THE UNIVERSITY OF AUCKLAND
Te Whare Wānanga o Tāmaki Makaurau
NEW ZEALAND
RETIREMENT POLICY AND RESEARCH CENTRE

RPRC Update

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Pensions Policy through a Gender Lens

2020 has been a momentous year in which nearly all countries have been devastated by COVID-19 health outcomes, economic outcomes, or by both. Countries have lurched in synch into a deep global recession if not a world depression. In this environment, retirement incomes policies have not been at the forefront of concerns.

In New Zealand, to date, policies in place have protected older people's standard of living. But there are enormous implications for the future as we emerge from this dark period. This is even more so for countries that have less well-designed policies for retirement and particularly affects women who already face structural disadvantage.

Women live on average longer than men and are more likely to live alone or be widowed. In spite of their greater needs, they are more likely to arrive at retirement without secure housing, to have saved less because of caring duties and lower wages, and thus to experience greatly restricted lifestyles in retirement. They are more likely to require expensive end of life care for longer than men on average and endure a lower quality of life.

The RPRC was commissioned by David Harris, General Manager TOR Financial Consulting, UK, at the beginning of the year to write a short paper on gender and superannuation looking at the experience of New Zealand, Australia and Ireland with auto-enrolment policies. Under Covd-19 lockdowns this evolved into a much larger study that reflects on broader aspects of gender inequality and its intensification under Covid-19.

New Zealand women are more fortunate in the design of the state pension compared to women in Australia or Ireland. However, post COVID-19, women will continue to be more likely than men to be reliant on NZS alone, less likely to own their homes, and more likely to be affected by lower employment opportunities. Older age female poverty can be expected to re-emerge and, without adequate policy responses to the COVID-19 recession, is likely to become much worse in the next decade.

In the paper we examine retirement income policy in New Zealand, Australia, and Ireland with a gender lens. The report: ***Women and Retirement in a post COVID-19 world,*** by M.Claire Dale and Susan St John, will be discussed in an International Zoom workshop on 7th October:

"A Universal Pension for Ireland." Why Ireland should use Auto-Enrolment to tackle the gender pensions gap – voices from New Zealand, Australia and Sweden**.**

The RPRC also plans a New Zealand launch in November, date to be confirmed.

Among the conclusions are several standout lessons for a gender-friendly suite of retirement policies: The basic state pension design is critical. A universal, adequate, non-contributory pension is needed; and Careful design of second Tier auto-enrolment savings can help close the gender pensions gap and promote gender equity.

Contents

"Modernising" NZ Superannuation and Veteran's Pension payments - A mixed bag!

"From 9 November 2020, the Government is making changes to NZ Super and Veteran's Pension. The changes aim to "modernise superannuation in New Zealand".

There is good news and not so good news. The good news is that the heinous 'spousal deduction' that never should have applied will be abolished from 9 November.

No longer will a partner lose some or even all of their individual NZS because their spouse has a large overseas pension. This issue has been lobbied by the RPRC for over 10 years. We welcome the change that removes an obvious injustice. The W & I website states "*This recognises you as an individual with your own entitlement to superannuation*", begging the question- why has it taken so long to make the change?

The costs of this policy are minimal. *Stopping the spousal deduction is expected to have a net cost of $1.820m in 2020/21, rising to $2.040m in 2023/2.*

Compensation should be paid, or at least backdated to allow for the inexplicable delays in implementation.

The less good news contained in this 'modernisation' is that, people receiving NZS or Veteran's Pension can't include their non-qualified partner (NQP) in their payments. While this only applies to new applicants it will affect some couples especially where the younger spouse provides care for the older one or vice versa. The non-qualifying partner can apply for other, lower rate welfare assistance, but only if eligible. This has the potential, if welfare benefits are not reformed, to reduce living standards of some couples to unacceptably low levels.

See the W & ! announcement here.

We note that both of these changes, one good, one bad, will impact most strongly on women. The associated Cabinet Paper states:

People who do not qualify for NZS or VP but who care for their partner who qualifies will not be able to receive a Supported Living Payment as a carer, as this is not available to people who care for their partner.
Additionally, some partners of superannuitants might not be able to meet the Jobseeker Support criteria if they are the principal caregiver for a child.
It is expected that 1,300 fewer people will be included as NQPs in 2020/21 (460 of whom are assumed to receive a main benefit instead), rising to 16,000 by 2030/31 (with 5,600 assumed to be on a main benefit instead). Net savings of $13.050m are expected in 2020/21, rising to $90.867m in 2023/24, and $237.579m in 2030/31.

See the Cabinet Paper here.

