosen to put KiwiSaver members on a 'salary sacrifice'

Source: Q13a, Q13b

*This respondent indicated that they had changed their approach to remuneration in several ways: staff that are not KiwiSaver members are given pay rises to ensure equity with members, 'salary sacrifice' for KiwiSaver members, and that the respondent

is currently funding changes out of their own income. Therefore, this respondent's answer to Q13b also appears in the next two tables.

Table 5.1.2b: Reasons for giving staff who are not KiwiSaver members a pay rise

	Number of respondents (n=9)	% (n=9)
To be fair/keep equity with non-KiwiSaver employees	3	33%
Staff should make their own investments and not put additional overheads on company*	1	11%
2% increase was equivalent to probable pay increase	1	11%
It is the law – do not agree with it but have no choice	1	11%
Discussion with employee	1	11%
Missing information	2	22%

Base: All respondents who have chosen to give staff who are not KiwiSaver members a pay rise

Source: Q13a, Q13b

*This respondent indicated that they had changed their approach to remuneration in several ways: staff that are not KiwiSaver members are given pay rises to ensure equity with members, 'salary sacrifice' for KiwiSaver members, and that they encourage staff to invest the employer contributions into assets (no further information was given to clarify their response).

Table 5.1.2c: Other changes businesses have made to their approach to remuneration that have been prompted by KiwiSaver and the reason for these changes

Change	Number of respondents (n=5)	Reason	Number of respondents (n=5)
KiwiSaver will be taken into account for future wage increases	2	<ul style="list-style-type: none"> ▪ It is the law – do not agree with it but have no choice ▪ Equality matters 	1
We make a 2% contribution and encourage staff to invest this amount into assets	1	<ul style="list-style-type: none"> ▪ Staff should make their own investments and not put additional overheads on company 	1
To date the lift in wages has been restricted by KiwiSaver	1	<ul style="list-style-type: none"> ▪ 2% increase was equivalent to probable pay increase 	1
No pay review done yet but it will be a mixture of salary sacrifice and non-KiwiSaver members getting pay rises	1	<ul style="list-style-type: none"> ▪ To maintain pay parity 	1

Base: All respondents who have made other changes to their approach to remuneration that have been prompted by KiwiSaver

Source: Q13a, Q13b

5.1.3 Relationship between changes made to remuneration practices because of KiwiSaver and employees' take up of KiwiSaver

The following table looks at the relationship between the types of changes made to remuneration practices because of KiwiSaver and take up of KiwiSaver.

In interpreting these results, it should be noted that the correlation between these two variables does not prove causality.

Table 5.1.3: Comparison of types of remuneration changes by the proportion of their employees who are KiwiSaver members

Types of remuneration changes made	Total (n=170)		Proportion of all employees who are KiwiSaver members					
			0% to 39% (n=52)		40% to 69% (n=75)		70% to 100% (n=43)	
	Number	%	Number	%	Number	%	Number	%
'Salary sacrifice' for KiwiSaver members (staff are put on a total remuneration package that includes the KiwiSaver employer contributions)	24	14%	11	21%	10	13%	3	7%
Staff that are <u>not</u> KiwiSaver members are given pay rises to ensure equity with KiwiSaver members	9	5%	3	6%	5	7%	1	2%
KiwiSaver will be taken into account for future wage increases	2	1%	1	2%	1	1%	-	-
We make a 2% contribution and encourage staff to invest this amount into assets*	1	1	1	2	-	-	-	-
To date the lift in wages has been restricted by KiwiSaver*	1	1	-	-	1	1	-	-
No pay review done yet but it will be a mixture of salary sacrifice and non-KiwiSaver members getting pay rises*	1	1	-	-	1	1	-	-
No change in remuneration approach	137	81%	38	73%	61	81%	38	88%
Not applicable	1	1%	-	-	-	-	1	2%

Base: All respondents

Source: Q1, Q13a and IR administrative data on total number of employees

*Respondents were not prompted with these reasons. Rather, respondents specified these reasons under the 'other' category.

The proportion of businesses that have not made a change in remuneration approach is significantly higher among businesses that have had a high take up of KiwiSaver (88% among those with a take up of 70% to 100%) than among businesses who have had a relatively low take up of KiwiSaver (73% among those with a take up of 0% to 39%). This difference is statistically significant at the 90% confidence level.

'Salary sacrifices' are significantly more common among businesses with a low take up of KiwiSaver (21% of those with a take up of 0% to 39%) than among businesses with a high take up of KiwiSaver (7% among those with a take up of 70% to 100%). This difference is statistically significant at the 90% confidence level. Note, additional analysis shows that there are no significant differences in type of change in remuneration by take up of KiwiSaver when the results are based only on those who have made a change.

5.1.4 Comparison of types of remuneration changes by relevant sample profile characteristics

Analysis of whether remuneration changes have been made, and the types of remuneration changes made, by relevant sample profile characteristics, reveals little in the way of statistically significant differences. The only significant difference is that 100% of businesses in the primary produce sector have made no changes to their remuneration approach compared to 78% of businesses in other sectors.

Additional analysis shows that there is a negative correlation between size of business and employees' take up of KiwiSaver, with smaller businesses tending to have a higher take up of KiwiSaver among their employees than larger businesses have. Smaller businesses (micro and small) are somewhat more likely to have made changes to their remuneration approach because of KiwiSaver. Further, smaller businesses are more likely not to have a non-KiwiSaver workplace superannuation scheme.

Although not statistically significant, there is some suggestion that changes in remuneration approaches are more common among employers that have been in business a shorter length of time than among those who have been in business a longer length of time.

