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Re: Retirement Commissioner's 2013 Review of Retirement Income Policy

The Dunedin Community Law Centre (DCLC) is a volunteer organisation that has been in operation for 33 years as a free legal advice, education, law reform and information service. Our aims are:

- To provide and promote community based services that address the unmet legal needs of all cultures in the community.
- To provide and promote legal training and education for university students.
- To promote the dissemination of legal knowledge throughout the community.
- To promote legal services and law reform; which will increase access to justice and reflect the Treaty of Waitangi.

The Dunedin Community Law Centre welcomes the opportunity to comment on the Retirement Commission's 2013 Review of Retirement Income Policy.

Before addressing aspects of the terms of reference we would like to comment on two issues which we believe need to be considered in a review of retirement income policy. One, the growing casual labour force described in a recent *NZ Listener* article as "the precariat" because they are in precarious, or insecure, employment.¹ Two, the unpaid labour force, and in particular the carer labour force.

The Growing Casual Labour Force

The casual labour force is a vast group consisting of well paid professionals working as consultants to low paid carers, cleaners, hospitality workers and labourers.² Within the latter

¹ Karl du Fresne, 'Are you in the Precariat?', *NZ Listener*, 18-24 May 2013, pp. 16-21.

² Karl du Fresne, 'Are you in the Precariat?', *NZ Listener*, 18-24 May 2013, pp. 16-21

group casual employment agreements also represent ‘low quality’ work,³ work that is not well paid and carries an element of risk. The tertiary teaching workforce is another cohort where there is an increase in casual or fixed term contracts.⁴

The casual workforce is increasingly made up of a range of different types of employment and employment contracts. In many cases employees on fixed term or casual contracts do not participate in workplace superannuation schemes. As a result this the ability of this labour force to save for their retirement is reliant on their level of financial literacy, combined with a remuneration package which enables them to put money into retirement savings.

A study of casual employment in the Australian context defined casual work as work that is marked by either a lack of, or limited entitlements:

“Casual employment can be defined in terms of its lack of the entitlements usually associated with permanent employment. For example, from 1988-1998, the ABS [Australian Bureau of Statistics] defined casual employees in their main job as ‘employees who were entitled to neither holiday nor sick leave’. However, the increasing recognition that many casual employees were in fact often employed on an ongoing basis has meant that casuals now have limited rights to some of the entitlements traditionally reserved for permanent employees, such as superannuation and parental leave.”⁵

We would like to see the development of retirement income policy that takes into account the trend within New Zealand of the increasing casualization of the workforce.

Retirement Income and the Disability Sector: Carers

The Retirement Commission has, in the past, looked at the relationship between disability and retirement. In the 2007 Review of Retirement Income Policy disabled people, as an occupationally disadvantaged group, were included in the terms of reference. One report noted that working age disabled people participate in the labour force at a lower rate than non

³ <http://union.org.nz/news/2006/ctu-welcomes-review-of-casual-employment>

⁴ Robyn May, “Casualisation: here to stay? The Modern University and its Divided Workforce”, Paper delivered at the Association of Industrial Relations Academics of Australia and New Zealand (AIRAANZ), 6 May 2011. <http://www.nteu.org.au/article/Casualisation%3A-here-to-stay%3F-The-modern-university-and-its-divided-workforce-11182>

⁵ Michelle Day, Jeremy Buultjens, ‘Casual Employment and Commitment: A Case Study in the Hospitality Industry’, *School of Commerce and Management Papers*, (2007) p. 221.

disabled with 36% of disabled adults not in the labour force, in comparison to 18% for non-disabled people.⁶

We certainly support retirement policy research on the disability sector. But this report raised another issue related to retirement and the disability sector, more specifically the ability of carers who are often in unpaid employment relationships, to save for their retirement. In 2012 we participated in the Ministry of Health Consultation on Paying Family Carers to Provide Disability Support. In our submission we supported the removal of restrictions on employing family carers. We argued that allowing family members to be formally employed as carers recognised the contribution they made to the workforce, and granted them access the rights and obligations which come with an employment relationship, such as having access to annual holidays, holiday pay, income tax, Kiwisaver and Working for Families tax credit etc.”⁷

The Ministry of Health recently announced that from 1 October 2013 *some* family carers of disabled people will be funded by the Ministry for the support they provide, up to a maximum of 40 hours per week, this will include entitlements:

“Disabled adults (aged 18 years and over) assessed by a Needs Assessment and Service Co-ordination (NASC) organisation as having high or very high needs will be eligible for funding to employ their parents and resident family to provide them with personal care and household management support. The disabled person will receive funding to pay their family carer the minimum wage and to meet employer obligations relating to holiday pay, sick pay, ACC levies etc.”⁸

This payment is specific to the above situation. Carers who are providing support for young people under the age of 18 years of age, looking after their disabled partners, and unpaid carers who “support services funded by district health boards such those provided to older people, people with mental health conditions, short term medical conditions, and receiving palliative care” will not be funded.⁹

⁶ Wendi Wicks, 2007 Review of Retirement Income Background Paper: Disabled People and Provision for Retirement, September 2007, p. 5.

