



KiwiSaver Evaluation of
Implementation in the
Workplace

Research **22**
Report

KiwiSaver Automatic- enrolment Process

Prepared by

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February 2008

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Research Report 2.2 KiwiSaver Auto-enrolment Process

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EXECUTIVE SUMMARY

Report purpose

The purpose of this document is to report the findings of qualitative research about the KiwiSaver auto-enrolment process. The research was conducted with employers and new employees. The purpose of the research was to understand if there are any attitudinal and/or other barriers to auto-enrolment for employers and to assess the motivations for non-compliance with the auto-enrolment process.

Methodology

Twenty in-depth face-to-face interviews lasting up to an hour were conducted with payroll managers/employers of 'non KiwiSaver compliant' companies.¹ Ten employers were located in Auckland, and ten in Wellington. In addition, 50 short interviews were conducted by telephone with new employees² who had started a new job since 1 July 2007 (which is when KiwiSaver started). These interviews took up to 10 minutes. The fieldwork was conducted in November and December 2007.

Research objectives

The research objectives were to understand:

- What are employers' attitudes to KiwiSaver?
- How is this impacting on their interactions with new employees?
- What is the process for enrolling/or not, new employees?
- What are the barriers for employers to auto-enrolling new staff?
- How might these barriers be addressed?

¹ Non-compliant companies are those identified in Inland Revenue administrative data as having hired new employees but these employees not being auto-enrolled in KiwiSaver.

² Please note: new employee is defined as someone who started working in a company since KiwiSaver started on 1 July 2007.

Detailed findings

Employers' perceptions of KiwiSaver

Overall, the employer representatives we spoke to viewed the KiwiSaver scheme positively; employers consider having a retirement savings plan is a good idea for New Zealanders.

Despite the concept of the scheme being appealing, employer representatives had some concerns about aspects of the scheme:

- *Compulsory auto-enrolment for new employees* - some employers do not like the auto-enrolment process being compulsory for new employees, while others thought that KiwiSaver did not go far enough and that it should be completely compulsory.
- *Pre-July 2007 KiwiSaver confusion* - the implementation of KiwiSaver in July drew some criticism from employers. Some felt "left in the dark" and that no one knew what was going on. Other employers sympathised with Inland Revenue's role in the implementation of KiwiSaver, recognising that the Department had to accommodate the KiwiSaver enhancements announced in Budget 2007 within a short timeframe.
- *Non-government guarantee* - some employers are concerned that funds invested in KiwiSaver schemes are not guaranteed by the Government. They consider this uncertainty can make some people hesitant about participating in the scheme.
- *Employer contributions* - employers wonder what the implications of the KiwiSaver contributions will be on their cost structures. As most of those we spoke to were in payroll, they wondered how this would affect their wages and the ability of their company to offer pay rises.

Employer perceptions of the KiwiSaver workload

Overall, employers considered KiwiSaver had had minimal impact on their workloads. Some differences appear to exist between large employers with a high turnover of staff and smaller employers with fewer new employees who have started since 1 July 2007. The representatives of larger employers we spoke to tended to feel there had been some impact on their workload from KiwiSaver in the early set up stages; the volume of new employees they anticipated employing meant they needed to have their systems set up ready to go on 1 July 2007. All employers however, agreed that the workload had been less than they had anticipated.

Starting a new job: KiwiSaver scenarios

Three qualitatively different “starting a new job” scenarios were identified for employers. The table below describes each scenario from the point of view of the employer.

Table 1: Summary of auto-enrolment scenarios since KiwiSaver started on 1 July 2007

Employer scenarios	What happens?	Who drives it?	Issues/Barriers	Solution
1. Confused	<ul style="list-style-type: none"> The employer hands the KiwiSaver employee information pack (KS3) to employees on request. They do not auto-enrol new employees, unless specifically requested to do so. They are unaware auto-enrolment is compulsory. 	Neither the employer or the new employee.	These employers are not aware that auto-enrolment is compulsory.	Increase awareness of the compulsory auto-enrolment process and the obligations of employers by emphasising this in the revised KiwiSaver Employer guides.
2. Bypassers	<ul style="list-style-type: none"> The employer talks neutrally with a new employee about KiwiSaver as part of the overall entry into the workplace. After this discussion, if the new employee does not want to participate in KiwiSaver, the employer does not auto-enrol the new employee. 	The discussion and relationship between the employer and employee.	<ul style="list-style-type: none"> These employers consider there is a degree of discretion in who they enrol and who they do not. They bypass the auto-enrolment process based on discussions with the new employee. 	<ul style="list-style-type: none"> Remove the sense of discretion. Highlight the benefits of KiwiSaver. Increase awareness of the compulsory auto-enrolment process and employers obligations.
3. KS1 keepers	<ul style="list-style-type: none"> The employer auto-enrols all new employees and understands that it is compulsory. They load the KiwiSaver payment into their payroll system and contributions are sent to Inland Revenue. Hard copy KiwiSaver deduction forms (KS2) are filed in their office and in some cases so are the KiwiSaver employee details (KS1) forms. 	The employer.	<ul style="list-style-type: none"> These employers lack understanding regarding the purpose of the KiwiSaver employee details (KS1) form. Either they are not aware of the KiwiSaver employee details (KS1) form, or they think that it lacks relevance. They are not aware the KS1 form needs to be returned to Inland Revenue to complete the process. 	Emphasise the reasons why employers need to send the KiwiSaver employee details (KS1) form to Inland Revenue. Or remove the KiwiSaver employee details (KS1) form from the process.
3a. Justified KS1 keepers	<ul style="list-style-type: none"> Similar to the process of the KS1 keepers, except some new employees select their own KiwiSaver scheme provider. The scheme provider contacts Inland Revenue completing the process – the employer is not aware the cycle has been completed and considers this to be the same as when a new employee does not select a KiwiSaver scheme provider. 	The employer, the employee, followed by the provider.	<ul style="list-style-type: none"> As with the KS1 keepers, these employers lack understanding of the purpose of the KiwiSaver employee details (KS1) form. Either they are not aware of the KiwiSaver employee details (KS1) form, or they think that it lacks relevance. They feel sure they have followed the correct process because they have seen new employers become KiwiSaver members through the process they have followed. 	<ul style="list-style-type: none"> The same solutions apply for this scenario as for the KS1 Keepers. It will also be important to highlight in the auto-enrolment process, the difference between the process for new employees who choose a scheme provider and those who default to a scheme provider.