Note, in terms of specific actual or planned changes made to contribution rates as a result of policy changes, there are a number of statistically significant changes (refer to section 4.6 of the report).

5.2. Time and costs of changes in remuneration approach made because of KiwiSaver

Respondents who had made changes to remuneration because of KiwiSaver, were asked to give the approximate number of hours three types of personnel spent putting these changes in place: owners/partners/directors/trustees, paid employees, and unpaid friends or relatives.

We have converted this time into monetary values using 'value of time' figures (detailed in the methodology section).

As well as the distribution of businesses in each time and dollar category, means and medians have been calculated for both the number of hours and monetary values. The reader should note that we have not trimmed any outliers in calculating the means. Because of this, small minorities of businesses with higher numbers can 'pull' the means upward. Therefore, medians have also been calculated as they provide a better indicator of the most common scenario.

5.2.1 Summaries of internal time and costs spent on changes in remuneration approach made because of KiwiSaver

The next two tables provide summaries of the total number of hours spent on changes in remuneration approach made because of KiwiSaver and the monetary value associated with that time.

Table 5.2.1a: Summary of internal time spent on changes in remuneration approach made because of KiwiSaver (covers all personnel)

Hours	Number of respondents (n=33)	% (n=33)
Zero hours	5	15%
0-25	1	3%
1-2	9	27%
3-5	3	9%
6-9	5	15%
10-15	4	12%
25-27	2	6%
40	1	3%
Not applicable	1	3%
Missing information	2	6%
<i>Mean number of hours = 7</i>		
<i>Median number of hours = 3</i>		

Base: All employers who changed their approach to remuneration because of KiwiSaver
Source: Q13c and Q13d

Table 5.2.1b: Summary of internal costs of changes in remuneration approach made because of KiwiSaver (covers all personnel)

\$	Number of respondents (n=33)	% (n=33)
\$0	5	15%
\$1-\$99	6	18%
\$100-\$199	5	15%
\$200-\$299	6	18%
\$300-\$399	2	6%
\$400-\$499	1	3%
\$600-\$699	1	3%
\$700-\$899	3	9%
\$2445	1	3%
Not applicable	1	3%
Missing information	2	6%
<i>Mean \$ = \$295</i>		
<i>Median \$ = \$156</i>		

Base: All employers who changed their approach to remuneration because of KiwiSaver
Source: Q13c and Q13d

Around three quarters of businesses who changed their approach to remuneration because of KiwiSaver spent time on making the changes.

The medians given are notably lower than the means given. This indicates that the distribution of businesses is skewed towards the bottom end (i.e towards zero). A minority of businesses with higher numbers is essentially 'pulling' the means upward.

5.2.2 Internal time and costs spent on changes in remuneration approach made because of KiwiSaver by type of personnel

The next table presents the results for each of the three types of personnel.

Table 5.2.2: Internal time and cost of changes in remuneration approach made because of KiwiSaver by type of personnel

Owners/partners/directors/trustees			
Hours	Dollars (\$)	Number of respondents (n=33)	% (n=33)
Zero hours	0	8	24%
0.25	\$15	1	3%
1	\$61	4	12%
2	\$122	8	24%
3	\$183	2	6%
4	\$244	1	3%
5	\$306	2	6%
6	\$367	1	3%
10	\$611	2	6%
40	\$2445	1	3%
Not applicable	Not applicable	1	3%
Missing information	Missing information	2	6%
<i>Mean number of hours = 4</i>	<i>Mean \$ = \$217</i>		
<i>Median number of hours = 2</i>	<i>Median \$ = \$122</i>		
Paid employees			
Hours	Dollars (\$)	Number of respondents (n=33)	% (n=33)
Zero hours	0	17	52%
0.25	\$6	1	3%
0.5	\$13	2	6%
1	\$25	1	3%
4	\$102	1	3%
5	\$127	3	9%
6	\$152	1	3%
10	\$254	2	6%
20	\$508	1	3%
25	\$635	1	3%
Not applicable	Not applicable	1	3%
Missing information	Missing information	2	6%
<i>Mean number of hours = 3</i>	<i>Mean \$ = \$78</i>		
<i>Median number of hours = 0</i>	<i>Median \$ = \$0</i>		
Unpaid friends or relatives			
Hours	Dollars (\$)	Number of respondents (n=33)	% (n=33)
Zero hours	0	25	76%
Not applicable	Not applicable	6	18%
Missing information	Missing information	2	6%
<i>Mean number of hours = 0</i>	<i>Mean \$ = \$0</i>		
<i>Median number of hours = 0</i>	<i>Median \$ = \$0</i>		

Base: All employers who changed their approach to remuneration because of KiwiSaver

Source: Q13c and Q13d

In two thirds (67%) of businesses that made changes in their remuneration approach because of KiwiSaver, owners/partners/directors/trustees spent time putting the changes in place. In comparison, paid employees spent time putting the changes in place in 39% of businesses that changed their remuneration approach because of KiwiSaver.

The above finding is also reflected in the somewhat higher means and medians associated with the time spent by owners/partners/directors/trustees than the means and medians associated with the time spent by paid employees.

The means and medians also indicate that the number of hours and cost associated with time spent by owners/partners/directors/trustees, and paid employees, is generally low.

No time was spent by unpaid friends or relatives in any business.

5.2.3 External costs incurred from changes in remuneration approach because of KiwiSaver

Respondents were asked approximately how much money was paid to external advisors (e.g. tax agent, accountant, lawyer) to put the changes in place. Results to this question are presented in the next table.

