

KiwiSaver and migrants on temporary visas



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Acknowledgements

This work was funded by Te Ara Ahunga Ora Retirement Commission. We would like to thank Michelle Reyers, Suzy Morrissey and Jo Gamble for their input.

Published

ISBN: 978-1-927184-98-1

Suggested citation: Meehan, L., Mitchell, L. & Pacheco, G. (2022) *KiwiSaver and migrants on temporary visas*. New Zealand Work Research Institute, Auckland, New Zealand.

Disclaimer

These results are not official statistics. They have been created for research purposes from the Integrated Data Infrastructure (IDI) which is carefully managed by Stats NZ. For more information about the IDI please visit <https://www.stats.govt.nz/integrated-data/>.

The results are based in part on tax data supplied by Inland Revenue to Stats NZ under the Tax Administration Act 1994 for statistical purposes. Any discussion of data limitations or weaknesses is in the context of using the IDI for statistical purposes, and is not related to the data's ability to support Inland Revenue's core operational requirements

All counts presented in this report are randomly rounded to base 3, in accordance with Stats NZ confidentiality rules.

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Overview

This report informs Te Ara Ahunga Ora Retirement Commission's 2022 Review of Retirement Income Policies by characterising a group of temporary visa holders who are excluded from KiwiSaver. NZ migrants on work or student temporary visas are not eligible to join KS and therefore cannot access a savings vehicle that makes saving for retirement convenient and provides financial incentives to save. This exclusion could mean that temporary visa holders are disadvantaged in terms of saving adequately for retirement.

To estimate the extent of this issue, we follow a cohort of 70,305 NZ migrants – aged 18 or over – on temporary student or work visas in 2009 and track their visa status and border movements from 2010 to 2019. For each year, we place migrants into one of the following categories: living overseas, resident-class visa, work visa, student visa, or other temporary visa. This analysis provides insights into how long migrants stay on temporary visas before progressing to a visa type that allows them to stay in NZ indefinitely and therefore access KS. It also shows the share of temporary visa holders that stay on temporary visas and continue to miss out on KS, and the share that leave New Zealand. The following findings and key results emerge.

Following a temporary visa cohort (specifically work and student visas) from 2009:

10,000 temporary migrants remain ineligible for KS after five years

The share of the 2009 cohort on temporary visas decreases over time. After five years in 2014, over half the cohort are living overseas, 32% have transitioned to resident-class visas and are therefore eligible for KS, and only 14% remain on temporary visas. However, 14% is equivalent to about 10,000 individuals from that 2009 cohort who are still on temporary visas with working rights who are ineligible for KS after five years. This is a reasonable number of people, particularly considering this is only one annual cohort of migrants, and thus the cumulative numbers would be sizable.

Flows between visa categories mainly occur within the first five years

There is a reasonable amount of movement across the categories between 2010 and 2014. Flows into resident-class visas are driven by migrants who held work visas in 2009. Flows into the 'living overseas' category are equally driven by those on student visas as those on work visas. From 2015 onward, the percentage of the 2009 cohort in each category tends to be stable.

Temporary migrants are young, on average

Our 2009 migrant cohort is reasonably young, with an average age of about 29. Migrants on student visas (average age = approx. 24) are younger than migrants on work visas (average age = approx. 30) in 2009. The fact that the migrant cohort are quite young means that even two or three years of lower savings when they first enter NZ at age 29, say, could represent a significant amount of accumulated savings with compounding interest by age 65. By 2019, those who transition to resident-class visas have the oldest average age (approx. 41 years), and those on student visas remain the youngest (approx. 34 years).

Men and women equally transition to resident-class visas

In 2009, there is an equal share of men and women among work visa holders, and a higher share of men among student visa holders (about 63%). After five years, about half of those living overseas and those who have transitioned to resident-class visas are women, but more men hold work or student visas (59% and 67% respectively).

The majority of student visas are held by migrants of Asian ethnicity

About 39% of the 2009 cohort of temporary migrants are of Asian ethnicity, 25% European, and 27% have unknown ethnicity. Decomposing these 2009 totals by visa type, we see that nearly 70% of student visas are held by migrants of Asian ethnicity. Migrants on work visas are almost equally made up of those of European, Asian, and unknown ethnicities. Those of European and Pacific Peoples ethnicities have a higher propensity to transition to a resident-class visa over time.

As a conservative estimate, about 28,000 of employed temporary migrants might have potentially joined KS if eligible

We estimate the proportion of the 2009 temporary migrant cohort who might have enrolled in KS if they had been eligible to do so. To analyse this, we created a comparison group of 9,654 NZ migrants – aged 18 or over – on resident-class visas in 2009 and observed their employment status and KS enrolment from 2010 to 2019.

We assumed that the KS enrolment rate amongst employed comparison-group migrants is an appropriate counterfactual for the would-be KS enrolment amongst employed temporary visa holders if they were in fact eligible for KS. However, our estimate should be considered a conservative lower bound. Of the 70,000 migrants in the 2009 temporary visa cohort, about 50,000 are employed in 2010. Given just over half of employed comparison-group migrants are enrolled in KS in 2010, we estimate that about 28,000 individuals in our population of interest would have enrolled in KS in 2010 if they were eligible.

Lost individual KS contributions are estimated to be in the range of \$36,000-\$51,000 by time they reach 65 years old

We estimate how much those who would have joined KS would have saved toward retirement if they were eligible. Amongst other assumptions, we assume the individual was 29 in 2010, employed, earned the average earnings for the temporary visa cohort, had employer and employee contribution rates of 3%, and received the matching government contribution. We also assume either a balanced fund with a (compounding) rate of return of 4.6% per year or a growth fund with a (compounding) rate of return of 5.9% per year, and an annual inflation rate of 1.5%. We find that, if temporary visa holders were eligible for KS and enrolled in KS when employed, four years of annual contributions in a balanced fund could have accumulated to about \$36,000 by the time they were 65 years old. When adjusting for inflation, this is equivalent to \$22,000 in 2010 dollars. If invested in a growth fund, this could have accumulated to \$51,000 by the time the individual reached 65, or \$32,000 in 2010 dollars.

1 INTRODUCTION

As part of its 2022 Review of Retirement Income Policies, Te Ara Ahunga Ora Retirement Commission is investigating “[p]olicy considerations arising from the exclusion of people from KiwiSaver who hold temporary, visitor, work or student visas”. This report provides background information to inform these policy considerations by examining the size and characteristics of the affected population who cannot join KiwiSaver. Specifically, this study examines the following broad research questions:

1. What is the size of the population who experience KiwiSaver ineligibility?
2. What are the characteristics of this population who experience KiwiSaver ineligibility?
3. What proportion of this population may have potentially enrolled in KiwiSaver if they had been eligible?
4. How much saving might an average temporary visa holder be missing out on due to their inability to join KiwiSaver?

The remainder of this study is organised as follows: The rest of Section 1 provides contextual policy background for the research questions; Section 2 outlines the data and method used; Section 3 provides results and interpretations for the four research questions outlined above; and finally Section 4 concludes with a brief discussion.

