

Economic Policy Centre

Pensions and Intergenerational Equity

Why it is fair and wise to retain eligibility to NZSuper at age 65

PIE Commentary 2023-04¹

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This Commentary was first published in The Post on 3 June 2023.²

The state age pension, New Zealand Superannuation (NZSuper), is individual, inclusive, non-contributory, and gender-blind. At age 65, if a person has been resident in New Zealand for 10 years since the age of 20, with 5 of those years since the age of 50, they qualify for NZSuper, whether or not they have ever been employed or paid tax.

But a comfortable and secure retirement in New Zealand depends largely on owning a mortgage-free home.

New Zealand is a low income economy. Income impacts a person's ability to save for a deposit on a home, and income impacts longevity. Higher income is a major driver of higher life expectancies. Research from American Inequality found the wealthiest Americans live to 87 years on average but in the poorer areas, life expectancy averages around 67 years.

Bringing that research home, we know that on average, Māori and Pasifika families have lower incomes. Stats NZ reports that average annual household equivalised disposable income by ethnicity for the year ended June 2022 was \$55,446 for Pakeha, \$46,579 for Māori and \$43,897 for Pacific peoples. Clearly that difference in incomes compounds over a working life of 45 years, from age 20 to NZSuper eligibility at age 65.

As well as ethnic gaps in income, there are ethnic gaps in wealth, even after removing the effects of the different age structures. In 2015, Stats NZ found the median net wealth of Pākehā was more than three times that of the Asian population, five times that of Māori, and nine times greater than Pacific peoples.

Although ethnic inequalities in New Zealand have decreased in the 21st century, and there are marked differences within populations, on average Māori and Pacific people still have lower incomes, worse housing and poorer health than Pākehā. For example, only 21% of Pacific peoples own or partly own a home as of 2018, compared to 52% for New Zealanders overall. And lack of access to affordable, dry and warm housing impacts negatively on mental and physical health.

¹ PIE Commentaries are opinion pieces published as contributions to public debate, and do not necessarily reflect the view of the Pensions and Intergenerational Equity Hub.

² See <https://www.thepost.co.nz/a/nz-news/350017173/why-it-is-fair-and-wise-to-retain-eligibility-to-nz-super-at-age-65>

Stats NZ 2021 Wellbeing statistics include four aspects of life with a strong relationship with wellbeing: excellent or very good health; more than enough or enough money to meet everyday needs; not felt lonely in the last four weeks; and no major problems (cold, damp, mould) with their home. The survey showed 24.2% of people with European ethnicity had good outcomes in all four aspects of wellbeing compared with 13.0% of Māori, 10.2% of Pacific peoples, and 10.4% of people with Asian ethnicity.

Sadly but not surprisingly, the Wellbeing statistics also showed 7.7% of women were more likely to have zero good outcomes compared to only 4.4% of men. In 2022, research in New Zealand showed men earn on average 10% more than women. As well as contributing to a lack of good outcomes, the gender pay gap contributes to women's comparatively smaller accumulations of retirement savings, and likelihood of higher rates of older-age poverty and deprivation.

In all age, gender and ethnic groups, people living more deprived lives have shorter life expectancy and higher rates of hospitalisation than those who are less deprived. Given this reality, it would be grossly unfair to delay everyone's access to the age pension. It would also be unwise, as the demand for hospital care would likely be increased by such delay.

The individual and public price of delaying access to NZSuper by increasing the age of eligibility from 65 to 67 years could swiftly outweigh the benefits. If the annual cost of NZSuper is the concern, we would do better to look at the tax structure and increase the top tax rate rather than add more hardship onto those who are already deprived.

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