Table 5.2.3: External costs of changes

Dollars (\$)	Number of respondents (n=33)	% (n=33)
\$0	25	76%
\$300	2	6%
\$400	1	6%
\$500	1	3%
\$5,000*	1	3%
Not applicable	1	3%
Missing information	2	6%
<i>Mean \$ = \$217</i>		
<i>Median \$ = \$0</i>		

Base: All employers who changed their approach to remuneration because of KiwiSaver

Source: Q13c and Q13d

*This amount appears to be an outlier. This respondent indicated at Q13a that the change they had made to their approach in remuneration was a 'salary sacrifice' for KiwiSaver members.

The majority of businesses (76%) did not incur any costs from external advisors. Among those who did, the amount paid ranges from \$300 to \$5,000. The \$5,000 appears to be an outlier and explains the large difference between the mean and median dollar values.

5.3 Future changes to remuneration practices planned because of KiwiSaver

5.3.1 Proportion of employers who plan to make changes to remuneration that are related to KiwiSaver

Fourteen percent of all respondents (23 of 170 respondents) indicated that KiwiSaver has prompted their business to plan future changes (i.e. changes that are not currently in place) to its remuneration approach.

5.3.2 Types of planned future changes that have been prompted by KiwiSaver

Respondents were asked to describe the planned future changes. Respondents were not prompted with possible answers.

Respondents could give more than one answer. Therefore the number of respondents in each category sum to more than the base size. Likewise, the percentages add to more than 100%.

The table below presents their responses.

Table 5.3.2: Planned future changes to remuneration approach that have been prompted by KiwiSaver

	Number of respondents (n=23)	% (n=23)
Viewing KiwiSaver as part of total remuneration	13	78
Considering total remuneration package/total packages will include KiwiSaver	6	26%
KiwiSaver will be taken into account with wage increases	5	22%
'Salary sacrifice' option	1	4%
Look to maintain pay parity	1	4%
Still deciding	4	2%
Can't say/changes have yet to be determined	2	9%
We are currently working on remuneration	1	4%
If more employees join this would affect remuneration	1	4%
Reduce employer contributions for some or all employees	2	1%
Reduce employer contributions	1	4%
New employees will only get 2% employer contributions	1	4%
Other	5	3%
Awareness of market rates for all staff	1	4%
Going onto an electronic payroll	1	4%
Building in overhead costs to existing employees who may join in future*	1	4%
Absorbing cost of scheme into cashflow*	1	4%
Need to protect ourselves if staff do more to KiwiSaver so as not to overspend on salaries*	1	4%

Base: All respondents who have been prompted by KiwiSaver to plan future changes to their remuneration approach
Source: Q15b

*This respondent did not provide any further information to clarify their answer.

Just over half of respondents (13 of the 23 respondents) made a comment relating to the broad theme of viewing KiwiSaver as part of an employee's total remuneration.

5.4 Changes made to remuneration practices irrespective of KiwiSaver

5.4.1 Proportion of employers who have changed their remuneration practices irrespective of KiwiSaver

Since KiwiSaver started, 8% of respondents (14 out of 170) changed their approach to remuneration practices for reasons that have nothing to do with KiwiSaver.

5.4.2 Types of changes in remuneration practices made irrespective of KiwiSaver

Respondents were asked what changes they made to their remuneration approach irrespective of KiwiSaver. These results are presented in the table below.

Table 5.4.2: Changes in approach to remuneration for reasons that have nothing to do with KiwiSaver

	Number of respondents (n=14)	% (n=14)
Pay increases and decreases	7	50%
Wage freeze/more cautious with pay increases	5	36%
Increased remuneration	1	7%
Increased starting wages and put wages up more often	1	7%
Workplace superannuation	5	36%
Closed down superannuation scheme	2	14%
Corporate policy to increase company contributions*	1	7%
Restructured plan from employer paying 10% to employee paying 4% and employer paying 6%	1	7%
Pay more specified superannuation [△]	1	7%
Other		
Removed extra benefits	1	7%
Use a point system and salary ranges for positions	1	7%

Base: All respondents who have changed their approach to remuneration for reasons that have nothing to do with KiwiSaver
Source: Q14b

*This respondent did not state the size of the increase.

[△]This respondent did not provide further information to clarify answer.

A range of changes in remuneration practices have been made irrespective of KiwiSaver. They most commonly relate to pay increases/decreases and changes relating to non-KiwiSaver workplace superannuation schemes.

5.4.3 Reasons for changes made to remuneration approach irrespective of KiwiSaver

Respondents were then asked why they had made the changes to their remuneration approach irrespective of KiwiSaver. The table below presents the results to this question (on the right side of the table) along side the types of changes they made (on the left side of the table).

