

# Retirement Commission three yearly review of retirement income policy

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## Submission to the Retirement Commission

### Principal Author

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#### **ABOUT NZNO About the New Zealand Nurses Organisation**

The New Zealand Nurses Organisation is the leading professional and industrial organisation for nurses in Aotearoa New Zealand, representing over 46,000 nurses, midwives, students, kaimahi hauora and health workers on a range of employment-related and professional issues. Te Runanga o Aotearoa comprises our Māori membership and is the arm through which our Te Tiriti o Waitangi partnership is articulated.

NZNO provides leadership, research and support for professional excellence in nursing, negotiates collective employment agreements on behalf of its members and collaborates with government and other agencies throughout the health sector. Nurses are the largest group of health professionals comprising half the health workforce.

The NZNO vision is "Freed to care, Proud to nurse". Our members enhance the health and wellbeing of all people of Aotearoa New Zealand and are united in their professional and industrial aspirations to achieve a safe, sustainable and accessible system of public health care for all New Zealanders.

## **EXECUTIVE SUMMARY**

1. The New Zealand Nurses Organisation (NZNO) welcomes the opportunity to comment on the Retirement Commissions three-yearly review of retirement income policy. We particularly thank the Retirement Commission for providing a reasonable time frame for comment.
2. This time frame has allowed NZNO to fully engage with its members and member groups, including specialist Colleges and Sections such as the College of Primary Health Care Nurses (CPHCN) and Gerontology Nurse Section (GNS), Board and Regional Council members, and Te Runanga; and to consult with our organising and advisory staff including nursing, policy, industrial and research advisers.
3. NZNO supports the CTU submission.
4. As a significant and predominantly female workforce, nursing can be a very useful indicator of workforce trends with a number of unique components that require specific consideration with regard to retirement income policy. NZNO draw your attention to the NZNO Biennial Employment Survey (Walker, 2013) and other workforce data that informs this discussion.
5. In summary, NZNO **supports:**
  - 5.1. the continuation of universal retirement income as per the existing framework;
  - 5.2. the development of appropriate policies for staged retirement where appropriate e.g. to support those employed in physically demanding occupations such as nursing and care giving;

- 5.3. an integrated approach to retirement policy that addresses health and wellbeing of older people, as well as income provision;
  - 5.4. voluntary savings schemes such as Kiwisaver, but encourages significantly greater commitment to sustainable retirement income planning, including increased compulsory and employer contributions;
  - 5.5. exploring compulsory savings schemes in certain professions such as nursing that may allow earlier facilitated retirement;
  - 5.6. further exploration into the role of the annuities market in order to manage longevity risk over and above income obtained through New Zealand superannuation (NZS);
  - 5.7. the concept of fairness in superannuation provision and that all citizens and permanent residents of New Zealand, regardless of income, ethnicity, gender, or any other demographic characteristic will be eligible for superannuation upon attaining the age of eligibility; and
  - 5.8. moves to explore moderate tax increases at higher income levels as a means of funding NZS.
6. **NZNO does not support:**
- 6.1. the tenet that maximising income through entrepreneurship, business creation and investment with the ultimate goal of achieving economic growth in order to achieve lifetime consumption smoothing is realistic for most New Zealanders;
  - 6.2. a sole focus on economic growth as the primary means of addressing shortfalls in NZS funding;
  - 6.3. means-testing as an approach to managing demand on NZS; or
  - 6.4. a change in indexing as a means of achieving sustainability of NZS.

## DISCUSSION

### Nursing

7. NZNO makes the following key points regarding the relationship between retirement income and nursing:

- 7.1. Nursing is a predominantly female occupation. Women have traditionally lower incomes than men over the life course, reducing their ability to contribute to retirement savings schemes. Time off work for child-bearing and often a return to part-time work further limits the ability of women to save for retirement.
- 7.2. Recent research by Walker and Clendon (in press) has found that many female nurses over the age of 50 have frequently delayed retirement due to divorce, loss of income due to the financial crisis, and the need to support children and ageing parents – often simultaneously.
- 7.3. Nursing and caregiving are physically demanding occupations. The Walker and Clendon research has identified that many nurses leave the profession early due to the physically demanding nature of the occupation that many struggle to manage as they age. Many of these nurses are highly skilled and experienced and are subsequently lost to the profession. Many move into early retirement or into lower paid occupations. Supporting these nurses into facilitated retirement, where they can maintain some working hours but access retirement income at an earlier age would ensure better health, but also continued employment that would support savings.

## **Income support**

8. NZNO strongly supports the provision of a universal retirement income as per the existing framework due to its:
  - 8.1. simplicity; and
  - 8.2. ease of operation.
9. The current system has ensured older New Zealanders have not experienced poverty in the same way many of their counterparts in other countries have and do. The system is unique, affordable, equitable, and accessible.
10. While home ownership has been a significant contributor to many New Zealanders' acceptable financial situation in retirement, decreasing levels of home ownership is likely to impact on this. It will be important that future NZS provision take into account decreasing levels of home ownership in order to ensure adequate and universal provision of income support continues.

