

Silver tsunami or golden harvest? Policies for an ageing population

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Centre for Continuing Education's *Winter Week on Campus*
University of Auckland

Dr M.Claire Dale m.dale@Auckland.ac.nz





State support for young boomers (NZ)

- Universal Family Benefit
- Option to capitalize Family Benefit for home deposit
- Actually free compulsory schooling
- Almost free university
- Training Incentive Allowance introduced 1983 gave 2nd chance to beneficiaries
- Widespread unionization and fairer division of industry power and proceeds
- Families could survive and thrive on one income: option of full-time parenting

Those supports are diminished or disappeared...

Those supports are diminished / gone

eg Training Incentive Allowance

Table 4.24 Trends in the number of clients granted one or more Training Incentive Allowances during years ended December, by types of main benefit received

Type of main benefit received when first Training Incentive Allowance payment in the year was granted	Training Incentive Allowances granted ¹				
	Year ended December 2003 Number	Year ended December 2004 Number	Year ended December 2005 Number	Year ended December 2006 Number	Year ended December 2007 Number
Carer's benefits ²	19,374	18,650	16,046	13,635	10,695
Invalid's Benefit	2,685	2,740	2,870	2,635	2,261
Widow's Benefit	349	369	299	253	191
Other main benefits	45	25	0	0	0
Total	22,453	21,784	19,215	16,523	13,147

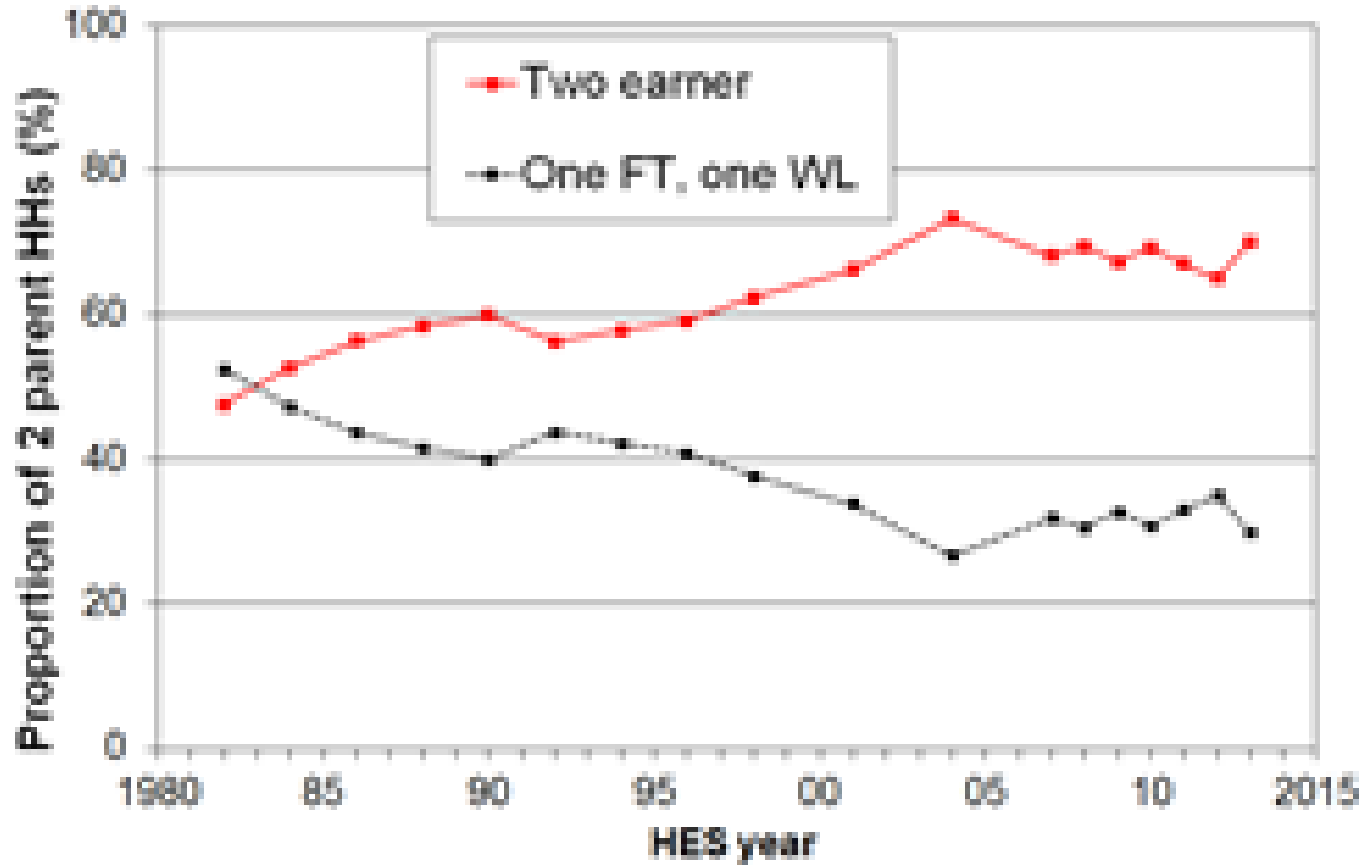
Training Incentive Allowance example (contd)

