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A commentary from the Retirement Policy and Research Centre

Seniors, COVID-19 policies and the 2020 Budget

RPRC PensionCommentary 2020-10[1]

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Impact of COVID-19

COVID-19 provides an opportunity to rethink all elements of retirement income policy to ensure that the pain of the pandemic is shared equitably and the settings of policy are improved to reduce the impact on those most at risk. The local economic fallout from the pandemic, including widespread unemployment, bankruptcy and debt is exacerbated by rapid dislocation of global markets. An appropriate response requires a comprehensive reset of social protection measures, including what is valued and rewarded and the nature of work itself. It appears that women, ethnic minorities and the young have been adversely and disproportionately affected, compromising their retirement preparedness.

The Commission for Financial Capability's (CFFC) survey, "Impact of COVID-19 on Financial Wellbeing",[2] segmented the New Zealand population into three broad groups: '*Secure*': 26% (estimated 447,000 households) had enough money in savings to meet financial shocks in the future; '*Exposed*': 40% (estimated 715,000 households) were at risk of financial difficulty if they experienced a drop in income; and '*In difficulty*': 34% (around 608,000 households) were experiencing financial difficulties.

Table 2 of the CFFC report,[3] copied below as Table 1, shows that the percentage of secure households increased with the age of the respondent, reaching 52% for those aged 65+, reflecting a lifetime's accumulation of assets and also the security of NZS income.

Table 1. % of Secure, Exposed and In difficulty, Households by age group.

Age group	18-34	35-50	51-64	65+
In difficulty	35%	40%	35%	18%
Exposed	50%	41%	35%	31%
Secure	15%	19%	30%	52%

[1] PensionCommentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the RPRC.
[2] See https://cffc-assets-prod.s3.ap-southeast-2.amazonaws.com/public/Uploads/Research-2020%2B/COVID-19/CFFC-COVID-19-Research-Report-May-2020.pdf.
[3] Ibid, page 6.

The annual increase in New Zealand Superannuation

The 2020 Budget and pre-budget COVID 19 announcements have assisted the well-being of seniors, probably more so than other groups. While seniors weren't recipients of the $25 per week increase allocated to other beneficiaries, they did receive various bonuses. Also, the usual indexation raised the weekly before tax payment of New Zealand Superannuation (NZS) for a single person living alone to $490.73 (was $475,42), and to each partner in a qualifying couple, $372.27 (was $360.42). Indexation, along with growing numbers of those over 65, increased the annual cost of NZS to $14.5 billion. By 2024 that cost is expected to increase to $20 billion.[4]

Winter Energy Payment doubled

Prior to the Budget, as part of the COVID-19 recovery package, those receiving NZS or a core welfare benefit had their Winter Energy Payment (WEP), payable for 22 weeks from May 1 to October doubled to $1,400 for couples and $900 for singles. The WEP affects around 1 million people, including approximately 795,000 seniors,[5] at a total Government cost for 2020 of $480 million.[6] Couples living together or separately receive an extra untaxed $63.64 weekly, while people living alone get $40.911. The payment meets a real need, particularly for those paying high rents.

However, the opt-out design of the policy has seen few of the wealthy over-65s opting out (only 2,000 in 2019). While a charitable sector campaign encourages those more well-off to donate their energy payments, or even their full NZS payment, to people in economic hardship, it is clear that the policy is unduly expensive given its objectives.[7]

New: Annual health and eye check-up for seniors

In addition, as part of Budget 2020 health spending, while the majority of the health spend goes to District Health Boards (DHBs) tackling huge treatment backlogs caused by the Covid-19 lockdown, more than 750,000 SuperGold cardholders will soon get a free annual health and eye check-up.[8] Although no start date has yet been determined, this policy, included in the New Zealand First-Labour Coalition agreement, will cost nearly $13 million in 2020/21, rising to an estimated $61.6 million annually from 2021/22.

