

5. VULNERABLE GROUPS - Recommendations:

Change Today

These recommendations extend beyond retirement income policy. They are aimed at providing more support to address key factors that impact on people's financial security in retirement. Factors that contribute to financial vulnerability in retirement are frequently complex and relate to a number of issues.

Generally, the current retirement policy is working effectively in largely preventing hardship and poverty among older New Zealanders. There are, however, some signs that this position may change unless some responsive and preventative measures are taken. Mortgage-free home ownership, stable employment, good health and good levels of financial capability are key preventative factors identified by the review.

New Zealand Superannuation (NZS) provides a basic income and its adequacy is based on owning a home. Those who rent and have few or no other assets are particularly financially vulnerable. Maintaining the current indexation rate of NZS is important in meeting the objective of hardship prevention among the elderly.

5.1 Additional assistance for people over 50 who are seeking work.

It is recommended that an investment approach is applied to providing additional assistance for people aged over 50 who are seeking work. The review found that people over 50 and not in work often struggle to find suitable employment. More work is required on the best form of assistance, which could include skills and training, employer subsidies such as the Australian Re-Start programme and help with the recruitment process.

5.2. Improving financial capability.

Financial capability makes a significant difference to reducing financial vulnerability and improving financial security in retirement. This occurs across a lifetime and contributes to improving New Zealanders' understanding of retirement savings, decision-making and planning for retirement. A 2015 Productivity Commission report on more effective social services similarly recognised that client capacity was an important factor in navigating options and achieving the best outcomes.

The Commission's survey identified a clear need for more support and resources around retirement planning and advice. Improving financial capability is an essential part of the Commission's strategy.

Other related recommendations include:

5.3. Retraining and career transition support for those over 50 – (‘Ageing workforce’ recommendation).

The rapidly changing nature of work and the employment market highlight the need to provide retraining and support for older workers. Many people struggle to find work if they have been out of the workforce despite their best efforts. People in manual occupations also frequently find it physically difficult to continue working beyond their 50s.

These factors point to the need for more support to transition between different careers and jobs later in life. The Ministry of Social Development’s background paper for the review identifies features that can help facilitate older people’s workforce participation including: removing labour market age discrimination; flexible work hours; work with less responsibility or fewer physical demands; job sharing; and age-specific employment assistance.

5.4. Review and adjust supplementary allowances – (‘Who gets what’ recommendation).

Currently supplementary assistance, in addition to NZ Super, is means-tested using a combination of income and cash asset testing. These settings require review and appropriate adjustment.

The present cash tests for an accommodation supplement were set in 1988. The rates of \$8,100 for a single person and \$16,200 for a couple are very modest levels and without any change for over 20 years have resulted in a much stricter test due to inflation.

The maximum amount of accommodation supplements were last reviewed in 2005. Given the significant rise in housing costs the lack of periodic review means an increasing share of income is being used for housing costs as the purchasing power of the supplements declines.

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5.5. Increase the provision of suitable housing for older people.

Older New Zealanders renting are more likely to be financially vulnerable and have higher material hardship rates than homeowners. There has been a recent decline in the rates of homeownership among those over 50 and a more significant longer-term decline in homeownership among Maori and Pacific people.

The 2016 Ministry of Social Development report on material wellbeing of NZ households highlighted that unless declining mortgage-free homeownership is mitigated by other asset accumulation then low poverty and hardship rates may soon start to rise.

What is apparent is the need for a long-term increase in suitable housing options for older people. The government, community and private sector all have a role in contributing to meeting this need. More work is required to further understand the scope of needs and range of policy options to meet these.

5.6. Support for those caring for others.

The New Zealand Carers' Strategy Action Plan 2014-18 noted there were 400,000 New Zealanders who provide care for others, with about 12% aged over 65. It also acknowledged that as our population is ageing and living longer the need for carers will grow.

The review has identified that caring for others was a factor that contributed to financial vulnerability. Older people are increasingly fulfilling unpaid caring roles for their parents, children, grandchildren and other family members. In addition to caring for those with health and mental illness, older people were often financially supporting family members.

Financial pressures arise from not only the costs involved in caring for others but also the impact on employment and loss of opportunity to do paid work. Supported Living Payments are available for full-time care for someone that would otherwise require hospital or residential care.

The review recommends that the next national action plan considers the support provided to older carers. Further work should also investigate the UK 'Shared Living' programme model which may be suitable to be adopted in New Zealand to assist people with lower needs who require supported accommodation.