We note the Minister says: *I do not propose to remove direct deduction more generally. At present, direct deduction affects around 90,000 people. The value of the deducted overseas pensions is around $390 million per year.*

Commission for Financial Capability's *Financial Capability Barometer 2018-2019*

Retirement Commissioner Jane Wrightson has welcomed the latest Financial Capability Barometer 2018-2019. Wrightson says: "*How do we … find out how to help New Zealanders become better with money? Our Financial Capability Barometer survey, launched in 2017, has proved a good start.*"

Compiled for the Commission for Financial Capability (CFFC) by Dr Celestyna Galicki, the survey provides a snapshot of pre-COVID-19 personal finances based on a survey of 15,519 New Zealanders.

It is of grave concern that even before the COVID-19 lockdowns and job losses, consumer debt was widespread across all ranges of incomes. Of those respondents who had debt, 25% were "quite worried" and 9% were "very worried", and 30% of survey respondents owed money on a credit card or store card where they did not pay off the balance by the end of the interest free period.

Prior research shows that the strongest block to a 3-month emergency fund is credit card debt, yet such an emergency fund is a sure way to prevent a financial crisis and avoid high-cost borrowing. The survey found that, of those renting homes, nearly half (44%) could not even access 1 months' income in a crisis. Only 53% of all survey respondents were able to save money monthly or weekly. The survey also found that, compared to other ethnic groups, Māori and Pacific Peoples, who were more likely to be renting, were more likely to have little or no emergency savings. The 29% of respondents with a 3 month emergency fund were, on average, older, with higher personal and household incomes.

The majority of survey respondents (65%) rarely if ever thought about how much money they would need in retirement, and only 5% had a specific plan to save or invest to have enough in retirement. Only 16% had a good idea of how much they would need to save or invest. Older people were more likely to have given retirement some thought, but in the 51-60 years age group half the respondents thought a little or rarely about how much money they would need.

Of all those surveyed, 38% expected New Zealand Superannuation (NZS) to be their main source of retirement income, but 23% (mostly younger respondents) expected KiwiSaver to be their main source of retirement income.

While participation in KiwiSaver is high, knowledge about KiwiSaver and the type of KiwiSaver account remains limited, despite recent changes in the reporting of saver balances. Contributions were being made by 75% of those in employment and 29% of those not in employment, but 17% did not know their contribution rate, and 20% of men and 33% of women did not know their fund type.

Access to the CFFC's *Financial Capability Barometer 2018-2019* is here.

COVID-19 and KiwiSaver hardship withdrawals

Kiwis needing to pay bills and having no access to emergency funds, or having already used all their emergency funds, withdrew close to $15 million from their KiwiSaver accounts in July, the biggest monthly withdrawal rate since Covid-19 hit New Zealand.

Glenys Talivai, chief executive of the Public Trust, which supervises hardship applications for 11 KiwiSaver schemes, acknowledged that for some people, accessing their KiwiSaver funds would be a necessity, but recommends that people explore all other options before applying for a withdrawal from their KiwiSaver account.

The main reasons people apply for financial hardship withdrawal are: can no longer meet day-to-day living expenses; unable to pay mortgage or rent; medical reasons; or to pay off high-interest debt.

The number of applications and the amount taken out in July rose again and is expected to continue rising as Kiwis come under further financial pressure from lockdowns. The IRD's table shows KiwiSaver Hardship Withdrawals.

Month	Number	Amount
March	1958	$12.72m
April	1897	$13.78m
May	1694	$12.95m
June	1622	$11.84m
July	2122	$14.98m

See the 22 August, NZHerald article here.

It is extremely difficult to rebuild KiwiSaver accumulations once they have been drawn down, so every other option, including seeing a Financial Mentor, needs to be investigated before applying for a hardship withdrawal.

2019 Review of Retirement Income Policies - Update

On 29 January 2020, the Hon Kris Faafoi, Minister of Commerce and Consumer Affairs, stated that the Government was considering the recommendations of the Retirement Commissioner's review into New Zealand's retirement income policies.

The Minister expected the Government would respond to the review in fuller detail by the middle of the year.

He said "*The review raises a number of important issues in relation to New Zealanders' wellbeing and financial independence in retirement, particularly for vulnerable people. It is important to be thinking about how all New Zealanders can best be supported to ensure their wellbeing in retirement*."

No-one could predict the COVID-19 pandemic would disrupt New Zealand's and the rest of the world's health, safety and wealth, and would continue to do so for the foreseeable future. We continue to await the Government's response to the Review.

See the full Beehive Release here.

