



NATIONAL COUNCIL OF WOMEN OF NEW ZEALAND

TE KAUNIHERA WAHINE O AOTEAROA

7 October 2013

S13.13

Submission on the Flexible Superannuation Discussion Document

The National Council of Women of New Zealand (NCWNZ) is an umbrella organisation representing 47 organisations affiliated at national level and a further 41 organisations affiliated at branch level. It has 22 branches throughout the country attended by representatives of these organisations, as well as individual members. NCWNZ's function is to represent and promote the interests of New Zealand women, families and the community through research, discussion and action.

This submission has been prepared by the Economics Standing Committee after consultation with the membership of NCWNZ.

Executive Summary

NCWNZ welcomes the opportunity to comment on this discussion document, as the outcome of the Flexi-Super proposal and retirement issues in general may directly impact on the standard of living and wellbeing of many of our members, their families and their associated organisations.

This submission will address the questions posed by the discussion document, and report on the responses from members. We will then discuss the complexity of this proposal, and follow up with an examination of the 'problem' of an aging population.

Questions

Many of our members welcomed the idea of flexible choice in deciding when to receive NZ Super. Some recognised it as being beneficial to healthy people who could put off retirement beyond age 65, thereby receiving a higher Super rate later on. Others felt that women might take earlier retirement to help their families by looking after grandchildren.

However, most respondents acknowledged that the early retirement choice had some hooks for the unwary. Although people with hard labouring jobs could retire earlier if need be, most labouring jobs are poorly paid, so those individuals would be unlikely to have retirement savings, or very much in KiwiSaver. With the current level of Super set at a meagre, 'no frills' rate that is difficult to survive on for people who don't own their homes, 73% of that rate could spell severe hardship for a significant number of people.

Many members worried that this scheme effectively penalises people for being poor, for wearing out their bodies in hard labouring jobs, and in some cases for being women. Taking early retirement, for many women, could lock them into years of poverty, given that they live longer than men, earn 13% less and are less likely to have appreciable retirement savings as a consequence.

Therefore, although many have welcomed the concept of retiring early, most are not at all comfortable with higher levels of hardship for some elderly. Many also disliked that people over 60 who were sick, injured or unemployed would be forced to accept Super instead of going to Work and Income for help, an aspect that is mentioned in the discussion document. Such a low rate of Super for people with lower life expectancies basically penalises them for being Maori or Pacifica, and locks them into poverty. It surely cannot be considered an 'advantage'.

The majority of respondents felt that Flexi-Super was an inadequate solution to the perceived problem of an aging population.

Complexity

An important aspect of the Super scheme as it is now is its relative simplicity. Varying rates of Super at varying ages would create a whole new bureaucracy, which would put the 'fiscally neutral' aim out of reach.

Although the discussion document addresses the issue of increased complexity if this scheme were implemented, it fails to include the situation of a couple, one of whom is under retirement age but is eligible for Super as the spouse or partner of a retiree. A few of our members were concerned that this option be retained in any new scheme.

As mentioned by many members, the current rate of Super is too low for some even now. Forcing people onto a lower rate would mean that they would need care in other ways – free health clinics, better public transport, food and housing subsidies, etc. As we look closer at the Flexi-Super scheme, it makes less and less economic sense.

One respondent wondered if it might even be cheaper, or at least as financially viable, to leave the Super rate as is, and simply reduce the age of entitlement to 60. There would be a number of economic and social advantages to this suggestion.

- The Super scheme would remain relatively simple.
- People who are worn out by hard labour, or by a lifetime of poverty, poor nutrition and inadequate housing, will be able to retire from work, or escape the harassment of Social Welfare demanding they find work where there is none to be had.
- More jobs would be relinquished to our growing cohort of unemployed youth. (The Discussion Document lists this as a negative, but many of our members see it as a positive. Let's invest in training youth to meet our skills shortage!)
- People on higher incomes who continue to work will pay more tax.
- The cost of unemployment, sickness and disability benefits for people over 60 could be directed into the Super scheme.

- People retiring earlier would have more active years to volunteer. The contribution retirees currently make to the economy in unpaid labour runs into billions of dollars. Community groups and service clubs would get a welcome boost in numbers.
- People on lower incomes would give a boost to their local businesses, as they generally spend all their income on living expenses – food, clothing, shelter. (This is also the best argument for the Living Wage.)

The ‘problem’ of an aging population

Some NCW members are unconvinced that our aging population is such a serious problem. No matter what is said in the media, or what received Government opinion is, many people believe that our aged citizens are not a problem.

One member pointed out that it was false economics to compare the reducing number of people working and paying tax with the growing population of retired people. Income tax collected from the workforce is less than 50% of Government revenues and dropping.

Thanks to machines and technologies, there is less and less paid work to do, so even if we weren't living longer, and there was no big swell coming via the aging Baby Boomers, there would still be a drop in the work force and its tax take. Other avenues for taxation might be considered – the speculative buying and selling of property, shares and currency, for instance, currently gathers very little revenue.

Another member wanted to know why this Discussion Document claims (via the NZ Treasury) that NZ Super is funded out of general taxation, when we have a very healthy ‘Cullen Super Fund’ that is supposed to fund Super? Some members are confused about this, as it is not generally known that the Fund was established to cover *future costs* of NZ Super. When the future starts isn't made clear, and meanwhile the Fund posted a record 25.8% return in the year up to June 2013.

Conclusion

NCWZN has reported the responses from members, and examined the complexity of this proposal as compared to the current scheme and other options. In addition, considering the ‘problem’ of an aging population, real or manufactured, NCWZN must conclude that the Flexible Superannuation proposal would not be an improvement on the status quo.

Thank you for the opportunity to comment on this discussion document.

Barbara Arnold
National President

Katherine Ransom
Economics Standing Committee Convener