1.1 Policy background

New Zealand (NZ) migrants who are not entitled to live in NZ indefinitely (such as those on work, student and visitor visas) are not eligible to join KiwiSaver (KS). This means that they cannot use this savings vehicle that is designed to “encourage a long-term savings habit and asset accumulation by individuals who are not in a position to enjoy standards of living in retirement similar to those in pre-retirement” (KiwiSaver Act, 2006). This savings vehicle has several features designed to make saving convenient and overcome inertia and myopia, in addition to the associated financial incentives.

The aim of KS is to make it convenient for individuals to save for their retirement by automatically depositing a certain percentage of their gross pay into their KS Portfolio Investment Entity (PIE) fund. The funds are generally unable to be withdrawn until the age of 65 except in specific circumstances.¹ The default employee contribution is 3%, although higher contribution rates can be chosen. In light of insights from behavioural economics, in order to increase the ease of saving through KS and tackle the issue of inertia, employees who are not already KS members are automatically enrolled when they start a new job. If they do not opt-out between the end of week 2 and week 8 of starting a new job, then they generally remain KS members until the age of 65 and must make a minimum 3% contribution out of their gross pay for at least one year. After one year, KS members can temporarily suspend their KS employee contribution for up to a year (although an indefinite number of consecutive ‘contribution holidays’ can be taken).

Temporary visa holders are not only missing out on the convenience of this savings vehicle, importantly, they are also missing out on financial incentives. The largest potential loss comes from the 3% matching

¹ Namely, for a first-home deposit, due to financial hardship or due to moving overseas.

employer contribution (assuming the employee is not on a ‘total remuneration’ package²). Moreover, the government contributes \$1 for every \$2 an individual saves in KS, up to a maximum of \$521.43 a year.

These factors could mean that temporary visa holders are disadvantaged in terms of their ability to save adequately for retirement. The size of this potential issue depends on a number of factors. First, how long migrants stay on temporary visas before progressing to a visa type that allows them to reside in NZ indefinitely (i.e. a resident-class visa) and therefore access KS. For those who stay in the country, the shorter the transition period, the smaller this issue is. A related issue is that this delay in eligibility for migrants may lessen the intended impact of KS’s automatic enrolment feature. As mentioned earlier, automatic enrolment upon changing employers takes advantage of inertia as not enrolling in KS requires an active choice to opt-out while remaining enrolled requires no action. If someone transitions from a work visa to a resident one, for example, they would either have to make an active decision to join KS, or wait until they change jobs and are automatically enrolled. If they had been automatically enrolled in KS when they started their first job in NZ, then their likelihood of joining KS may have been higher.

A second factor to consider is the share of migrants on temporary visas that remain in NZ in the medium-to-long term and, in particular, how many retire in NZ. The retirement savings adequacy of those who do not remain in the country in the medium- to long-term is likely to be less of a policy concern. Moreover, KS funds (less the government contribution) can be withdrawn early if an individual moves overseas (except if moving to Australia³). However, this involves administrative costs for the individual and KS provider. Members must wait at least a year after moving overseas to withdraw their funds. Inertia may also mean some migrants do not withdraw their funds at all, particularly if the amount involved is small due to only staying a short time in NZ, resulting in them also losing out in this scenario. The higher the share of temporary visa holders who re-migrate relatively quickly, the smaller the issue of their inability to join KS, while the potential costs of allowing them to join KS in terms of money lost through dormant KS funds and administrative costs may be more of a concern.

To examine these policy considerations, this research takes a cohort approach to track migrants on temporary visas who entered NZ in 2009 over the subsequent 10 years to answer the research questions above. The 2009 cohort was chosen as the most recent year that would also allow enough subsequent years of data to assess how many migrants remain in NZ on a medium- to long-term basis. A consideration to keep in mind in interpreting the results is that the length of stay and re-migration patterns of more recent migrants may be different. This is particularly the case in light of immigration policy changes since 2009. Just one example is that, in 2018, eligibility for post-study work visas changed so that students who gained sub-degree qualifications could only work in NZ for up to one year, compared to three years for higher-level qualifications. This made it harder for those who gained sub-degree qualifications to obtain residency, which may have meant some students re-migrated more quickly and/or that less students entered NZ to study at sub-degree level, thus changing the composition of the migrant cohort.

² ‘Total remuneration’ means that the employer sets a fixed remuneration rate for each employee. If an employee joins KS, the cost of the employer contribution comes out of the employee’s total pay.

³ Those who move to Australia cannot withdraw their KS funds early but do have the choice to transfer them to an Australian superannuation scheme.

The questions above are the main factors which we consider in this research. Of course, there are other relevant factors. The ultimate concern is about retirement income adequacy, and this also depends on other policies, particularly NZ Superannuation and for migrants, its residency eligibility criteria. There are also considerations aside from retirement savings adequacy. For example, the inability of temporary visa holders to join KS may create an uneven playing field whereby employers may prefer temporary visa holders as they do not have to make the 3% employer contribution. This could result in lower total labour costs of hiring a temporary visa holder over a resident or citizen (provided employers do not pay salaries on a total remuneration basis).

2 METHOD

We use data from Stats NZ's Integrated Data Infrastructure (IDI). Our main data sources are Ministry of Business, Innovation and Employment (MBIE) databases for information on visa decisions and border movements, and IRD data for information on wages and KS.

2.1 Defining the 2009 sample of migrants

We define a cohort of migrants holding temporary visas in 2009 and track changes to their visa status and border movements from 2010 to 2019.

This 2009 baseline migrant sample comprises migrants who arrived in NZ on a temporary work or student visa during 2009. While those on visitor visas are also not entitled to reside in NZ indefinitely, we restrict attention to work and student visas since those on visitor visas do not have the right to work and the maximum length of stay in NZ on such a visa is generally nine months. Those who initially entered on a visitor visa but subsequently transitioned to a student or work visa will be included in our population of interest if they meet the criteria outlined below. Moreover, visitors from visa-waiver countries can enter NZ without a visa and are therefore not captured in the visa database. Thus, any analysis covering those on visitor visas would only include those from non-visa-waiver countries. In terms of other exclusions based on visa regulations, it should also be noted that the analysis excludes Australians, Cook Islanders, Niueans and Tokelauans because they have the right to reside indefinitely in NZ without the need for a visa, and can therefore join KS.

We use the MBIE's visa decisions and border movement data to impose a number of additional restrictions to our 2009 cohort. First, we identify all migrants who submitted a visa application for a work or student visa (excluding group visas and permits) and where the decision was approved. Both these visa types are classified as temporary and permit the migrant to work in NZ.⁴

Second, we restrict attention to migrants who applied for these temporary visas between 1 January 2008 and 31 December 2009. We allow the visa decision to occur in 2008 to account for any delays between the date of visa approval and the date of arrival into NZ. For migrants that have multiple visa applications during this time frame, we observe them on the visa associated with the latest decision date.

Third, we use the border movements data to impose that all migrants arrive in NZ during 2009. For migrants who have multiple border movements within 2009, we observe them on their last border movement.

Fourth, we require that the migrant's last border movement in 2009 is an arrival. We want to track the migrant's movements across visa categories and in and out of NZ from 2010 to 2019, so it is important that our sample of migrants are all in NZ by the end of 2009 so they can be directly linked to 2010 datasets.

⁴ This definition of temporary visa holders includes migrants on working holiday visas but excludes migrants on Recognised Seasonal Employer (RSE) working visas. The RSE visas are coded as a "Limited" visa, and therefore since we are including "Work" and "Student" visas, the RSEs are automatically excluded. Moreover, there is no pathway to residency for RSE visa holders.