Doubled budget to Elder Abuse services

Age Concern's Elder Abuse services received 2,500 referrals for older people in 2019. The sad reality is that 81% of alleged abusers are family members, and 57% of the alleged abusers are adult children or grandchildren.[9] Social workers and nurses provide advice, support, advocacy, safety planning, goal setting and whānau mediation to people experiencing, or at risk of experiencing, family violence and other forms of abuse.

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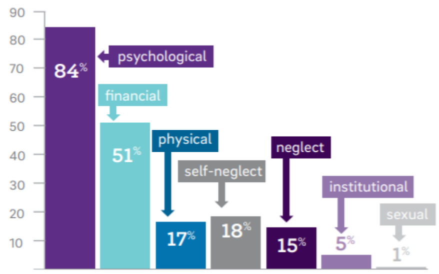
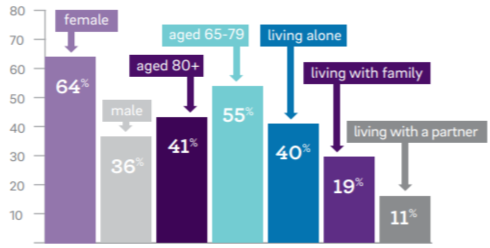
[4] See https://treasury.govt.nz/publications/efu/budget-economic-and-fiscal-update-2020.
[5] See https://www.newshub.co.nz/home/money/2020/05/increase-in-winter-energy-payment-a-relief-for-pensioners.html.
[6] See https://www.powercompare.co.nz/n/coronavirus-winter-energy-payment-increased-for-2020.
[7] See St John, S and M.C Dale (2020) Why this budget matters for intergenerational fairness Newsroom, 14th May 2020; and St John, S (2020), Newsroom, Time to change this abhorrently wasteful policy 23rd April.
[8] See https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12331975.
[9] See https://www.scoop.co.nz/stories/PO2006/S00013/elder-abuse-hits-close-to-home.htm.

WHAT SORT OF ABUSE WAS FOUND?



WHO ARE OUR CLIENTS?



Government's spend on Elder Abuse services doubled from $2.5 million to $5 million with a proposed further increase in 2021 to $7.5 million.[10] Extracts from a recent Age Concern's Elder Abuse report are shown above.[11]

Fact: Many seniors are 100% reliant on NZS

NZS is a universal, taxable, basic income paid out of current taxation (with some limited pre-funding in the New Zealand Superannuation Fund). It is provided on residency grounds: 10 years after age 20, 5 of these after age 50. Unlike most age pensions internationally, there is no requirement for contributions or work periods. NZS is indexed to ensure its rate does not fall below 66% of the net average wage for a married couple.

Without question, NZS protects many seniors from severe poverty. While older Kiwis are the wealthiest age group, with high rates of home ownership, low rates of income poverty, and access from age 65 to the universal NZS, the great majority of older New Zealanders are very dependent on NZS and other government transfers for their income: 40% of seniors have less than $100 pw from other sources.[12]

Critical factors in maintaining a 'secure' financial position are home ownership, and not being a single female household. The 2020 CFFC survey[13] found almost 51% of those living in rental accommodation were experiencing financial difficulties, as were 52.1% of single female households, compared with 37.8% of single male households. In their 2018 research, Pledger, MacDonald, Dunn et al. found a higher proportion of renters aged 75+ were female, and Māori and Pacific people were more likely to be renters:

> *Renters were more likely to be living alone, on lower annual incomes. Overall measures of physical and mental health showed a health gradient, with public renters in the poorest health and owner-occupiers in the best health. Higher rates of renting among Māori and Pacific people and older females means that these groups are particularly vulnerable to any negative impact of renting on health.*[14]

A further major risk factor for seniors is requiring expensive end-of life-care. While New Zealand legislation provides for in-home support for those aged 65+ who need

