National Council of Women of New Zealand
Te Kaunihera Wahine O Aotearoa

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Submission to the Retirement Commission on the 2007 Review on Retirement Policies

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 42 Nationally Organized Societies and national members. NCWNZ has 31 Branches throughout the country attended by representatives of those societies as well as some 150 other societies. The Council's function is to work for the well-being of women, the family and the community at local, national and international levels through research, study, discussion and action. NCWNZ welcomes the opportunity to make this submission on behalf of our members.
The latest OECD report once again reprimands New Zealander's for not saving enough. The assumptions are:

(a) That savings are savings in dollars from consumption forgone

(b) Personal income producing assets are more valuable than publicly owned assets which can yield social dividend in the form of free healthcare, public education, affordable access to our justice system and so on. This submission sets out to test these assumptions against the terms of reference to which the Retirement Commissioner is required to respond.

1. **Owner Occupied Housing**

There is a curious flaw in the much publicised argument that there is too much emphasis in our culture on owning one's home. Somehow a house is not seen as a capital investment able to "grow" our economy, as distinct from risking money on the share and money markets. This view fails to reflect Government rhetoric basing all legislation on that triple bottom line criterion relating to social, environmental, and economic values. As the first Labour Government recognised, building and furnishing houses is an excellent way to stimulate the economy, boost local industry while at the same time providing a social need. But Labour's state houses were for the low-to-medium income families, in contrast with today's building frenzy which caters for our more well off families.

Economist, Len Bayliss, is but one who advocates investing in one's own home as a secure form of saving –as a way of acquiring a valuable personal asset. Our concern in NCWNZ however is that future governments may expect those homeowners to take out reverse mortgages on their homes to pay for public services they have already funded through taxation. This reservation has already been voiced in our response to the document on *Home Equity Conversion Schemes* from the Office of Senior Citizens.

Now that the Governor of the Reserve Bank has raised the Official Cash Rate (OCR) yet again, more New Zealanders will find it beyond their means to invest in a home as a personal asset. Those with more disposable income at their command are unlikely to be deterred from negotiating mortgages

for the purpose of investing in retirement villages and rental properties. A major reason for this is the scarcely discussed ability of the banking industry to make enormous profits from mortgage lending. Although floating mortgage interest rates are rising, large borrowers will receive favourable terms by way of encouragement, Why? Because mortgage lending is given a low risk-weighting by the Basel guidelines from the Bank of International Settlements.
Milford Asset Management economist, Brian Gaynor, has suggested a new look at the Basel Guidelines to combat the proliferation of mortgages but the Reserve Bank of New Zealand (RBNZ) has long ago surrendered its prudential supervision responsibilities to the head offices of the systemic banks, all overseas owned.

RBNZ Governor, Dr Alan Bollard, has criticised banks for giving bout credit too easily (Wanganui Chronicle, April 19, 2007) and claims he had regulatory powers he could use to squeeze out their profit margins and push up interest rates – but for the reasons given above such actions are proving largely ineffectual.

2. Personal Assets and Debts

Besides her home, one of the most valuable personal assets for a woman is her education – human capital, to use an economic term. Indeed, there are social, as well as personal benefits in a woman's education. All too often, though, the prospect of debt servicing costs deters women from seeking education at a tertiary level. Now that the taxpayer, rather than the student, bears the cost of interest payments on student loan we can hope women, in particular, will be encouraged to further their studies. Even so, as most women leave the workforce at various times to care for families and other dependants, they are unlikely to amass sufficient disposable income for investment purposes other than basic insurances. As the 2003 Retirement Commissioner's Review pointed out (p 66) "the result of women withdrawing from the workforce to raise families added up to lower earned incomes and lower lifetime savings for women in their own right". True, after caring for dependents, bur the disparity between male and female incomes continues.

Fortunately women benefit from matrimonial property legislation which ensures the assets can be retained which otherwise would have gone to spouses in earlier times. Further, at its 2000 National Conference, members agreed:

4.7.1.5 That NCWNZ support the proposition that all couples, married or defacto, should have the option of registering their partnership with the Inland Revenue Department so that income earned by either partner may be declared as a partnership income, and each partner would pay taxes on their income.

The 2007 review's terms of reference refer to personal assets but we urge the Retirement Commissioner to consider the importance of our public assets for women. There involve a nation saving for the future by:

(a) Ensuring there are locally owned resources secured for the next generation to use or conserve as wise economic strategies dictate

(b) Investing in essential public infrastructures which yield social dividends in the form of very affordable health care, education, electricity, elder care, public transport, agricultural research, etc. Policies designed to achieve such assets are safer than investing private or public moneys in overseas-owned corporations which have variable histories.

3. Social Attitudes of Younger People

One of the most controversial pieces of propaganda to come from the savings industry, and echoes by politicians of many persuasions, is the claim that an aging population will become "a burden on the workforce" (David Lange 1984). This assumes that the state superannuation must come from the income tax of those employed, where as personal income tax comprises under 50% of government revenues and much of that is paid by people not currently employed such as pensioners. If younger people see older people as a burden, they are likely to feel resentful. Then, if such resentment is reinforced by popular statements about the un-affordability of state "super" (in spite of the increasing productivity of capital) it should not be a surprise if crimes against the elderly increase. Younger people need to realise that, without the infrastructures (schools, hospitals, roads) built and funded by former generations they would not be able to gain the incomes they do receive. Yet the "dependency ratio" is still taught in school and university economics and geography classes.

We thank the Retirement Commissioner for inviting NCWNZ to offer our view.

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