Finally, we require that the migrants turn 18 years or older in 2009. This is the age requirement for receiving employer and government KS contributions.

Overall, our 2009 baseline sample includes 70,305 migrants, of which 57,030 hold work visas and 13,275 hold student visas.⁵

As a robustness test, we re-created our 2009 cohort of migrants using MBIE's derived migration spells dataset available in the IDI, applying the same restrictions outlined above. This dataset combines the visa decisions and border movement datasets to create a continuous history of migrant's visa status and movements, enabling one to estimate the number of migrants present in NZ at a given point in time. The resulting 2009 migrant cohort from MBIE's derived dataset is approximately the same as our main sample using the visa decisions and border movements datasets separately.⁶

2.2 Defining annual observations for 2010-2019

We follow the 2009 baseline migrant sample at annual time points from 2010 to 2019. For each year, we place migrants into one of the following categories:

1. Living overseas
2. Resident-class visa
3. Work visa
4. Student visa
5. Other temporary visa

These categories are mutually exclusive and are prioritised in the order given. If there is no new information given about a migrant's category in year $t+1$, then we place the migrant in the same category as observed in year t . We explain these categories in more detail below.

2.2.1 Living overseas

To determine if a migrant should be categorised as 'living overseas' for a given year, we use the overseas spell dataset and Stats NZ's rule for defining long-term migrants. Stats NZ consistently report migrant arrivals using the '12/16-month rule'⁷ where they differentiate long-term migrants from short-term migrants (i.e. visitors) if the individual is in NZ for 12 out of 16 months in a given period. Since we are categorising our migrant cohort sample at annual time points, we adjust this 12/16 rule to a 12-month time frame. This is equivalent to 9/12 months, which means migrants are still considered long-term even if they

⁵ We compare our sample size and composition to related migrant analysis by the Productivity Commission (NZ Productivity Commission, 2022) which focussed on a 2010 sample of migrants. The main difference we find is with respect to the size of the student visa population – which is unsurprising, as our restrictions on last border movement in 2009 being an arrival and requiring that migrants are at least 18 years old in 2009 are more likely to exclude student visa holders, compared with work visa holders.

⁶ The reason we prefer to use the visa decisions and border movements datasets separately is that we gain more information about the migrant and their visa application. In particular, it allows us to condition on the visa application being for a "visa" and not for a "group visa" or "permit".

⁷ This is detailed on Stats NZ's 'Migration Data Transformation' project webpage, <https://www.stats.govt.nz/about-us/what-we-do/current-projects/migration-data-transformation-project/> (accessed on 3 May 2022) and Stats NZ (2017).

are outside NZ for up to three months in the calendar year. Three months is equivalent to about 93 days, which we round to 100 days to create the ‘living overseas’ threshold.

2.2.2 Other visa categories

To determine if a migrant has switched visa categories or remained on the same visa type in each calendar year, we use the visa decisions dataset to see new visa applications that were approved between 2010 and 2019 for our 2009 sample of migrants. For migrants that had multiple new visas approved in a given year, we prioritise the visa types in the order listed above, where resident-class visas are categorised first, followed by work visas then student visas, and other temporary visas are categorised last.

It should also be noted that the category ‘resident-class visa’ may include some individuals who have subsequently become NZ citizens. Currently, it is not possible to reliably identify this transition to citizenship in the IDI. However, for the purposes of our research questions, it is enough to know that they are entitled to reside in NZ indefinitely.

2.3 Defining migrant characteristics

The second research question involves examining the characteristics of the 2009 migrant cohort who experience KS ineligibility. To obtain each individual’s age, gender and ethnicity, we link them to the IDI’s personal details table via their unique Stats NZ identifier. We create mutually exclusive ethnic groups using the prioritisation order: Māori, Pacific Peoples, Asian, MELAA⁸/Other and European. We use the MBIE visa decisions dataset to identify each migrant’s nationality (based on passport information) and categorise nationalities by country region.

We characterise the baseline sample in total and by initial visa type (student or work). We then follow this sample over the next ten years and show these descriptive statistics disaggregated by the following five categories: living overseas, resident-class visa, work visa, student visa, or other temporary visas.

2.4 Creating a comparison group and measuring KiwiSaver activity

Our third research question aims to estimate the proportion of the migrant cohort who might have enrolled in KS if they had been eligible to do so. To estimate this, we create a comparison group of resident-class migrants, with the aim of deriving KS enrolment of those within this group who are participating in the labour market. This comparable group therefore provides our potential proxy estimate for what share of the cohort of interest may have joined KS if they were able to do so.

2.4.1 Defining the comparison group of resident-class migrants

We create a comparison group of resident-class migrants using the same conditions on the visa decisions and border movement datasets as with the 2009 cohort of migrants on temporary visa. We identify all migrants who submitted a visa application for a resident or permanent resident visa and where the decision was approved between 1 January 2008 and 31 December 2009. We use the border movements data to

⁸ MELAA is Middle Eastern, Latin American, or African.

impose that all resident-class migrants arrive in NZ during 2009 and that their last border movement in 2009 was an arrival. We also require that these migrants turn 18 years or older in 2009. The resulting sample comprises 9,654 resident-class migrants.

2.4.2 Identifying labour market activity

We link this cohort of resident-class migrants to the IRD Employer Monthly Schedule (EMS) to determine what proportion are active in the labour market per month. We create a balanced panel of individual-months from 2010-2019 for each migrant. We merge EMS monthly wage and salary earnings for each migrant and define an employment indicator that equals 1 if the migrant had positive wages and salaries in a given month, and 0 otherwise. We also calculate total wage and salary earnings by summing earnings across all sources.

2.4.3 Identifying KiwiSaver enrolment

We link the cohort of resident-class migrants to the IRD addresses dataset to determine the proportion that are in KS per month. We would like to identify those who are actively contributing to KS, particularly via employee and employer contributions. Therefore, it would be ideal to differentiate between KS contribution types. There are four KS tax type codes in this dataset: provider payment (KSF), employee deduction (KSE), employer contribution (KSR), and contributions from self-employed people and contractors, and voluntary contributions by employees (KSS), which, on the face of it, would allow this differentiation. However, KSF is rarely used and the use of KSE and KRS codes have slowly decreased over time, while the use of KSS has continually increased. These inconsistencies make it difficult to accurately categorise different KS contribution types. Moreover, the IRD addresses data are measured in spells, allowing us to see the start and end dates for when a tax code spell is valid. As different addresses are updated (e.g. email, postal, location, specific, etc.), there are multiple, often overlapping, tax code spells for each individual. To mitigate these administrative challenges and merge KS information to our monthly panel dataset, we create a monthly binary variable for KS enrolment that equals 1 if a tax code spell from any address source indicates the resident-class migrant has one of the four KS codes for a given month, and 0 otherwise.

