Soft compulsion and retention objectives

New Zealand removed all tax incentives for work-based schemes in 1990. Pension schemes in the public sector were closed to new members in the early 1990s and replaced by Defined Contribution (DC) schemes for new members. During the 1990s the coverage in DC and DB company schemes fell steadily. This trend continued with the introduction in 2007 of KiwiSaver, the nationwide auto enrolment scheme. The government has closed its own DC schemes to new members giving the signal that KiwiSaver will become the scheme of choice for most employees. While in the past DB and DC schemes could be manipulated with vesting and portability rules to achieve retention objectives, modern employers have to be more innovative. It is fair to say that most New Zealand employers have not yet thought much about how KiwiSaver can be leveraged for employment advantage when the same employer contributions are paid regardless of who is the employer. Mostly employers see KiwiSaver as a compliance cost. Nevertheless, there maybe scope for making staged additional contributions to KiwiSaver as part of a retention and recruitment package.