table TI.1: Main benefits received by clients granted a Training Incentive Allowance

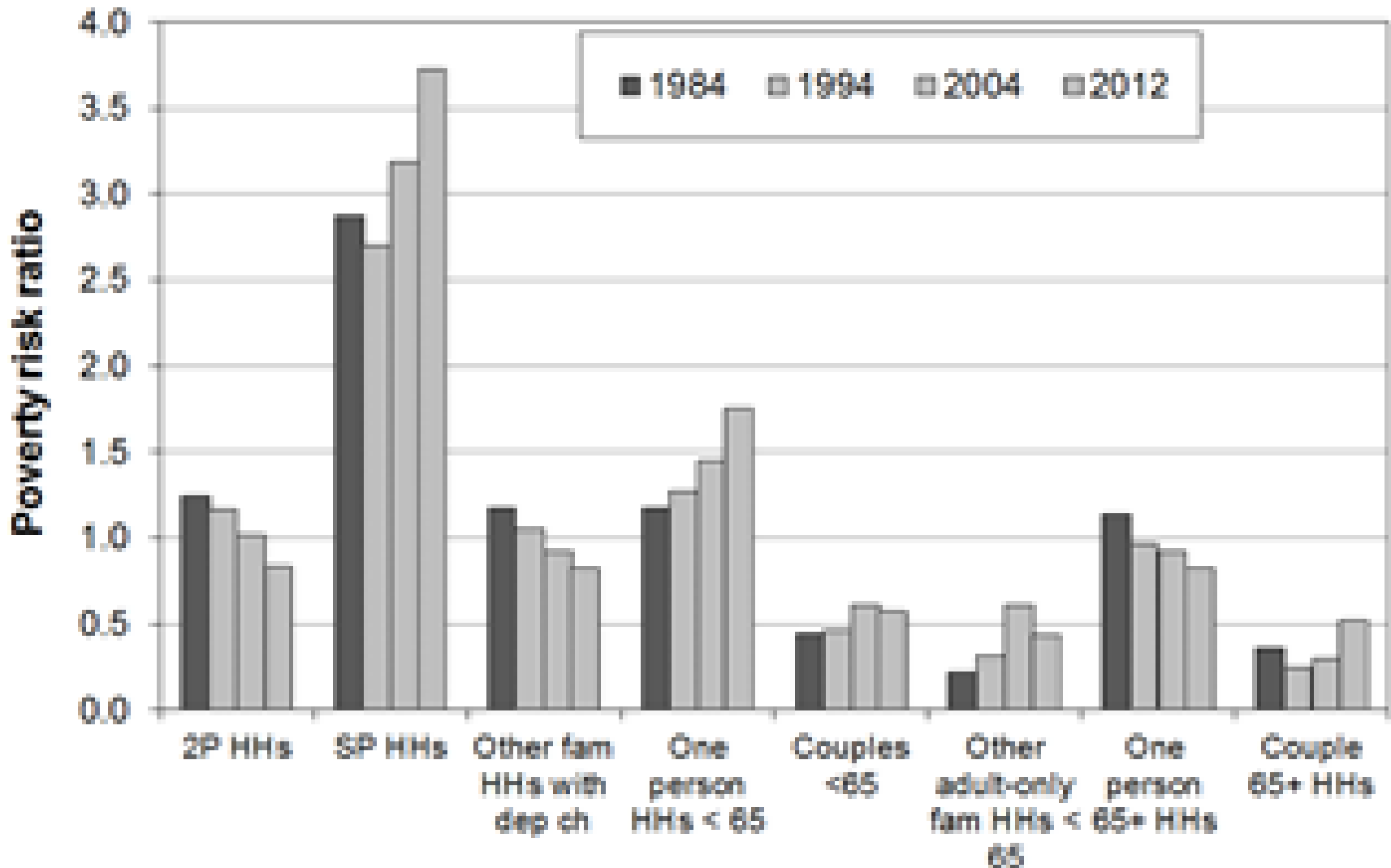
Type of main benefit received when first Training Incentive Allowance payment in the year was granted	Clients granted a Training Incentive Allowance ¹				
	2007	2008	2009	2010	2011
Domestic Purposes Benefits	10,961	10,120	9,898	5,051	3,181
Invalid's Benefit	2,378	2,435	2,256	1,085	631
Widow's Benefit	198	157	144	71	42
Total	13,537	12,712	12,298	6,207	3,854