Please note: new employee is defined as a new employees to that organisation since KiwiSaver started on 1 July 2007.

New employees' perspectives on starting a new job

It should be noted that 27 out of the 77 individuals (35%) declared themselves ineligible for auto-enrolment at the screening questions.³ This should be taken into account when drawing conclusions from Inland Revenue's current database of individuals who potentially should have been automatically enrolled.

New employees' experiences of starting a new job hinge around three factors; their level of awareness of the KiwiSaver auto-enrolment process, whether or not they are actually auto-enrolled by their employer, and whether or not they want to participate in KiwiSaver. New employees report a range of scenarios based on these factors.

While Inland Revenue may not record some new employees as being fully enrolled in KiwiSaver, because their employers are not correctly enrolling them (as described in the KS1 keeper scenarios above), many of the new employees we spoke to did consider themselves enrolled in the scheme (or had been enrolled and had started the process of opting out). A more detailed explanation of some typical interactions from new employees' perspectives is included in this report.

From speaking to new employees for this report, we consider that:

- New employees who want to be in KiwiSaver, and are not auto-enrolled, will tend to arrange to be enrolled in the scheme by *actively* asking their employer to start the process;
- Those new employees who do not want to participate in KiwiSaver will either not mention to their employer that they should have been auto-enrolled, speak to their employer and arrange for automatic enrolment not to occur, or arrange to opt-out if they are auto-enrolled; and
- New employees who do not know how to join KiwiSaver may not mention to their employer that they would like to take part in it and are therefore not enrolled; these new employees should be the priority focus for education about their right to be auto-enrolled.

Conclusions and proposed actions

The 'non-compliance' encountered in this research is related to either confusion about the auto-enrolment process, or the belief that auto-enrolment is a process that employers have discretion over rather than an obligation that they are required to comply with. The employer representatives interviewed were not deliberately defying their requirement to auto-enrol all eligible new employees.

³ For example, some had become self-employed since their data was collected by Inland Revenue, or they had not changed jobs. The latter means that some existing employees were included in the sample.

Suggested solutions are to:

- Ensure employers are aware that they must auto-enrol all eligible new employees;
- Help employers be aware of their obligation by highlighting this in the information packs to employers;
- Remove any sense of discretion from the auto-enrolment process, so employers are aware they cannot act on the instructions of new employees who ask not to be enrolled; and
- Clarify the process for filling in the KiwiSaver employee details (KS1) form and provide more information about its purpose and importance in the process. Ensure employers are aware of any process differences between those new employees who they auto-enrol and who stay with a default scheme provider, and those new employees who they auto-enrol and who choose their own scheme provider.

Ensure new employees are also aware they should be auto-enrolled and empowered to ask their employers to auto-enrol them (particularly if they want to participate in KiwiSaver).

BACKGROUND AND OBJECTIVES

Inland Revenue wanted to address a number of questions about auto-enrolment, as analysis of new employee details from Inland Revenue's Employer Monthly Schedule (EMS) and administrative database highlighted a large proportion of new employees who appeared not to be auto-enrolled in KiwiSaver.

The research was commissioned to dig into this data qualitatively, and understand the KiwiSaver enrolment process from employers' and new employees' point of view as a check against Inland Revenue's internal data.

Colmar Brunton was commissioned to conduct the research in November 2007.

Overall research purpose

The overall purpose of the research is to understand if there are any attitudinal and/or other barriers to auto-enrolment for employers and to assess the motivations for non-compliance.

Specific research objectives

The specific research objectives for this project were to understand:

- What are employers' attitudes to KiwiSaver?
- How is this impacting on their interactions with new employees?
- What is the process for enrolling/or not, new employees?
- What are the barriers for employers to auto-enrolling new staff?
- How might these barriers be addressed?

METHODOLOGY

A mixed qualitative methodology

A mixed qualitative methodological approach was chosen because the two methodologies – in-depth face-to-face interviewing and semi-structured telephone interviews – were considered to be the most optimal in meeting the objectives of this research.

In-depth face-to-face interviews were chosen to interview employers. This is because employers may have been uncomfortable discussing their processes and relationships with their new employees in front of other employers. Additionally, the process that employers have for enrolling new employees into KiwiSaver may be particular to each employer and more difficult to uncover in a group setting. Therefore, for this research to be effective, it was essential that interviewers build up rapport with respondents. For respondents to truly open up, time was set aside for discussion of current issues faced by employers regarding KiwiSaver, before moving on to the issue of automatic enrolment. When employers were recruited they were notified that the interview would focus on Inland Revenue's KiwiSaver communications and interactions with employers. An incentive of a \$100 voucher was offered for their participation. This was essential to ensuring employers took part and felt their time was valued, both by Inland Revenue and Colmar Brunton.

Semi-structured telephone interviewing was chosen for talking to new employees. The semi-structured nature of the interview allowed the interviewer to specifically explore areas of interest regarding the KiwiSaver enrolment process. Telephone interviewing also ensured that a broad range of new employees were interviewed.