Table 5.4.3: Changes in approach to remuneration for reasons that have nothing to do with KiwiSaver and reasons for change

Changes made	Number of respondents (n=14)	% (n=14)	Reason for change	Number of respondents (n=14)
Wage freeze/more cautious with pay increases	5	36%	<ul style="list-style-type: none"> ▪ Economic recession ▪ Cost savings ▪ To remain in business 	3 1 1
Closed down private superannuation scheme	2	14%	<ul style="list-style-type: none"> ▪ Economic recession ▪ Own superannuation scheme losing equity and company could not afford to top up 	1 1
Corporate policy to increase company contributions ^Δ	1	7%	<ul style="list-style-type: none"> ▪ Corporate policy 	1
Increased remuneration	1	7%	<ul style="list-style-type: none"> ▪ Changes in job description 	1
Removed extra benefits	1	7%	<ul style="list-style-type: none"> ▪ Cost savings 	1
Restructured plan from employer paying 10% to employee paying 4% and employer paying 6%	1	7%	<ul style="list-style-type: none"> ▪ So staff would benefit from KiwiSaver* 	1
Pay more specified superannuation [†]	1	7%	<ul style="list-style-type: none"> ▪ Reduced marginal tax rate, don't need the income 	1
Increased starting wages and put wages up more often	1	7%	<ul style="list-style-type: none"> ▪ Realised that I don't have to pay everyone the same if some employees excel 	1
Use a point system and salary ranges for positions	1	7%	<ul style="list-style-type: none"> ▪ Easier to administer and better for staff to understand 	1

Base: All respondents who have changed their approach to remuneration for reasons that have nothing to do with KiwiSaver
Source: Q14b, Q14c

*This comment appears to contradict the respondent's earlier response that they have changed their approach to remuneration for reasons that have nothing to do with KiwiSaver.

^ΔThis respondent did not state the size of the increase.

[†]This respondent did not provide further information to clarify answer.

Four of the 14 respondents referred to the economic recession with an additional two respondents specifically mentioning cost savings.

5.5. Time and costs of changes in remuneration approach made irrespective of KiwiSaver

5.5.1 Summaries of internal time and costs of changes in remuneration practices made irrespective of KiwiSaver

The next two tables provide summaries of the total number of hours spent on changes in remuneration approach made irrespective of KiwiSaver and the monetary value associated with that time. This covers all types of personnel.

Table 5.5.1a: Summary of internal time spent on changes in remuneration approach made for reasons other than KiwiSaver (covers all personnel)

Hours	Number of respondents (n=14)	% (n=14)
Zero hours	3	21%
2	3	21%
3	1	7%
4	1	7%
5	2	14%
16	1	7%
25	1	7%
30	1	7%
60	1	7%
<i>Mean number of hours = 11</i>		
<i>Median number of hours = 3</i>		

Base: All employers who changed their approach to remuneration for reasons other than KiwiSaver

Source: Q14d

Table 5.5.1b: Summary of internal costs of changes in remuneration approach made for reasons other than KiwiSaver (covers all personnel)

\$	Number of respondents (n=14)	% (n=14)
\$0	3	21%
\$1-\$99	2	14%
\$100-\$199	4	29%
\$300-\$399	1	7%
\$400-\$499	1	7%
\$1,000 - \$1,399	2	14%
\$2,595	1	7%
<i>Mean \$ = \$468</i>		
<i>Median \$ = \$150</i>		

Base: All employers who changed their approach to remuneration for reasons other than KiwiSaver

Source: Q14d

Eleven of the 14 employers who made changes in remuneration practices irrespective of KiwiSaver spent time in implementing these changes. Seven of these 11 employers spent five hours or less.

5.5.2 Internal time and costs of changes to remuneration for reasons other than KiwiSaver by type of personnel

The next table provides a breakdown of the total number of hours spent on changes in remuneration approach made irrespective of KiwiSaver, and the monetary value associated with that time, by type of personnel.

Table 5.5.2: Internal time and costs of changes to remuneration for reasons other than KiwiSaver by type of personnel

Owners/partners/directors/trustees			
Hours	Dollars (\$)	Number of respondents (n=14)	% (n=14)
Zero hours	0	5	36%
1	\$61	2	14%
2	\$122	2	14%
3	\$183	1	7%
5	\$306	1	7%
10	\$611	1	7%
20	\$1222	1	7%
30	\$1834	1	7%
<i>Mean number of hours = 5</i>		<i>Mean \$ = \$323</i>	
<i>Median number of hours = 2</i>		<i>Median \$ = \$92</i>	
Paid employees			
Hours	Dollars (\$)	Number of respondents (n=14)	% (n=14)
Zero hours	0	6	43%
1	\$25	2	14%
2	\$51	1	7%
5	\$127	2	14%
16	\$406	1	7%
20	\$508	1	7%
30	\$762	1	7%
<i>Mean number of hours = 6</i>		<i>Mean \$ = \$145</i>	
<i>Median number of hours = 1</i>		<i>Median \$ = \$25</i>	
Unpaid friends or relatives			
Hours	Dollars (\$)	Number of respondents (n=14)	% (n=14)
Zero hours	0	10	71%
Not applicable	Not applicable	4	29%
<i>Mean number of hours = 0</i>		<i>Mean \$ = \$0</i>	
<i>Median number of hours = 0</i>		<i>Median \$ = 0</i>	

Base: All employers who changed their approach to remuneration for reasons that has nothing to do with KiwiSaver
Source: Q14d

Both means and medians indicate that the time and money spent by owners/partners/directors/trustees is similar to that spent by paid employees in making the changes to remuneration practices that have occurred for reasons other than KiwiSaver. No time was spent by unpaid friends or relatives.

5.5.3 External costs of changes in remuneration practices made irrespective of KiwiSaver

The next table details how much money was paid to external advisors (e.g. tax agent, accountant, lawyer) to put the changes in place.

Table 5.5.3: External costs of changes

Dollars (\$)	Number of respondents (n=14)	% (n=14)
0	12	86%
\$1,500	1	7%
\$10,000*	1	7%
<i>Mean \$ = \$821</i>		
<i>Median \$ = \$0</i>		

Base: All employers who changed their approach to remuneration for reasons other than KiwiSaver

Source: Q14e

*This employer had closed down their superannuation scheme.