3 RESULTS

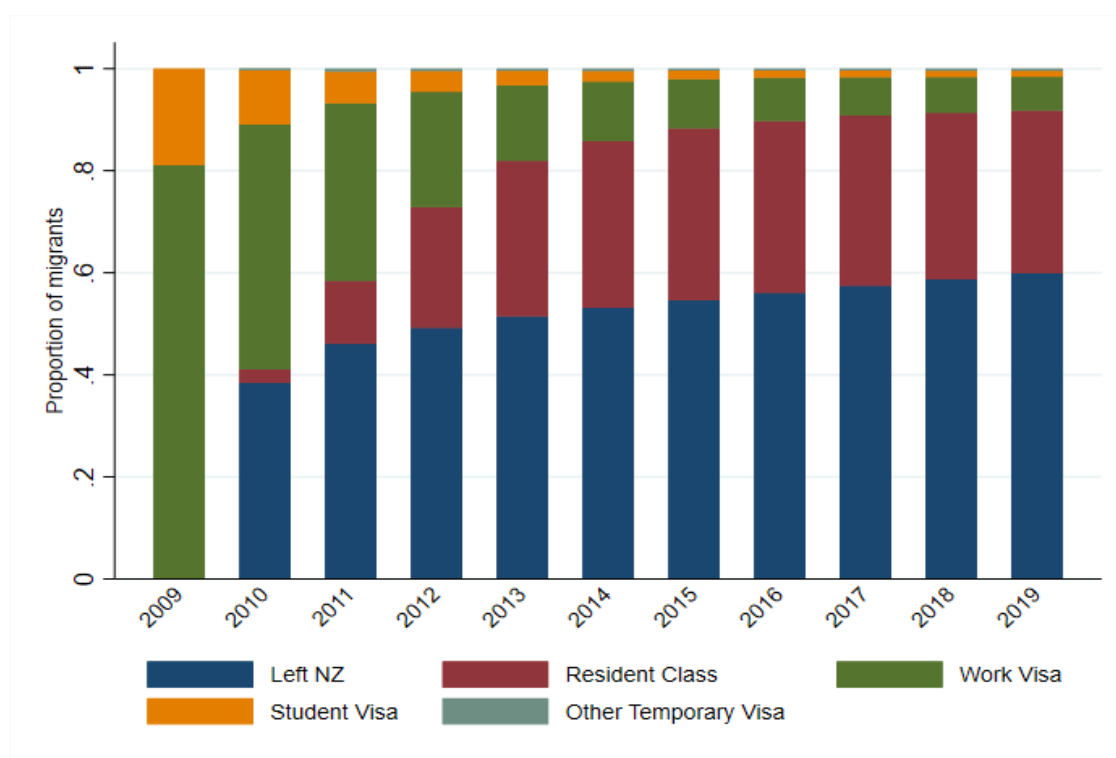
3.1 What is the size of the population who experience KiwiSaver ineligibility?

This section examines, based on the 2009 cohort of migrants, the size of the migrant population who are not eligible for KS, the length of time they remain in NZ on a temporary visa and the share that transition to another visa type that allows them to live in NZ indefinitely, and the share that leave NZ.

Figure 1 shows the shares of our 2009 cohort of migrants in the five categories (living overseas; resident-class visa; work visa; student visa; other temporary visa) over time. As described in Section 2 our cohort sample is wholly focussed on work and student visas. At the start of our sample timeframe, 2009, approximately 80% hold work visas, while the remaining 20% hold student visas. As expected, the share of the cohort on temporary visas decreases over time, to about 60% a year later in 2010, to 14% five years later in 2014 and 8% 10 years later in 2019. Over half are living overseas after five years, with this share increasing to 60% by 2019.

Overall, Figure 1 shows that of the approximately 70,000 temporary visa holders in our 2009 cohort, 42,000 are living overseas by 2019, 22,500 hold resident-class visas and 5,500 remain on temporary visas. Appendix Figure A. 1 and Figure A. 2 show the shares of the 2009 migrant cohort in the five categories over time separately for those on work and student visas. This shows that 88% of those on work visas and 75% of those on student visas are no longer on a temporary visa after 5 years because they are either living overseas or have transitioned to a resident-class visa.

Figure 1: Proportion of 2009 migrant cohort in each visa category over time



Notes: Categories are prioritised as follows: (1) Living overseas; (2) Resident-class visa; (3) Work visas (4) Student visa; (5) Other temporary visa. There are 70,305 migrants in the 2009 baseline sample of temporary work and student visa holders.

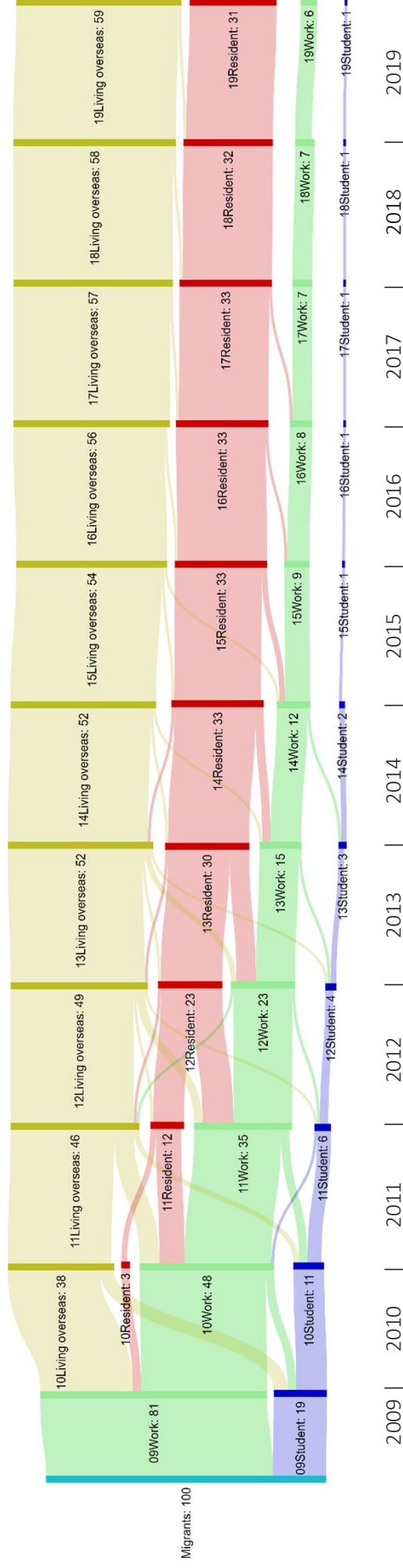
Figure 2 takes a more detailed look at how members of the 2009 cohort move across categories over time. There is a reasonable amount of movement across the categories between 2010 and 2014, after which the categories tend to be relatively stable. Flows into resident-class visas are driven by migrants who held work visas in 2009. Flows into the 'living overseas' category are equally driven by those on student visas as those on work visas, although the rate of moving into the 'living overseas' category is larger for those on student visas since there are fewer people in this category. The flow of those on work visas into resident-class visas is high in 2011-2013, likely reflecting the policy criteria to gain a resident visa that was in place. For example, those who entered NZ on certain types of work visas would be eligible to apply for residency after two years. These flows reduce over time, and by 2018, almost no further work-visa holders transition to resident visas. Among migrants who initially started on a student visa in 2009, some shift to a temporary work visa but this most commonly occurs within a couple of years of arriving.

In terms of the proportion of temporary migrants that stay in NZ, after only one year 38% have returned overseas, and this number increases to over 50% by 2013. It is rare for migrants who started on a work visa to then shift to a student visa.