Ngā Tāngata Microfinance and Kiwibank

Kiwibank has been supporting Ngā Tāngata Microfinance to provide no-interest, no-fees loans to low income families since 2011. To ensure more people are aware of this option, both Kiwibank and Ngā Tāngata are providing information through their facebook pages.

See Kiwibank's page here, and more on their website here. And Ngā Tāngata's page is here.

Before drawing down a KiwiSaver hardship grant, it is a good idea to talk to the bank, and perhaps see Ngā Tāngata's website to check qualifying criteria for one of their loans.

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Submission: NZ Superannuation and Retirement Income (Fair Residency) Amendment Bill

New Zealand First's Member of Parliament Mark Patterson's Member's Bill 107—1 passed its First Reading in Parliament on 1 July 2020. The New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill amends section 8b of the New Zealand Superannuation and Retirement Income Act 2001 (the principal Act), raising the minimum residency requirement for New Zealand Superannuation (NZS) from 10 to 20 years, after age 20.The Hon. Mark Patterson noted in his introduction of the bill:
By global standards, the current 10 years is a short timeframe for full entitlement to a generous, universal, non-means tested, non-contributory pension at age 65.

See the Bill here.

The RPRC strongly supports an increased residency requirement for New Zealand Superannuation (NZS) and suggests that it offers an important opportunity to overhaul the policy of direct deduction of overseas state pensions from NZS. One issue of the direct deduction policy, the spousal deduction has already been addressed in the "New Zealand Superannuation and Veteran's Pension Legislation Amendment Bill". The RPRC submission on this bill outlined our concern that there were still grave anomalies in the treatment of overseas pensions especially when the overseas pension that is deducted is "the equivalent of KiwiSaver contributions".

See the full submission here.

Making Consumer Debt Safer and Fairer

As highlighted in the CFFC's Financial Capability Barometer (see page 1), problem debt is a major obstacle to saving for future retirement as well as an obstacle to a stress-free present. After many years of political inaction, this Labour-led Government recognised that the unregulated financial system was benefitting the profiteers and trapping unwary and often desperate citizens. Government action has also enabled the

Commerce Commission to hold irresponsible lenders to account. Some recent activity is outlined.

The Financial Markets (Conduct of Institutions) Amendment Bill. Reviews by the Financial Markets Authority (FMA) and Reserve Bank of New Zealand into the conduct of banks and insurers found behaviours that put profit ahead of people, so requirements for ensuring customers are treated fairly by banks, insurers and other financial service providers were included in new financial conduct legislation that passed its first reading on 12 February 2020. Measures to be implemented include a ban on incentives based on meeting sales targets, and a new conduct licensing system for banks, insurers and non-bank deposit takers. The conduct programmes also apply down the chain to intermediaries licensed entities use to distribute their products and services.

See the full report here.

The COVID-19 Response (Taxation and other Regulatory Urgent Measures) Bill going through Parliament on 30 April 2020 brought forward desperately needed and long overdue changes under the Credit Contracts Legislation Amendment Act to strengthen protections for vulnerable borrowers. These were due to start on 1 June 2020, but as a result of the disruption and financial concerns caused by COVID-19, the Government fast-tracked introduction of some measures. The improved protections applied from the day after the urgent legislation received Royal Assent, and mean that:

* people borrowing from high-cost lenders never have to pay back more than 100% of the loan principal,
* compound interest on high-cost loans is banned, and
* fees for defaulting payments are limited to $30 (unless lender can show higher amount reflects costs).

See the full report here.

From 1 June, **mobile-traders and truck shops are covered by the responsible lending protections in the Credit Contracts and Consumer Finance Act**. Mobile traders and truck shops must adhere to responsible lending requirements, including: Interest rate cap on high-cost loans; and Lenders prohibited from offering further credit to an applicant who has taken two high-cost loans in the past 90 days.

Minister Kris Faafoi acknowledged again that "*Predatory lending causes severe financial hardship in communities across New Zealand… The economic impacts of COVID-19 have only exacerbated the need to take a harder line to protect vulnerable whānau from problem debt.*"

See the full report here.

Given the economic impact of COVID-19 and the increase in problem debt, Minister for Social Development Carmel Sepuloni and Minister for Commerce and Consumer Affairs Kris Faafoi announced on 28 July: "*In the wake of COVID-19, 74% of households said they're in financial difficulty, or exposed to financial shocks.*" The $4.3 million over two years expands existing safe, fair, debt services, and builds on the extra $35m of funding ($9.7m cost pressure funding and $25.2m Covid Response and Recovery funding) provided for Building Financial Capability (BFC) services (formerly budgeting services) announced in May. Also, MSD is engaging with providers and diverse communities, including Māori, Pacific and other ethnic groups, to design and establish a comprehensive National Debt Solution.