In 2003, more than 22,000 people were given an 2nd chance at tertiary education. By 2011, that number had fallen to under 4,000

Today, few families can survive on one income: emergence of the 'working poor'

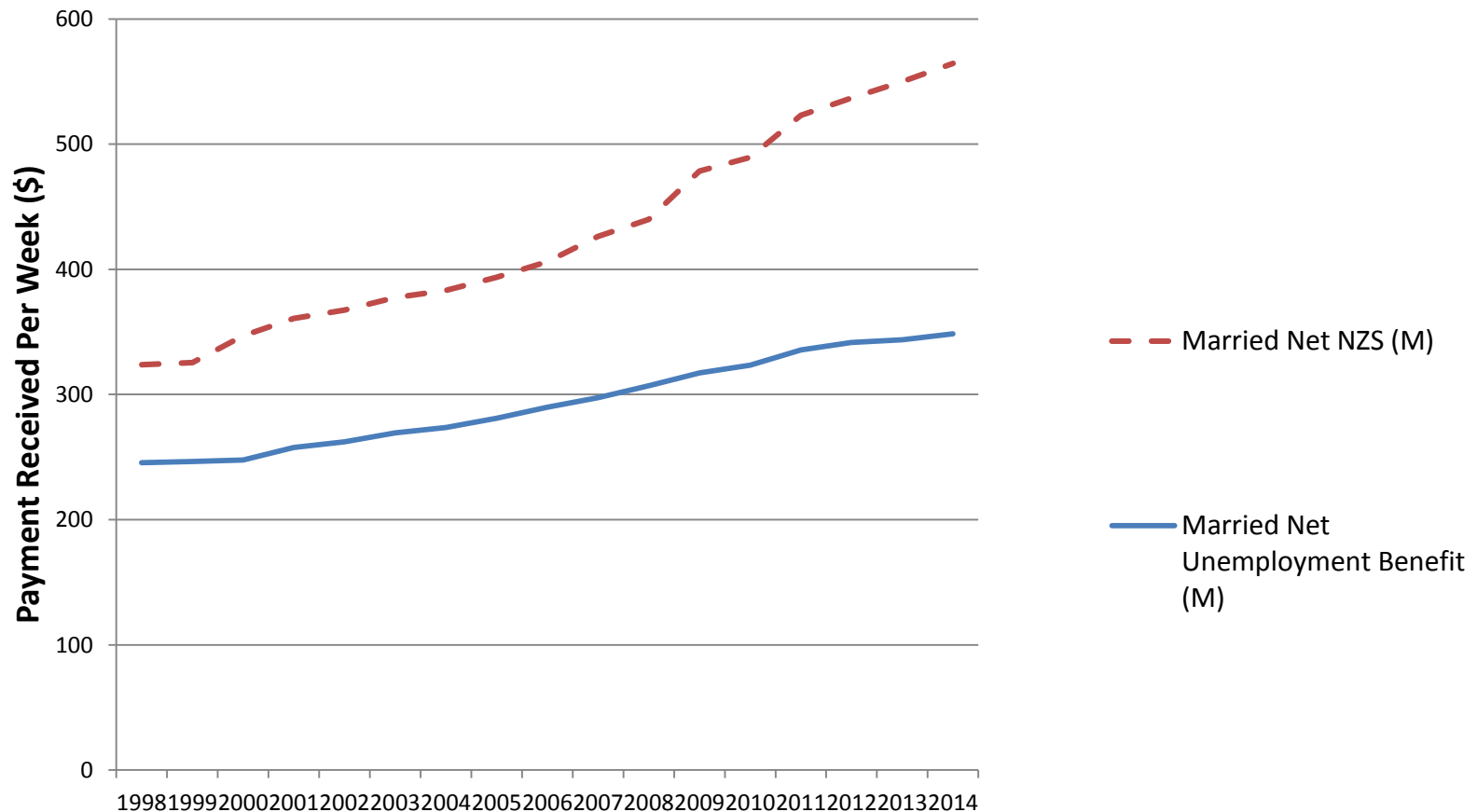


Poverty Risk Ratio: families with children compared to the 65+



The gap continues to widen: state assistance under 65 years vs over 65 years

**Couple welfare
Benefit vs. NZS Payments**



Where is the state spending?

Treasury projections for government expenses, revenue and debt as % of nominal GDP under the “Resume Historic Cost Growth” scenario²

% of nominal GDP	2010	2020	2030	2040	2050	2060
Healthcare	6.8	6.8	7.7	8.9	9.9	10.8
NZ Super	4.3	5.1	6.4	7.1	7.2	7.9
Education	6.1	5.3	5.2	5.2	5.1	5.2
Law and order	1.7	1.4	1.4	1.4	1.4	1.4
Welfare (excluding NZ Super)	6.7	4.8	4.4	4.2	4.0	3.8
Other	6.5	5.6	5.7	5.8	5.9	6.1
Debt-financing costs	1.2	1.8	2.5	4.2	7.1	11.7
Total government expenses	33.4	30.8	33.4	36.9	40.6	46.8
Tax revenue	26.5	28.9	29.0	29.0	29.0	29.0
Other revenue	3.2	3.0	3.2	3.2	3.3	3.6
Total government revenue	29.7	31.9	32.2	32.2	32.3	32.6
Expenses less revenue	3.6	-1.1	1.2	4.6	8.3	14.3
Net government debt	13.9	27.4	37.1	67.2	118.9	198.3

By the numbers: Recipients of NZS (aged 65+) 2007, 2010, 2013

Description	End March 2007	End March 2010	End March 2013
NZ Superannuation	485,907	532,528	606,718
NZ Superannuation non-qualified partners	13,307	12,486	12,656
Total NZS	499,214	545,014	619,374

Expenditure on NZS and VP, before tax

	New Zealand Superannuation 000s	Veteran's Pension 000s	Total 000s
Year ended March 2007	\$6,675,183	\$138,852	\$6,814,035
Year ended March 2010	\$8,165,022	\$179,899	\$8,344,921
Year ended March 2013	\$10,063,817	\$172,605	\$10,236,422

Population growth projections at 65+