Overall, in terms of the size of the population that is ineligible for KS, it is noteworthy that after only two years, only about 40% of the 2009 cohort remained ineligible for KS, while about 12% had transitioned to a resident-class visa and 46% were living overseas. After five years, only 14% remained on temporary visas. However, this still represents approximately 29,000 ineligible individuals after two years, and around 10,000 after five years. This is a reasonable number of people, particularly considering this is only one

annual cohort of migrants, and thus the cumulative numbers would be sizable. Moreover, the annual inflow of those on work and student visas has increased since 2009. For example, the number of NZ work or student visa arrivals increased by about 116% between 2009 and 2019 (before COVID-19 border restrictions) (Stats NZ, 2022).

Figure 2: Flows into and out of visa categories over time



Notes: This graph shows the percentages of the 2009 migrant sample that flow between each of the five placement categories from 2010 to 2019. Since the 'Other temporary visa' category is small in percentage terms, this category drops out. Each label is prefixed with the calendar year and suffixed with the percentage of the 2009 cohort that moved into each category. Percentages do not always add to 100 percent due to rounding.

3.2 What are the characteristics of the population who experience KiwiSaver ineligibility?

This section examines the characteristics of the 2009 migrant cohort who experience KS ineligibility. We examine the age, gender, ethnicity and nationality of the cohort, both in total and disaggregated by the five categories (living overseas; resident-class visa; work visa; student visa; other temporary visa).

Table 1 shows that in the initial year of 2009, our migrant cohort is reasonably young, with an average age of about 29. Disaggregating by visa types shows that those on student visas have an average age of about 24, while those on work visas have an average age closer to 30. Five years later, those who have transitioned to resident-class visas are the oldest on average (about 36 years old), while those who are on student visas have the youngest average age (about 28 years). Those who are living overseas are, on average, 32 years old, while those on work visas are about 34 years old. By 2019, a similar pattern remains, with those on resident-class visas having the oldest average age (41 years), and those on student visas having the youngest (34 years).

The age statistics are relevant from a policy perspective as they provide an indication of how much accumulated savings individuals may be losing out on over their working lives. The fact that the migrant cohort are quite young means that even two or three years of lower savings when they first enter NZ at age 29, say, could represent a significant amount of accumulated savings given compound interest by age 65. However, it should be noted that average age of those living overseas in 2014 and 2019 is lower than that of those on resident-class and work visas, highlighting that, on average, younger migrants are more likely to leave NZ and older migrants are more likely to stay.

In terms of gender, existing research highlights that women have lower KS balances than men, likely reflecting greater time out of the workforce and a higher rate of part-time work due to, for example, childcare responsibilities and the gender-pay gap (see, for example, Te Ara Ahunga Ora Retirement Commission, 2022; NZIER, 2022). Therefore, the gender composition of the migrant cohort may be a relevant policy consideration if, for example, it was to reinforce these existing gender disparities. However, we find that there are slightly more men than women in the migrant cohort overall in 2009. This reflects an equal share of men and women among work visa holders, and a higher share of men among student visa holders (about 63%). After five years, about half of those living overseas and those who have transitioned to resident-class visas are women, but more men hold work or student visas (59% and 67% respectively). The gender composition after 10 years is similar to the five-year breakdown.

Table 1: Average age and gender composition of the 2009 migrant cohort over time

Year	Category	Age (years)	Female (%)
2009	Total	28.60	47.45
	Work	29.68	49.77
	Student	23.92	37.45
2014	Living overseas	32.02	48.22
	Resident	36.32	49.65
	Work	34.09	40.62
	Student	28.16	32.72
	Other temporary	34.51	45.92
2019	Living overseas	37.35	47.96
	Resident	40.98	48.44
	Work	39.21	40.75
	Student	33.67	34.46
	Other temporary	38.60	43.88

Notes: Based on 70,305 migrants in the 2009 baseline sample. Percentages are rounded to 2 decimal places.

We next examine ethnicity and nationality of our population of interest. A technical point is worth noting. A large minority of the migrant cohort do not have ethnicity information (recorded as ‘Unknown ethnicity’ in Table 2). This is likely due to the way the ethnicity data in the IDI personal details table is collated. The personal details table pools information on ethnicity from a range of IDI data sources and over time. If an individual ever identifies as belonging to a particular ethnic group in any of the IDI data sources at any time, then that individual is categorised as belonging to that ethnic group in the personal details table. As discussed, we then construct mutually exclusive prioritised ethnicity groups from this information. However, ethnicity information may not be available for recent migrants from any IDI source. For example, this would be the case if they have never completed a Stats NZ survey, and have not accessed government services such as education and health, or, they did not provide ethnicity information when accessing these services (e.g. if it was optional to provide this information). This is likely why the share with unknown ethnicity who are on student visas is lower than those on work visas as ethnicity information is typically collected by education providers. For those who stay in NZ for only a short amount of time, this ethnicity information may, therefore, never be collected from any data source that feeds into the personal details table. This is why, therefore, we see a high percentage of those who are living overseas within five years of having arrived in NZ in 2009 lacking ethnicity information.

About 39% of our 2009 migrant cohort are of Asian ethnicity, 25% European, and 27% have unknown ethnicity. Māori account for almost none of the cohort, as expected given most Māori are likely to be NZ citizens by either birth or descent and therefore do not require a visa. MELAA and Other ethnicities account for about 6% of the cohort. Pacific Peoples account for less than 3%.

Disaggregating by visa type, we see that nearly 70% of student visas in the 2009 migrant cohort are held by migrants of Asian ethnicity. Migrants on work visas are almost equally made up of those of European, Asian, and unknown ethnicities.

The 2014 and 2019 distributions show that different ethnic groups have different propensities to leave NZ. Asians have a higher propensity to remain in NZ – while they make up almost 40% of the cohort, they account for only 22% of those who are living overseas in 2014 and 27% in 2019. Similarly, Pacific Peoples account for about 3% of the cohort, but only 1.9% of those living overseas in 2014 and 2% in 2019. Those with unknown ethnicity are also more likely to live overseas in 2014 and 2019, but, as discussed, this at least partly reflects that those who stay in the country for only a short time are more likely to have missing ethnicity information in the IDI. Those of European ethnicity account for about a quarter of those living overseas in 2014 and 2019, which is in line with their total share in the population of interest.

Relative to their share in the population of interest, Asians are underrepresented in the share who hold a resident-class visa in 2014 and 2019. Part of the reason for this is likely to be that Asians are more likely to be on a student visa in 2009, and the transition from student visa to resident visa generally takes longer than the transition from work visa to resident visa. Those of European and Pacific Peoples ethnicities have a higher propensity to transition to a resident-class visa over time. Europeans in particular are much more likely to be on a work visa initially, with a relatively low share being on a student visa, which will generally mean a shorter pathway to residency.