The research is qualitative in nature, and is intended to explore the auto-enrolment issue in some depth. It is not intended to investigate the extent of the issue, but to understand it.

Talking to employers

In total, twenty full length qualitative interviews were conducted: ten in Auckland, and ten in Wellington. Each interview took around one hour to complete. Those recruited derive from a list of 'non compliant' employers supplied by Inland Revenue.

The 20 employer representatives we spoke to were recorded by Inland Revenue as 'non-compliant' because they did not appear to be auto-enrolling new employees who were eligible for auto-enrolment. However, amongst those we spoke to, it was clear some were identified as 'non-compliant' because they were not following the correct KiwiSaver procedures (for example, they were auto-enrolling new employees but not sending the completed KiwiSaver employee details (KS1) form to Inland Revenue).

It is also important to highlight here that Inland Revenue's administrative data may include employers who can be considered 'compliant' because the employees they have not auto-enrolled in KiwiSaver are either exempt from auto-enrolment⁴ or are not permitted to join KiwiSaver.⁵ In the sample of new employees we received from Inland Revenue, there were some people included whose employer was not required to auto-enrol them in KiwiSaver because, for example, they had not changed jobs⁶, or had become a contractor since the KiwiSaver scheme started on 1 July 2007.

Employers' sample

Each employer is identified in this report by their size, the number of new employees they have hired since 1 July 2007, and their industry.

Please note: we spoke to the person in each organisation who was responsible for implementing KiwiSaver in that organisation. This was usually a payroll manager. Some were also Human Resources managers, or owner/operators.

Table 2: Employer sample

AUCKLAND			WELLINGTON		
Size	New employees since 1 July 2007	Industry	Size	New employees since 1 July 2007	Industry
Small (x3)	2	Automotive	Small (x3)	1	Business Services
	1	Business services		1	Social Services
	1	Technology		1	Education
Medium (x3)	2	Education	Medium (x4)	3	Education
	3	Construction		2	Retail
	1	Social Services		2	Retail
		12		Catering	
Large (x4)	2	Education	Large (x3)	10	Social Services
	5	Communications		30	Law
	20-25	Installation		20	Tourism
	6	Technology			

A small organisation has been defined to be 1 to 5 employees, a medium organisation to have 6-19 employees and a large organisation to have greater than 20 employees.

⁴ An employer is not required to automatically enrol a new employee under certain circumstances (e.g. the employee is an election day worker, or a private domestic worker, or employed on a temporary employment contract of 28 continuous days or less).

⁵ People who hold temporary, visitor or student permits cannot be KiwiSaver members.

⁶ Some of the people in the sample reported their employment status changing, but not their employer.

Talking to new employees

In addition to the twenty qualitative interviews with employers, we conducted 50 semi-structured interviews with a range of new employees who had started a job since the launch of KiwiSaver on 1 July 2007. Each interview took around 10 to 15 minutes and focused on what happened when they started their new job. These interviews were conducted by telephone.

The first six interviews were conducted by an experienced qualitative researcher, and the remaining 44 were conducted using senior quantitative interviewers based in Auckland. The sample was national, and was selected randomly from lists received from Inland Revenue of people who had started a new job since 1 July 2007.

New employees sample

All new employees interviewed:

- Were aged between 18 to 65 years;
- Had changed jobs since 1 July 2007;⁷
- Were New Zealand citizens or permanent residents;
- Received paid holidays from their employer;
- Had heard of KiwiSaver; and
- Were not a private domestic employee on a short term contract (< 28 days) or a casual agricultural employee employed for less than three months a year.

A demographic profile of the sample is appended to this report. As the research was qualitative in nature, the sample and the findings are not intended to be representative of the employee population as a whole.

Notes to this report

Verbatim comments from employers and new employees are used throughout this report to illustrate key points, and to add evidence to the findings. For employers, these are attributed by their size, the number of new employees they have had since July 2007, and the industry within which they operate. For new employees, verbatim comments are attributed by their KiwiSaver status.

⁷ Please note, some people who had not changed jobs, but who had changed employment status between when KiwiSaver started on 1 July 2007 and the fieldwork on November 2007, were included in the research. They are not a large proportion of the sample, and they had valuable contributions to make regarding this situation and their eligibility for KiwiSaver.

ATTITUDES TO KIWISAVER – CONTEXT

Introduction

This section provides an overview of how employers and new employees view KiwiSaver and how these attitudes and perceptions play a part in influencing the KiwiSaver auto-enrolment process.

Employers' perceptions of KiwiSaver

The employers were asked to discuss their perceptions of KiwiSaver at the start of the interviews: both to gauge their perceptions overall, and to establish if any negativity towards KiwiSaver was influencing whether they were complying with their auto-enrolment obligations.

Employers are positive about the scheme overall

Overall, employers believed that KiwiSaver was a good idea. They felt it was important for New Zealanders to be encouraged to save for their retirement, and that the scheme had many incentives to help people to do so.

"I think it's a great idea, I am one of those ones who's still thinking about it. I think it's a great idea, and it is a shame that most of the young ones are opting out. I think that's when it's the time to start. If I had my time again, I would be more sensible and start saving then when you don't notice it. So, so on the whole I think it's a great idea."

Large organisation, 30 new employees, Legal services

"I think it's a great idea, what they never have, they never miss."

Small organisation, 1 new employee, Business services

Some employers could not understand why so many of their employees were opting out of KiwiSaver. A few went so far as to say they thought it should be compulsory.

Employers are concerned about aspects of KiwiSaver

Some employers were concerned about aspects of the scheme. The four main aspects were:

- Compulsory auto-enrolment for new employees;
- Pre-July 2007 KiwiSaver confusion;
- Non-government guarantee; and
- Compulsory employer contributions (which start on 1 April 2008).

