



31 October 2019

S19.26

## Submission to the Commission for Financial Capability on the 2019 Review of Retirement Income Policies

### Introduction

- 0.1. The National Council of Women of New Zealand, Te Kaunihera Wahine o Aotearoa (NCWNZ) is an umbrella group representing over 200 organisations affiliated at either national level or to one of our 15 branches. In addition, about 450 people are individual members. Collectively our reach is over 450,000 with many of our membership organisations representing all genders.
- 0.2. NCWNZ's vision is a gender equal New Zealand and research shows we will be better off socially and economically if we are gender equal. Through research, discussion and action, NCWNZ in partnership with others, seeks to realise its vision of gender equality because it is a basic human right.
- 0.3. This submission has been prepared by the NCWNZ Economics Standing Committee.

### 1. Response to the question

*Is the government doing enough to support the financially vulnerable and low-income groups to prepare for their retirement? What else would you suggest the Government do to support those who need more, if they are to achieve improved outcomes in retirement?*

- 1.1. Retirement income is a particular issue for women who frequently do not have the same opportunities to develop financial independence as men. This is especially true for migrant women, Pacific Island, Asian and Maori women. Although more women are in paid employment today their opportunities continue to be limited by education, occupational barriers, culture and family circumstances<sup>1</sup>. Changing social patterns also mean that many women will spend significant parts of their lives as sole parents with the associated economic stress from that position.

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<sup>1</sup> National Council of Women New Zealand (2010). *Submission to the Retirement Commission on the 2010 Review of Retirement Income Policies*. S10.07 <http://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.07-Submission-to-the-Retirement-Commission-on-the-2010-Review-of-Retirement-Income-Policies1.pdf>

- 1.2. In previous submissions NCWNZ has commented on the fact that, in general, women are less able to save as much as men<sup>2 3</sup>. As well as the factors mentioned above, other factors such as the pay equity gap and career interruptions from having children contribute to the difficulties women experience in accumulating financial resources for retirement. Women also have a longer life span, which means that more savings are needed in preparation for retirement.
- 1.3. Another concern stated previously by NCWNZ, which continues to be relevant, is the likely difficulty faced by Maori and Pacific people in preparing for their retirement, with a greater proportion being on lower incomes. In addition, cultural practices may require sharing of financial resources with relatives. Furthermore, in some sectors of the community it is considered culturally inappropriate for women to concern themselves with personal financial plans<sup>4</sup>.
- 1.4. NCWNZ acknowledges that many of these points have been mentioned in the various research reports commissioned as part of this policy review. NCWNZ also appreciates that the Government has implemented policies aimed at reducing the pay equity gap. These policies will be of most benefit to future generations of women, however the lag effect on the financial position of women currently in the workforce is not mitigated by the introduction of those policies now. In relative terms those women are still disadvantaged as they are unlikely to be able to save as much for retirement as men have to date.
- 1.5. While the activities of the Commission for Financial Capability may have improved the New Zealanders' level of awareness of saving for retirement, success developing and implementing a set of savings policies is likely to be challenging when considering financially vulnerable and low-income groups. Disposable income is a significant factor in determining the ability to save: whether within a partnership or as the sole supporter of a family, women have reported that they had insufficient income to budget for retirement savings<sup>5</sup>.
- 1.6. Aside from addressing pay equity, improving educational opportunities, and removing occupational barriers, other policy and financial incentives need to be explored further. For example, there may be aspects of taxation policy that could be adopted or adapted to incentivise retirement savings without impacting on disposable income. A more easily implementable suggestion is to undertake other targeted and active engagement to help educate New Zealanders on their retirement entitlements, the amount of private savings required, the savings options and their related tax treatments. For example, information and training programmes in schools, involving both students

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<sup>2</sup> National Council of Women New Zealand (2003). *Submission to the Periodic Report Group, Treasury, on New Zealander's Retirement Saving*. S03.42 <http://www.ncwnz.org.nz/what-we-do/ncwnz-archive/submissions/s03-42-new-zealanders-retirement-saving-submission-to-the-periodic-report-group-2003-treasury/>

<sup>3</sup> National Council of Women New Zealand (2007). *Supplementary Submission on the 2007 Review of Retirement income policies*. S07.35 <https://www.ncwnz.org.nz/wp-content/uploads/2013/06/S07.35-Review-of-Retirement-Income-Policies.pdf>

<sup>4</sup> National Council of Women New Zealand (2010). *Submission to the Retirement Commission on the 2010 Review of Retirement Income Policies*. S10.07 <http://www.ncwnz.org.nz/wp-content/uploads/2013/06/S10.07-Submission-to-the-Retirement-Commission-on-the-2010-Review-of-Retirement-Income-Policies1.pdf>

<sup>5</sup> National Council of Women New Zealand (2010). *ibid*

and parents, as well as with community groups and workplaces, may provide the impetus to focus on retirement saving which could help achieve improved outcomes in retirement.



Pip Jamieson  
NCWNZ Board



Lynley Hutton  
Economics Standing Committee