Table 2: Ethnicity composition of the 2009 migrant cohort over time (%)

Year	Category	European	Māori	Pacific	Asian	MELAA/	Unknown
2009	Total	25.41	0.15	2.90	38.70	6.15	26.69
	Work	29.26	0.13	3.00	31.79	6.07	29.76
	Student	8.90	0.25	2.46	68.36	6.53	13.49
2014	Living overseas	23.56	0.22	1.87	22.40	5.89	46.05
	Resident	31.54	0.00	3.50	58.38	6.29	0.29
	Work	20.51	0.00	5.39	51.49	6.35	16.26
	Student	7.77	0.00	3.27	70.35	10.02	8.59
	Other temporary	10.20	0.00	15.31	64.29	0.00	10.20
2019	Living overseas	24.00	0.21	2.06	26.57	6.06	41.11
	Resident	29.77	0.00	3.89	60.13	5.88	0.32
	Work	21.16	0.00	4.74	40.10	7.27	26.74
	Student	9.36	0.00	3.37	60.30	12.73	14.23
	Other temporary	10.20	0.00	15.31	64.29	0.00	10.20

Notes: Based on 70,305 migrants in the 2009 baseline sample. Ethnicity is prioritised using Stats NZ prioritisation rules. MELAA is Middle Eastern, Latin-American, and African. Percentages are rounded to 2 decimal places.

Table 3 shows the share of migrants with nationalities from each of the five country region categories.⁹ Around 42% of the migrant cohort are from Asian countries, 36% from European countries, 12% from the Americas, just over 6% from Oceania, and the remaining 4% are from Africa or the Middle East. As mentioned, Australians do not require visas to reside in NZ so are not included in the Oceania category. In 2009, migrants from Asia and Africa and the Middle East were more likely to be on student visas, while migrants from Oceania, Europe and the Americas were more likely to be on work visas. In fact, migrants from Asian countries make up the majority of those on student visas (78%).

Five and ten years later, migrants from Oceania are underrepresented among those living overseas – they account for about 6% of the cohort, but only about 2% of those living overseas in 2014. Oceanian migrants are correspondingly overrepresented among those on resident visas, and work and other temporary visas. Migrants from Asia are more likely to remain in NZ – they account for 42% of the cohort, but only 34% of those living overseas in 2015 and 36% in 2019. Migrants from Europe and the Americas are more likely to be living overseas after five and 10 years. For example, those from Europe account for about 36% of the cohort, but are overrepresented among those who are living overseas after five years (47%) and 10 years (44%).

⁹ For simplicity, we use ‘nationality’ and ‘origin’ interchangeably. However, this information is based on the passport used in the migrant’s visa application. Some migrants may have immigrated from a third country, meaning their nationality may not be the same as their country of origin. For example, a migrant coming from the UK may hold a South African passport.

Table 3: Region of nationality of the 2009 migrant cohort over time (%)

Year	Category	Oceania	Asia	Europe	The Americas	Africa and the Middle
2009	Total	6.43	41.82	35.86	12.04	3.84
	Work	7.06	33.35	42.32	13.54	3.74
	Student	3.73	78.27	8.12	5.61	4.27
2014	Living overseas	2.18	33.54	46.62	15.56	2.10
	Resident	11.60	49.50	24.75	7.37	6.78
	Work	11.17	50.73	24.43	10.70	2.97
	Student	3.88	78.78	5.10	4.69	7.55
	Other temporary	23.71	64.95	11.34	0.00	0.00
2019	Living overseas	2.75	36.06	44.01	14.71	2.47
	Resident	12.71	50.64	23.28	6.92	6.45
	Work	9.00	44.30	29.66	14.05	2.98
	Student	3.73	74.25	6.34	6.72	8.96
	Other temporary	22.68	67.01	10.31	0.00	0.00

Notes: Based on 70,305 migrants in the 2009 baseline sample. Percentages are rounded to 2 decimal places.

3.3 What proportion of the population may have enrolled in KiwiSaver if eligible?

If the 2009 cohort of migrants on temporary visas would have been able to enrol in KS, how many of them might have done so? Since we cannot view the counterfactual situation of what these migrants would have done if they had been eligible to join KS, we instead construct a comparison group of resident-class migrants (as detailed in Section 2) and assume that the population of interest of migrants on work and student visas may have had a similar level of KS enrolment. As detailed in Section 2, KS enrolment refers to any KS tax code spell in a given period.

The 2009 comparison group of resident-class migrants (n=9,654) are 50% female and are 40 years old on average in 2009. This is about 11 years older on average than the temporary-visa-holder cohort. About 44% of the comparison group are European, 39% are Asian, 10% are Pacific Peoples, 6% are of MELAA or Other ethnicities, and the remaining have unknown ethnicities. Comparing this to the temporary-visa-holder cohort, they are more likely to be European or Pacific Peoples and much less likely to have unknown ethnicity.

Table 4 presents summary statistics about KS enrolment for the 2009 comparison group of resident-class migrants (n=9,654) on a yearly basis. Column 2 shows the number of migrants that were in KS each year

and Column 3 presents this as a percentage of the total sample. Overall, the number of migrants in the comparison group who were in KS increases over time, from 41% (almost 4,000) in 2010 to just over 60% in 2019.

Table 4: Migrant comparison group's KiwiSaver enrolment over time, annual summary statistics

(1)	(2)	(3)
Year	# of migrants in KS per year	% of migrants in KS per year
2010	3,960	41.02
2011	4,377	45.34
2012	4,662	48.29
2013	4,908	50.84
2014	5,079	52.61
2015	5,265	54.54
2016	5,376	55.69
2017	5,514	57.12
2018	5,673	58.76
2019	5,877	60.88

Notes: The total sample of resident-class migrants in 2009 is 9,654. Percentages rounded to 2 decimal places.

Table 5 restricts attention to resident-class migrants who were active in the labour market from 2010 to 2019. Column 2 shows the percentage of the resident-class migrant sample that are employed (i.e. received positive wages and salaries for at least one month of the year). Column 3 shows the percentage of employed resident-class migrants who are in KS. Column 4 and Column 5 show the annual earnings of employed migrants and the annual earnings of employed migrants who are in KS, respectively.

About 61% of the comparison group are employed in 2010, with this percentage falling over time to 47% ten years later. Although it is not known why this share in employment falls, part of the fall is because some of the 2009 cohort leave NZ over time. It could also be that some exit employment to have children, or because the average age of the group increases over time, some may retire.

Over half (56%) of employed comparison-group migrants are in KS in 2010. This is a reasonable percentage given the migrants would have only recently arrived in New Zealand and KS was still a relatively new scheme in 2010. The KS enrolment rate amongst the employed comparison-group migrants increases by 47% over the observation period, reaching just over 82% by 2019.

For those who are employed, nominal annual earnings increase over time as the people gain more work experience. It could also be partly due to the composition of those who are employed changing over time, for example, if lower-income earnings in the group are more likely to leave NZ or exit employment over

the period. The average earnings of employed migrants who are in KS is very similar to that of all employed migrants.

Table 5: Employed migrant comparison group's KiwiSaver activity over time, annual summary statistics

(1)	(2)	(3)	(4)	(5)
Year	% of migrants that are employed	% of employed migrants that are in KS	Annual earnings of employed migrants	Annual earnings of employed migrants in KS
2010	61.16	56.10	43,692	41,431
2011	59.70	60.80	47,872	46,636
2012	56.84	64.90	51,698	51,150
2013	55.56	68.18	54,059	53,822
2014	54.35	70.44	56,417	56,837
2015	52.33	73.81	59,688	59,756
2016	50.25	76.07	62,541	63,010
2017	49.16	78.26	65,160	65,590
2018	48.01	79.94	69,179	70,011
2019	46.86	82.56	71,890	72,173

Notes: The total sample of resident-class migrants in 2009 is 9,654. Column 2 shows the percentage of total resident-class migrants that are employed each year. Column 3 focuses on the employed resident-class migrants and presents the percentage of employed migrants who are in KS each year. Column 4 provides the annual earnings of employed resident-class migrants. Column 5 provides the annual earnings of employed resident-class migrants who are in KS. Percentages rounded to 2 decimal places.