A large majority of employers (12 out of 14 respondents) did not incur any costs from external advisors.

5.5.4 Comparisons of KiwiSaver and counterfactual costs for changes to remuneration approaches

The following table compares the time and costs incurred from making changes to remuneration approaches because of KiwiSaver with the time and costs incurred from making changes to remuneration approaches for reasons other than KiwiSaver.

Table 5.5.4: Comparisons of KiwiSaver and counterfactual costs for changes (covers all personnel)

	Changes made because of KiwiSaver* (n=33)	Changes made for reasons other than KiwiSaver [△] (n=14)
Total internal time spent on changes in remuneration approach		
Mean number of hours	7 hours (n=33)	11 hours (n=14)
Median number of hours	3 hours (n=33)	3 hours (n=14)
Total internal costs spent on changes in remuneration approach		
Mean dollars	\$295 (n=33)	\$468 (n=14)
Median dollars	\$156 (n=33)	\$150 (n=14)
External costs of changes		
Mean dollars	\$217 (n=33)	\$821 (n=14)
Median dollars	\$0 (n=33)	\$0 (n=14)

*Base: All employers who changed their approach to remuneration because of KiwiSaver

[△]Base: All employers who changed their approach to remuneration for reasons other than KiwiSaver

Source: Q13c, Q13d, Q14c, Q14d.

Both mean and medians have been provided and both should be interpreted with caution due to the small sample sizes. However, due to the small sample sizes, the medians are likely to be more reliable indicators.

Comparisons of the medians associated with the internal time and costs spent on making changes to remuneration practices because of KiwiSaver, are very similar to those associated with the internal

time and costs spent on making changes to remuneration practices irrespective of KiwiSaver. The same finding holds for the median external cost of each type of change.

Section 6: Existing and current non-KiwiSaver workplace superannuation schemes

KiwiSaver is intended to complement, rather than replace, existing registered workplace superannuation schemes. Hence a key interest of the follow-up survey is KiwiSaver's impact on such schemes.

There are a number of options for existing registered superannuation schemes, including the following:

- Closing the existing scheme (and establishing KiwiSaver instead)
- Converting the existing scheme to a KiwiSaver scheme
- Converting the existing scheme into a complying superannuation fund
- Establishing a new KiwiSaver scheme under an umbrella trust that also governs the existing scheme
- Continue to operate the existing scheme independently of KiwiSaver.

This section of the report therefore examines whether and how KiwiSaver has affected employers' provision of non-KiwiSaver workplace superannuation, and in turn, how any effect on employers' provision of non-KiwiSaver workplace superannuation affects employees' take up of KiwiSaver.

6.1 Employers with existing non-KiwiSaver workplace superannuation schemes

6.1.1 Proportion of employers who had an existing non-KiwiSaver scheme

Forty-nine percent of respondents had an existing workplace superannuation scheme before KiwiSaver started on 1 July 2007.

6.1.2 Profiles of employers with an existing non-KiwiSaver scheme and those without an existing non-KiwiSaver scheme

The table below provides demographic profiles of those with an existing non-KiwiSaver scheme and those without an existing non-KiwiSaver scheme. Bolded percentages denote statistically significant differences between the two subgroups.

Table 6.1.2: Profiles of employers with existing non-KiwiSaver scheme and those without an existing non-KiwiSaver scheme

	Have existing non-KS scheme		Don't have existing non-KS workplace scheme	
	Number of respondents (n=84)	% (n=84)	Number of respondents (n=86)	% (n=86)
Business size – number of employees				
Micro (1-5)	6	7%	33	38%
Small (6-19)	38	45%	32	37%
Medium (20+)	40	48%	21	24%
Missing information	-	-	6	7%
Turnover				
Less than \$500,000	4	5%	22	26%
\$500,000 - \$1,299,999	12	14%	27	31%
\$1,300,000 - \$1,999,999	9	11%	8	9%
\$2 million and over	59	70%	29	34%
Length of time in business				
1-2 years	-	0%	4	5%
3-5 years	4	5%	11	13%
6-10 years	4	5%	18	21%
More than 10 years	76	90%	53	62%
Industry sector				
Business and finance	13	15%*	23	27%*
Distribution [△]	38	45%	18	21%
Industrial	19	23%	17	20%
Primary produce	9	11%	11	13%
Service	5	6%	17	20%

Base: All

Source: Q19

*Significant at 90% confidence level

[△]The Distribution sector includes businesses in wholesale trade, retail trade, as well as transport and storage.

The data suggests that those with an existing non-KiwiSaver scheme tend to be larger and more established businesses. Compared to those without an existing non-KiwiSaver workplace scheme, those with an existing non-KiwiSaver scheme are more likely to have at least 20 employees, a turnover of at least \$2 million, and to have been in business for more than 10 years. The profile of businesses with an existing non-KiwiSaver scheme has a disproportionately high number of

businesses in the Distribution sector (45% compared to 21% among those without an existing non-KiwiSaver scheme).

6.2 Options taken in regard to existing non-KiwiSaver workplace superannuation schemes

6.2.1 What businesses did with their existing scheme when KiwiSaver started

Respondents were asked what their business did with its existing superannuation scheme when KiwiSaver started. Results are presented in the table below.