Compulsory auto-enrolment for new employees

Some employers do not support the compulsory auto-enrolment process. They perceive the compulsory nature of the process detracts from the appeal of KiwiSaver, and believe participation by their employees should be a choice. They argue that the auto-enrolment process creates double-handling, especially if the new employee has already told the employer that they are going to opt-out once they have been auto-enrolled.

Other employers believe the opt-out option should be removed, making KiwiSaver compulsory. They view a national retirement savings as critical to New Zealand's economy.

"I don't like the automatic enrolment concept because the majority of people that I am automatically enrolling, this is myself included, want to opt out, so I think it's a lot of work for the employer, the employee, IRD."

Large organisation, 20 new employees, Tourism industry

"I think that the automatic enrolment could still hold but if your employee comes to you before you have done your first pay and gives you a form that says 'I don't want to be in KiwiSaver' I think that it should just stop then and there. So to me that means that I [wouldn't] automatically enrol them - if they really don't want to, you just wouldn't go any further with it. I think that would save a lot of work for everybody, not just myself - I am sure at the other end there is a lot more work, refunds and all that sort of thing. That's the other thing, I am not really sure how that refunding side goes, we just ask the employees to contact the IRD, we don't do anything here."

Large organisation, 20 new employees, Tourism industry

"It's really what New Zealanders need. If we can end up like the Aussies and have a hell of a lot of money stashed away somewhere it would be good wouldn't it, for the country."

Large organisation, 30 new employees, Legal services

Pre-July 2007 KiwiSaver confusion

A second factor that draws some criticism from employers was the implementation of KiwiSaver in July 2007. Some employers felt *"left in the dark"* and that no one knew what was going on. Other employers sympathised with Inland Revenue's role in the implementation of KiwiSaver, recognising that the Department had to accommodate the KiwiSaver enhancements announced in Budget 2007 within a short timeframe (e.g. including information about the proposed enhancements in the KiwiSaver employer guide KS4).

"I thought probably when it first came out it seemed a bit like they've big brother stuff, like Uncle Sam's watching your every move. And of course there was that real, huge delay in information coming out. There was a lot of speculation about the way it was passed through Parliament, a lot of that stuff was last minute Charlie, in terms of what was going to be in it and what wasn't."

Small organisation, 1 new employee, Education services

"I think it's not a difficult process, but I think initially it all happened in a big fat hurry... and part of that was the government's fault because they wanted it in there quickly, and the poor IRD were trying to catch up and notify everybody what was happening, and yet until the Friday really the whole thing hadn't really been finalised, so it was a bit of a big hurry at the beginning."

Large organisation, 30 new employees, Legal services

Non-government guarantee

While employers considered the *idea* of KiwiSaver to be commendable, a few were concerned the funds were not guaranteed by the government. This concern about lack of security was also evident with new employees. For both employers and new employees, this concern about the risks of investing in managed funds can undermine the positive aspects of encouraging savings and investment.

Compulsory employer contributions

Some of the employer representatives we spoke to were concerned about the compulsory employer contributions that are starting on 1 April 2008. Some consider the compulsory

contributions may stifle employee pay rises, while others worry about the business's ability to afford the contribution.

"I would be interested to see what happens when they bring in the 1% next year and then up to the 4%, how that will change peoples pay? And how employees will deal with that? Whether they deal with it positively, or whether they get all negative about it, which some of them will."

Large organisation, 30 new employees, Legal services

Are perceptions influencing employers' auto-enrolment behaviour?

For the twenty employer representatives we spoke to in this research, there was no indication that any negative perceptions of the KiwiSaver scheme were affecting their behaviour at the auto-enrolment stage. So, while some employers have negative attitudes to some aspects of the KiwiSaver scheme, we did not speak to any employers who were deliberately not complying with their auto-enrolment obligations. Factors related to process issues are impacting on employers' auto-enrolment behaviour (these factors are described later in this report).

We did speak to some new employees who had expected to be automatically enrolled in KiwiSaver, but were not.⁸ In these situations, we were not able to identify whether this was due to the process related issues identified in this report, or to employers deliberately ignoring their obligation to automatically enrol all new eligible employees. This was because we did not match the employees we spoke to with the 'non-compliant' companies in the sample; auto-enrolment is a sensitive issue and it was not appropriate to speak with employers and employees who had a working relationship, about auto-enrolment.

Employers' perceptions of the KiwiSaver workload

Generally employers found that KiwiSaver had had a smaller effect on their workload than they expected. Some said that they had had pessimistic expectations of KiwiSaver before July 2007, while others considered the media had played a part in exaggerating fears.

Some differences appear to exist between large employers with a high turnover of staff and smaller employers with fewer new employees who have started since 1 July 2007. The representatives of larger employers we spoke to tended to feel there had been some impact on their workload from KiwiSaver in the early set up stages; the volume of new employees they anticipated employing meant they needed to have their systems set up ready to go on 1 July 2007. However, all employers agreed that the workload is less than they had initially thought it would be.

Both employers using a computerised payroll system, and those doing their payroll manually, found the process of taking KiwiSaver deductions from employees' pay a straight-forward process, which had minimal impact on their workload.

⁸ These new employees were sure they did not have KiwiSaver contributions coming out of their salary.

However, some employers consider KiwiSaver is yet another compliance requirement that devolves too much administrative burden onto employers. These employers consider the administrative workload should be managed by a government department, such as Inland Revenue, rather than asking employers to take on more work.

"There's no additional work. I mean, obviously computerised software makes it very easy, so in terms of if you've got the software at payroll, it is keeping up to date with the latest and greatest of whatever is happening in the tax department, there's really little impact at all."