Table 6 provides comparable statistics on labour market activity from 2010 to 2019 for the baseline sample of migrants on temporary work or student visas in 2009. Column 2 shows the percentage of migrants on temporary visas that are employed (i.e. received positive wages and salaries for at least one month of the year) and Column 3 shows the average annual earnings for this group.

As expected, the percentage of migrants who are employed is higher than the resident visa comparison group initially in 2010 (71% versus 61%). But by 2019, the employment rate is actually lower (31% versus 47%), likely reflecting that many of those on temporary visas have left the country by 2019. Average earnings are also lower for the temporary visa group throughout the 10 year period, likely reflecting that some of the migrants in the temporary visa group are students and also that this group is younger and will therefore have less labour market experience on average.

Table 6: 2009 temporary migrant cohort's labour market activity over time, annual summary statistics

(1)	(2)	(3)
Year	% of migrants employed	Annual earnings of employed migrants
2010	71.03	28,186
2011	47.95	37,100
2012	42.18	41,370
2013	39.31	44,263
2014	37.07	47,231
2015	35.53	49,852
2016	34.22	52,875
2017	33.07	55,647
2018	31.92	59,249
2019	31.03	62,592

Notes: Based on 70,305 migrants in the 2009 sample of migrants on work or student temporary visas. Percentages are rounded to 2 decimal places.

The employment rate of our population of interest in 2010 was 71% (Column 2, Table 6), which equates to about 50,000 temporary migrants. If we assume the 2010 KS enrolment rate amongst the employed comparison-group migrants (56%, Column 3, Table 5) is representative of the KS enrolment rate of employed migrants on temporary visas if they been eligible to join, this would mean about 28,000 out of the approximately 50,000 employed migrants on temporary visas would have joined KS in 2010.

The resident-class comparison group is intended as a proxy for the counterfactual of what might have happened with the KS enrolment of those on temporary visas if they had been able to join KS. This comparison is, of course, imperfect. It may be an overestimate as we might expect that those on work and student visas would have a lower propensity to join KS even if they were able to due to being generally less committed to remaining in NZ than those on resident-class visas. On the other hand, it may be an underestimate as the employment rate among migrants on temporary visas may be higher than among those on resident-class visas, particularly as the temporary visa cohort is heavily weighted towards those on work visas.

An additional consideration that may result in the migrant comparison group's KS membership being lower than it otherwise might have been is that those resident-class visas may have originally resided in NZ on a temporary visa. Therefore, they may not have been automatically enrolled when they first started working in NZ. Once they transitioned to a resident-class visa, in order to join KS, they would have had to either actively opt in, or wait until they changed employers and be automatically enrolled. If they had had the opportunity to be automatically enrolled when first working in NZ, this enrolment rate may have been higher. Moreover, KS had only been in existence for three years in 2010, which may also result in an underestimate of enrolment rates. Thus, overall, using this resident-class comparison group to estimate

the share of temporary visa holders who may have joined KS if they have been eligible should be considered a conservative, lower-bound estimate.

As an additional comparison point, total KS statistics published by IRD provide cumulative membership and opt-out rates from 2012 to 2021.¹⁰ In June 2021, over 3.1 million people had enrolled in KS, with about 41% of those having been automatically enrolled via their employer. The share of those who have been automatically enrolled who opted out has decreased over time, from about 35% in 2012 to 18% in 2021. This fall is likely because an individual who is not a KS member is automatically enrolled each time they change employers. Thus, if an individual changed jobs three times between 2012 and 2021, say, they could have been automatically enrolled and opted out the first two times, but not opted out and remained a member the third time. Thus, the probability of opting out decreases over time, and by 2021, about 82% of those who were automatically enrolled are KS members. This is higher than the 56% of employed migrants who are KS members in 2010. However, this general population share would likely be an overestimate of how many temporary-visa migrants might have join KS via automatic enrolment and choose not to opt-out if temporary visa holders were eligible to join KS. First, as mentioned, the general population statistics partly reflect that individuals who were not already KS members will have been automatically enrolled each time they change jobs, which means they would have had to opt out multiple times in order to remain a non-member. Even if our temporary visa migrant job were automatically enrolled upon starting their first job in NZ, the opt-out rate may, therefore, be higher, particularly as those on work visas are often restricted in their ability to change employers. Second, the general population will, on average, be more committed to remaining in NZ than temporary-visa holders. For example, an individual on a working-holiday visa who intends to stay in NZ for a year may be reluctant to join KS as upon leaving NZ, they would have to wait at least a year and complete an administrative process to withdraw their KS funds.

3.4 How much saving might an average temporary visa holder miss out on due to KiwiSaver ineligibility?

To derive the potential savings that an average temporary visa holder from the 2009 migrant cohort missed out on due to ineligibility, we need a number of assumptions. The first assumption we make is that the individual did not save the equivalent amount of money that they would have otherwise saved in KS in another savings vehicle. For the employer and government contributions, this is a reasonable assumption since this is money that the individual could not access (assuming they were not on a total remuneration package in the case of employer contributions). For the employee contributions, it may have been that at least some of this money would have been saved in another format. However, for simplicity, we will assume that the individual did not use another savings vehicle.

Second, we assume that the individual transitioned to a resident-class visa after four full years in NZ. This is based on the fact that of those in the 2009 cohort who remained in NZ, over half had transitioned to a

¹⁰ Annual KiwiSaver statistics – June 2012 to June 2021, downloaded from <https://www.ird.govt.nz/about-us/tax-statistics/kiwisaver/datasets> (accessed on 21 June 2022).

resident-class visa by 2013 (see Figure 1). Third, we assume that individual was 29 years old in 2009, which is the average age of our temporary visa cohort (see Table 1). Fourth, we assume that the individual was employed and earning the average earnings for the temporary visa cohort over the four years (see Table 6). We also assume that the individual would have had an employee and employer contribute rate of 3%, and no additional voluntary contributions, as well as the 50% matching government contribution up to \$521 a year.¹¹ Finally, we assume an ESCT (employer superannuation contribution tax) and PIR (prescribed investor rate) on the employer contribution of 17.5%. In terms of annual rate of return, we use two assumptions, both based on the Sorted website KiwiSaver calculator rate of returns.¹² The first is a balanced fund portfolio with an annual rate of return of 4.6% for the investment (compounded annually). The second is a growth fund portfolio with an annual rate of return of 5.9%. Both the balanced and growth fund options are examined because the default fund options, for those who do not choose a KS fund when they start work and are not already a KS member, are balanced portfolios. However, our cohort are relatively young and, therefore, a growth fund would generally be a preferable option.

With these assumptions, this individual would have a total KS fund contribution of just over \$2,000 (after ESCT tax) in 2010, which would increase to almost \$3,000 in total contributions in 2013. However, these four years of contributions would have accumulated to about \$35,900 by the time the individual reached 65 years old if invested in a balanced KS fund with a rate of return of 4.6% a year. Assuming an annual inflation rate of 1.5%, this would be equivalent to almost \$22,100 in 2010 dollars. For funds invested in a growth portfolio with the higher return of 5.9% a year, these contributions would have accumulated to about \$51,100 by the time the individual reached 65 years old. Assuming an annual inflation rate of 1.5%, this would be equivalent to almost \$31,600 in 2010 dollars.

