



**BUSINESS SCHOOL**

## Retirement Policy and Research Centre

A commentary from the Retirement Policy and Research Centre

### Why this budget matters for intergenerational fairness

*RPRC Pension Commentary 2020-7*

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#### Careful attention is needed to ensure fairness in the post lockdown period.

The chief beneficiaries of the lockdown's success in preventing the adverse health outcomes of COVID-19 are people over 65.

At the same time, many adults of working age across the economy are bearing the brunt of the economic fall-out. Children in many low-income families will be pushed even further into poverty that will blunt their life chances and damage the recovery.

As we come into the post lockdown period, careful attention is needed to ensure the pain is more fairly shared.

It is not helpful to pit the old against the young but better to ask the question: "How can the wealthy of all ages help the truly devastated families and workers rebuild their balance sheets, and their futures?"

In the post covid-19 lockdown recovery, an intergenerational lens must be used to assess all social policies.

It would be hard to overstate the potential for economic disaster we face, and the risk that the secure retirement of many could be severely compromised. The NZ Super Fund as it is currently conceived will not save the day\*.

The COVID-19 recession will force many older workers under 65 onto benefits as their part-time and low paid jobs dry up and there is immense competition from the tsunami of those thrown out of work in tourism and supporting businesses.

#### Sharing the pain does not mean:

- Raising the age for NZ Superannuation
- Forcing people into retirement at age 65
- Removing GST
- Introducing a Universal Basic Income
- Expecting people to run down their assets before accessing supplements in the inadequate benefit system

- Offering early access to KiwiSaver, no questions asked

These actions would compound the COVID-19 costs.

**Safely sharing the pain should include:**

- Improving the income support system to adequacy, including benefits, student allowances, children’s payments, child-care subsidies, disability payments. Redesigned benefits would reduce poverty levels and prevent the extreme, enduring high-cost outcomes of third world disease, homelessness, transience, suicide and loss of human potential in the post lockdown period.
- Urgently redesigning benefits for older workers approaching retirement whose part- or full-time work has disappeared. This requires retraining programmes, the removal of the couple basis, an increase in the level of assistance, and much higher earnings exemption.
- Releasing funds from the top 10% of New Zealand superannuitants through a more progressive tax system. \$1 billion annually would be easy to save as outlined by the RPRC.\*
- Stopping contributions from taxpayers to the New Zealand Super Fund immediately, releasing \$2 billion per year.\*\*
- Making the Winter Energy Payment an opt in for superannuitants. Current policy design is wasteful, and about \$400m annually could be easily saved.\*\*\*
- Offering low interest, safe, affordable, secure loans to low income people who are desperate, especially as an alternative to cashing in their Kiwi Saver funds. KiwiSaver accounts could be used as collateral for the loans.

\*St John, S., & Dale, M. C. (2019). [Intergenerational impacts: the sustainability of New Zealand Superannuation](#) Retirement Policy and Research Centre, prepared for the Commission for Financial Capability.

\*\*St John, S ( 2020) [The New Zealand Super Fund’s magical thinking](#) Newsroom Pro 28th February 2020

\*\*\*St John, S ( 2020), Newsroom, [Time to change this abhorrently wasteful policy](#) 23rd April 2020

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