Table 6.2.1: What businesses did with their existing scheme when KiwiSaver started

	Number of respondents (n=84)	% (n=84)
Continued to operate the existing scheme independently of KiwiSaver	60	71%
Closed the existing scheme (and established KiwiSaver instead)	20	24%
Converted the existing scheme to a KiwiSaver scheme	1	1%
Converted the existing scheme into a complying superannuation fund	1	1%
Established a new KiwiSaver scheme under an umbrella trust that also governs the existing scheme	-	-
Other	1	1%
Don't know	1	1%

Base: All respondents who had an existing workplace superannuation scheme before KiwiSaver started

Source: Q21

The majority (71%) of businesses continued to operate the existing scheme independently of KiwiSaver. Nearly one in four (24%) closed the existing scheme.

Additional analysis by business demographic variables does not reveal any significant differences by the options chosen.

6.2.2 Reasons for options taken in regard to existing non-KiwiSaver workplace superannuation schemes

Respondents were asked why they chose the option they did regarding their existing superannuation scheme when KiwiSaver started.

The results to this question are presented in three tables. Table 6.2.2a details the reasons why businesses continued to operate the existing scheme independently of KiwiSaver. Table 6.2.2b details the reasons why businesses closed their existing scheme. And, table 6.2.2c details the reasons why businesses chose other options.

In table 6.2.2a, where appropriate, individual items have been grouped together to form broad response categories (in bold). Where this has occurred, an overall percentage has been given for each broad response category. This percentage (in bold) is the percentage of respondents that are in at least one of the individual items (listed underneath each broad response category).

Table 6.2.2a: Reasons businesses continued to operate the existing scheme independently of KiwiSaver

	Number of respondents (n=60)	% (n=60)
Employee preference (general)	15	25%
Employees/staff choice*	9	15%
Employees happy with existing scheme	6	10%
Benefits/advantages of existing scheme not offered by KiwiSaver	10	17%
More options/flexibility/better options	3	5%
Employees did not want to transfer into KiwiSaver scheme as they were required to contribute their own money despite the tax savings KiwiSaver offered	1	2%
It did not comply but we thought it was a good superannuation scheme so kept it in place	1	2%
Company contribution is 5% for the first five years of service and after is 10%	1	2%
The benefits were better and established. Funds could be accessed for hardship or on leaving the company.	1	2%
Higher employer contributions which would not have carried across to KiwiSaver	1	2%
Retirement savings accessible on leaving company	3	5%
Easier to retain existing scheme	9	15%
Easier/simpler/convenient to keep it	3	5%
Kept superannuation scheme and KiwiSaver because employee was near retirement	1	2%
Scheme has been running for a long time	3	5%
Small number in scheme	3	5%
Fairness/don't want to disadvantage employees in existing scheme	5	8%
To not disadvantage the employees that were already contributing to our current scheme by altering conditions	1	2%
Not fair to reduce income package	1	2%
Difficulty to make it a complying scheme without disadvantaging members	1	2%
Better to continue with long term employees	1	2%
To allow staff flexibility of their investment	1	2%
Other	11	18%
Tried to make it a 'KiwiSaver compliant' scheme	1	2%
Scheme was closing anyway	1	2%
Because KiwiSaver was an 'unknown' quantity	1	2%
Boss has chosen to continue superannuation and start KiwiSaver as well	1	2%
Logical	1	2%
Existing scheme was already a 'complying' superannuation scheme	1	2%
To see how KiwiSaver was beneficial to each employee	1	2%
Best match for the business	1	2%
Don't know	1	2%
Missing information or unclear answer	20	15%

Base: All respondents who had an existing workplace superannuation scheme before KiwiSaver started and continued to operate it independently of KiwiSaver

Source: Q22

*Respondents may or may not have asked employees what their preference was.

The reasons why businesses continued to operate their existing scheme independently of KiwiSaver most commonly relate to employees' preferences (25%), that the existing scheme offers specific benefits not offered by KiwiSaver (17%), and the ease associated with retaining the existing scheme (17%). Issues relating to fairness and a desire not to disadvantage employees in the existing scheme (8%) were also mentioned.

Table 6.2.2b: Reasons businesses closed the existing scheme and established KiwiSaver instead

	Number of respondents (n=20)	% (n=20)
Scheme was closing anyway	5	25%
Small number in scheme	4	20%
Easier to manage one fund	4	20%
Employees/staff choice	2	10%
Non compliant/does not comply with regulations*	2	10%
Only want one scheme	1	5%
More options/flexibility/better options ^Δ	1	5%
Easier with KiwiSaver	1	5%
Each member wanted to cash up	1	5%
The reason KiwiSaver was set up were the same reasons our previous scheme had been set up	1	5%
Decided at board level	1	5%
Missing information	1	5%

Base: All respondents who had an existing workplace superannuation scheme before KiwiSaver started but closed the scheme and established KiwiSaver instead

Source: Q22

*This respondent did not clarify whether the scheme did not comply with the regulations for a complying superannuation scheme.

^ΔThis respondent did not state how KiwiSaver was a better option.

Reasons for closing the existing scheme are wide ranging, but most commonly relate to an intention to closing the scheme anyway (25%), the small number of members in the existing scheme (20%) and the ease of managing one fund (20%).

Table 6.2.2c: Other decisions businesses made about their existing scheme when KiwiSaver started and the reasons for the decision

Decision	Number of respondents (n=3)	Reason	Number of respondents (n=3)
Converted the existing scheme to a KiwiSaver scheme	1	Easy to transfer	1
Converted the existing scheme into a complying superannuation fund	1	Scheme has been running for a long time*	1
Employees had the choice of splitting contributions between existing scheme and KiwiSaver ^Δ	1	At the time the incentives offered to join KiwiSaver were too good to pass up	1

Base: All respondents who had an existing workplace superannuation scheme before KiwiSaver started and have made other decisions about the scheme

Source: Q21, Q22

*This respondent did not expand on their answer.