See the full report here.

Auckland Council
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Demographic Advisory Panels

Ngā Rōpū Kaitohutohu

Dr M.Claire Dale, RPRC Research Fellow, is honoured to be selected as a Seniors Advisory Panel Member.

Auckland Council's Demographic Advisory Panels began a new three-year term at the beginning of September, ensuring the views of Aucklanders spanning generations, cultures, ethnicities and abilities continue to be represented in council decisions.

During the recruitment period in December and January, a total of 523 Aucklanders applied for membership on these Advisory Panels: Disability, Ethnic Peoples, Pacific Peoples, Rainbow Communities, Seniors, and Youth.

Councillor Cathy Casey, Chief Liaison Councillor of the Advisory Panels said the selection process was heavily disrupted by the COVID-19 lockdown, and the recruitment process had been longer than planned.

The advisory panels offer strategic advice to the council on regional policies, strategic issues and matters of interest to their respective communities. These panels do not have decision-making powers, but their insights inform the work of council staff and recommendations presented to the Mayor and council committees.

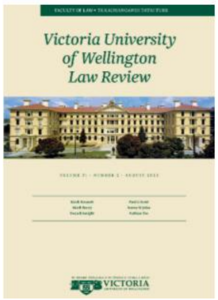
See more information about the Advisory Panels here.

Business.govt.nz's *Mind the skills gap*

Older people are increasingly engaged in employment. This online self-assessment tool is part of MBIE's new toolkit to help small businesses employ people aged 50+.

A quick self-assessment sheds light on where knowledge sits in a business. This new tool helps the leader spot any gaps and identify opportunities and next steps. It involves reflecting on how workers pick up new tasks, support an offer, and factors that might make things easier, or harder, for the leader and the team.

The Victoria University of Wellington



Law Review has published [*Reflections on the Woodhouse Legacy for the 21st Century*](), (2020), 51/2 VUWLR pp. 293-312, by **Associate Professor Susan St John, RPRC Director**.

The Sir Owen Woodhouse legacy can be described as a "paradigm shift" in the thinking around compensation for accidents, prevention and rehabilitation. The 1967 report provided a no-fault compensation benchmark blueprint for New Zealand, and the subsequent ACC legislation has been admired, if not fully adopted by other countries. Today, the Woodhouse principles and thinking are influencing the next paradigm shift that is occurring in welfare. The widespread reform needed requires relinquishing 19th century thinking to embrace a modern, inclusive, well-being focused welfare state fit for the changing roles of women, work and uncertainty in the 21st century.

A paradigm shift, a "disjunctive process associated with periodic discontinuities in policy", requires the world to be viewed in a different way that can be painful, resisted and often subject to reversionary changes. Nevertheless, they are the way in which progress is made. The lesson since the ACC scheme began is that entrenched thinking dies hard and clear guiding principles can be easily lost. The Owen Woodhouse vision that moves us to a unified welfare system requires eternal vigilance, education of policy makers and the public, and a resolve not to slip back into old, habitual thinking.

This lecture commemorates the life of one of our most distinguished judges and citizens, Sir Owen Woodhouse. His compassion, generosity of spirit and social conscience were reflected in his work as President of the Court of Appeal, President of the Law Commission and Chairman of the Royal Commission on Compensation for Injury that recommended a no-fault accident compensation scheme and laid the foundations for the Accident Compensation Corporation (ACC) scheme. He made an immense contribution to New Zealand's law and society.

See the full article here.

The Gender Justice Collective asks:

Imagine if Aotearoa New Zealand was the best country in the world to be a woman? What would it look like? What would you need? What would you want? What needs to change? The short survey from the Gender Justice Collective (GJC) Te Roopu Manatika-ā-Ira, asks women what they need to be able to live in the fullness of their being … It's time to ignite a national korero about these issues and move towards ensuring subsequent governments have our concerns high on their agenda.

Take the YouChoose2020 survey & share your thoughts.

Following the survey GJC will release WeChoose2020 - a matrix designed to rank & measure how political party policies are supporting gender equity in Election 2020.

"Achieving gender equity and empowering women and girls is the unfinished business of our time, and the greatest human rights challenge in our world." António Guterres, UN Secretary-General.

Karanga mai rā, maranga mai rā! Ka āhei te wāhine ki te tū i runga i tōna mana motuhake! Ka huri tai, ā, he au kume, he au kaha, te ia e rere ana. GJC website here.

