

## **NZCTU Response to Focussing on the Future – Discussion Document**

### **2013 Review of Retirement Income Policies**

1. The NZCTU (CTU) has made a submission as part of the review process and we have also had the opportunity to discuss the draft recommendations with the Commission. This response is therefore a brief note rather than a full restatement of our position.
2. The CTU believes that a mix of policy responses is required to maintain and improve the adequacy of retirement incomes. These include policies on affordable housing, and the system of wage bargaining. In respect of retirement income policy the CTU position is to support the status quo but raise taxes, including a capital gains tax, to assist with the cost. We advocate for a phase in over several years of employer contributions to KiwiSaver up to 6 percent, with an additional 4 percent contribution based on some share from workers and Government (e.g. 2+2 or 3+1).
3. We support recommendations made in the Discussion Document on age of access to KiwiSaver balances, an auto-enrolment day, a joint working party on data in respect of saving paths for different population segments, review on annuitisation, options to maintain contributions to KiwiSaver while on parental leave, financial education, age friendly housing, and age friendly workplaces.
4. We note also that the Discussion Document does say that a small rise in taxation rates could raise significant revenue to support a sustainable future for NZS (“A one per cent increase in tax revenue would equate to around \$2 billion in today’s money” p. 47).
5. Our main concerns are over the recommendations on indexation and the age of entitlement for NZ Super.
6. We oppose the suggested change to indexation. It is a very important part of NZ Super to maintain relativity with the waged workforce. This is important for social inclusion and to avoid growing poverty for superannuitants. We estimate that if NZS had been adjusted since 2002 by an average of annual movements in the Consumer Prices Index and net average ordinary time weekly earnings, the couples’ rate (both qualified) would be \$24.31 a week less today. Over an extended period this margin would of course grow. There is already evidence (O’Sullivan and Ashton) that NZS is too low. The proposal to index with a formula producing a lower NZS over time is therefore unacceptable.
7. We are also concerned about the proposal to lift the age of entitlement to NZS. We acknowledge that the proposal maintains the proportion (32 percent) of life aged over 20 when receiving NZS, but it will nonetheless significantly disadvantage those who find it difficult for a number of reasons to find decent work past the age of 65 years or are unable to work.

8. The projected falling ratio of workers to each retired person means that providing them with a decent income and health care is primarily an economic issue. To address it primarily as a fiscal issue, and then by cutting entitlements, will mean that it is people who have had low incomes throughout their working lives will bear the brunt of the problem.
  
9. In our view one of the very real difficulties in assessing the fairness of options to ensure the sustainability of NZS and overall adequacy of retirement incomes is the growing disparities of income and wealth. Depending on how it is calculated (hourly, weekly, FTE or not and using QES, or LEED) between 63 percent and 77 percent of workers earn less than the average wage. New Zealand's household income inequality is in the top third of the OECD. Increasing proportions of low to middle income people will get to retirement without having been able to buy a house, let alone having saved sufficiently for their retirement. These factors plus others contributing to widening income and wealth gaps mean that when proposals are put forward on issues such as retirement income, the equity issues they present are getting more difficult to resolve.

Peter Conway  
CTU Secretary