^ΔThis response suggests the business is running the existing scheme independently of KiwiSaver.

6.2.3 Relationship between options taken in regard to existing non-KiwiSaver scheme and take up of KiwiSaver

The table below looks at the relationship between the options taken in regard to employers' existing non-KiwiSaver schemes and the proportion of employees who belong to KiwiSaver.

Table 6.2.3: Relationship between options taken in regard to existing non-KiwiSaver scheme and take up of KiwiSaver

	Total (n=84)		Proportion of employees who are KiwiSaver members					
			0% to 39% (n=24)		40% to 69% (n=41)		70% to 100% (n=19)	
	Number	%	Number	%	Number	%	Number	%
Continued to operate the existing scheme independently of KiwiSaver	60	71%	21	88%	29	71%	10	53%
Closed the existing scheme (and established KiwiSaver instead)	20	24%	2	8%	9	22%	9	47%
Converted the existing scheme to a KiwiSaver scheme	1	1%	-	-	1	2%	-	-
Converted the existing scheme into a complying superannuation fund	1	1%	1	4%	-	-	-	-
Other	1	1%	-	-	1	2%	-	-
Don't know	1	1%	-	-	1	2%	-	-

Base: All respondents who had an existing workplace superannuation scheme before KiwiSaver started

Source: Q21, Q1, IR administrative data (for total number of employees)

Employers with high take up of KiwiSaver are much more likely than businesses with a low take up of KiwiSaver to have closed the existing scheme and established KiwiSaver instead. Conversely, employers a low take up of KiwiSaver are much more likely than employers with a high take up of KiwiSaver to have continued to operate the existing scheme independently of KiwiSaver.

6.3 Time and costs of option taken in regard to existing non-KiwiSaver scheme

6.3.1 Summaries of internal time and costs spent on option taken in regard to existing non-KiwiSaver scheme

The next two tables provide summaries of the total number of hours spent in carrying out the option respondents chose regarding their existing scheme when KiwiSaver started, and the monetary value associated with that time. This covers all types of personnel.

Table 6.3.1a: Summary of internal time spent on chosen option for existing non-KiwiSaver workplace superannuation scheme (covers all personnel)

Hours	Number of respondents (n=23)	% (n=23)
Zero hours	1	4%
0.5	1	4%
1	3	13%
2	2	9%
3	1	4%
4	2	9%
8	1	4%
10	5	22%
15	1	4%
20	3	13%
Missing information	3	13%
<i>Mean number of hours = 8</i>		
<i>Median number of hours = 6</i>		

Base: All employers who closed their existing scheme, or chose one of the other options involving change to their existing scheme, when KiwiSaver started

Source: Q23

Table 6.3.1b: Summary of internal costs of chosen option for existing non-KiwiSaver workplace superannuation scheme (covers all personnel)

\$	Number of respondents (n=23)	% (n=23)
\$0	1	4%
\$1-\$99	6	26%
\$100-\$199	2	9%
\$200-\$299	2	9%
\$300-\$399	1	4%
\$500-\$599	2	9%
\$600-\$699	4	17%
\$1,222	2	9%
Missing information	3	13%
<i>Mean dollars = \$362</i>		
<i>Median dollars = \$224</i>		

Base: All employers who closed their existing scheme, or chose one of the other options involving change to their existing scheme, when KiwiSaver started

Source: Q23

The total internal time and money spent in carrying out the option they chose regarding their existing scheme when KiwiSaver started is wide ranging. However, around one in five (22%) spent ten hours and no business spent more than 20 hours in total. In terms of cost, around a quarter (26%) spent \$1-\$99, with the other main group (17%) at the higher end with \$600-\$699.

The next table breaks down the time and costs by type of personnel.

6.3.2 Internal time and costs of chosen option for existing non-KiwiSaver scheme by type of personnel

Table 6.3.2: Internal time and costs of chosen option for existing non-KiwiSaver scheme by type of personnel

Owners/partners/directors/trustees			
Hours	Dollars (\$)	Number of respondents (n=23)	% (n=23)
Zero hours	0	10	43%
1	\$61	1	4%
2	\$122	1	4%
4	\$244	1	4%
8	\$489	1	4%
10	\$611	4	17%
20	\$1222	2	9%
Missing information	Missing information	3	13%
<i>Mean number of hours = 4.8</i>			
<i>Median number of hours = 1</i>			
<i>Mean \$ = \$290</i>			
<i>Median \$ = \$31</i>			
Paid employees			
Hours	Dollars (\$)	Number of respondents (n=23)	% (n=23)
Zero hours	0	8	35%
0.5	\$13	1	4%
1	\$25	3	13%
2	\$51	3	13%
4	\$102	1	4%
8	\$203	1	4%
15	\$381	1	4%
20	\$508	1	4%
Not applicable	Not applicable	1	4%
Missing information	Missing information	3	13%
<i>Mean number of hours = 3</i>			
<i>Median number of hours = 1</i>			
<i>Mean \$ = \$76</i>			
<i>Median \$ = \$25</i>			
Unpaid friends or relatives			
Hours	Dollars (\$)	Number of respondents (n=23)	% (n=23)
Zero hours	0	16	70%
Not applicable	Not applicable	4	17%
Missing information	Missing information	3	13%
<i>Mean number of hours = 0</i>			
<i>Median number of hours = 0</i>			
<i>Mean \$ = \$0</i>			
<i>Median \$ = \$0</i>			

Base: All employers who closed their existing scheme, or chose one of the other options involving change to their existing scheme, when KiwiSaver started

Source: Q23

A comparison of the median hours suggests paid employees spent the same amount of time in implementing the option chosen regarding the existing scheme as owners/partners/directors/trustees. No time was spent by unpaid friends or relatives.