## Wellbeing in retirement

11. Income is only one element of wellbeing in retirement as noted in the position papers provided by the Retirement Commission. Ensuring wellbeing is also an essential element of life after retirement. There are several reasons why this is important. Firstly, a well older population will remain active and be more likely to engage with communities and society through volunteer work and providing support to the wider family; secondly, a healthy older population is less likely to be a burden on the health care system, a source of growing costs to the New Zealand economy; and thirdly, they will be more likely to contribute to economic growth through longer periods of work and consumption.
12. Wellbeing in retirement is only likely to be achieved if intervention is undertaken at earlier ages. A range of interventions have been identified as likely to improve health and wellbeing. In particular, Peter Gluckman in his report entitled *Improving the Transition: Reducing social and psychological morbidity during adolescence* (Gluckman, 2011) has identified a range of interventions that need to be made from early childhood through to adolescence as a means of improving the health of the population overall. Government must provide greater funding for these proposed preventative and educative programmes at all levels to support wellbeing. Nurses are specifically educated to provide many of these programmes but funding continues to be aimed at addressing acute care targets such as reduced waiting times and more elective surgery. These targets will do nothing to improve long term population health.
13. In addition, New Zealand's high child poverty rates, high level of income inequality, and growing levels of lifestyle disease such as diabetes will impact significantly on the wellbeing of older New Zealanders in coming years. These factors may serve to mitigate the 'grey tsunami' that is currently predicted, however in terms of achieving a healthy and productive older population in New Zealand, interventions are required now, not in ten years time. People will suffer unnecessarily and economic growth will falter due to a lack of a workforce fit for work.
14. The ability to work is essential for the individual, for families, and for the economy. Research by Clendon and Walker (2013) and Walker and Clendon (in press) has found that many nurses over the age of 50 are struggling with the physicality of their roles and will move to part-time and casual work in order to manage this. While New Zealand nurses who remain in the workforce past the age of 65 and 70 (approximately 40% of the New Zealand regulated nursing workforce is aged over 50

and approximately 3.5% are aged over 65) identify themselves as healthier than their non-nurse counterparts, this is due to the early retirement and move to other less well-paid occupations of their colleagues who are unable to cope with the role (Clendon & Walker, 2013). Supporting nurses and others in physically demanding occupations to remain in employment through staged retirement may be one way of encouraging a productive workforce for as long as possible. Compulsory savings may be required from some occupations to achieve this. With the impending retirement of over 57% of nurses over 50 in the next 10 years, actions to mitigate this workforce loss are also urgently required. Supporting nurses to move into staged retirement may be one way of achieving this.

15. Eventually, however, the older population will require care and support, and it is essential that their wellbeing continues to be catered for. While many care facilities provide excellent care, there are many who do not as identified in the numerous reports to come out of the Health and Disability Commissioner's Office each year (see for example <http://www.hdc.org.nz/decisions--case-notes/commissioner's-decisions/search-results?search=rest%20home>). In addition the extremely poor levels of pay of many of the workers in this industry are a significant issue both in terms of equality, staff turnover, and levels and standards of care (McGregor, 2012), and in terms of the ability of these workers to save for retirement. Overseas ownership of many care facilities sees much needed funds for care dispersed overseas rather than reinvested in New Zealand – it seems anathema that large corporations should be making money out of our elderly mothers and fathers. The government provides millions of dollars a year to fund aged care in this country and yet quality remains questionable in many places; health care workers are paid minimum wage, and overseas investors are making money out of it. Urgent action is required to address this issue if the wellbeing of older New Zealanders is to be assured.
16. In summary, NZNO strongly supports an integrated and holistic approach to health and wellbeing – all policies must consider the implications of the policy on health. There are a range of tools available to do this and we recommend these are utilised in the development of retirement income policy. See <http://www.health.govt.nz/our-work/health-impact-assessment> for further information.

## **Encouraging personal responsibility, individual choice and control**

17. A major argument for not introducing compulsory savings schemes for retirement is that this reduces choice for consumers and may lead to means testing of NZS. It is likely that it may also contribute to inequities both as low income earners attempt to save for retirement, and after they have retired.
18. NZNO supports a voluntary savings scheme such as Kiwisaver but encourages greater employer contributions to retirement. NZNO believes there is some case for exploring compulsory savings schemes in certain professions such as nursing that may allow earlier retirement or support a shift to part-time work as maybe required by some members of the profession given the physicality of the role (see above).

## **Longevity risk pooling**

19. NZS is clearly the ideal portal through which longevity risk can be managed. NZNO supports further exploration into the role of the annuities market in order to manage longevity risk over and above income obtained through NZS. Given that the majority of NZNO members are women and nursing is a female dominated occupation, the issue of longevity risk and sufficient income to last throughout retirement is one of particular importance to members.

## **The citizenship dividend**

20. NZNO supports the concept of fairness in superannuation provision. The provision of universal superannuation and adhering to the conceptual framework of a citizen dividend, ensures all permanent residence or citizens of New Zealand, regardless of income, ethnicity, gender, or any other demographic characteristic, will be eligible for a degree of income support upon attaining the age of eligibility. While there is some argument that individuals should take personal responsibility for retirement savings, the Kiwisaver scheme enables those who are in a position to make further retirement savings to do so. It is also relatively simple to administer and minimises bureaucracy.