Medium projections	2012/13	2016/17	2021/22	2031/32
	599,788	690,150	810,370	1,075,610
% Change		15.07%	17.42%	32.73%

‘Welfare’ spending at 7% nominal GDP: supplementary assistance to 65+

	As at end March 2007			As at end March 2010			As at end March 2013		
Supplement type	Number of recipients	Proportion of total population 65+*	Average weekly payment	Number of recipients	Proportion of total population 65+*	Average weekly payment	Number of recipients	Proportion of total population 65+*	Average weekly payment
Accommodation Supplement	25,694	5.1%	\$49	30,314	5.5%	\$54	35,045	5.6%	\$58
Disability Allowance	122,471	24.4%	\$25	129,743	23.6%	\$26	129,123	20.7%	\$25
Temporary Additional Support	315	0.06%	\$48	2,246	0.4%	\$56	3,253	0.5%	\$55
Special Benefit	1,292	0.26%	\$40	670	0.12%	\$48	383	0.1%	\$64

More government-funded 65+ services

Item:	Numbers 65+ affected	Weekly cost 2012	Annual cost 2012	Numbers 65+ affected (est.) 2017	Annual cost (est.) 2017	Numbers 65+ affected (est.) 2022	Annual cost (est.) 2022
PHO capitation subsidy	575,510	\$3.91	\$117,012,693	662,239	\$134,646,506	777,601	\$158,101,927
High Use Health Card (HUHC)		\$8.10					
Ministry of Social Development Disability Allowance per week (average)	129,042	\$30.00	\$201,305,520	148,489	\$231,642,262	174,355	\$271,994,344
In-home care and support services (including Meals-on-wheels)	60,000	\$80.00	\$249,600,000	69,042	\$287,214,720	81,069	\$337,247,524
Accommodation Supplement	29,689	\$55.00	\$84,910,540	34,163	\$97,706,558	40,114	\$114,727,041
HN Z Income Related Rents subsidy	13,128	\$182.27	\$124,427,709	15,106	\$143,178,965	17,738	\$168,120,741
MSD Supported Living Allowance	3,926	\$335.18	\$68,427,667	4,518	\$78,739,717	5,305	\$92,456,176
Total			\$845,684,130		\$973,128,728		\$1,142,647,752