Small organisation, 1 new employee, Education services

"My expectation was that it was going to be more work for me and it has had, not a huge amount, but quite a few teething problems at the beginning."

Large organisation, 30 new employees, Legal services

"I have the situation where, although you would explain to new people that they had to fill out these forms as if they were their tax forms, they would think about it and they would hold on to them until they were ready to think about what they wanted to do with it. So it was a follow-up and a training thing, even though we had explained how it all worked. It is just another process really remembering to send copies off."

Large organisation, 30 new employees, Legal services

"I don't manage it. It manages itself. I don't give advice, that's the only thing I learnt very quickly. In fact there was one piece of really good advice that we got from the seminar we went to, prior to it [KiwiSaver] coming out, is that you are not a superannuation consultant and you don't necessarily have the skills to say what you should do or shouldn't do or how you treat your super. So basically I give them [new employees] the information and they do what they like with it. I just make that very clear that it's their choice, they decide who they want to go with - all I need to do is know whether you're going to do it and that's it. So in terms of the expectation, very easy. Very easy to deal with. I didn't find it hard at all. It's quite painless really."

Small organisation, 1 new employee, Education services

Software solutions are making it simple

For the employers that use payroll software, the process of auto-enrolling people into KiwiSaver is largely automated. Payroll software providers appear to have been well prepared for KiwiSaver. The employers report that payroll providers have supplied them with updates that include the KiwiSaver calculations (some of the providers supplied the updates free of cost while others charged for them). As well as automatically calculating the deductions, most of the software defaults to auto-enrolling new employees into KiwiSaver.

“The system does it automatically, you just select “KiwiSaver” on the system and it does the rest. In fact, you have to make them KiwiSaver people, I think it’s all complicated if you don’t select it, the system makes you go through hoops to check that is correct. I tried it myself by firing myself (on the payroll system) and adding myself as a new employee, and it wouldn’t let me not go into KiwiSaver.”

Small organisation, 3 new employees, Wholesale distributor

New employees’ perceptions of KiwiSaver

This section discusses new employees’ perceptions of KiwiSaver that are impacting on the auto-enrolment process.

Positive and negative attitudes to KiwiSaver

As with employers, new employees have a range of reactions to the idea of KiwiSaver. Some dislike the idea of having money “taken off them”, and do not intend to participate in the scheme. Others are pleased that KiwiSaver provides a mechanism for making saving for retirement easy, and that there are some financial incentives to do so.

“I am not happy with the auto-enrolment process, I think it should be when you join up, to a new job, you should be able to say whether you want to be enrolled or not.”

New employee (auto-enrolled and then opted out)

“I am pretty neutral towards the whole thing, I just opted-out.”

New employee (auto-enrolled and then opted out)

“I think it’s a good idea, it’s a good thing. Just due to the fact when you retire you have something. It’s sort of something that you strive to. Something that’s going to be guaranteed when you come to retiring.”

New employee (auto-enrolled and still a member)

“I like the idea of auto-enrolment, otherwise nothing happens unless you do something. It’s automatic, and if you want to get out of it, then you get out of it.”

New employee (auto-enrolled and still a member)

How new employees feel about the idea of KiwiSaver can influence their interactions with their employer. For example, as we discuss later in this report, if an employee is keen to participate in KiwiSaver, they are likely to mention this to their employer and to be enrolled. If an employee is not keen to take part in KiwiSaver, some of them will ask their employer not to enrol them – sometimes this request is accepted, and sometimes it is not. So, while employers are making the final decision whether or not to auto-enrol some new employees, they are influenced in some instances by their new employees’ wishes.

STARTING A NEW JOB – KIWISAVER SCENARIOS

Introduction

This section describes three employer-related auto-enrolment scenarios we found from speaking to a range of employers. These scenarios are discussed in more detail below.

Table 3: Summary of auto-enrolment scenarios since KiwiSaver started on 1 July 2007

Employer scenarios	What happens?	Who drives it?	Issues/Barriers	Solution
1. Confused	<ul style="list-style-type: none"> The employer hands the KiwiSaver employee information pack (KS3) to employees on request. They do not auto-enrol new employees, unless specifically requested to do so. They are unaware auto-enrolment is compulsory. 	Neither the employer or the new employee.	These employers are not aware that auto-enrolment is compulsory.	Increase awareness of the compulsory auto-enrolment process and the obligations of employers by emphasising this in the revised KiwiSaver Employer guides.
2. Bypassers	<ul style="list-style-type: none"> The employer talks neutrally with a new employee about KiwiSaver as part of the overall entry into the workplace. After this discussion, if the new employee does not want to participate in KiwiSaver, the employer does not auto-enrol the new employee. 	The discussion and relationship between the employer and employee.	<ul style="list-style-type: none"> These employers consider there is a degree of discretion in who they enrol and who they do not. They bypass the auto-enrolment process based on discussions with the new employee. 	<ul style="list-style-type: none"> Remove the sense of discretion. Highlight the benefits of KiwiSaver. Increase awareness of the compulsory auto-enrolment process and employers obligations.
3. KS1 keepers	<ul style="list-style-type: none"> The employer auto-enrols all new employees and understands that it is compulsory. They load the KiwiSaver payment into their payroll system and contributions are sent to Inland Revenue. Hard copy KiwiSaver deduction forms (KS2) are filed in their office and in some cases so are the KiwiSaver employee details (KS1) forms. 	The employer.	<ul style="list-style-type: none"> These employers lack understanding regarding the purpose of the KiwiSaver employee details (KS1) form. Either they are not aware of the KiwiSaver employee details (KS1) form, or they think that it lacks relevance. They are not aware the KS1 form needs to be returned to Inland Revenue to complete the process. 	Emphasise the reasons why employers need to send the KiwiSaver employee details (KS1) form to Inland Revenue. Or remove the KiwiSaver employee details (KS1) form from the process.
3a. Justified KS1 keepers	<ul style="list-style-type: none"> Similar to the process of the KS1 keepers, except some new employees select their own KiwiSaver scheme provider. The scheme provider contacts Inland Revenue completing the process – the employer is not aware the cycle has been completed and considers this to be the same as when a new employee does not select a KiwiSaver scheme provider. 	The employer, the employee, followed by the provider.	<ul style="list-style-type: none"> As with the KS1 keepers, these employers lack understanding of the purpose of the KiwiSaver employee details (KS1) form. Either they are not aware of the KiwiSaver employee details (KS1) form, or they think that it lacks relevance. They feel sure they have followed the correct process because they have seen new employers become KiwiSaver members through the process they have followed. 	<ul style="list-style-type: none"> The same solutions apply for this scenario as for the KS1 Keepers. It will also be important to highlight in the auto-enrolment process, the difference between the process for new employees who choose a scheme provider and those who default to a scheme provider.