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pensionreforms

Promoting high quality international debate on pension issues

veritas propter investigationem truth through research

Ten new reports were added to PensionReforms in the third quarter of 2020. Of note is a report on the very complicated (and failing) Italian pension system and a report from a new (to PensionReforms) country: Jordan. The links go directly to the PensionReforms' abstracts.

Information and Financial Literacy for a Socially Sustainable NDC Pension System
Italy introduced a complex Notional Defined Contribution system in 1996 to replace its expensive defined benefit arrangements at Tier 2. Complexity increases the communication responsibility as citizens need to understand what their future entitlements might look like. How is that going so far? Not so well.
PensionReforms summary: None of the report's findings seems terribly surprising. It is of course too late to wonder why Italy chose to go down the complex NDC route because, although it is supposed to reflect individual contributions (both monetary and economic), in reality, the scheme is complex (and therefore difficult to explain), uncertain as to its outcomes and makes future retirement planning by citizens more difficult. The past defined benefit scheme may have been regressive but changing that to an arrangement that is effectively based on career-average, revalued earnings introduces a significant communication hurdle that the Italian administrators have yet to clear. See here.

The Evolution Of Social Security In Jordan's Labor Market: A Critical Comparison Between Pre- And Post-2010 Social Security Reform
Jordan's social security arrangements were reformed in 2010. Some changes were intended to reduce early retirement and have, but less than needed for future sustainability. Coverage levels are relatively low for the less well-educated and those in 'informal jobs'.
PensionReforms' summary: the finances of Jordan's social security arrangements seem closely connected to labour market conditions and, with the relatively generous early retirement arrangements, act in part as unemployment insurance. While that may reduce the discontinuities in coverage from fulltime employment to fulltime

retirement, it probably means that the pension doesn't adequately address old-age poverty issues. It would be nice to see whether that is in fact so. See here.

Other recent reports cover the apparent under-use of tax-favoured saving schemes in the US; an attempt to retrospectively measure market-based pension-age reforms in 1960s communist Russia; the apparent funding crisis in local government occupational schemes in the US and how Australian retirees might (but might not) improve their retirement incomes through greater use of annuities.

PensionReforms now has abstracts for 870 reports by 1,144 authors from 317 institutions. The reports cover 77 countries (and country groups) and are indexed (and searchable) by 176 topics.

Principal editor: Michael Littlewood
michael@pensionreforms.com Ph: +64 21 677 160

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RPRC Media mentions and public presentations:

2 July 2020, Daily Blog, Susan St John asks "When will Labour get it right for the worst-off children?"
13 July 2020, RNZ, Interview On the Panel with Wallace Chapman, Radio NZ - National, Wellington, Susan St John says "Please save KiwiSaver from the axe".
14 July 2020, Daily Blog, Susan St John, "An analysis of Act's policies".
22 July 2020, NZHerald Letters, Susan St John on the Superfund: "Mythology abounds".
23 July 2020, RNZ Interview, Susan St John on Tax Special: Wallace Chapman afternoon panel.
25 July 2020, Alternative Aotearoa. Piptea Marae Wellington, Susan St John speaks to Economic Solutions. Video link here and edited transcript here.
3 August 2020, Daily Blog, Susan St John writes "Vote ACT for a shattered economy".
August 2020, CFFC, Susan St John appointed to the Expert Advisory Group to the Retirement Commissioner on the retirement income system.
22 September 2020, Submission, Susan St John and M.Claire Dale, RPRC Select Committee Submission on the New Zealand Superannuation and Retirement Income (Fair Residency) Amendment Bill.
September, VUWLR, St John, S. (2020) Reflections on the Woodhouse Legacy for the 21st Century, 51/2 pp 293-312.
29 September, Daily Blog, Susan St John, "What - no benefit increases?"

7 October 2020, RPRC and international partners launch research paper by M.Claire Dale and Susan St John, *Gender and Retirement.*

Event: *Why Ireland should use Auto-Enrolment to tackle the gender pensions gap – voices from Australia, New Zealand and Sweden*.

Mark your Calendars - Join zoom launch New Zealand: November date TBC.

RETIREMENT POLICY
AND RESEARCH CENTRE

Retirement Policy and Research Centre
The University of Auckland Business School
Owen G Glenn Building
12 Grafton Road, Auckland 1010

Director:
Honorary Associate Professor Susan St John
s.stjohn@auckland.ac.nz
09 923 7432

Research Fellow:
Dr M Claire Dale
m.dale@auckland.ac.nz
09 923 6968

Now based in the Centre for Applied Research in Economics (CARE)

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