

# August - Vulnerable groups

This subject has enormous width both in definition terms and also available policy instruments. One of the fears of Kaspanz members is knee jerk Government intervention or change to policy, consumers want baseline fairness, but do not want party political initiatives or change based on whim or immediacy needs.

Changes must be signalled a long time in advance to allow for personal financial planning and public adjustment. Some sort of political accord on Retirement income issues, particularly on the major component of the model, e.g. NZ Super, Kiwi Saver, which allows room for adjustment and flexibility, but maintains stability is required. It would be useful for all MMP parties to have a designated Retirement income component within their research units. Whether a Royal Commission or Commission of Enquiry normally called for matters of significant public interest would be appropriate for Retirement Income issues is a moot point, but vetting of suggested proposals or suggested changes might help clarify the issues or needs and add more depth to public awareness on very serious matters.

The publication "*In it together*" the 2015 report from the OECD points to rising inequality in New Zealand with statistics showing New Zealand's inequality measures rising faster than most countries. Simply put, the rich get richer and the poor get poorer while the gap over the last 30 years widens. Similar statistical trends are quoted in the book "*Inequality: A New Zealand crisis*", edited by economist Max Rashbrook with an advisory group led by Professor Jonathan Boston, Victoria University Public Policy unit. New Zealand is small and new by global standards in the market economy business and so is starting from a much lower base, providing an opportunity to address known issues?

The opportunity to address issues is available. Measures to address this issue will vary between political parties and their principles, and extreme measures would be to double the minimum wage, introduce a wealth tax, capital gains etc., restrict the establishment and use of trusts and asset protection tools, and to implement set pay formula when considering senior management pay levels both public and private, and/or Government has the ability to redistribute significant wealth by taxation. Pay differentials are generally about power and status, rather than any objective assessment of contribution or impact, and the amounts of money paid to many chief executives an example. These are unlikely instruments to be utilised, but they establish the boundary extremes of the policy issues

## **ELDERLY POVERTY**

We support and use the words of Susan St John when she talks about elderly poverty *"NZ Superannuation is a world-leader in a number of ways. First of all, we probably have the simplest retirement system in the developed world and that has a huge advantage for people understanding and being able to work within the system."*

## **WOMEN**

*The second thing is, we have treated women very equitably- they get NZ Super in their own right. Other countries tend to build their superannuation policies around contributions to paid work.*

*So, in New Zealand we have a system that gives the same pension whether you have been in the paid workforce or not - independent of your paid work contribution and independent of your partner's income. We have a very egalitarian approach".*

The penalty we pay for this is that, for those with no other income, the payments border on poverty. They are in poverty, and this is the downside of blind justice payments.

## **ELIGIBILITY NZ SUPERANNUATION**

In relation to the age of eligibility, the driving force when looking at the current age of 65 must be the impact upon lower paid workers within the community, and as above how any change will affect women. The lower socio-economic group already struggling to obtain or maintain work in the 55-65 age groups, and whose life projection age and associated quality of life lags behind optimistic longevity tables. Careful analysis of longevity projections is required.

## **KICK START PROVISIONS KIWI SAVER**

The Kiwi Saver kick start payment should be re-introduced. It has a generational impact. It has a positive start to life's pathway, and signals a commitment for lifelong savings patterns. Some advantage to youth in either a kick start amount or fees advantage could be considered.

Consideration should be given for some provision or formula for covering Kiwi Saver contributions, when women are out of the paid workforce.

## **SELF-EMPLOYED**

Self-employed are a forgotten group. There need to be measures that bring them into the scheme without increasing personal hardship. Without some support many will fall into the vulnerable category.

## **SECTION 70 SPOUSES**

Section 70 of the Social Security Act, 1964, gives rise to the specific issue where a married retiree may lose all or part of their New Zealand Superannuation because of their spouse's overseas pension. This lacks both fairness and balance. New Zealand couples' incomes are treated as separate incomes as a general principle. A person's pension should be theirs in their own right. It is in complete contradiction of New Zealand's general taxation principles which treats each individual, including couples, on the basis of their individual incomes. This needs urgent attention.

## **SINGLE/WIDOWED RETIREES**

Accepting the universality of our pension system there is at least an arguable case for paying single pensioners a premium given their costs are not halved by living alone. This is recognised to some extent in the payments system. Electricity, phone and water,

not to mention rates, are not compensated under current arrangements. Combine this with the increasing likelihood of retirees in rental accommodation and the situation gets more serious. New Zealand does not have the stable, long-term rental accommodation which is the European norm. Rental premises turn over frequently, including from the rental market to the home ownership market and rental prices continuously escalate. This affects the whole market but has a crippling effect on retirees. Adjustments to the standard rental agreement term require attention, and similarly short term leases. Our view is that a significant review of rental accommodation rules and regulation is required to address the changes and the associated societal impacts.

### **Internet fraud**

Retirees, especially single and widowed are particularly prone to internet fraud (they are targets because of perceived assets and loneliness) There is a good level of information about the problems but little indication of immediate follow-up action on reported cases or impending ones.