THE CONFUSED

Introduction

This section describes those employers who are “confused” about the auto-enrolment process. However, they do not consider themselves as confused, and would not describe themselves as such. It also provides some new employee perspectives for those who are not sure how to enrol in KiwiSaver, and who have no awareness of the auto-enrolment aspect of the scheme.

What happens?

The Confused employers are uncertain about what they should be doing, although they *think* they are following the correct procedures according to the information they have received.

Confused employers consider their only obligation under KiwiSaver is to hand out the KiwiSaver employee information pack (KS3) to existing and new employees. Some hand the pack to all staff, while others give it only to employees who request one.

They do not auto-enrol new employees unless an employee asks specifically to be enrolled in KiwiSaver. They are unaware they are required to auto-enrol all new eligible employees.

During the course of the interviews, some Confused employers ‘twigged’ that they should be auto-enrolling people and expressed concern to our researchers that they did not realise this. It appears that this is an honest misunderstanding rather than an attitudinal barrier to auto-enrolment.

Who is driving the enrolment process?

Lack of awareness on the part of both employers and new employees drives this scenario. If an employee is not aware of the obligation to auto-enrol eligible new employees, then they are not enrolled because their employer is not aware of the obligation either.

New employees who are aware of KiwiSaver, and want to join it, will mention that they want to be enrolled into KiwiSaver (they may not be aware of auto-enrolment – they think they need to request to be enrolled) and their employer will enrol them.

Barriers and issues

The main barrier is the employers' lack of knowledge that auto-enrolment is compulsory for all eligible new employees. This is compounded by some new employees also being unaware that they should be auto-enrolled, and so not raising it with their employer.

Solution

Raising employers' awareness of their auto-enrolment obligations

These employers need to be informed of the KiwiSaver auto-enrolment process, emphasising why it is compulsory and the obligations that employers have in implementing KiwiSaver. The review of the KiwiSaver employer guide (KS4) may already be highlighting that employers must enrol all eligible new employees as soon as they start a new job. In addition, it may be important to raise awareness among people changing jobs, that they should (if eligible), be enrolled automatically into KiwiSaver, and should raise it with their employer if they are not.

New employees' perspective on this scenario

We found that some of the new employees we spoke to were confused about KiwiSaver. They do not know:

- How to join KiwiSaver (i.e. where to apply/enrol/enquire⁹);
- Who is supposed to initiate enrolment (the employer or the employee); and
- When enrolment is supposed to occur.

Confused new employees do one of two things:

- If they want to enrol, they will ask their employer to enrol them and their employer will do so; or
- If they do not know that their employer enrolls them, or do not want to enrol, they assume that they need to do nothing.

⁹ A few were completely unaware that their employer is part of the KiwiSaver process. They thought they needed to talk to Inland Revenue, or direct to a scheme provider to join KiwiSaver.

BY-PASSERS

Introduction

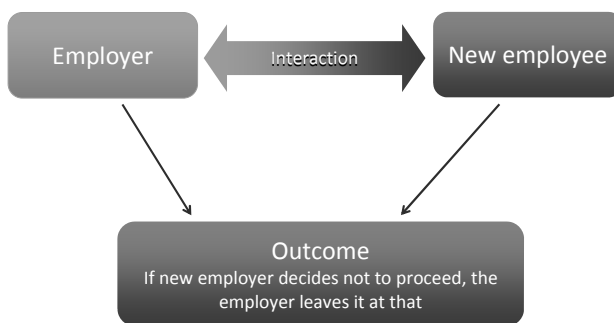
This section describes those employers who are “by-passers” of the auto-enrolment process. It also describes the interactions between employers and new employees that leads to the auto-enrolment process being bypassed by employers.

What happens?

The by-passers are employers who do not see the point in auto-enrolling a new employee who is planning to opt-out anyway. They view this as an inefficient process. These individuals considered the outcome is the same regardless of whether they auto-enrol a new employee or not, as the new employee is planning to opt out once they have been auto-enrolled.

The diagram below explains the by-passers scenario. The employer and new employee discuss KiwiSaver, and if the new employee decides he or she will opt-out (or mentions they will to their employer), then the employer does not enrol the new employee in KiwiSaver. If, however, the new employee wants to participate in KiwiSaver, the employer will enrol them.

Figure 1: Auto-enrolment process when new employees want to opt out



Who's driving the enrolment process?

The driver is the interaction between the employer and the new employee (as described above). This interaction appears to be neutral – the employer neither encourages nor discourages the new employee from participating in KiwiSaver, they just follow the new employee's wishes.