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[10] See https://www.msd.govt.nz/about-msd-and-our-work/newsroom/2020/funding-for-family-violence-services-through-budget-20.html.
[11] See https://drive.google.com/file/d/1mtdrwnvTqchmmmwEUQtq3BFUo4NqjjyL/view.
[12] McKenzie, A. (2019, 26 April). *Older New Zealanders: Some Emerging Trends*. Paper presented at the RPRC Summit: The 2019 Retirement Income Policy Review & You, University of Auckland. Retrieved from https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/RPRC/OtherPapers/Session%204%20Equity%20and%20distribution.pdf.
[13] See https://cffc-assets-prod.s3.ap-southeast-2.amazonaws.com/public/Uploads/Research-2020%2B/COVID-19/CFFC-COVID-19-Research-Report-May-2020.pdf.
[14] Pledger, McDonald, Dunn, Cumming, & Saville-Smith, 2019, p. 1.

assistance, those needing care may not be aware that state-funded help is available, and care-workers are not always available to provide support. For 24-hour nursing/medical services, residential care is the only option for those who can't afford in-home care. NZS combines with means-tested government subsidies to meet the cost.[15] The small amount of NZS retained will not meet the costs of dental care, glasses, hearing aids or better amenities in the aged-care facility.

The public cost of aged residential care is around $1 billion per year with a further $800 million contributed by residents under the means test.[16]

Remarkably, fallacious thinking regarding NZS continues

On 27 May 2020, the Herald printed yet another letter in which the author claims he had paid for his own NZS age pension through taxes paid through his working life. A simple 'back of the envelope' calculation shows that NZS, for 20 years, in 2020 dollars, amounts to almost $510,000. The internationally low taxes paid on average earnings over 40 years' employment cannot fund the comparatively generous NZS for 20 years and contribute to tax-funded free healthcare, free education for the next generation, and all the other government and infrastructure projects and responsibilities.

Also, a vocal group is suggesting that the 'Covid-19 crisis could ring death knell for NZ Super as we know it':[17]

> *"The knives are out for NZS in its current form as the country faces up to the impact of Covid-19 on its long-term financial health…. New National Party leader Todd Muller has already indicated it will fight the next election pledging to push up the age of eligibility progressively from 65 to 67 starting in 2037 and finishing in 2040."*

Does New Zealand need a Commissioner for older people?

Rosa Kornfeld-Matte, a UN Independent Expert on the enjoyment of all human rights by older people, visited New Zealand at the invitation of the government just before she completed her term as and just before we locked down in response to Covid-19.[18] She found that while NZS was still something to be proud of, and while the Minister, Tracey Martin, and the Office for Seniors[19] have been active in developing strategies,[20] New Zealand's leadership in protecting the rights and interests of older people has stalled.

Kornfeld-Matte's concerns included violence against seniors, increasing poverty, lack of affordable housing and care workers, structural biases in the health system that disproportionately affect Māori and Pasifika, and increasing rhetoric portraying the elderly as a burden.[21]

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[15] See https://www.health.govt.nz/our-work/life-stages/health-older-people/long-term-residential-care/income-and-asset-testing.
[16] https://tas.health.nz/dhb-programmes-and-contracts/health-of-older-people-programme/aged-residential-care-funding-model-review/#Aged.
[17] See Rob Stock, 26 May 2020 at https://www.stuff.co.nz/business/121617390/covid19-crisis-could-ring-death-knell-for-nz-super-as-we-know-it.
[18] See https://theconversation.com/the-coronavirus-crisis-shows-why-new-zealand-urgently-needs-a-commissioner-for-older-people-139383.
[19] See https://dpmc.govt.nz/cabinet/portfolios/seniors.
[20] See http://superseniors.msd.govt.nz/about-superseniors/ageing-population/better-later-life-report/index.html#WhydoweneedanewstrategynbspTetakemewhairautakihou0100.
[21] See https://www.theguardian.com/world/2020/mar/12/new-zealands-intention-to-improve-older-peoples-lives-is-falling-short-says-un-expert.

To address these issues, she recommended the establishment of "an independent national commissioner on the enjoyment of all human rights by older persons".[22]

The role of New Zealand's commissioners is to represent the interests of particular groups or concepts, is based in legislation, and they are independent of any political party or the partisan reach of any political cycle.

