

The impact of National's unfunded KiwiSaver policy on public services

Summary: National's KiwiSaver policy does not provide government organisations and funded sector providers (eg community health organisations, ECE, disability support) with funding for the additional employer contributions they would face. Government organisations are expected to cover this \$4.5b funding gap out of their existing budgets, meaning they would need to make \$4.5b of cuts to public services.

National's KiwiSaver policy: National has announced a policy to make KiwiSaver compulsory from 1 July 2028 and increase the KiwiSaver contribution rate for employees and employers to 6% by 2032, from the current 3.5%, in 0.5% increments starting on 1 April 2028.

Funding National has allocated: National has allowed some additional funding for agencies as a result of this policy. (\$84m in 2028/29, \$94m in 29/30, \$104m in 30/31) but this funding is designed only to reflect increased employee uptake of KiwiSaver as it becomes compulsory.

That is, the funding National has allowed DOES NOT allow for the increased cost of employer contributions for staff who are already in KiwiSaver as the employer contribution rate increases. National's factsheet implies organisations would be expected to pay the additional cost by reallocating existing funding, ie making cuts elsewhere in the organisation.

The Government's wage bill: The Government's direct wage bill for the public service, core Crown agencies (eg Police, Defence Force), and Crown entities, such as Health NZ, public schools, and tertiary institutions (but not including SOEs) was approximately \$33b in 2025. The Government also provided the funded sector with approximately \$15b of funding, of which an estimated \$11b was for wages and salaries.

Allowing for Treasury's forecast wage growth and assuming flat headcount (any public service decrease is likely to be more than offset by increases in Health, Police, and Defence), by the time KiwiSaver becomes compulsory in 2028, the annual wage bill would be \$36b for government organisations and \$12.5b for the funded sector.

Impact of employer contribution increases: From 2028/29 to 2032/33, the employer contribution rate would increase from 3.5% to 6%. Government KiwiSaver employer contribution costs would rise from \$1.3b in 2025/26 to \$3.4b a year in 2032/33.

As noted above, National's policy only allocates funding to government organisations for costs related to KiwiSaver becoming compulsory, not for the much larger impact of the increase to the employer contribution rate.

As a result, between 2027/28 and 2032/33, government employers would face a total of \$4.5b in additional KiwiSaver employer contribution costs that are not funded under National's policy.

See data on these calculations on the next page.

Data

\$ billions	24/25	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33
KiwiSaver contribution rate	3.0%	3.0%	3.5%	3.5%	4.0%	4.5%	5.0%	5.5%	6.0%
Nominal wage growth forecast		3.2%	2.9%	2.9%	3.3%	3.5%	3.1%	3.0%	3.0%
Wages									
Government organisations	\$ 33.3	\$ 34.4	\$ 35.4	\$ 36.4	\$ 37.6	\$ 38.9	\$ 40.1	\$ 41.3	\$ 42.6
Funded Sector	\$ 11.4	\$ 11.8	\$ 12.1	\$ 12.5	\$ 12.9	\$ 13.3	\$ 13.7	\$ 14.1	\$ 14.6
Kiwisaver employer contributions without National policy									
Government organisations	\$ 0.9	\$ 1.0	\$ 1.2	\$ 1.2	\$ 1.2	\$ 1.3	\$ 1.3	\$ 1.4	\$ 1.4
Funded Sector	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.5	\$ 0.5
Kiwisaver employer contributions under National policy									
Government organisations	\$ 0.9	\$ 1.0	\$ 1.2	\$ 1.3	\$ 1.6	\$ 1.8	\$ 2.1	\$ 2.3	\$ 2.6
Funded sector	\$ 0.3	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.5	\$ 0.6	\$ 0.7	\$ 0.8	\$ 0.9
Funding allocated by National					\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Net unfunded additional cost				\$ 0.1	\$ 0.3	\$ 0.6	\$ 0.9	\$ 1.2	\$ 1.4
Total unfunded additional cost									\$ 4.5

Information sources:

Public Service Commission Public Sector Workforce Data for 2025

Health NZ Annual report 2025

Education Payroll Annual report 2025

TEC consolidated annual reports of tertiary organisations 2025

Police Annual Report 2025

Defence Force Annual Report 2025

Budget Economic and Fiscal Update 2026

Budget 2026 Fiscal Strategy Model

Budget 2025 Summary of Initiatives

National Party KiwiSaver Policy factsheet