## **Lifetime consumption smoothing**

21. Achieving lifetime consumption smoothing is an admirable goal. However, suggesting that ‘...maximising income through entrepreneurship, business creation and investment’ with the ultimate

goal of achieving economic growth is naive. Many New Zealanders with financial literacy have no desire or ability to create businesses. The majority of New Zealanders work in positions of employment and retirement policy must be focused on the needs of all New Zealanders, not only those who are interested in or have been able to invest in business.

### **Intergenerational equity**

22. While intergenerational equity should remain a target, it may be that current generations may have to contribute a greater proportion of their income in taxes to ensure sufficient funding is available for NZS. This is problematic if wages fail to increase in line with inflation over time. Certainly at the present time, many wage increases are below the level of inflation (for example, inflation is averaging approximately 2.7% per annum [<http://www.rbnz.govt.nz/keygraphs/fig1.html>] whereas wage increases for health care workers on the minimum wage were 1.9%) making it difficult to increase any tax take to fund future superannuation costs. Sharing the burden between NZS, NZSF and Kiwisaver will help alleviate this issue but until Kiwisaver is either made compulsory or incentives are increased for those on lower incomes to join up (for example through increasing employer contributions), those on the lowest incomes will be unlikely to benefit from a mixed approach.
23. Increasing taxation to fund NZS may impact on economic growth, although an increased contribution from higher earners would likely be tolerated well by this group. A complete focus on economic growth is unsustainable in the long term, as evidenced by the global financial crisis and current outcomes from this focus such as increasing levels of child poverty in NZ, poor living standards among many families, incomes that sit well below a living wage, and a growing income gap. A balanced approach that weighs up economic growth with the needs of the population is required and further work must be done to find this balance.

### **Fiscal restraint and investment**

24. NZNO suggests there may be a case, in principle, for increasing the age of eligibility for NZS but, as noted above, those in physically demanding occupations such as many nurses and caregivers, should not be disadvantaged and provision should be made for access to NZS at an earlier age where appropriate. As noted by the CTU, we also know that Māori and Pasifika have shorter lifespans compared to the rest of the population. Māori life expectancy for men aged 65 years is



4.4 years less than non- Māori. For Māori women the gap is 4.8 years. In the absence of other measures, any increase in the age of entitlement to NZS reduces the proportion of time spent by Māori and Pasifika peoples on NZS and worsens disparate outcomes.

25. NZNO does not support means testing due to the risks outlined in the policy position statements such as concealing income and assets, the costs of administration, and the risk of inequities. NZNO strongly supports maintaining a universal NZS and a balanced approach to economic growth as a means of enabling continuation of NZS. A balanced approach may include increased taxation at the top end as well as encouraging private saving such as through Kiwisaver and other means.

## Sustainability

26. NZNO does not support a change in indexing due to the risk of inadequate income being available from NZS at any given time. The risk of changing indexing policy is that those reliant on NZS could be pushed into poverty – a key factor that the current NZS system only just avoids now. A modest increase in taxation at the higher income levels would result in greater equity in the long run. A fiscally literate population is essential and in this regard NZNO congratulates the leadership the retirement commission has shown with its innovative and comprehensive public education initiatives (such as sorted.org) and engagement with employers, workers, government, citizens and media to ensure issues relevant to retirement are understood and discussed.

## CONCLUSION

27. NZNO strongly believe in the continuing provision of universal superannuation through NZS. The existing system is equitable and affordable. In conclusion, NZNO **supports**:
- 27.1. the continuation of universal retirement income as per the existing framework;
  - 27.2. the development of appropriate policies for staged retirement where appropriate e.g. to support those employed in physically demanding occupations such as nursing and care giving;
  - 27.3. an integrated approach to retirement policy that addresses health and wellbeing of older people, as well as income provision;

- 27.4. voluntary savings schemes such as Kiwisaver, but encourages significantly greater commitment to sustainable retirement income planning, including increased compulsory and employer contributions in line with those in Australia;
- 27.5. exploring compulsory savings schemes in certain professions such as nursing that may allow earlier facilitated retirement;
- 27.6. further exploration into the role of the annuities market in order to manage longevity risk over and above income obtained through New Zealand superannuation (NZS);
- 27.7. the concept of fairness in superannuation provision and that all citizens and permanent residents of New Zealand, regardless of income, ethnicity, gender, or any other demographic characteristic will be eligible for superannuation upon attaining the age of eligibility; and
- 27.8. moves to explore moderate tax increases at higher income levels as a means of funding NZS.

**28. NZNO does not support:**

- 28.1. the tenet that maximising income through entrepreneurship, business creation and investment with the ultimate goal of achieving economic growth in order to achieve lifetime consumption smoothing is realistic for most New Zealanders;
- 28.2. a sole focus on economic growth as the primary means of addressing shortfalls in NZS funding;
- 28.3. means-testing as an approach to managing demand on NZS; or
- 28.4. a change in indexing as a means of achieving sustainability of NZS.

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