⁷ Dunedin Community Law Centre submission, Ministry of Health: Consultation on Paying Family Carers to Provide Disability Support

⁸ Payment to Family Carers: Questions and Answers <http://www.health.govt.nz/our-work/disability-services/payment-family-carers/payment-family-carers-questions-and-answers#q3>

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There are an increasing number of New Zealanders giving up work to take on the role of caregiver to adult children, or older parents. These people leave the paid workforce and sacrifice their own financial stability, including mid-life earnings,¹⁰ and participation in schemes such as Kiwisaver, to care for family members. The NZ Census (2001) indicated that “ 88% of Kiwis who identified as carers of someone who is ill or disabled, living in their home or another location, are of workforce age (15 to 64)”.¹¹

We comment on the terms of reference as follows:

The intergenerational impacts of New Zealand’s retirement income policy, with due consideration given to: (a) the effects of increased longevity on present retirement savings schemes; (b) alternative retirement savings approaches, and (c) the sustainability of New Zealand Superannuation.

The 2010 Retirement Commission Review of Retirement Income Policy recommended a “gradual increase” in the age of eligibility for New Zealand superannuation beginning in 2020 and rising by two months per year until it reaches 67 years in 2033.¹²

This policy needs to be considered alongside the implications of having people in the workforce for longer. For some people this may be feasible, but for other people who are employed in physically intensive jobs, for instance builders, the accumulative effects of physical work on the body may necessitate retiring at the age of 65.

There are also health and safety risks and considerations with an older workforce. A recent consultation document on workplace health and safety in New Zealand identified older workers as having a higher rate of injury than other groups.¹³

... workers aged 54 and under suffer serious injuries at a rate of about 14 per 1,000 full-time equivalent (FTE) workers, this increases to 18 for 55–64 year olds and 49 for workers aged 65 and over. Fatalities present a similar pattern. Workers

¹⁰ http://www.carers.net.nz/carer_community/our_stories/5

¹¹ http://www.carers.net.nz/carer_community/our_stories/5

¹² RI – OECD Countries Pension Ages 2012 pdf p. 5, sourced <http://www.cflri.org.nz/retirement-income/policy-reviews/2013-review>

¹³ *Independent Taskforce on Workplace Health and Safety: Safer Workplaces Consultation Document 2012*, p. 29.

aged 55 and older account for 60% of fatalities. Many occupational diseases also disproportionately affect older workers, such as occupational cancers.¹⁴

These statistics indicate that policies on extending the retirement age need to take into account workers physical and mental health, and occupation health and safety issues.

Shift more responsibility from government to individuals to save for their retirement to assist in reducing public pension expenditure.

This policy presents difficulties when considered alongside the trend towards a more precarious workforce. As noted above while some casual and contract employees have the financial literacy and remuneration package to save for retirement, for many in the casual workforce this is not an option, because they do not earn enough to save for their retirement, nor they do not receive the entitlements that come with a permanent position.

The contributions made by other policies and programmes, such as in housing and health, to maintaining New Zealanders' retirement income.

Statistics New Zealand shows that the population growth rate in the past four decades is highest in the 65+ age group.¹⁵ This statistic highlights the need for long-term planning, research and policy around issues that concern older people, especially discussion around ensuring superannuation and additional entitlements are commensurate with the cost of living.

Long term planning and policy should also take account of the shortage of affordable, age friendly rental housing, and the need to develop more “age-friendly alternatives to home-ownership”.¹⁶

¹⁴ *Independent Taskforce on Workplace Health and Safety: Safer Workplaces Consultation Document 2012*, p.

16.