¹¹ When KS was established in 2007, there were a number of differences compared with the current policy. In particular, the member tax credit was 1:1 up to \$1023 a year, and this was reduced to 1:2 up to \$521 in 2012. KS employer contributions were exempt from ESCT until 2012. From 2013, the minimum employee contribution rate and matching employer contribution rate increased from 2% to 3%. Before 2015, new KS members received a \$1,000 'kick-start' government contribution. Until December 2021, the default KS funds were conservative rather than balanced. While the period of hypothetical KS contributions that we are examining is 2009-2013, we will assume that the current rules applied throughout the period.

¹² <https://sorted.org.nz/how-these-calculators-work#kiwisaver-calculator> (accessed 21 June 2022). This assumes a 3.8% net return after a PIR tax rate of 17.5% has been applied (i.e. approximately 4.6% gross return), and 4.1% for a balanced portfolio, and 4.9% net return (i.e. approximately 5.9% gross return) for a growth portfolio.

4 DISCUSSION

While the estimates presented provide an indication of the size of the migrant population who are ineligible to join KS, and a gauge of how much savings they could potentially be missing out on, it is still an open question whether temporary visa holders should be able to join KS. On the one hand, about 28,000 of the 2009 temporary migrant cohort may have joined KS if they had been able to, meaning this group may lose out on savings until they transition to resident-class visas. While they could have saved their employee contributions via another PIE savings vehicle, the government and employer contributions are effectively lost to them (unless they are on total remuneration packages, in which case only the government contribution is lost), which raises issues of fairness in addition to the retirement income adequacy considerations. Moreover, given that KS is designed to overcome inertia, many may not have saved the equivalent of their employee contributions via another PIE savings vehicle.

On the other hand, more than half of the 2009 temporary visa cohort were living overseas by 2013. This suggests that if temporary migrants are automatically enrolled in KS, the administration costs to individuals and KS providers of withdrawing KS funds upon leaving NZ could be high. Given the requirement to live overseas for at least a year before applying to withdraw funds and the possibility of inertia and/or a lack of awareness of the procedure to withdraw funds, it may be that some of the temporary visa holders who re-migrate do not withdraw their funds. We do not know, however, how large this dormant fund issue may potentially be.

There may be compromise policy positions that allow temporary visa migrants to join KS but reduce these potential costs. For example, temporary visa holders could join KS by actively opting in rather than being automatically enrolled upon starting a new job and having to actively opt out. This would allow migrants who are committed to staying in NZ long-term to join KS and benefit from its financial incentives. This may potentially avoid a situation where many short-term migrants are automatically enrolled and have to actively opt-out, and if they fail to do so, apply to withdraw their KS funds once they leave the country. However, this would complicate the administration of the scheme. Moreover, joining KS would require an active decision and action for this group, and the potential benefit of the automatic enrolment feature of overcoming inertia would not be taken advantage of.

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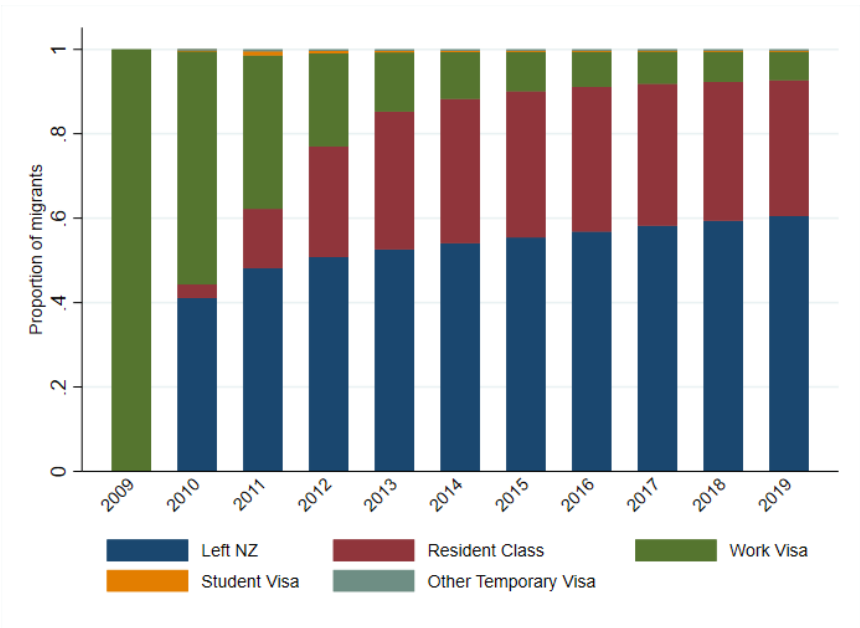
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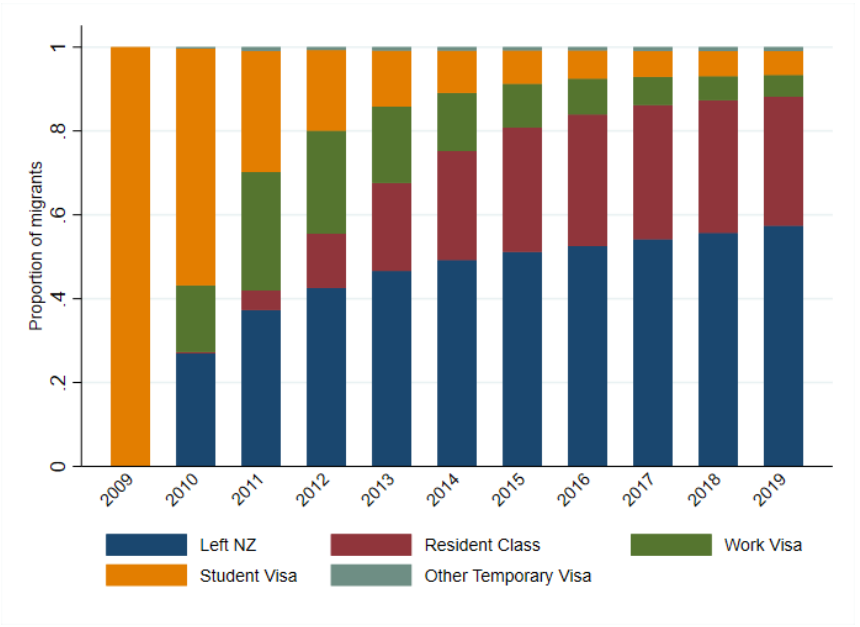
Appendix

Figure A.1 Proportion of 2009 migrant cohort on work visas in each category over time, by visa type



Notes: Categories are prioritised as follows: (1) Living overseas; (2) Resident-class visa; (3) Work visas (4) Student visa; (5) Other temporary visa. There are 57,030 migrants in the 2009 baseline sample of student visa holders.

Figure A.2 Proportion of 2009 migrant cohort on student visas in each category over time, by visa type



Notes: Categories are prioritised as follows: (1) Living overseas; (2) Resident-class visa; (3) Work visas (4) Student visa; (5) Other temporary visa. There are 13,275 migrants in the 2009 baseline sample of student visa holders.



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