6.3.3 External costs

The next table details how much money was paid to external advisors (e.g. tax agent, accountant, lawyer) to carry out the option they chose regarding their existing scheme when KiwiSaver started. Results to this question are presented in the next table.

Table 6.3.3: External costs of chosen option for existing non-KiwiSaver scheme

Dollars (\$)	Number of respondents (n=23)	% (n=23)
\$0	18	78%
\$10	1	4%
\$1,500	1	4%
\$2,000	1	4%
Missing information	2	9%
<i>Mean \$ = \$167</i>		
<i>Median \$ = \$0</i>		

Base: All employers who closed their existing scheme, or chose one of the other options involving change to their existing scheme, when KiwiSaver started

Source: Q24

Very few (13%) businesses paid external advisors to carry out the option they chose regarding their existing scheme when KiwiSaver started. Just two respondents had seemingly high external costs (both over \$1,000). Additional analysis shows that both of these respondents closed the existing scheme and established KiwiSaver instead.

6.4 Current non-KiwiSaver workplace schemes

This section examines membership of KiwiSaver schemes and non-KiwiSaver schemes¹⁰ including the behaviours of members since KiwiSaver was introduced. This section then assesses whether scheme characteristics are likely to have influenced the behaviours of members since KiwiSaver was introduced.

6.4.1 Membership of KiwiSaver and current non-KiwiSaver workplace schemes

The following table looks at employee membership of KiwiSaver and non-KiwiSaver schemes. Note, the numbers in this table refer to the number of employees (not the employer respondents).

Table 6.4.1a: Membership of KiwiSaver and non-KiwiSaver workplace schemes – employee data

	Total number of employees across the 49 employers who have at least 1 KiwiSaver member and 1 non-KiwiSaver scheme member (1559 employees)		Total number of employees across the 118 employers who have at least 1 KiwiSaver member, but no non-KiwiSaver scheme members (3122 employees)		Total number of employees across the 3 employers who have no KiwiSaver members and no non-KiwiSaver scheme members (11 employees)	
	Number of employees	%	Number of employees	%	Number of employees	%
KiwiSaver members only	556	36%	1459	47%	-	-
Non-KiwiSaver scheme members only	352	23%	-	-	-	-
Both KiwiSaver member and non-KiwiSaver scheme member	151	10%	-	-	-	-
Neither KiwiSaver member or non-KiwiSaver scheme member	-	-	-	-	11	100%

Base: All respondents

Source: Q1, Q28, Q29, IR administrative data (total number of employees)

In workplaces where employees have the choice of both KiwiSaver and a non-KiwiSaver workplace scheme, it is more common for employees to be a member of only KiwiSaver (36%) than it is for employees to only be a member of a non-KiwiSaver scheme (23%). Ten percent of employees in these workplaces are members of both KiwiSaver and a non-KiwiSaver scheme.

KiwiSaver membership in workplaces that offer the choice of both KiwiSaver and a non-KiwiSaver scheme (36%+10% = 46%) is very similar to KiwiSaver membership in workplaces that only offer KiwiSaver (47%).

¹⁰ Respondents were asked whether their business currently has a registered superannuation scheme, that it offers to some or all employees, that is not KiwiSaver or a complying fund. Respondents were instructed that this excludes employees' private superannuation plans to which the business may make employer superannuation contributions.

6.4.2 Behaviours of members since KiwiSaver was introduced

The 49 employers who have a current non-KiwiSaver workplace scheme were asked three questions in relation to their employees' behaviour when KiwiSaver started. Specifically, they were asked how many people did each of the behaviours listed in the table below. The number of respondents who had at least one employee who fitted into the behavioural category is provided.

Table 6.4.2: Behaviours of members since KiwiSaver was introduced

	Number of respondents (n=49)	% (n=49)
Had at least one employee who closed their non-KiwiSaver scheme account so they could join KiwiSaver instead	3	6%
Had at least one employee who stopped or reduced their contributions to their non-KiwiSaver scheme (but kept the scheme open) so they could join KiwiSaver as well	12	25%
Had at least one employee who made no changes to their non-KiwiSaver scheme (but kept the scheme open) and joined KiwiSaver as well	15	31%
Have no employees who fall into any of the above three categories	24	49%

Base: All respondents with a non-KiwiSaver scheme

Source: Q33, Q34, Q35

Of the 49 employers with a current non-KiwiSaver scheme, only three (6%) had at least one employee who closed their non-KiwiSaver scheme so they could join KiwiSaver instead, 12 (25%) had at least one employee who stopped or reduced their contributions to their non-KiwiSaver scheme (but kept the scheme open) so they could join KiwiSaver as well, and 15 (31%) made no changes to their non-KiwiSaver scheme (but kept the scheme open) and joined KiwiSaver as well.

In order to understand the behaviour of members of non-KiwiSaver schemes, data were collected about the characteristics of these schemes. The survey results show that in general, non-KiwiSaver workplace superannuation schemes may appear more attractive to employees than KiwiSaver primarily because of higher employer contribution rates and being able to get a lump sum when they leave their place of employment. However, non-KiwiSaver schemes appear less attractive in other ways; the employee contribution rate may be higher, members have longer to wait until employer contributions are vested and there are more restrictions on when and who can join the schemes.

The survey data related to these findings is provided in Appendix A.