Cost of residential aged care at 65+

Medium projections		2012/13		2016/17		2021/22		2031/32	
	cost per bedday	beddays	cost per annum	beddays	cost per annum	beddays	cost per annum	beddays	cost per annum
Resthome	\$119.7	5,836,531	\$698,632,761	5,388,022	\$644,946,347	6,531,789	\$781,855,110	9,314,524	\$1,114,948,516
Hospital	\$215	4,075,281	\$876,185,415	4,955,353	\$1,065,400,919	5,992,691	\$1,288,428,559	8,664,675	\$1,862,905,022
Psychogeriatric	\$182	288,419	\$48,852,258	311,049	\$56,610,971	371,481	\$67,609,506	505,267	\$91,958,512
Dementia	\$182	1,101,741	\$200,516,862	1,364,915	\$248,414,510	1,632,560	\$297,125,927	2,322,304	\$422,659,381
Total		11,281,972	\$1,824,187,296	12,019,339	\$2,015,372,646	14,528,521	\$2,435,019,102	20,806,769	\$3,492,471,381

What to do?



NZSUPERFUND

*Te Kaitiaki Tāhua Penihana
Kaumatua o Aotearoa*

More than \$26 billion in assets, including
\$3.7 billion invested in New Zealand



Multiple reports....

Including:

*Retirement

Commissioner's 3-yearly
*Review of Retirement
Income Policies;*

*Treasury's *Affording
our Future;*

*MSD's *Assuring
retirement income*

Focusing on the Future: Report to Government

2013 Review of Retirement Income Policies

Commission for
Financial Literacy
and Retirement Income

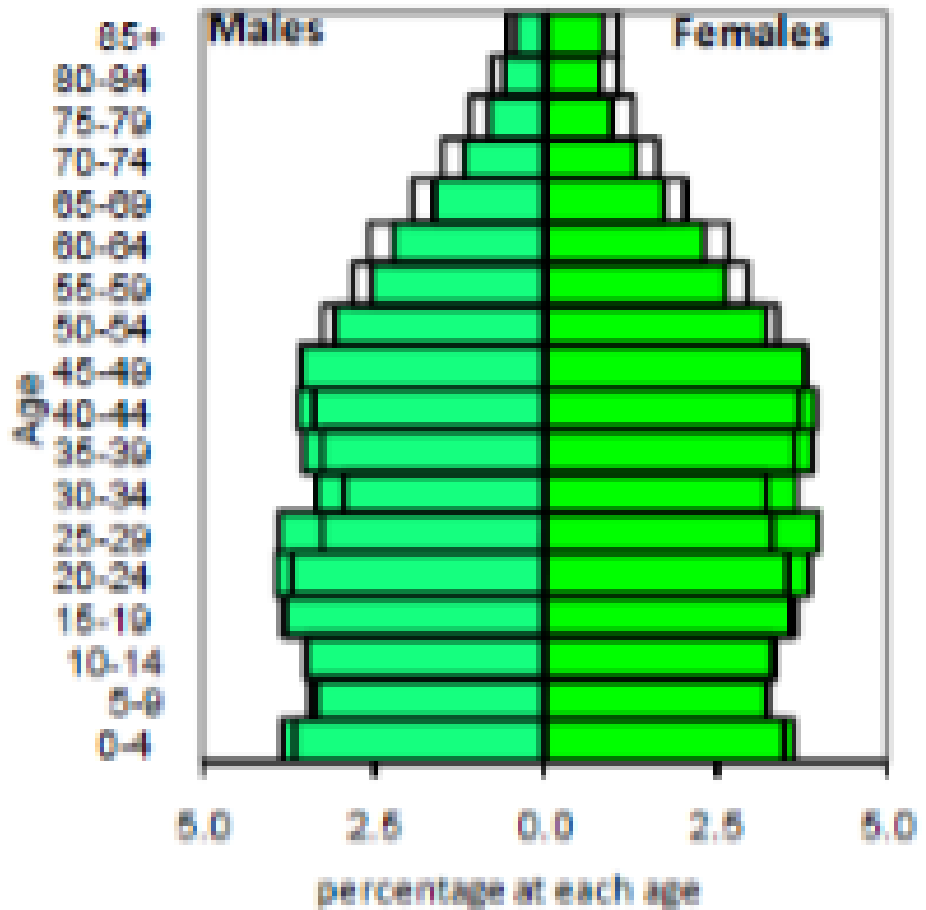
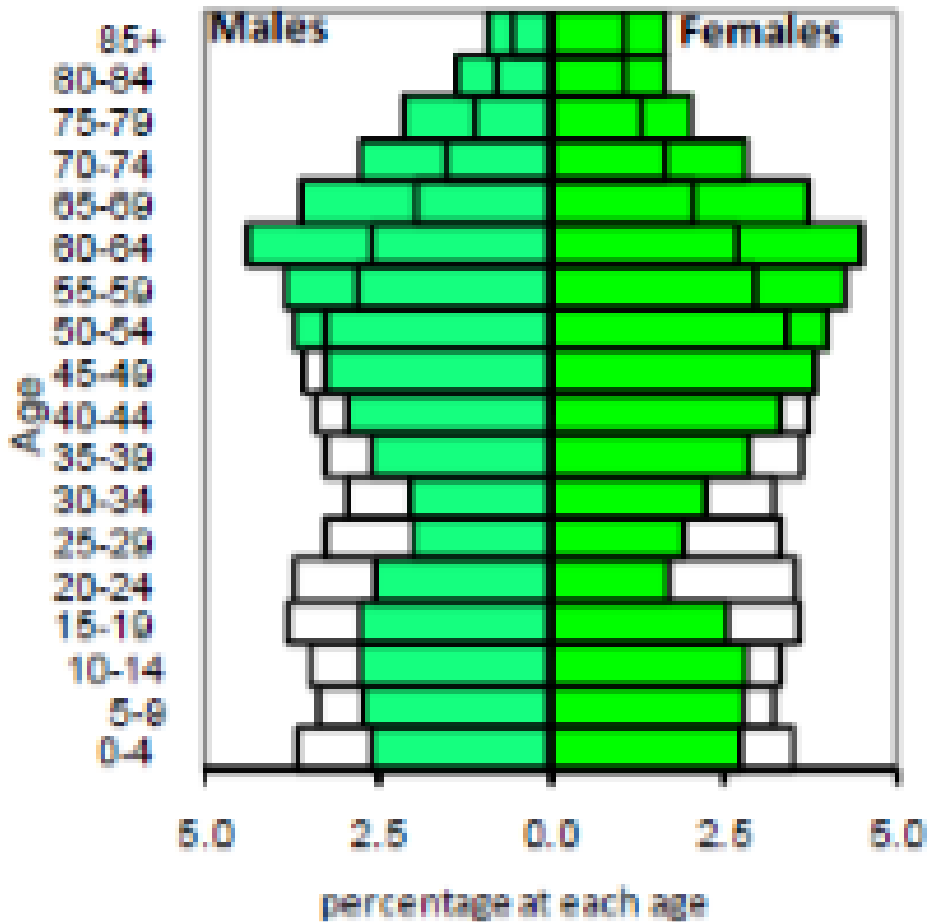


Demographic change

Age-Sex Structure, Selected New Zealand Territorial Authorities, 2010

Thames-Coromandel

Auckland (Super City)



Two types of approaches to a solution:

- * Focus on 'sustainability'
- * Focus on fairness and intergenerational equity

Focus on 'sustainability'

- Reliance on economic growth
- Increase the qualifying age for NZS
- Decrease the \$ of NZS
- Alter the tax structure
- Introduce a means test for NZS

Focus on fairness and intergenerational equity

- Recognise the global changes that have occurred eg Stiglitz (2012) *The Price of Inequality*, and Piketty (2014) *Capitalism*
- Share the costs of the boomers amongst them (remembering the 40%) and use the NZSuperFund to back a safe, fair annuity with a long-term-care add-on (see St John, Dale & Ashton 2012)
- Now is our opportunity to ‘turn silver to gold’