Barriers and issues

The by-passer employers do not realise that auto-enrolment is a KiwiSaver obligation. They regard it as a process over which they have some discretion. Some use their discretion out of a sense of doing their employee a favour by “saving them the trouble” of opting out. Others are motivated by saving themselves an administrative process by not having to go through auto-enrolment; they feel that the auto-enrolment process is a waste of their time and effort when their new employee has told the employer that the employee will opt-out as soon as possible.

Solution

Removing the illusion of discretion

The solution is to emphasise to employers that auto-enrolment is compulsory for eligible new employees and highlight the reasons for this. Employers will need to understand that neither they, nor their new employees, have the discretion to decide who is auto-enrolled and who is not.

New employees' perspectives on this scenario

By-passer new employees may or may not be aware of the auto-enrolment aspect of KiwiSaver: they just do not want to take part in the scheme and so ask their employer not to enrol them. All of the by-passer new employees we spoke to had decided not to join KiwiSaver at the time of the interview. However, some expressed interest in participating later on (for example, after they have saved for their wedding).

Eight out of the fifty new employees we interviewed, specifically asked their employer not to automatically enrol them.

Five of the eight were successful at gaining this from a cooperative employer. These employees are happy with this state of affairs, as it means they do not need to go through the opt out process.

Two out of the eight were unsuccessful at the time of the interview. One of the two new employees was resigned to their employer auto-enrolling them, while the other was disgruntled that their employer did not heed their request not to be auto-enrolled. Their employer had told them how to opt out and they will do so at the earliest opportunity.

EMPLOYEE DETAILS FORM (KS1) KEEPERS

Introduction

This section describes those employers who are “KS1 Keepers” in the auto-enrolment process. While they may appear in the Inland Revenue data as a ‘non-compliant’ employer, our understanding from speaking to these employers is that they are complying with the legislation and auto-enrolling new employees - they are just not completing the process correctly. New employees are not discussed in any detail in this section, as they are unaware of the internal processes that occur once they have completed the KiwiSaver forms – as long as contributions are being deducted from their salary, they consider themselves to be KiwiSaver members.

What happens?

The KS1 Keepers are confident they are following the correct process and certainly have no intention of being non compliant. They view KiwiSaver as a payment (like Child Support or Student Loan) that they need to load into their payroll system. They consider that because each KiwiSaver payment is identified by the new employee’s IRD number, Inland Revenue will be able to correctly identify each new KiwiSaver member.

The employer will hand out the KiwiSaver employee information pack (KS3) to all new employees, and they understand that auto-enrolment is compulsory for new employees. Once they receive the KiwiSaver deduction form (KS2) from their new employees, they file it in their office and load the KiwiSaver payment into their payroll system. However, they do not send in the KiwiSaver employee details (KS1) form to Inland Revenue. Instead, they either fill in and file the KS1 form with the KS2 form, or they do not fill out the KS1 form. These employers are simply not completing the full KiwiSaver auto-enrolment process.

“That was something that I just learnt today. The employer has to fill in a KS1 to send to the IRD. I wasn’t aware that I had to do that. I said to them it’s not in the KS3 booklet which is for the employee. It’s got two forms, the opt in form and the opt out one, but it doesn’t mention anything about a KS1 form. And he [call centre customer service representative at Inland Revenue] said it’s in the employer guide. So, I don’t remember reading that one.”

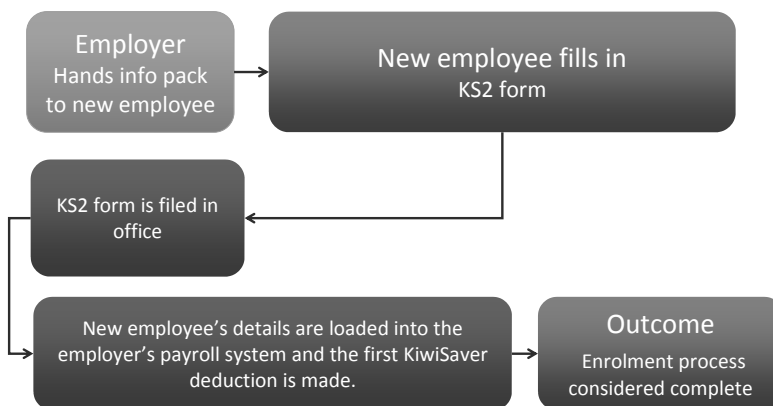
Small organisation, 1 new employee, Education services

“They [Inland Revenue] have the IRD employee number on our monthly returns, they know our name, they know our postal address, they’ve got our contact details, they know the employee’s name, they know their IRD number because it’s on the monthly return, so why, why do the KS1 anyway?”

Small organisation, 1 new employee, Education services

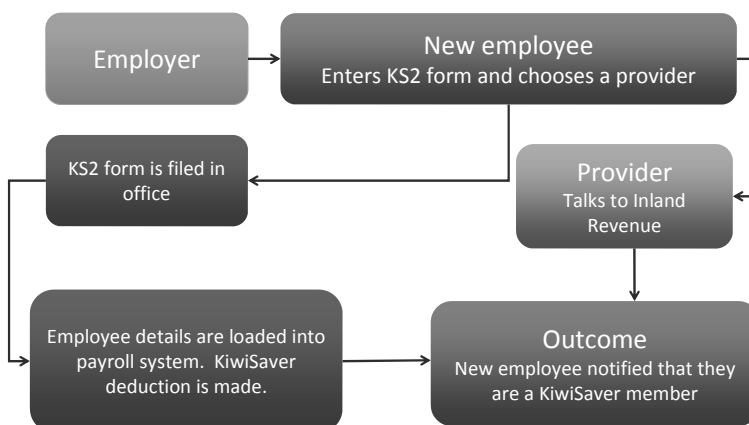
The diagram below describes the process of enrolment for the KS1 Keepers.