¹⁵

http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/NationalPopulationEstimates_HOTPDec08qtr/Commentary.aspx

¹⁶ <http://www.ageconcern.org.nz/what-we-are-saying/age-concern-new-zealand-responds-productivity-commissions-draft-report-housing>

In addition to this there should be consideration of the costs elderly people face in staying in their own home, especially in winter. For many older people the pension is the only income they have, and it is a fixed-income. Keeping warm in winter is important for wellbeing, both mental and physical. Elderly folk in rural communities are particularly vulnerable to higher electricity costs, as in remote areas there is often only one electricity provider, and thus no competition to allow a market model to operate effectively for the benefit of the consumer.

In the recent Budget the Government did announce a welcome \$70 million package which will support Aged Care and Dementia services, more elective operations such as hip replacements and cataracts, and a \$14 million cash injection for the SuperGold Card off-peak public transport concession scheme. Evelyn Weir National President of Age Concern stated: *“The new money will help in some parts, but not others in desperate need, such as elder abuse and neglect prevention and addressing social isolation,”*¹⁷

The above examples highlight the need for superannuation and entitlements to be paid at a realistic level, one which is proportionate with the cost of living, and which accords with the circumstances that come with aging, for example, less mobility as a result of conditions such as arthritis, and issues such as social isolation. Initiatives such as the SuperGold Card are good, but the benefits of having a card are not well publicised and are not inclusive. For example, elderly rural folk will not benefit from off-peak public transport concessions. Making the most of a SuperGold Card also requires digital literacy; those who are able to make the most of their card are the people who can access the website for information on discounts available in their region.

Furthermore the SuperGold card is directed towards people who already have substantial retirement savings, offering special travel deals, wine club deals and holidays at discounted prices.¹⁸

Women’s future retirement income prospects

¹⁷ Budget Spending Increases Do Not Go Far Enough to Help Older People, <http://www.ageconcern.org.nz/health-money-happiness-elder-abuse-transport-home-support/budget-spending-increases-do-not-go-far>

¹⁸ <http://www.supergold.govt.nz/info-for-cardholders/special-offers.html>

Women's working patterns and participation in the Labour Market fluctuate. A "typical" male working life cycle would involve moving from full time education into the workforce until retirement, women's participation is less linear. Women undertake more part time work, and often return to lower paid jobs after taking time out to have children. Women are more likely than men to be on casual and insecure contracts,¹⁹ and to participate in voluntary work to a higher degree.²⁰: "... with 60 per cent of women aged 35-39 years involved in unpaid work outside the home, and 56 per cent of all volunteers being women."²¹

Government Policy which is not child-centred or family friendly has an impact upon women's participation in the workforce and their ability to accumulate significant retirement savings. For example, the present government intends to veto the Parental Leave and Employment Protection (Six Months' Paid Leave) Amendment Bill which has passed its first reading.²² This scheme, however, would extend the support systems available to women to enable them to better integrate workplace commitments with family commitments. There is considerable evidence that paid parental leave facilitates women returning to the workforce, and therefore increased participation by women in paid employment with its consequent long term economic benefits such as a greater pool of retirement income. A recent study of women combining work and caregiving highlighted the inadequacy of policy to support women in the workforce:

*Maternity leave and childcare provision are essential components of a support system to enable women to combine reproductive work with paid work. Yet in New Zealand, financial support in these areas is limited. Certainly, the women in this study reported low coverage of both provisions, reflecting the failure of the policies to adequately support women for their reproductive work.*²³

Retirement income policy needs to take account of the different work patterns experienced by women, and the intersection between women's work patterns and government policy to support women in the workforce.

¹⁹ Lynne Byrne, "Women Combining Paid Work and Parenting", working Paper No. 8, Labour Market Dynamics Research Programme, Albany and Palmerston North, 2002, p. 18.

²⁰ Lynne Byrne, "Women Combining Paid Work and Parenting", working Paper No. 8, Labour Market Dynamics Research Programme, Albany and Palmerston North, 2002, p. 19.

²¹ Lynne Byrne, "Women Combining Paid Work and Parenting", working Paper No. 8, Labour Market Dynamics Research Programme, Albany and Palmerston North, 2002, p. 20.

²² Government Veto of Paid Parental Leave 'an Overreaction', <http://tvnz.co.nz/politics-news/government-veto-paid-parental-leave-overreaction-5421005>

²³ Lynne Byrne, "Women Combining Paid Work and Parenting", working Paper No. 8, Labour Market Dynamics Research Programme, Albany and Palmerston North, 2002, p. 28.

Thank you for the opportunity to comment on the current Review of Retirement Income.

Yours sincerely

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Law Reform

Dunedin Community Law Centre