In the nearly two decades since its establishment, the Office of the Commissioner for Children[23] has developed a system of advocacy that includes children in the judicial system, children's welfare, the placement of children into state care, and the issue of child poverty. The Commissioner has the support of an international legal framework that has been accepted by every UN member state except the US.

As Breen and Gillespie (2020) write:

> *Fortunately, New Zealand has been spared the devastation COVID-19 has caused elsewhere. But our lives have still been changed dramatically. The challenge now is to ensure the voices of those most at risk from the disease (and from the current means of controlling it) are heard loudly and clearly. The appointment of an independent national commissioner to advocate for older New Zealanders would be a significant step towards restoring this country's reputation as a great place to live – at any age.*[24]

Grey Power also argues that:

> *The Covid-19 pandemic, as it has impinged on New Zealand, has highlighted existing problems within the Aged Care Sector and we suggest that if the promise by the Labour Party to fund an Aged Care Commissioner had been honoured, some of these pre-existing pressure points may have already been resolved.* [25]

Grey Power suggests that if the Labour Party had delivered on its pre-election promise: that its first budget would include expenditure on an Aged Care Commissioner, the stress and distress endured by many Aged Care Facilities during the Covid-19 crisis could have been avoided. A Commissioner could have high-lighted the industry's underfunding and under-staffing issues and advocated for them to be rectified before a crisis revealed the broken aged care model.

Concluding comments

Rather than a Commissioner for Older People, or a Commissioner for Aged Care, in 2018, the RPRC published a call for a Commissioner for the Future,[26] with the task of ensuring intergenerational equity as the complex, profound and enduring effects of population ageing unfold. The working paper explored existing and anticipated regional and ethnic variation in ageing and the issues arising, along with evidence of the prevailing intergenerational inequity in New Zealand.

That intergenerational inequity is perpetuated by the generous treatment of those over the qualifying age for NZS, as evidenced in the 2020 budget, compared with the inadequate income support provided for other groups, particularly sole parents.

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[22] See https://www.ohchr.org/en/NewsEvents/Pages/DisplayNews.aspx?NewsID=25712&LangID=E.
[23] See https://www.occ.org.nz/.
[24] 1 June 2020, at https://theconversation.com/the-coronavirus-crisis-shows-why-new-zealand-urgently-needs-a-commissioner-for-older-people-139383.
[25] 4 June 2020, at https://www.scoop.co.nz/stories/PO2006/S00029/would-an-aged-care-commissioner-have-made-the-ifference.htm?fbclid=IwAR1wQ4qUxQM8NVYbvmvtqrmR6lzaxt7_3Igs_xV67Kc32sFKjMXfKPyIr6o.
[26] See RPRC's working paper (2018) Improving intergenerational equity in New Zealand, by M.C.Dale

The solution is not to reduce the support for seniors who are already struggling, but rather to ensure adequate and equitable assistance to all New Zealanders, whatever their age. The design of the WEP should be revisited along with the over generous treatment of the super wealthy in receipt of NZS.[27] The OECD's 2017 income-inequality data shows the gap is biggest for Chile then Mexico and the US, with New Zealand in 13th place. Inequality effects life expectancy, murder and violent crime, school dropouts, obesity, depression and mental illness.[28]

We need to adopt the best policies and legislation that has been developed elsewhere. Action could be taken now to improve intergenerational equity, including improving support for families and reducing child poverty; joining international organisations focussed on sharing information to create age-friendly communities; establishing a Parliamentary Commission for the Future; and introducing safe, fair long term care insurance and annuity products to enable intragenerational sharing of the costs of the ageing population.

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[27] See CFFC's research paper (2019) from RPRC's Susan St John & M.Claire Dale: Intergenerational impacts: the sustainability of New Zealand Superannuation.
[28] Woulfe, C. (2017). How inequality devastates our economy, health and social relations. New Zealand Listener, October.