Figure 2: Auto-enrolment process for KS1 Keepers



Within the KS1 Keepers scenario, there is a sub-scenario, the Justified KS1 Keepers. These employers feel *justified* they are implementing the correct enrolment process because some of their new employees have received confirmation from their KiwiSaver scheme provider that they are fully enrolled members. This is because at least one new employee has actively chosen his or her own provider. Their provider has then contacted Inland Revenue and completed the membership process without the KiwiSaver employee details (KS1) form being sent by the employer. Justified KS1 Keepers do not differentiate between auto-enrolled new employees who have selected their own provider and auto-enrolled new employees who have not.

Figure 3: Auto-enrolment process from Justified KS1 Keepers perspective



Who's driving the enrolment process?

The enrolment process for the KS1 Keepers is driven by the employer. They initiate the auto-enrolment process and ask the new employee to complete the KiwiSaver deduction (KS2) form. Once they have received the KiwiSaver deduction (KS2) form they load the first KiwiSaver payment into the payroll system. The first payment goes to Inland Revenue. Once this has occurred they believe their KiwiSaver obligation is complete. To them, responsibility for KiwiSaver now rests with the new employee - their interactions should no longer be via the employer, but between Inland Revenue and their KiwiSaver scheme provider. The KS1 Keepers view their role as providing a conduit for contributions into KiwiSaver via Inland Revenue and their payroll system.

The enrolment process for the Justified KS1 Keepers is firstly driven by the employer, then by the new employee when they choose a provider, and finally by the KiwiSaver scheme provider in notifying Inland Revenue of the new member. Because the 'loop' is closed for new employees who actively choose a provider (by the scheme provider themselves), employers are not aware they need to do this for new employees who they have auto-enrolled but who have not chosen a KiwiSaver scheme provider.

Barriers and issues

The KS1 Keepers do not understand the purpose of the KiwiSaver employee details (KS1) form. Their perspective of KiwiSaver is through their payroll software and procedures, and via the EMS they send to Inland Revenue. They view auto-enrolling a new employee into KiwiSaver as a similar process to loading a Student Loan, or Child Support payment – while it is an internal process, they believe Inland Revenue holds all the information requested on the KiwiSaver employee details (KS1) form already. So they therefore do not send it this information to Inland Revenue. Some employers within this scenario are unaware of the KiwiSaver employee details (KS1) form altogether.

In addition, employers are not clear about the opt-out process. Some employers know that a new employee who wishes to opt-out needs to fill in an opt-out form, while others are not sure at all. Many of the employers who had new employees fill in an opt-out form had not received the new employees' contributions back yet, so some of the employer representatives we spoke to could not be sure they had completed the process correctly. The only real indication they have that they have completed the process correctly is if a new employee tells them they have received their contributions back from Inland Revenue.

“There are a few things that I thought were working one way that in fact weren't, like people opting out, I just thought that because our whole system is computerised that the IRD knew that the people had opted out via the IR files, but that doesn't seem to be the case, cause I have been having to send in the forms as well, so there is a few little things like that that haven't been working.”

Large, 20 new employees, Tourism industry

The Justified KS1 Keepers are simply more confident than the KS1 Keepers that they are following the correct process, because the auto-enrolled new employees who have chosen a scheme provider receive confirmation from their provider that they have been enrolled in KiwiSaver.

This situation may create confusion and conflict between payroll staff who believe that they are following the correct process, and a new employee who has not chosen their own provider and might be wondering why they have not received confirmation from Inland Revenue that they are enrolled in KiwiSaver. We have not been able to explore this situation from new employees' perspectives as they are not aware if their employer has, or has not, completed and submitted their KiwiSaver employee details (KS1) form.

Solution

Reiterating the purpose of the KS1 form to employers

Short of removing the KiwiSaver employee details (KS1) form from the enrolment process altogether, the solution is to emphasise its importance and role as a double check for Inland Revenue to ensure they have the correct employee. It is also important to highlight the difference in the process between new employees who nominate their own provider and new employees who do not.

New employees' perspectives on this scenario

As this scenario is more relevant to employers, and is about internal systems and processes, new employees did not mention it as a problem. All of those who were enrolled (either automatically or on request) could recall filling in “some form” about KiwiSaver.

None of the auto-enrolled new employees who have elected to remain KiwiSaver members reported any issues with their contributions. As long as new employees see the deductions coming from their pay, they perceive everything to be running smoothly.

PROPOSED ACTIONS

Dealing with non-compliance

The employer 'non-compliance' we encountered in this research is related to either confusion about the auto-enrolment process, or the belief that auto-enrolment is a process that employers have discretion over. The employer representatives we spoke to were not deliberately defying their legal requirement to auto-enrol all eligible new employees.

Our suggested solutions are to:

- Ensure employers are aware that they must auto-enrol all eligible new employees;
- Help employers be aware of their obligation by highlighting this in the information packs to employers;
- Remove any sense of discretion from the auto-enrolment process, so employers are aware they cannot act on the instructions of new employees who ask not to be enrolled;
- Clarify the process for filling in the KiwiSaver employee details (KS1) form and provide more information about its purpose and importance in the process; and
- Ensure employers are aware of any process differences between those new employees who they auto-enrol and who stay with a default scheme provider, and those new employees who they auto-enrol and who choose their own scheme provider.

Ensure new employees are also aware they should be auto-enrolled and empowered to ask their employers to auto-enrol them (particularly if they want to participate in KiwiSaver).

APPENDIX 1: EMPLOYEE SAMPLE PROFILE

